2017 REGISTRATION DOCUMENT

CRÉDIT MUTUEL CM11 Group

Crédit Mutuel
Groupe CM11

BANQUE FÉDÉRATIVE
Crédit Mutuel

Only the French version of this registration document has been submitted to the AMF. It is therefore the only version that is binding in law.
The original document was filed with the *Autorité des Marchés Financiers* (AMF - French Securities Regulator) on April 20, 2018 pursuant to Article 212-13 of the AMF's General Regulations. It may be used in support of a financial transaction only if supplemented by a Transaction Note that has received approval from the AMF. This document was prepared by the issuer and is binding on its signatories.

The English language version of this report is a free translation from the original, which was prepared in French. All possible care has been taken, to ensure that the translation is an accurate presentation of the original. However, in all matters of interpretation, views or opinion expressed in the original language version of the document in French take precedence over the translation.

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).

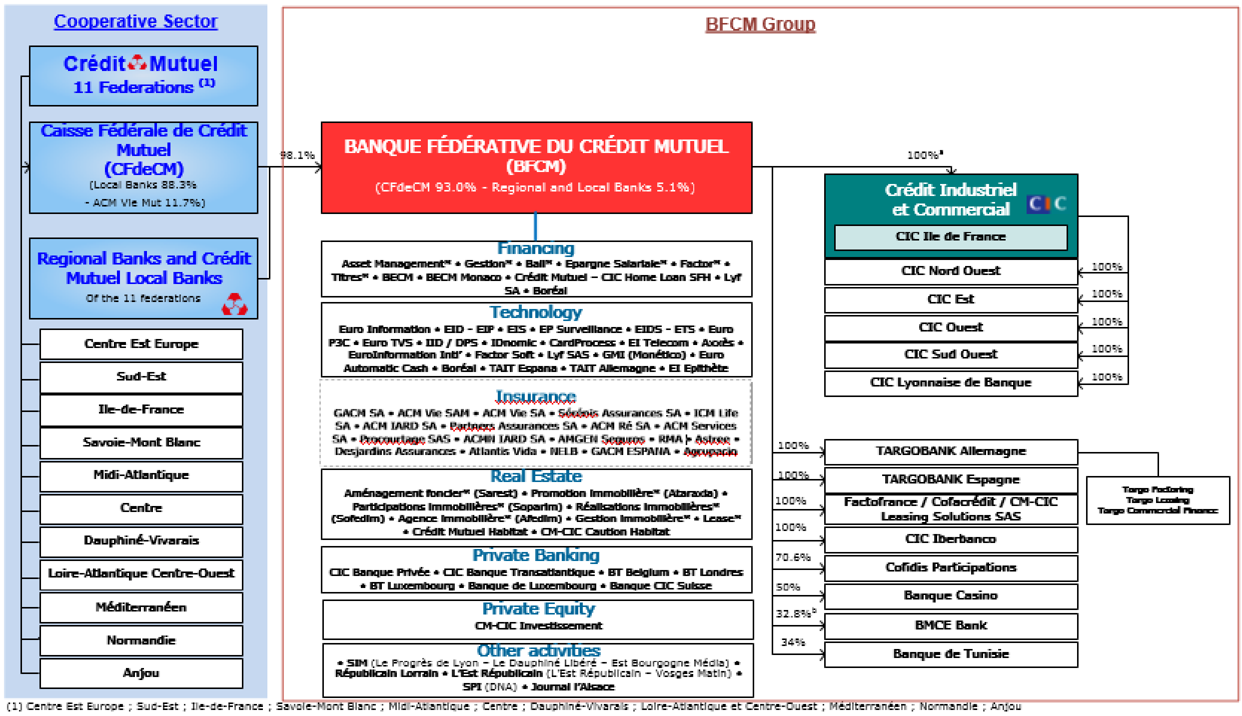
This Registration Document also serves as BFCM's annual financial report.

[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."

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



(1) Centre Est Europe ; Sud-Est ; Ile-de-France ; Savoie-Mont Blanc ; Midi-Atlantique ; Centre ; Dauphiné-Vivarais ; Loire-Atlantique et Centre-Ouest ; Méditerranéen ; Normandie ; Anjou
* CM-CIC Subsidiaries
(a) BFCM 93.7% (direct owning) + 6.3% Mutuelles Investissement (subsidiary of BFCM and ACM Vie SAM)
(b) Direct and indirect holding

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.

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.

Given these elements, the chapter "Corporate governance of the Crédit Mutuel CM11 Group and BFCM", will present two reports on corporate governance: one for the Caisse Fédérale de Crédit Mutuel as a representative of the parent company consolidating and one for BFCM.

In addition, internal control and anti-money-laundering and counter-terrorist financing policies are homogenous throughout the 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, up 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 Crédit Mutuel Group is made up of the Crédit Mutuel network and all its subsidiaries grouped under the protective umbrella of the Condédération Nationale du Crédit Mutuel, its common home.

The regional groups

The Crédit Mutuel Group is made up of 6 regional groups:

- Crédit Mutuel CM11 Group grouping 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);
- Crédit Mutuel Arkea Group and its 3 regional federations 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 (CNCM)* is the central body of the network from the perspective of the French Monetary and Financial Code. The 18 federations, the *Fédération du Crédit Agricole et Rural (CMAR)* and the *Caisse Centrale du Crédit Mutuel (CCCM)* are affiliated with the CNCM.

During the year 2017, the CNCM continued to change its operation and governance in line with the request of the European Central Bank (ECB), its supervisor. After the amendments to the status in 2016, mainly concerning issues of governance (Board of Directors, Chief Operating, sanctions) and the clarification of the national solidarity mechanism, it adopted in 2017 new texts on the organization of internal audit and compliance. It has also strengthened the teams dedicated to control (periodic, permanent and compliance).

CNCM represents Crédit Mutuel before the public authorities. It aims to protect and promote its interests. As it is 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.

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.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 local cooperative banks which are members of their respective federations; and (iii) Caisse Fédérale de Crédit Mutuel (CF de CM). The mutual banking division owns more than 98% of BFCM.
- The BFCM Group includes:
  - BFCM, which owns 100% of CIC (direct and indirect) 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, 2017, the Crédit Mutuel CM11 Group had 24.3 million customers, 4,527 points of sale and 69,670 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 and insurance 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 and insurance network now comprises 1,368 local cooperative banks, 1,981 points of sale and 6.9 million customers (including almost 4.6 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 – The 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.

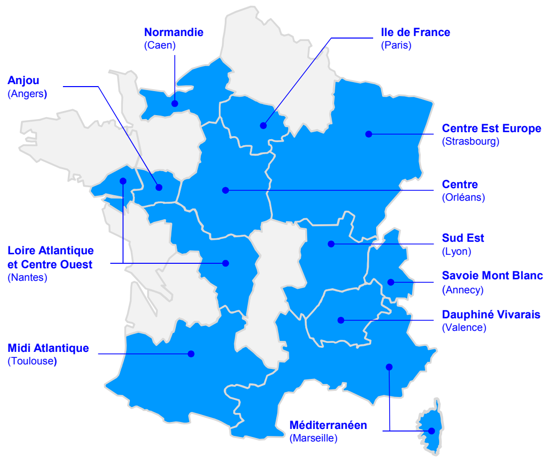
BFCM owns and coordinates the activities of its subsidiaries within the BFCM Group. These subsidiaries are active in finance, insurance, electronic banking and information technology. BFCM performs the central refinancing functions of the Crédit Mutuel CM11 Group. It is responsible for financial relations 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:

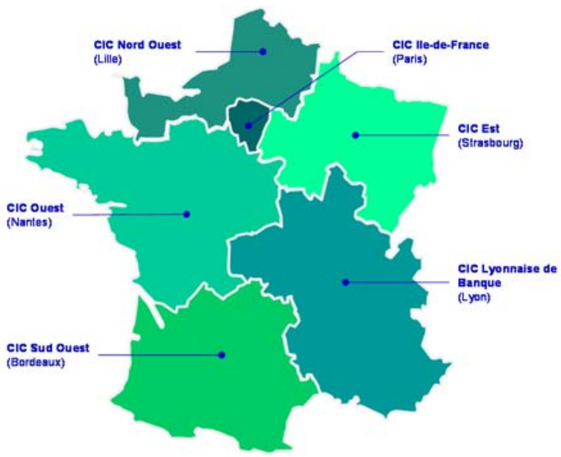
- 100% of CIC (direct and indirect: 93.7% directly held by BFCM + 6.3% owned by *Mutuelles Investissement*, a subsidiary of BFCM and ACM Vie SA), holding for CIC Group and head of the network bank, which also operate in investment, financing and market activities;
- 52.8% of Groupe des Assurances du 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 in Germany, Targobank in Spain, 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

LONDRES, NEW YORK, SINGAPOUR and HONG-KONG
- CIC branches • Banque Transatlantique Londres

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

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 in Germany
- Targo Factoring – Targo Leasing – Targo Commercial Finance

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

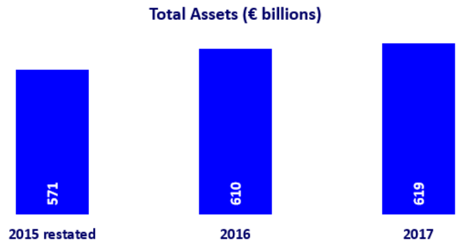
CANADA
- Desjardins Assurances
- Monetico

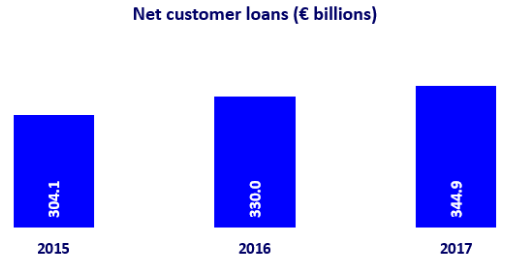
I.2 - Key figures – Solvency ratio and ratings (Crédit Mutuel CM11 Group)

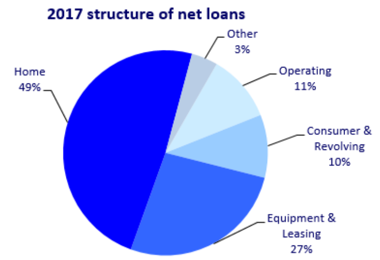
Crédit Mutuel CM11 Group – key figures

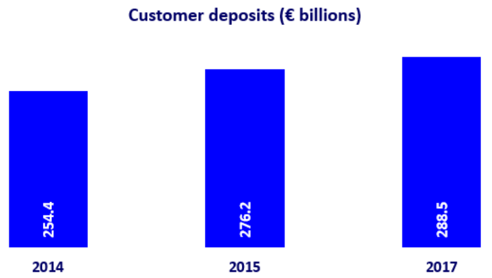
	2017	2016
Net banking income	**14,009**	13,302
Operating income	**4,680**	4,273
Net income	**2,427**	2,624
Net income attributable to the group	**2,208**	2,410
Cost-to-income ratio[1]	**60%**	62%

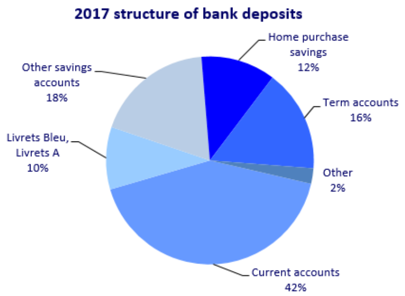
(1) Ratio of overheads to net banking income

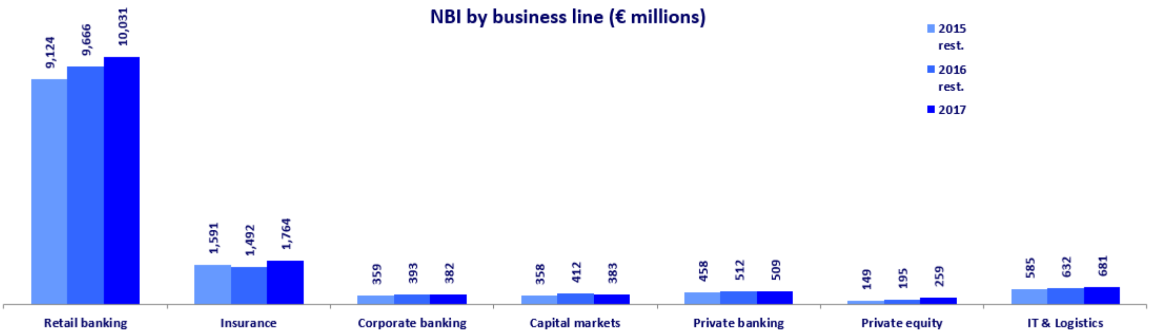






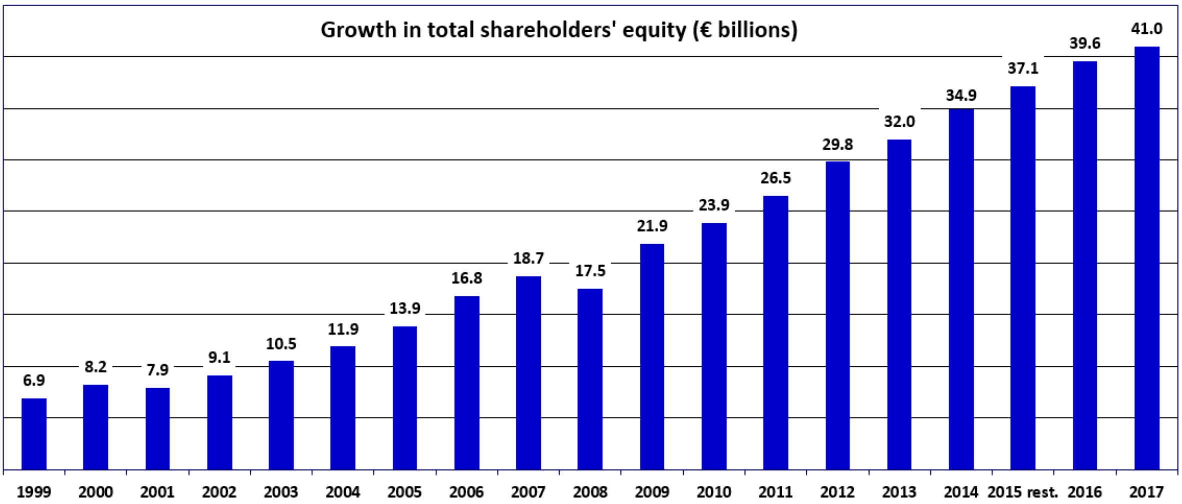






Crédit Mutuel CM11 Group European solvency ratio

As of December 31, 2017, the Crédit Mutuel CM11 Group had reported shareholders' equity of €41 billion vs €39.6 billion as of December 31, 2016 as a result of the appropriation of net income.



The group's risk-weighted assets amounted to €198.4 billion at end-December 2017 versus €207.1 billion at end-December 2016 and credit risk accounted for nearly 90%. CET1 capital (excluding transitional measures), which was €32.6 billion at end-2017, increased by 5% over one year.

The Common Equity Tier 1 (CET1) ratio was 16.5% (excluding transitional measures) at the end of 2017, up 1.5 points compared to December 31, 2016 as a result of the net income carried forward and the decrease in risk-weighted assets. The overall capital adequacy ratio was 19.9% (excluding transitional measures).

The leverage ratio was 5.9% (excluding transitional measures).

With regard to the application of IFRS 9, the first-time application on January 1, 2018 is expected to have a limited impact of 15 basis points on the CET1 ratio.

Rating

The Crédit Mutuel CM11 Group's ratings at the end of 2017 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, all three agencies – Standard & Poor's, Moody's and Fitch – confirmed the Crédit Mutuel CM11 Group's short-term and long-term ratings[1].

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

- a solid franchise in retail banking and insurance in France,
- a relatively low risk appetite,
- strong capitalization and liquidity,
- a strong ability to generate capital internally.

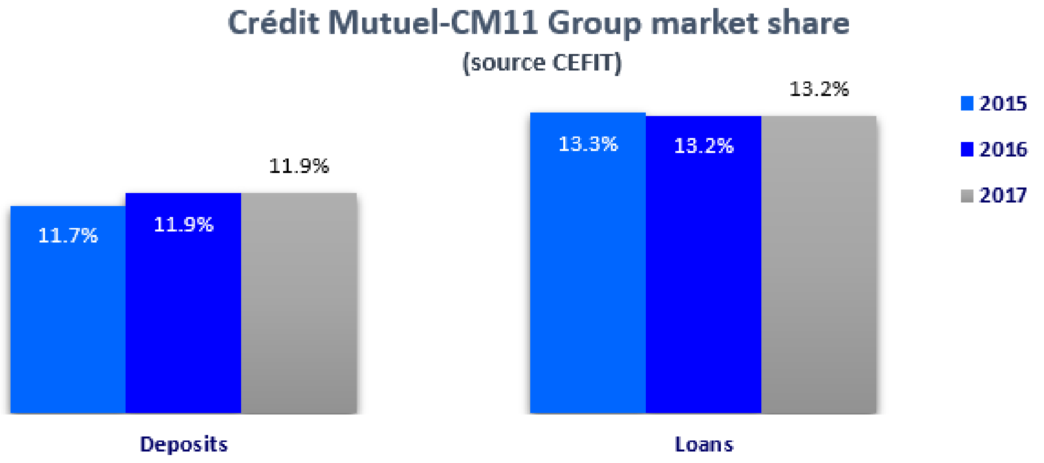
[1] *Standard & Poor's: rating for the Crédit Mutuel Group; Moody's and Fitch: ratings for the Credit Mutuel CM11 Group*

I.3 - Crédit Mutuel CM11 Group's 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[2] 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% (stable) and 13.2% (stable).

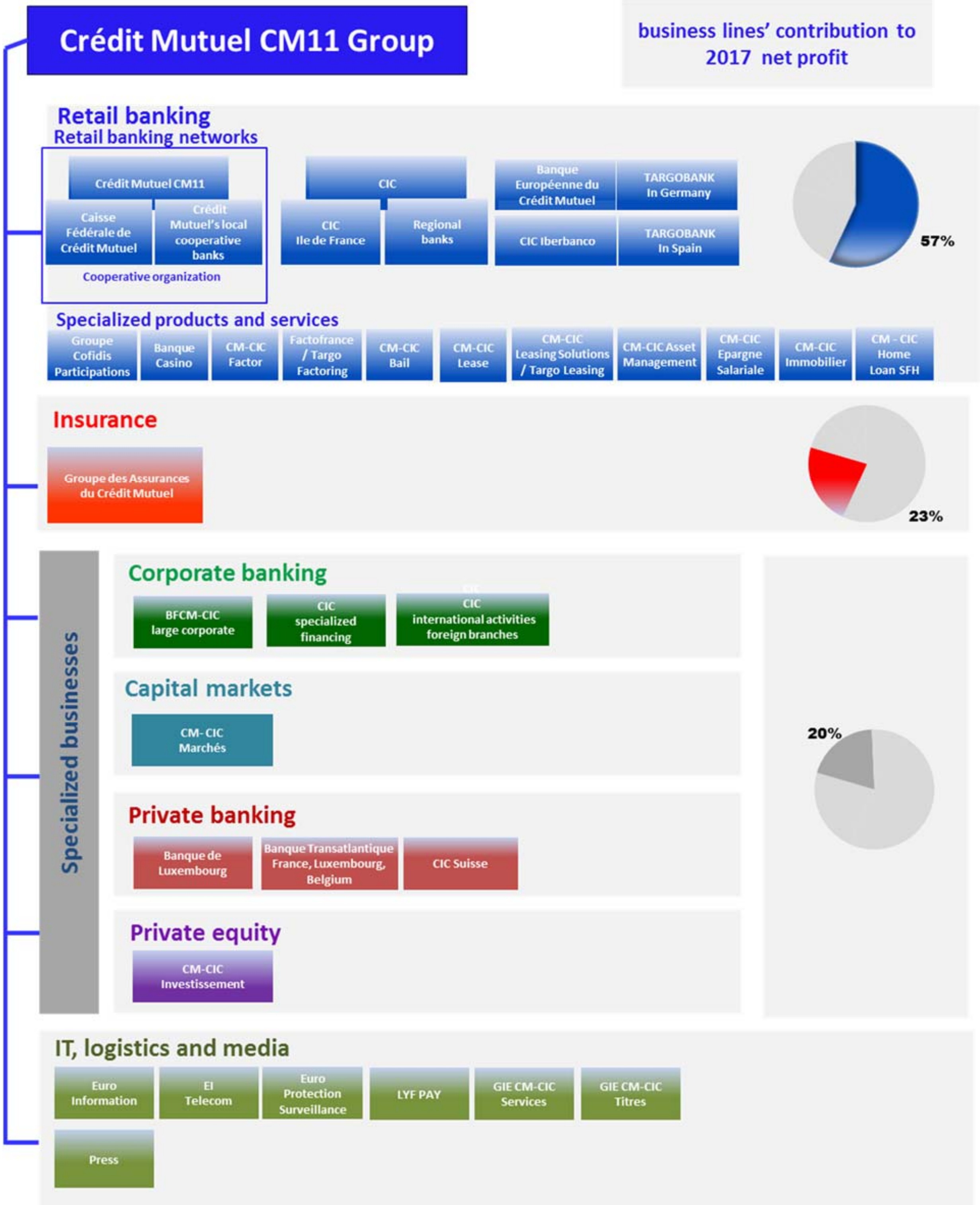


With over ten years' experience in telephony combined with day-to-day banking expertise, the Crédit Mutuel CM11 Group is the first major banking player to offer the banking and telephony mix in France, with 1.3 million customers. convinced customers. In a market that brings new answers to users, it affirms its expertise and its positioning of "phygitale" bank - combining the physical network and the digital bank - with the Avantoo offer. Launched in July 2017, Avantoo offers a complete service with :

- a checking account with a payment card
- high-performance remote services: mobile Internet account tracking (Apps) for internal and external transfers, RIB edition
- a telephone subscription (50 GB mobile plan)

2 *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 Group’s business lines, main subsidiaries and activities

Retail banking, the Group’s core business

Retail banking is the Credit Mutuel CM11 Group’s core business and represents 68% 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 Group, 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, telephony, remote surveillance and real estate sales.

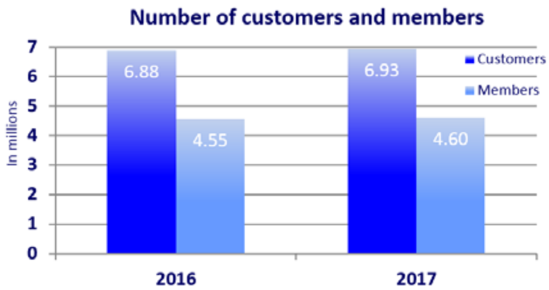
In terms of activity, deposit-taking rose by 5% with deposits totaling €253.9 billion at the end of 2017 and outstanding loans grew at a similar rate of 5.2% to €308.1 billion.

The Crédit Mutuel CM11 Group retail banking networks

Crédit Mutuel branch network

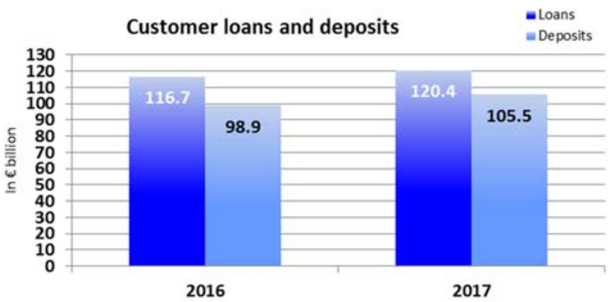
The Crédit Mutuel CM11 branch network, also called the regulatory scope, continued to expand its customer base, which now consists of 6.9 million customers, 88% of whom are private individuals.

The number of customers who are members of their local Crédit Mutuel bank is now 4.6 million. This means that nearly 81% of customers are able to actively participate in decisions affecting their local cooperative bank, particularly at shareholders' meetings.



The Crédit Mutuel network managed €120.4 billion in outstanding loans at end-2017, a 3.2% increase over 2016. Home loans (€91.6 billion) accounted for 76% of outstanding loans and grew by 3.4%. Investment loans to business customers and companies also grew by 3.5%, reaching €19.7 billion at year-end.

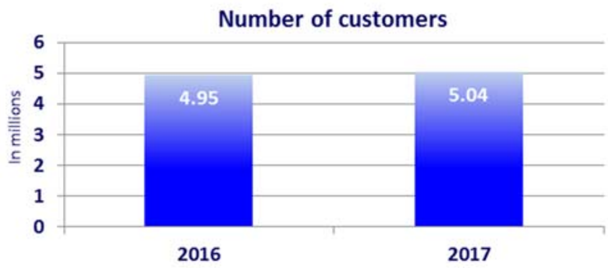
Managed savings totaled €151.4 billion at the end of 2017, up 5.2%. Deposits were particularly high for demand accounts (+14.4% to €28.7 billion) and passbook accounts (+8.5% to €40.5 billion). Life insurance outstandings for Crédit Mutuel's network customers totaled €37.1 billion at the end of 2017, a 3.1% increase that resulted mainly from multi-investment contracts.



In terms of services, growth continued with an increase in the number of insurance policies (+3.1% to 9.45 million), mobile phone subscribers (+5.8% to 722,000) and remote surveillance subscriptions (nearly 152,000, +4.2% in one year).

CIC banking network

The banking network is CIC's core business. At December 31, 2017, it consisted of 1,941 branches, including those of CIC's network in the Paris area and the five regional banks (CIC Lyonnaise de Banque, CIC Est, CIC Nord Ouest, CIC Ouest and CIC Sud Ouest). The 5 million customer mark (4.1 million, or 81%, of whom are individuals) was passed in 2017, for a 1.9% increase over one year.

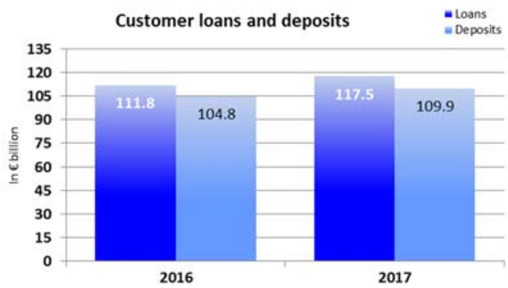


Outstanding customer loans grew by 5.1% to €117.5 billion. The increase in outstanding loans was driven by a rise in home loans (up €2.9 billion, or 4.4%, to €69.1 billion) and investment loans (up €2.6 billion, or 8.7%, to €32.8 billion).

At €109.9 billion, customer deposits rose by more than €5 billion, driven mainly by current accounts (+€6.9 billion) which benefited from low interest rates on savings and passbook accounts (+€2.4 billion), while deposits at market rates decreased.

In terms of services, CIC network customers held 10.2 million property and casualty insurance policies (+6.4%), 470,000 telephone lines (+5%) and 98,700 remote surveillance contracts (+8%).

In 2017, demand for credit in CIC's corporate network was particularly high. New investment loans increased by 12% and the overall commitments of the corporate network were up 6.1%. Companies can rely on the expertise of business specialists, a branch network, representative offices and the group's presence in Germany and Spain for international assistance. They can also take advantage of highly secure solutions to manage their transactions.



Banque Européenne du Crédit Mutuel (BECM)

BECM is a largely decentralized human-scale network bank that caters to businesses and real estate professionals. With 408 employees and 51 branches, it is within close reach of its customers and has short decision-making processes. It conducts its business nationally and in Germany and covers the following markets and areas of activity:

- small, medium and large companies, with appropriate targeting based on the regions to ensure that its services complement those of the Crédit Mutuel CM11 federations,
- financing of real estate development in France, primarily in the housing sector, and real estate companies in France and Germany,
- flow management for large accounts in the retail, transportation and services sectors.

BECM works on a cross-functional basis with CIC's regional banks and on a subsidiary basis vis-à-vis Crédit Mutuel's branch network.

It offers its business customers advanced technical expertise in investment financing and services to support their strategy. For large operators in the real estate market, it focuses and synthesizes the group's know-how in coordination with the group's retail banking networks and real estate subsidiaries. It also works with large German companies, including those with activities in France, and with the German subsidiaries of French groups. The teams based in Frankfurt, Düsseldorf, Stuttgart, Hamburg and Munich design personalized solutions tailored to the needs of German customers.

Measured in monthly average capital at end-December 2017, balance sheet lending grew by 11.8% to €14 billion.

CIC Iberbanco

With 176 employees working at 37 branches in France, CIC Iberbanco took on more than 9,200 new customers in 2017, thereby increasing its customer portfolio by 8.2% to 53,600.

Deposits rose by 13.3% to €683 million. Outstanding loans grew by 18% to €913 million.

Property and casualty insurance (20% increase in the total number of policies to 45,700 at end-2017) and mobile phone services (13% increase in the number of subscribers to 6,130 at end-2017) posted very significant growth.

CIC Iberbanco continued to implement its development plan with the opening of three new branches: Sainte-Geneviève-des-Bois, Le Raincy and Montesson. Three additional branches in Aix-en-Provence, Lyon and Sucy-en-Brie are planned for 2018.

Targobank in Germany

In the retail market, Targobank pursued and boosted the initiatives undertaken in January 2016 as part of its "Targobank 2020" medium-term plan.

The bank's market share in the consumer credit market, which fell by 5% between 2013 and 2015, continued to grow. After increasing by 5% in 2016, it grew by 4% in 2017, confirming the robust momentum that has been built.

The total amount of new lending (excluding vendor credit), at €2.8 billion in 2015 and then €3.4 billion in 2016 (+24%), further increased by 18% in 2017, passing the €4 billion mark for the first time.

As a result, outstanding loans increased by more than €1.2 billion over 12 months, reaching €13.4 billion at the end of 2017.

Growth in loans issued online and by phone was particularly strong: the distance selling channels increased by 47% and now represent one-fourth of new lending.

That said, sales of new loans by the physical channels (branches and mobile advisers) also remained strong, increasing by 8%.

New auto loans sold online and through a network of partner dealers stood at €400 million, a 39% increase over 2016.

Customer deposits also grew by nearly €1.5 billion in 2017, reaching €14.6 billion at year-end. Favorable market conditions and the growing success of the "Plus-Dépôt" offering launched in 2016 contributed to a €787 million increase in financial savings, which came to €11.3 billion at the end of the year.

In the corporate market, the range of products designed for business customers was enhanced in mid-October 2017 with the launch of the product line developed for microenterprises and SMEs. Sold by ten branches in a first phase, the line will gradually be rolled out across the network in 2018.

In addition, the transfer to Targobank of General Electric's German factoring and leasing businesses initially acquired by BFCM in 2016 was finalized in the summer of 2017. These businesses, which had already been managed operationally by the Targobank teams since July 20, 2016, were migrated to the group's computer systems in the last quarter of 2017.

The sales activity of these businesses benefited from the first concrete synergies with Targobank, particularly in terms of refinancing.

Targobank in Spain

In 2017, BFCM acquired full control of Targobank Spain (from 51% to 100% of the share capital), an operation that included a €150 million capital increase. This change in governance follows the change in management that took place in 2016.

An all-purpose bank with 132 branches located in Spain's main centers of economic activity, Targobank in Spain has nearly 121,000 customers, most of whom are private individuals.

Gross customer loans increased significantly to €2.35 billion at end-2017 and customer deposits totaled nearly €2 billion, down 2.8% over one year.

The sales efforts at the branches resulted in an increase in the number of active customers and an improvement in data quality. In addition, 2017 was the first transition year in the specialization of the sales network (general public/businesses/large companies), the benefits of which are expected in the second half of 2018 once implementation is complete.

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 70.6%-owned, designs, markets and manages an extensive line of financial services such as consumer credit, payment solutions and banking services (current accounts, savings, online trading 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.

Amid an upturn in consumer credit, sales development was strong in 2017 thanks in particular to growth in auto loans, vendor credit and partnerships in Spain and Italy. Another favorable factor was the increase in personal loans and repurchases, even if the group continues to invest in revolving credit.

The Cofidis Group's outstanding customer loans totaled €10.9 billion at the end of 2017 (+8%).

Factoring and receivables management

The factoring business in France is built around CM-CIC Factor, the Crédit Mutuel CM11 Group's long-time customer receivables financing and management specialist, and Factofrance and Cofacrédit, two companies acquired from General Electric in July 2016.

At December 31, 2017, these entities together represented more than 20% of the French market, namely:

- approximately €68 billion in receivables bought (+2.4% in 2017);
- €14 billion in export revenues (+4.7% in 2017);
- gross outstandings at end-December of €11.7 billion (+14.3% in 2017).

Leasing in France

CM-CIC Bail and CM-CIC Leasing Solutions

In a favorable environment and at a time when the choice is often made to use equipment rather than own it, CM-CIC Bail continued to grow at a rapid pace in 2017, particularly in the auto financing market.

New business totaled €4.2 billion, up 0.6% over 2016. Nearly 113,000 leases were arranged to meet the investment needs of corporates, business customers, self-employed professionals and individuals.

The increase in outstanding leases, which reached €7.7 billion (+€469 million) and the diversification of our products and services allowed us to keep profitability high.

CM-CIC Bail and CM-CIC Leasing Solutions continued to grow, with a volume of new business that passed the €5 billion mark, including nearly €1 billion internationally. In France, activity in the networks was brisk: new leasing operations rose 2.8% and the volume of contracts not yet started was up 14.5%.

CM-CIC Lease

CM-CIC Lease reported 303 financing agreements in 2017 for a 5% increase in the number of new real estate leasing transactions compared with the previous year. This figure included financing carried out on its own or through participation in pools in the amount of €617 million, down by a slight 2%. This new business thus brings total real estate leasing outstandings to about €4.6 billion, up 2.5%.

Business was balanced and the average lease amount remained stable; new business consisted of a diverse range of properties covering the entire country. As in the previous year, logistics sites represented the largest share of project financing (25.2% of new business) although they were down 3.3 points in relative terms. Commercial properties as a whole rose slightly (22.2% of new business, up 2.3 points). Investments in office buildings and industrial sites accounted for 15.8% (up 0.6 point) and 14.2% (down 1.1 points), respectively.

The fairly similar breakdown of new business in the last three years has helped to gradually balance out the main outstandings by type of property. The proportion of logistics sites and warehouses decreased by a slight 0.7 point to 20.8% of outstandings, commercial properties accounted for 23.4% (down 0.3 point) and industrial sites 21.2% (down 0.5 point). The remaining existing leases covered a range of sectors, including office buildings (15.3%), healthcare facilities (8%), hotels (9.2%) and other facilities (2.1%).

Net interest income from customers rose by 4.5% in 2017. General operating expenses increased overall by 1.7% due primarily to the development of an application to help the networks prepare real estate lease financing proposals. Commissions paid to the Crédit Mutuel CM11 Group totaled €21.2 million, up 5.3%. Net additions to/reversals from provisions for loan losses remained low and net income rose sharply to €14.4 million.

Factoring and leasing in Germany

The factoring and leasing businesses acquired in 2016 by the Crédit Mutuel CM11 Group were integrated into its Targobank subsidiary and operate under the Targo Factoring and Targo Leasing names.

New leasing contracts rose from €379 million in 2016 to €453 million in 2017, an increase of 20%.

In the factoring segment, the volume of receivables purchased was €47.5 billion in 2017 compared to €44.9 billion in 2016.

Fund management and employee savings

CM-CIC Asset Management (CM-CIC AM)

CM-CIC Asset Management (CM-CIC AM) is the Crédit Mutuel CM11 Group's asset management specialist and was the fifth largest asset management company in the French market at end-2017. CM-CIC AM continued to grow in 2017 in an environment that varied depending on the asset classes sold by all its distribution networks.

At December 31, 2017, CM-CIC AM had €63 billion in assets under management, which represents a 7.46% market share among asset management companies that are subsidiaries of banks (source: Six Financial Information France). It had €252.3 million in revenue, up sharply by +9% compared to 2016.

In addition to this, the managed assets of its subsidiary, the CM-CIC Gestion portfolio company, rose by nearly 13% to €11.7 billion.

The quality of CM-CIC AM's management was recognized in 2017:

- The range of diversified funds was awarded for the second straight year: "Le Revenu" Gold Medal for best range of diversified funds over three years and Corbeilles "Mieux Vivre Votre Argent" for best range of diversified funds over five years.
- "Le Revenu" Gold Medal for best range of international bond funds over three years.
- For the third consecutive year, the "Mieux Vivre Votre Argent" "Performance" labels were awarded to the Europe Growth and CM-CIC Dynamique International funds.

CM-CIC Epargne Salariale

At year-end 2017, CM-CIC Epargne Salariale, the employee savings business center for CIC and Crédit Mutuel, had:

- €8,195.7 million in managed savings (+5%);
- 86,712 corporate customers (+6.9%);
- 1,296,840 employees with savings under management (-2.9%).

The growth in savings was due to the €132.3 million increase in net inflows and the €514.3 million rise in the valuation of savings.

The recovery that was observed in 2016 was confirmed in 2017:

- 2017 inflows were at an all-time high, rising by 12.4%, i.e. €1.224 billion, compared to 2016,
- sales of contracts were up 7.9%, with 12,751 new contracts,
- payments on new contracts totaled €169.4 million (+30%).

Total outflows stood at €1.092 billion. The 12.6% increase was due in part to the loss of a large account contract and to profit-taking on FCPE company mutual funds.

Total operating income was €56.7 million (+9.8%) due to the implementation of a new pricing schedule and an increase in the number of customers and assets.

The business's total profitability (income plus commissions paid to the Crédit Mutuel and CIC networks) was €35.6 million and income was €4.7 million (+28.7%).

Total commissions paid to the network rose by 9.5% to €30.9 million.

It was an active year in terms of the networks' on-the-ground training and support initiatives.

Major Internet tools were delivered (simulators, capital gain/loss display, etc.) and substantial investments continue to be made in design, to put the human component at the center of digital technology.

Lastly, CM-CIC Epargne Salariale was involved in discussions to expand its partnership with Edenred on Monetico Resto.

Other

Real Estate - CM-CIC Immobilier

The subsidiary CM-CIC Immobilier 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.

CM-CIC Agence Immobilière symbolizes the diverse range of products offered by the group to its customers, putting 9,904 housing units under contract in 2017, up 13% (+1,100) from 2016. It is France's leading agency for new properties.

CM-CIC Gestion Immobilière obtained 4,534 ZENINVEST management mandates and 53% of purchasers via CM-CIC Agence Immobilière signed a management mandate within the group.

In 2017, CM-CIC Aménagement Foncier put 976 building lots under contract and, in terms of real estate development, ATARAXIA Promotion put 518 housing units under contract.

Crédit Mutuel-CIC Home Loan SFH

In 2017, Crédit Mutuel-CIC Home Loan SFH completed two issues for a total of €2 billion representing approximately 13% of the Crédit Mutuel CM11 Group’s medium- and long-term refinancing needs:

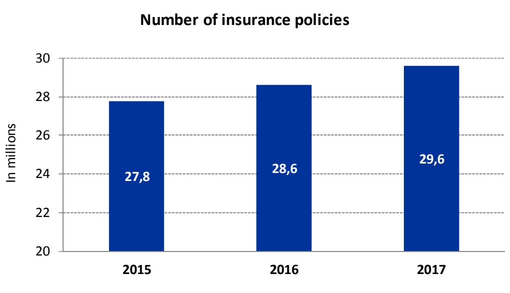
- €750 billion in an 8-year issue (February);
- €1.250 billion in a 10-year issue (September).

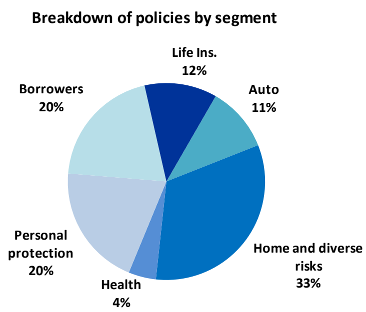
Aside from the period of tension surrounding the French elections in the first half of the year, 2017 was overall a very good year for issuers due to the continuation of the European Central Bank's (ECB) highly accommodative policy.

In 2018, our company will continue to make a meaningful contribution to the Group’s refinancing on the markets, very likely at a time of monetary policy normalization by the major central banks.

Insurance, the Group's second business line

The Crédit Mutuel CM11 Group's insurance business serves 10.7 million holders (+3.5%) of 29.6 million policies.





GACM's total revenue of €10.2 billion reflects the high volume of sales of property and casualty insurance policies and the successful repositioning in life insurance.

The 5.2% decrease in total premium income compared to 2016 obscures the fact that property and casualty insurance premiums rose by 5.2% (€4.6 billion in revenue), a much higher rate than the market.

Revenue breakdown:

In € millions	2017	2016	Change
Property insurance	**€1.850 bn**	**€1.751 bn**	***5,6%***
Of which auto	*€1.014 bn*	*€948 m*	*7,1%*
Personal insurance	**€2.728 bn**	**€2.601 bn**	***4,9%***
Of which borrowers	*€1.370 bn*	*€1.311 bn*	*4,5%*
Subtotal Property and casualty insurance	**€4.578 bn**	**€4.352 bn**	***5,2%***
Life insurance	**€5.493 bn**	**€6.287 bn**	***-12,6%***
Other	**€142 m**	**€138 m**	***2,7%***
Total Consolidated premium income	**€10.213 bn**	**€10.778 bn**	***-5,2%***

Gross premium income from life insurance and insurance-based savings products was €5.5 billion, down 12.6% (-1.8% for the market) compared to 2016. This decline resulted from the strategy adopted by GACM to limit inflows in euros given the current environment of persistently low interest rates. The shift toward more unit-linked (UL) policies (25.9% in 2017), more than twice that of 2016, put inflows on a more even keel with the market (27.9%).

Although down significantly, net premium income remained positive.

Premium income from property insurance rose by 5.6% (2.4% for the market) to €1.9 billion as a result of two factors:

- a record number of auto policies (451,000) and homeowners policies (378,000),
- a downward trend in cancellation rates.

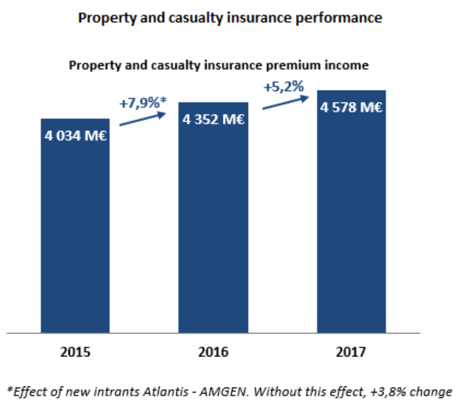
The auto and homeowners portfolios grew by 6.0% and 4.6%, respectively.

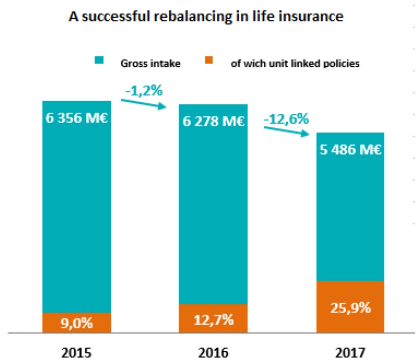
The product line aimed at business customers continued to be enhanced and improved in order to help the network offer insurance to a wider customer base. The property insurance and group health insurance portfolios continued to grow at a steady pace, reflecting the network's successful efforts to capture this market.

Premium income from personal insurance was €2.7 billion, up 4.9% (4.5% for the market).

Following the rollout in 2016 of the ANI (Accord National Interprofessionnel - national multi-sector agreement), the individual health insurance portfolio grew by 1.9%. The particularly high cancellation rates in 2016 returned to more typical levels. Nevertheless, in a regulatory and market context that has changed significantly in recent years, a new health strategy is crucial to ensure continued growth in this market. A redesigned offering and a new sales support tool for the network will be introduced in the first half of 2018.

In personal protection insurance, 2017 marked the launch of various sales campaigns and the introduction of a dramatically improved sales tool to support the new accident insurance policy. New business increased by more than 23%, enabling the portfolio to grow by nearly 10%.





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 €17.1 billion in loans (+4.6%) and €6.6 billion in deposits (+29.7%).

Large accounts: corporates and institutional investors

In an economic environment marked by renewed growth and an upward trend in investment in the eurozone, the total amount of commitments of the Large Accounts division increased in 2017. After refocusing the business on corporates and institutional investors, excluding the activity of the Group's subsidiaries at the beginning of the second half of the year, overall exposure (excluding guarantees received) rose from €17.6 billion to €18.1 billion (+3.3%). On-balance sheet outstandings increased by a significant 10% (€4.2 billion compared with €3.8 billion at end-2016). Off-balance sheet guarantees (sureties and risk participations) decreased to €3.9 billion versus €4.1 billion a year earlier. Off-balance sheet financing — undrawn committed lines — rose by 5.7% (€9.7 billion versus €9.2 billion).

In a disintermediated environment, the growth initiatives at the sales and marketing level focused on the primary bond market where CIC participated in several issues. The risk selection policy was maintained, as was the drive for reduced concentration of commitments through greater sector diversification. Net additions to/reversals from provisions for loan losses remained in check for the year. At end-2017, deposits stood at €5.9 billion, including €4.4 billion in demand accounts (compared with €3.7 billion a year ago). This was supplemented by €5.3 billion in money-market UCITS (versus €7.2 billion in the previous year), excluding UCITS not in custody (€10.0 billion).

Efforts to train the large corporates account managers, in particular on regulatory and compliance topics, were maintained throughout the year. The IT projects aimed at improving the business monitoring and counterparty profitability measurement tools continued in an effort to oversee and coordinate the sales initiatives more effectively. A project management support team dedicated to integrating information system-specific tools was established in the fourth quarter to meet the specific needs of large corporates. In cash management, which is one of the Group’s major development priorities, discussions have been held on how to improve and optimize cash management and oversight (electronic payment acceptance platform, etc.).

At December 31, 2017, net banking income was €85 million in a negative interest-rate environment. This amount does not include the financial contribution from cross-selling, for which large corporates remain key drivers.

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, 2017 was a good year in terms of business performance and earnings. Net banking income (€191 million) and gross operating income (€131.4 million) excluding tax credits remained at record high levels. Total net additions to/reversals from provisions for loan losses were very low (€16.6 million versus €30.2 million in 2016) due to releases from acquisition financing, which offset the additional allocations to shipping, a sector that continued to suffer. There were no net additions to/reversals from provisions for loan losses on project financing, as the amount of new allocations was the same as the releases from a project provisioned in 2016.

The business line’s net income before tax, including tax credits and the contribution from CM-CIC Private Debt at the net banking income level, rose significantly to €155 million from €132.2 million in 2016.

At 31 December 2017, total commitments (€12.1 billion) fell slightly from 2016 (€12.7 billion) as strong sales activity was offset by a negative currency effect (depreciation of the US dollar against the euro). The development of the third-party management business via our CM-CIC Private Debt subsidiary (which is not consolidated for accounting purposes) continued in 2017 with the opening of the new CM-CIC Private Debt London branch, as well as the launch in 2017 of a senior debt fund to finance European large caps and a fund under discretionary management to finance infrastructure, which will benefit from business flows from CIC's project financing team. The CIC Mezzanine 4 and CIC Debt Fund 2 funds launched in 2016 achieved a high level of deployment in 2017. CM-CIC Private Debt now has €2 billion under management.

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.

Asset finance and securitization

New business remained satisfactory in 2017 with the completion of 38 new projects (9 in Paris and 29 in the foreign business centers: New York, Singapore and Hong Kong), despite an unfavorable environment for certain business sectors, including shipping; offshore oil, against the backdrop of persistently low crude prices; and gas transmission. There were only 6 shipping transactions and 3 transactions in the energy sector: 1 offshore and 2 gas transmission (financing of liquefied natural gas carriers) transactions were carried out in the last year. The aviation sector was once again the main contributor to business in 2017 with 27 projects (74% of new US dollar business).

Our policy of prudent investment and support for our long-time customers was maintained.

Business at the different desks was more balanced in 2017 with new aviation business distributed evenly across regions. The Asian hub (Singapore and Hong Kong) generated the most new business (42% of total new US dollar business) as it arranged the six shipping transactions carried out by the business line this year.

Optimized financing transactions carried out in Paris once again made a significant contribution to the department's results.

Furthermore, the receivables securitization business is expected to be relaunched in 2018.

Project financing

In a highly competitive environment, the year was very active for the project finance business line with 18 projects for the Paris center and 11 for the foreign branches (New York, London, Singapore). New business in 2017 was comparable to that of 2016 in a market that was down 12.9% overall in the first nine months of 2017 (source: Global Project Finance Review) versus the prior-year period.

The business line strengthened and internationalized its expertise in the electricity and infrastructure sector. More than half its projects are in renewable energies, with 11 projects in wind power and 5 in photovoltaics (of which 12 in France, 3 in North America and 1 in Australia). Several infrastructure projects are also worth noting, such as waste treatment in Spain, road infrastructure in Australia, rail infrastructure in France/United Kingdom and in Australia, a heating network in Sweden and high-speed networks in France. In the area of natural resources, there was also an LNG (Liquefied Natural Gas) project in the United States.

By business sector, 2017 production can be broken down as follows: electricity 57.2%, infrastructure 37.5%, natural resources 4% and telecoms 1.3%.

By geographic area, 2017 production was as follows: 64% in Europe, 25% in Asia-Oceania and 11% in the Americas. The electricity sector again accounted for the largest share of new business in 2017, representing nearly 46% of approvals at the end of the year. It was followed by infrastructure (36%), natural resources (12%), and telecoms (6%).

The geographic breakdown of outstandings reflects the leading position held by Europe (62.4%) followed by Asia-Pacific (16.3%), North America (12.6%) and Middle East/Africa (8.3%).

CIC acted as arranger or co-arranger in more than half the projects, primarily in France but also outside of Europe, including two projects in Australia.

International activities and foreign branches

Export and internationalization are key stages in our customers' growth. The Group's role is to support, advise and finance companies that are developing their international activities.

The focus is on:

- Meeting customers' changing needs by developing the right range of products and level of service, mainly in payment solutions.
- Offering a support and advisory solution: multi-market targeting, selection of partners, assistance with sales or industrial entities. This solution is offered by Aidexport, the specialized advisory subsidiary.
- Proposing services and products intended to secure and fund international trade transactions: documentary letters of credit, international guarantees, transaction and exchange rate risk management, and funding for transactions and working capital requirements.

The year 2017 was marked by further development in buyer credits, documentary transactions and issues of guarantees for both imports and exports against a backdrop of increased geopolitical risks and uneven growth in emerging countries.

International transaction processing, managed by a single business center (ISO 9001), is split among five regional divisions in an effort to provide local services in conjunction with the corporates branches.

To supplement our Group's networks in Germany, Spain and Switzerland, support for customers in other countries is provided through strategic partnerships in Canada with Desjardins, in China with Bank of East Asia, and in the Maghreb region with Banque Marocaine du Commerce Extérieur and Banque de Tunisie.

For its investor customers, the Group also analyzes the credit risk of major French and international issuers on the bond markets as well as the main economic sectors at the European and global level.

Capital markets

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 are 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 is offered to customers through funds managed by the Cigogne Management SA subsidiary.

Refinancing

In 2017, the Crédit Mutuel CM11 Group was able to take advantage of particularly favorable refinancing terms on the markets. In addition to international investors' very positive view of our group, the highly accommodative policy of the European Central Bank (ECB) favored issuers.

All in all, the external funding raised on the markets totaled €132.1 billion at end-December 2017, virtually the same as the previous year (€132.8 billion) and the short-term/medium- to long-term proportion stood at 36%/64%.

The Crédit Mutuel CM11 Group's liquidity position at the end of December 2017 was very strong:

- the LCR (liquidity coverage ratio) was 131%;
- high-quality liquid assets held by the central treasury rose to €65 billion at the end of 2017, more than 75% of which were deposits with the ECB, a sign of particularly prudent management;
- more than 180% of our wholesale funding maturing in 12 months is covered by liquid, ECB-eligible assets held by the group's treasury.

Medium- and long-term funding totaled €85 billion at the end of 2017 (including the 2016 TLTRO drawdowns - Targeted Long-Term Refinancing Operations) compared to €84 billion at the end of 2016.

Throughout 2017, €15.2 billion was raised, including €9.7 billion (63.8%) in the form of public issues and the rest in the form of private placements.

The public issues break down as follows:

- €2.5 billion issued by BFCM in euros in the form of senior EMTN;
- €1.0 billion (equivalent) in Swiss francs and pounds sterling;
- €3.1 billion (equivalent) raised through U.S. Rule 144A and Samurai issues;
- €1.0 billion as Tier 2 subordinated debt;
- €2.0 billion issued in the form of housing bonds by CM-CIC Home Loan SFH.

In 2017, the group completed the second drawdown on the SME/ISE (intermediate-sized enterprises) lending package offered by the European Investment Bank (EIB) in an amount of €250 million over seven years. Other areas of cooperation such as EIB funding in the renewable energies sector and the SME guarantee packages (InnovFin) resulting from the "Juncker Plan" sponsored by the European Commission are also being reviewed.

Short-term funding totaled €47.2 billion, a significant portion of which is from issues in pounds sterling (27%) and US dollars (8%) in addition to the money market funding raised in euros.

Commercial (CM-CIC Market Solutions)

CM-CIC Market Solutions is the Group department in charge of market sales activities for Crédit Mutuel CM11 Group customers.

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 (hedging of exchange-rate, interest-rate and commodity risks; equities, bonds and "listed" derivatives; marketing of funds and structured products);
- Primary market solutions (primary bond, primary equity, issuer services, financial communication);
- Investment solutions (structured EMTNs, Cigogne mutual funds);
- Depository solutions (securities account-keeping, mutual fund depository);
- Overall research (economic and strategic research, equity research, credit research).

Secondary market solutions range from advice to execution and cover a broad range of instruments: interest-rate hedging, foreign-currency hedging, commodity hedging, bonds, equities, ETFs and derivatives. The French sales teams are based in Paris and the main regional cities. They serve the networks' customers. These activities are also marketed to international customers, via local entities when relevant. Business was brisk in currency options while interest-rate hedging fell sharply. The number of active customers for the commodity hedging solution increased. The equity activities began to recover despite the distinct wait-and-see approach in December due to MiFID II.

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. This department benefits from the services provided locally by the corporate account managers in the Group's networks. The "focus GE-GME" (focus on large and mid-sized corporates) sales initiative was rolled out in 2017. It aims to establish the most comprehensive business relationship possible, with a core target of corporate customers and/or Group investments, and to develop a position in capital structuring consulting. In 2017, the primary bond team took part in 36 bond issues. Primary equity activity rebounded sharply during the year (two initial public offerings; seven capital increases; three public offerings, including one as adviser to the target company; and one reclassification).

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 the expertise of the "fixed-income/equities/credit investment" business line. As such, Cigogne Management SA had an excellent year, mainly due to very high total inflows of €1.2 billion for a 65% change in assets under management, which rose from €1.9 billion to €3.1 billion. These inflows reflect network customers' significant subscriptions to the Stork Fund and UCITS funds (mainly M&A).

Once again, the Investment Solutions business increased significantly in 2017. EMTN outstandings rose from €3.9 billion to €4.5 billion (€3.9 billion in CIC EMTNs and €0.6 billion in Stork Acceptance EMTNs).

Depository Solutions has two major activities:

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

Highlights in 2017 included:

- strong sales momentum and a favorable market environment, accounting for the 19% increase in total assets;
- the launch of new services: securities-backed loans; a buy-side and research buy-side desk; and a platform for pooling the purchasing power of external registered management companies and the Group's management companies to achieve bargaining power, in order to offer registered management companies the best price for the research that they need under MiFID II. The buy-side desk will serve registered management companies.

The depository solutions business serves more than 133 asset management companies, administers more than 27,000 personal investor accounts and acts as depository for nearly 320 mutual funds, representing more than €31 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, economic and strategic research, and commodity research. Overall research is a component of the services offered to corporates and professional investors, for both the activities relating to the hedging of risks (foreign-currency, interest-rate and commodity risks) and the investment and corporate advisory activities. The increasing role of the financial markets in funding corporates requires the ability to deliver practical market intelligence based on independent and "committed" research.

In 2017, equity research increased the number of companies analyzed as part of the rollout of the "focus GE-GME" initiative. Research on French securities is in line with the research on European securities developed within the ESN partnership. CM-CIC Market Solutions is one of the founding members of ESN LLP, a "multi-local" network of brokers operating in eight European countries

(Germany, the Netherlands, Finland, Italy, Spain, Portugal, Greece and France). This partnership covers 600 European companies through a research team of 90 analysts and strategists.

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.

Fixed-income – equities – credit investment (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.

The financial markets evolved in 2017:

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

In this market context, positions were managed cautiously. Capital market activities in France and New York performed in line with budget forecasts. The aim remains to obtain positive performance while limiting the volatility of the financial results of these businesses and to promote commercial development.

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 vehicle, outperformed the relevant indices, with extremely low volatility. Overall outstandings sold increased by 16%.

Private banking

On an international level, the Group has private banking entities in regions with high growth potential, such as Luxembourg, Switzerland and Belgium. Its brands offer more than 180,000 customers a wide range of high value-added services.

With €135 billion in assets under management, €19 billion in commitments and some 1,900 employees, CIC Private Banking contributed €250 million to CIC's income before tax in 2017, up 2.3% from 2016.

The private banking activities located in Singapore and Hong Kong were sold in early December, generating positive operating income for the year and a capital gain on the sale of the business.

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 390 employees in nearly 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 195 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 2017, due to the significant number of business disposals and its increased ability to position itself in large transactions and compete with other major players in the business, CIC Private Banking continued to grow and to increase fund inflows, drawing on its close customer relationships and selecting the best banking and financial offerings in the market.

The focus in 2017 was primarily on improving the quality of the value-added services, on both the offering and documentation sides. An emphasis was also placed on preparing for the entry into force of MiFID II.

Customer savings exceeded the €23 billion mark and income before tax for CIC Private Banking, integrated for accounting purposes into the results of the CIC regional banks, represented €95 million for the year, stable compared with the previous year.

Banque Transatlantique Group

In 2017, assets under management reached a total of €29.9 billion (+11%). Outstanding loans, at €3.1 billion, rose by 17%.

Consolidated net banking income was up 7% to €146.5 million, income before tax was €55.2 million and net income stood at €34.1 million.

In 2017, the Group opened a representative office in San Francisco, named TPW LLC (Transatlantique Private Wealth LLC).

Banque Transatlantique reinforced its position as a pivotal player in its three main business lines: wealth management, French customers living abroad, and the administration of employee stock ownership plans, stock options and bonus share allocations.

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

Banque de Luxembourg

Banque de Luxembourg is one of the Luxembourg financial center’s leading banks. It focuses on five businesses, namely private banking, asset management, lending, business support and services for asset management professionals. It continued to expand in Luxembourg, as well as in Belgium, where it had opened a branch in 2010.

Private banking assets totaled €22.2 billion. This business offers an integrated service for customers with 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.) solutions. The bank also supports its clients in issues related to family governance or in philanthropic projects.

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 2017, banking services for professionals increased with total assets of €60.1 billion (+16.4%), including €52.5 billion in net assets for investment funds and €7.6 billion in assets under management for the “third-party manager” (account-keeping/custody) business.

The bank continues to quickly integrate regulatory complexity and takes advantage of advances in information and digital technology. In 2017, its net banking income (under Luxembourg GAAP) was €247.4 million (down 1.5%) and its net income (under Luxembourg GAAP) stood at €63.4 million (up 0.5%).

Banque CIC (Suisse)

CIC Suisse has maintained its status as one of the most successful banks in Switzerland. This bank is just the right size, offers a broad range of products, takes a personalized approach, and pursues a differentiated strategy for its target customer base made up of Swiss corporates and entrepreneurs.

Thanks to the digital solutions provided by the Group and tailored to local needs, CIC Suisse has become a multichannel bank that combines efficiency and innovation with a customized approach.

This strategy and the development of the financial markets were behind the 12.3% rise in business volumes (customer assets, consisting of customer deposits, securities portfolios, fiduciary deposits and customer loans) in Swiss francs and the CHF 575 million increase in the volume of loan transactions (outstanding customer loans) compared with the previous year. At the same time and despite the investments in digital, operating income rose by 20% to CHF 24.8 million.

Private equity

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 130 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.

Momentum was very strong in 2017 in all the investment businesses and in M&A consulting. The business climate improved in the second half of the year and companies’ investment projects accelerated accordingly.

The financial markets also performed well in 2017 with many portfolio companies, in particular in innovation capital, able to tap these markets to fund their strong growth.

Thus, as part of its proprietary trading, €668 million (including approximately 69% invested in mid-size companies) was invested in 128 transactions.

Equity investments included, among others: Dupont Restauration, La Croissanterie, Phenix Groupe, Index Education, IDEC, Gozoki, Medflex (Groupe Technoflex), L&D, X.Nov, AMD, Clinique Développement, Demathieu & Bard, Selenium Medical, Itesa Développement, Robart, Forcity, Medincell, WAG and Centogène.

Portfolio turnover was again very high. Divestments with a total transfer value of €496 million resulted in €217 million in capital gains (including reversals of provisions for capital losses), demonstrating once again the quality of the assets. The main divestments concerned: Manuloc, Deck Développement, Normandy Mer, Unither, Minafin, Chausson Matériaux, Auxitec and Polytechs.

At December 31, 2017, this portfolio amounted to €2.5 billion (of which €88 million in innovation capital), with close to 380 well diversified investments, of which a significant share (more than 60%) consisted of private equity.

Portfolio assets generated dividends, coupons and financial income of €70 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 totaled €205.4 million, after the reimbursement of €41.3 million to subscribers.

CM-CIC Conseil was very active in 2017 and consulted on 20 transactions during the year. Significantly strengthening the teams in the last 12 months helped support this growth in the business.

Logistics

EI Telecom – EIT

The price war in the telecommunications sector continued in 2017, on both mobile and fixed offers. The development of 4G coverage by all operators encouraged the development of unlimited data offers that include 50 GB to 100 GB for €20.

This was the environment in which Euro-Information Telecom continued to develop its model, which is based on mobile services offers that combine high unlimited data (100 GB) with some of the best access prices on the market. This strategy relies on the three infrastructure operators to provide 2G/3G/4G to guarantee the best access conditions. In 2017, Euro-Information Telecom's sales grew in the sector's three market segments: consumers, businesses and wholesale. Retail (direct) distribution takes place mainly in the banking network (B-to-C and B-to-B) as well as via telecom wholesalers and on the web. EIT also continued its white label policy with distribution networks (Auchan, as well as Cdiscount Mobile) and is developing indirect sales with operators of public initiative networks that would like to have a quadruple-play offer for their customers. Lastly, EIT distributes its services through a wholesale access offer intended for large accounts and consumer MVNOs, but especially for business MVNOs (in particular fixed-line integrators who would like to develop a convergent mobile offer).

Euro-Information Telecom achieved positive net customer growth by adding about 100,000 customers for a total customer base of 1,667,000 at year end, in what remains a very high-churn market environment.

Despite the tougher competitive, tax and regulatory conditions which dragged significantly on margins, EIT increased its profitability by improving its cost structure, in particular by optimizing its purchasing costs with network operators. At end-2017, Euro-Information Telecom held on to and strengthened its position as the leading French MVNO. Also in 2017, EIT, the only full MVNO connected to the three leading network operators (Orange, SFR and Bouygues Telecom), signed an agreement with SFR on access to very high-speed fixed broadband. This offer, which will be rolled out gradually starting at end-2018, marks an important milestone in the operator's development and is consistent with its strategy of providing comprehensive fixed and mobile telecom services.

Euro Protection Surveillance – EPS

EPS continued to expand in 2017 and today has 446,434 subscribers (+7.6%). EPS thus confirmed its leadership in residential remote surveillance in France with a 31% share of the market (Source: Atlas de la Sécurité 2017/Internal data).

Lyf Pay electronic wallet

In the electronic wallet sector, the Group approved the merger of its application, Fivory, with that of BNP Paribas, Wa !, to create a new brand called Lyf Pay. This new application, available since May 18, was developed with retailers and for consumers. Its scope is far-reaching: in-store payments (from small merchants to large retail chains, with a rollout to Auchan hypermarkets in 2017), online purchases, person-to-person payments and even charitable donations. It integrates payment cards, loyalty cards and coupons, and fosters close relationships with the consumers that it supports by providing the latest news from their favorite stores, offers they might like and information about their spending.

I.4 - History of Credit Mutuel CM11 Group

I.4.1 - Crédit Mutuel's origins

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

Frédéric-Guillaume Raiffeisen (1818-1888) then developed a new concept to combat poverty. The idea was to arrange loans to finance the resources needed for farming (seeds, livestock, etc.) 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.

2017: 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 (effective as of **March 22**, 2017).

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.

May 10 marked the creation of Lyf Pay, resulting from the merger of the electronic wallets backed by Crédit Mutuel CM11 Group (Fivory) and BNP Paribas (Wa !). Lyf Pay offers a secure, innovative, multi-service mobile payment application to support the customer relationship.

On **June 2,** 2017, BFCM became Targobank Spain's sole shareholder by acquiring 48.98% of its capital from Banco Popular. BFCM, which already held 51.02% of Targobank Spain's capital stock, is now the sole shareholder. This transaction reflects Crédit Mutuel CM11 Group’s commitment to further expand its core business, namely banking, insurance and services, in the Spanish retail and corporate market.

On **June 6**, following the resolution of Banco Popular Español (BPE), BFCM sold its entire stake (3.95%) to Banco Santander.

On **August 11**, the CIC share was delisted after the company’s takeover by BFCM and Mutuelles Investissement following a simplified tender offer at a price of €390 per share. The decision was made to carry out this tender offer to simplify the Group’s structure and eliminate some of the regulatory and administrative constraints associated with the listing of the CIC shares as well as the related costs.

At December 31, 2017, BFCM, a 93%-owned subsidiary of Caisse Fédérale de Crédit Mutuel, directly held 93.14% of the capital of CIC, and Mutuelles Investissement (90% held by BFCM and 10% by ACM Vie Mutuelle, a fixed-contribution mutual insurance company) held 6.25%. The balance of 0.61% corresponds to treasury shares which consequently carry no voting rights.

On **December 4**, CIC finalized the sale of its private banking activities in Singapore and Hong Kong to Indosuez Wealth Management. CIC remains fully committed to Asia and is focused on the development and growth of its core Corporate Banking, Structured Finance and Institutional businesses in the Asia-Pacific region.

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Board of Directors

Nicolas Théry, Chairman
Jacques Humbert, Vice-Chairman
Jean-Louis Boisson
Gérard Bontoux
Hervé Brochard
Maurice Corgini
Gérard Cormorèche
Jean-Louis Girodot
Etienne Grad
Daniel Leroyer, representing CFCM
Maine-Anjou Basse-Normandie
Damien Lievens
Michel Lucas
Jean-Paul Martin
Lucien Miara
Gérard Oliger
Daniel Rocipon
Alain Têtedoie
Michel Vieux

Honorary chairman

Etienne Pflimlin

Non-voting members

Jean-Louis Bazille
Yves Blanc
Michel Bokarius
Aimée Brutus
Claude Courtois
Roger Danguel
Gérard Diacquenod
Marie-Hélène Dumont
Philippe Tuffreau
Monique Groc
Robert Laval
Fernand Lutz
Alain Pupel
Alain Tessier
Dominique Trinquet

Executive Management

Daniel Baal, Chief Executive Officer and effective manager
Marc Bauer, Deputy Chief Operating Officer and effective manager
Alexandre Saada, Deputy Chief Operating Officer

Statutory Auditors

ERNST & YOUNG et Autres
PRICEWATERHOUSECOOPERS France

II.1.2 - Conditions for preparing and organizing the board's work

The provisions of Article L. 225-37 of the French Commercial Code stipulate that the Board of Directors must submit a separate report on corporate governance to the shareholders' meeting referred to in Article L. 225-100, along with the management report referred to in that same article. However, the relevant information may be presented in a specific section of the management report.

This report presents the composition of the Board, the application of the principle of balanced representation of men and women on the Board and the conditions under which it prepares and organizes its work, as well as any limits placed on the powers of the Chief Executive Officer by the Board of Directors.

II.1.2.1 - Preparation and organization of the Board's work

Composition of the Board

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

Banque Fédérative du Crédit Mutuel complies with current corporate governance regulations. 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, which holds 93% of the share capital and voting rights, and the Crédit Mutuel regional and local cooperative banks in the Crédit Mutuel CM11 scope, which hold 5.1% of the share capital and voting rights.

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 or her appointment each director signs a statement certifying that he or she is not subject to the banking bans set out in Article L. 500-1 of the French Monetary and Financial Code.

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. Due to internal timetables, as from the December 2018 meeting of the Chambre Syndicale, the individual age limit is set at 70 for each director and at 75 for each non-voting director. Directors in office at that age will be required to retire at the shareholders' meeting following the relevant birthday.

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, applies to BFCM, which does not meet the thresholds requiring balanced representation of women and men on the Board of Directors.

5. Competencies and training of directors: BFCM attaches great importance to the competencies of its directors. To hold the position of director or non-voting director on BFCM's Board of Directors, each candidate must have experience as an elected member and as Chairman or Vice-Chairman of the Board of Directors or Supervisory Board of a Crédit Mutuel local cooperative bank, participate in the bodies and work of his Crédit Mutuel district or federation, and take part in the training courses for elected members.

A specific training module has been developed for directors at the initiative of the interfederal commission on elected member training in order to strengthen the knowledge and competencies of BFCM's directors and non-voting directors in light of the regulatory expertise required since the transposition in France of CRD IV.

6. Composition of the Board of Directors and 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 practice: respect for values and regulations, respect for persons, the duty of good management, confidentiality, the duty of discretion, voluntary work, the independence of elected officials, and the prevention of conflicts of interest. As such, they perform their duties independently and with integrity and honesty.

The joint guidelines of the European Banking Authority (EBA) and the European Securities and Markets Authority (ESMA) of September 26, 2017 on the assessment of the suitability of members of management bodies and key function holders have now set 11 independence criteria applicable to all credit institutions within the European Union as of July 1, 2018. These criteria will be transposed into French law in the first half of 2018.

7. 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 professional practice 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 Banque Fédérative de Crédit Mutuel.

The work of the Board in 2017

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 presentation 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 five times in 2017. The attendance rate varied between 72% and 89% (averaging 83%).

The February 23, 2017 meeting of the Board focused primarily on reviewing and approving the financial statements and preparing for the Ordinary and Extraordinary Shareholders' Meetings that were held on May 3. The Board examined the financial statements for fiscal year 2016, heard the conclusions of the Statutory Auditors and took note of the control and monitoring activities.

At its meeting on April 6, 2017, the Board appointed Daniel Baal as non-director Chief Executive Officer and effective manager to replace Alain Fradin, who was retiring, and Alexandre Saada as Deputy Chief Operating Officer to replace Christian Klein. At this same meeting, the Board appointed Philippe Tuffreau as non-voting director for a three-year term to replace Bernard Flouriot, who wished to terminate his term of office. Robert Laval and Fernand Lutz were also reappointed as non-voting directors for three-year terms. The Board also asked the Ordinary Shareholders' Meeting of May 3, 2017 to reappoint Hervé Brochard, Jean-Louis Girodot, Damien Lievens, Gérard Oliger, Nicolas Théry and Michel Vieux as directors for three-year terms.

At its meeting on July 27, 2017, the Board of Directors approved the interim consolidated financial statements of the Group for the first half of 2017, after taking note of the opinion of the Audit and Financial Statements Committee at its meeting of July 26 and hearing the statutory auditors' report. The supervisory review and evaluation process applicable to BFCM and the Crédit Mutuel CM11 Group and the Crédit Mutuel Group's general risk appetite framework were presented to the Board, which approved them. The Board of Directors reappointed the following non-voting directors: Marie-Hélène Dumont and Alain Tessier. The Board also approved the implementation of a procedure for interest representation under the Sapin II law. The Board also approved the affiliation of CCM Saint Prive Saint Mesmin, CCM de Pringy-Annecy Nord and CCM Enseignant de Haute-Savoie. The Board also considered the report of the Group Risk Monitoring Committee dated April

6, 2017, the ICAAP report, the Group's sector-specific policy on private banking and the Crédit Mutuel CM11 Group's policy on new customer relationships. It also took note of the reclassification and continuation of regulated agreements.

Meeting on November 17, 2017, the Board of Directors examined the Group's situation at the end of third quarter of 2017 and the budget. The Board took note of the reports of the Audit and Financial Statements Committee dated September 13, 2017, of the Risk Monitoring Committee dated October 18, 2017, and of the Appointments Committee and the Remuneration Committee dated November 16, 2017. It decided to reappoint Roger Danguel as non-voting director for a three-year term.

Operation of the Board. Executive Management operating methods

In accordance with Article L.511-13 paragraph 2 of the French Monetary and Financial Code, banking regulations require that the roles of chairman of an institution's supervisory body and its effective manager be separated. At least two people are responsible for the effective management of an institution. Members of effective management have all the powers provided for by law and by banking and financial regulations, both internally and vis-à-vis third parties.

At December 31, 2017, the members of executive management of Banque Fédérative du Crédit Mutuel were:

Daniel Baal, Chief Executive Officer and effective manager,

Marc Bauer, Deputy Chief Operating Officer and effective manager,

Alexandre Saada, Deputy Chief Operating Officer.

The Board meetings of November 14, 2014 and April 6, 2017 did not set any limits on the powers of the two effective managers, as defined by law and by our bylaws and internal rules.

Internal committees

In accordance with Articles L.511-89 et seq. of the French Monetary and Financial Code, 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. 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.

<u>Group Remuneration Committee</u>

Following the transposition of CRD IV, 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.

The competence of the committee is:

- all credit institutions and financing companies,

- the entities of the group consolidated by Caisse Fédérale de Crédit Mutuel (CIB 10278) in its capacity as parent company of the consolidated Crédit Mutuel CM11 Group which, due to their size and internal organization, as well as the nature, extent, complexity and cross-border dimension of their activities, are included in the scope by decision of the Board of Directors,

- with the exception of entities which, due to their activity, significance or specific nature, have a committee that complies with the legal and regulatory provisions. In that case, this individual committee reports to the Group Remuneration Committee of Caisse Fédérale de Crédit Mutuel on its work and on the information received.

The Remuneration Committee analyzes and/or monitors the remuneration principles and the annual guidance presented by executive management, including:

- applicable regulatory developments,
- the remuneration packages allocated to material risk-takers (MRTs),
- the distribution, individual allocation and payment procedures,
- the list of remuneration in excess of a certain amount and of employees identified as material risk-takers,
- the remuneration of the chief risk officer and of the head of Compliance.

To fulfill these duties, the Remuneration Committee builds on market practices in any way it deems appropriate.

In this context, the Remuneration Committee regularly, and at least every year, makes proposals for the remuneration of the executive body and the corporate officers and issues an opinion on the Group's general remuneration policy note. It may also present the Board of Directors with opinions, proposals and recommendations relating to its duties.

Furthermore, the Remuneration Committee obtains assurance from executive management that the Risk, Control and Compliance departments have been properly consulted by the Human Resources department on the definition and implementation of the remuneration policy.

The Remuneration Committee also takes note of the Audit department's annual report on the remuneration policy and/or the audit monitoring report.

The committee reports on its work and submits its proposals to the Board of Directors. In its report, it presents the opinions and recommendations it deems necessary.

It also makes proposals in that report to improve the effectiveness of the various procedures and of the overall system or to adapt them to new circumstances or regulatory changes.

In the interest of consistency within the group and in the absence of an appropriate mechanism, a process for coordinating changes in the remuneration of group entities' senior executives/chief executive officers was adopted at the meeting of the Board of Directors on February 26, 2016.

For the chief executive officers of the federations, the chairmen of the federations are involved in this process and provide an advisory opinion.

This mechanism brings together the Chairman of Caisse Fédérale de Crédit Mutuel, executive management of Caisse Fédérale de Crédit Mutuel, the Group Human Resources Department, the Group General Secretariat and the Group Risk Department.

The Remuneration Committee issues an opinion on the basis of the proposal resulting from the coordination process. It reports to the Board of Directors.

As such, the Committee is supported by the work of the Group Human Resources Department, the Group General Secretariat and the Group Risk Department. The secretariat for committee meetings is held by the Group General Secretariat.

This Committee has five members elected for three years:

- Jacques Humbert, Chairman
- Gérard Bontoux
- Maurice Corgini
- André Gerwig
- Jean-François Jouffray

Group Appointments Committee

Following the transposition of CRD IV, 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.

The competence of the committee is:

- all credit institutions and financing companies,

- the entities of the group consolidated by Caisse Fédérale de Crédit Mutuel (CIB 10278) in its capacity as parent company of the consolidated Crédit Mutuel CM11 Group which, due to their size and internal organization, as well as the nature, extent, complexity and cross-border dimension of their activities, are included in the scope by decision of the Board of Directors,

- with the exception of entities which, due to their activity, significance or specific nature, have a committee that complies with the legal and regulatory provisions. In that case, this individual committee reports to the Group Remuneration Committee of Caisse Fédérale de Crédit Mutuel on its work and on the information received.

The primary duties of the Committee are specified in Articles L.511-98 to L.511-101 of the French Monetary and Financial Code, namely to:

- identify and recommend to the Board of Directors appropriate candidates for directorships, non-voting directors, and managers that may be qualified to act as effective manager (chief executive officer, chief operating officer, deputy chief operating officer, and other senior executive positions) with a view to proposing their appointment to the competent body;

- 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 (both must be published);

- 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 the two effective managers, the chief operating officers and the head of the risk management function 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 the interest of consistency within the group and in the absence of an appropriate mechanism, a coordination and consultation process has also been put in place for the appointment and replacement of Group entities' senior executives and chief executive officers.

These appointments and replacements will be made from a list of executives identified as having the professional background defined by the group.

For the chief executive officers of the federations, and at the end of the coordination and consultation process, appointments and replacements will be made by the Boards of Directors concerned at the recommendation of the chairmen of the federations with due regard for their prerogatives.

This coordination and consultation mechanism will bring together the Chairman of Caisse Fédérale de Crédit Mutuel, executive management of Caisse Fédérale de Crédit Mutuel, the Group Human Resources Department, the Group General Secretariat and the Group Risk Department.

The Appointments Committee is therefore also tasked with issuing the opinion that results from the coordination and consultation process. This opinion is then transmitted in the form of an excerpt from the minutes of the Committee meeting to the relevant entity for a legal decision on the appointment or replacement by its competent body.

It keeps abreast of all financial industry regulations and recommendations on governance.

The Chairman of the Board may, where applicable, consult with the Committee on matters of governance.

In this respect, the Committee draws on the work of the Group General Secretariat of 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 Group General Secretariat of Caisse Fédérale de Crédit Mutuel.

This Committee has five members elected for three years:

- Jacques Humbert, Chairman
- Gérard Bontoux
- Maurice Corgini
- André Gerwig
- Jean-François Jouffray
- François Troillard, employee director

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. 2008-1278 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 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 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;
- is responsible for assessing the efficiency of the internal control systems;
- 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.
- 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 Group Audit and Financial Statements Committee has unrestricted access to the heads of the various control functions (periodic, permanent and compliance) and to the heads of the Risk and Finance departments. The Group Audit and Financial Statements Committee may also call upon the operational managers depending on the issues concerned.

The Group Audit and Financial Statements Committee has 14 members:

- Jean-François Jouffray, Chairman
- Bernard Basse
- Jean-Pierre Bertin
- Michel Brard
- Maurice Corgini
- Christian Fouchard
- Patrice Garrigues
- Jacques Humbert
- Damien Lievens
- Yves Magnin
- Patrick Morel
- Jean-François Parra
- Francis Pernet
- Alain Pupel

Risk Monitoring Committee

This committee is formed at the Crédit Mutuel CM11 Group level and is made up of members of the governing bodies.

Its duties and responsibilities are to:

- Carry out a comprehensive review of the risks that the Group is exposed to. Comprehensiveness refers both to types of risks and to the business activities of the Group's banking and non-banking entities in France and abroad;
- Examine 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 ILAAP process;
- 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 ICAAP process; Interpret the development of results in the context of changes in risk, results and capital consumption, and examine changes in external ratings;
- Assess the quality of all the risks referred to in the decree of November 3, 2014 and, more specifically, credit, market, global interest rate, intermediation, settlement, liquidity and operational risks, for the entire Group entity scope (including the banking scope and insurance companies);
- Assist the governing body in supervising the implementation of risk policies and strategies by the executive management teams that make up the Group's executive body. In that respect, it monitors compliance with the risk indicator limits and any breaches thereof;
- Advise the governing body on strategies and tolerance related to current and future risks. In this context, the Committee may propose to the governing body changes to the risk management system (additions of and changes to indicators and/or limits), suggest specific reports or comment on a particular matter or specific or general risk;
- Examine the risk-taking policies, the overall risk management strategies, the limits imposed, the cost of risk and the related control methods, as well as the risk assessment methodologies and the crisis management policies, including crisis recovery plans;
- Verify that procedures are in place to comply with legal and regulatory obligations and to identify and handle incidents and anomalies;
- Ensure that the nature, coverage in terms of scope, granularity, form and frequency of the risk information that is provided to the Committee are appropriate;
- Propose to executive management any measures that may be necessary with respect to the limit or alert threshold mechanism for the main counterparties and economic or geographic sectors, as well as the limit or alert thresholds for interest rate, liquidity and market risk.

The Group Chief Risk Officer reports on changes in the main risks as listed in the decree of November 3, 2014 and, more specifically, credit, market, global interest rate, intermediation, settlement, liquidity and operational risks.

The Group Chief Risk Officer informs the Monitoring Committee of any changes in or breaches of the limits and alert thresholds and comments on regulatory developments and on inspections by the regulators. It provides an update on the Group's performance on its markets in France and abroad.

The Group Risk Monitoring Committee has 15 members:

- Daniel Schoepf, Chairman
- Laurent Benoit
- Gilles Berree
- Jean-Louis Boisson
- Hubert Chauvin
- Gérard Bontoux
- Hervé Chatanay
- Pierre Hussherr
- Jean-François Jouffray
- Claude Leveque

- Jean-Paul Panzani
- Daniel Rocipon
- Denis Schitz
- Nicolas Théry
- Michel Vieux

Ethics and compliance

The Crédit Mutuel CM11 Group's code of ethics was approved by the Board of Directors at its meeting of March 7, 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 Crédit Mutuel CM11 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 Group General Secretariat.

Persons holding inside information are regularly reminded of their obligations under the applicable rules.

Ethics and Compliance Committee

An Ethics and Compliance Committee was created collectively by the meeting of the Chambre Syndicale on April 13-14, 2007 to review implementation of the Code of Ethics and Professional Practice by the Group bodies of the local cooperative banks affiliated with Caisse Fédérale de Crédit Mutuel.

It has 22 members appointed by the Chambre Interfédérale on the principle of one elected member and one staff representative per Group federation:

- 11 elected members, proposed by the Board of Directors of their home federation from among the elected members of that federation who participate in the Chambre Interfédérale,
- 11 staff representatives, proposed by the Works Council of their home federation from among the representatives who participate in the Chambre Interfédérale.

The director of Group Human Resources, the Group General Secretary, the Inspector General, the heads of compliance and the heads of elected member relations at the federations contribute to the Committee’s work in an advisory capacity.

The Committee is chaired by an elected member with a seat on the Chambre. He or she represents the member local cooperative banks and is proposed by the Board of Directors of Fédération du Crédit Mutuel Centre Est Europe.

II.1.2.2 - Principles and rules for the remuneration of employees governed by Article L.511-71 *et seq.* of the French Monetary and Financial Code

The remuneration policy of the Crédit Mutuel CM11 Group, a group that belongs to its customers and members, is designed primarily to be sound and responsible and gives priority to aligning the interests of the Group with those of its employees and to protecting the interests of its members and customers. It therefore takes its duty to advise very seriously.

The Crédit Mutuel CM11 Group believes that a company's remuneration policy is an important aspect of consistency in its strategy and risk management. Against this backdrop, the Crédit Mutuel CM11 Group has remained true to its mutualist values and has defined a policy whose principles are in accordance with regulatory requirements and with industry practices, with the aim of:

- ensuring consistency between employee behavior and the Group's long-term objectives, in particular with respect to developing risk management control;
- promoting career advancement through internal training and encouraging employees' long-term commitment;
- ensuring fair pay for work and retaining talented employees by offering them appropriate compensation that takes into consideration the competitive environment and is based on their level of seniority, expertise and professional experience;
- ensuring equal pay for men and women, based on classification, and more broadly fighting all forms of discrimination;
- making sure that shareholders' equity is regularly strengthened.

The remuneration policy builds on the Crédit Mutuel CM11 Group's risk appetite framework, which states that remuneration of Group employees must not encourage excessive risk-taking and aims to avoid all conflicts of interest.

In that context, the overall remuneration policy therefore does not encourage risk-taking in excess of the level of risk defined by the Crédit Mutuel CM11 Group. It is guided by the principles of restraint and prudence implemented by the Crédit Mutuel CM11 Group, including for material risk-takers. Variable remuneration is strictly limited to a few business lines and functions and is not an incentive for employees to take risks that would not be in line with the guidelines from executive management and the board of directors, in particular for those employees whose activities are likely to have a significant impact on the institution's risk exposure.

The Board of Directors of CFdeCM approved the Crédit Mutuel CM11 Group remuneration policy, including 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 17, 2017 and revised on February 21, 2018.

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.

For all persons at the Crédit Mutuel CM11 Group who meet the above criteria, the overall amount of remuneration for 2017 as set out in the aforementioned Article L. 511-73 was €74,330,102.

A preference for fixed remuneration, with variable remuneration strictly limited to a few specialized activities

The Crédit Mutuel CM11 Group has decided to prioritize fixed remuneration in keeping with its mutualist values and its responsibilities toward its customers and members. It incorporates its constant concern for sustainable development and employee career advancement into its policy.

For most group employees, in particular all those who work for the networks, the group has decided to not set individual targets for customer sales that might generate variable remuneration.

Generally speaking, the components of additional compensation (in-kind benefits, variable remuneration, etc.) are subject to restrictions and concern only specific situations in certain business lines or functions when justified by particular considerations. The variable remuneration practices for the Group's specialized businesses are therefore generally consistent with those of other banking groups: trading floor, specialized financing, asset management, private equity, private banking and consumer credit.

Crédit Mutuel CM11 Group remuneration policy harmonized in 2018

At its meeting of July 27, 2017, the Board of Directors of Caisse Fédérale de Crédit Mutuel approved the proposal to integrate into its scope, as of fiscal year 2018, the entities covered by the AIFM and UCITS V directives as well as those subject to the Solvency II directive.

Article L.511-91 of the French Monetary and Financial Code, established by Article 3 of Order no. 2014-158 of February 20, 2014, states that when a credit institution is part of a group subject to supervision by the French Prudential Supervisory and Resolution Authority (*Autorité de contrôle prudentiel et de résolution*) on a consolidated basis, the board of directors of such institution may decide that the functions assigned to the regulatory committees (risk, appointments, remuneration) be performed by the committee of the credit institution at which level supervision is exercised on a consolidated or sub-consolidated basis.

Within the Crédit Mutuel CM11 Group, all Boards of Directors of Group entities – regardless of their activities and the applicable regulations, in France and abroad – delegate their remuneration authority to the "umbrella" committee (Caisse Fédérale de Crédit Mutuel). This includes the federations and regional cooperative banks (which "control" the Caisse Fédérale), the consumer credit activity, the asset management activity and the insurance entities (which are in the consolidated accounting scope), the private equity, services and/or IT activities, the Group's economic interest groups and the international private banking and subsidiary activities (including Banque Transatlantique, Banque de Luxembourg, CIC Suisse, Targobank in Germany and Targobank in Spain, which until now had individual remuneration committees).

The scope therefore goes beyond just the regulatory monitoring scope of the banking activity.

The Boards of Directors' delegations of authority take effect at the beginning of 2018 and the Group's entities' regulatory committees, with the exception of the "umbrella" Committee of Caisse Fédérale de Crédit Mutuel, will be eliminated. The "umbrella" Committee reports on its work to the Board of Directors of Caisse Fédérale de Crédit Mutuel, and to the Boards of Directors of Group entities for the information that is relevant to them.

As of the writing of the remuneration policy for 2018, the Boards of Directors of the entities in question planned to formalize the legal delegations of authority at their next meetings.

Process for coordinating changes in the remuneration of the Group's senior executives.

In the interest of consistency within the Group and in the absence of an appropriate mechanism, a process for coordinating changes in the remuneration of Group entities' senior executives/chief executive officers was adopted at the meeting of the Board of Directors on February 26, 2016. For the chief executive officers of the federations, the chairmen of the federations are involved in this process and provide an advisory opinion. This mechanism brings together the Chairman of Caisse Fédérale de Crédit Mutuel, the effective management of Caisse Fédérale de Crédit Mutuel, the Group Human Resources Department, the Group Risk Department and the Group General Secretariat.

The Remuneration Committee issues an opinion on the basis of the proposal resulting from the coordination process. It reports to the Board of Directors.

II.1.2.3 - Principles for determining remuneration granted to the corporate officers

Guidelines

Caisse Fédérale de 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 the 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 and April 6, 2017 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 June 1, 2017.

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. In the context of the reform of the CM11 Retraite supplementary pension plan, and pursuant to the rider to the pension agreement, an indemnity of €25,509.78 on a gross salary basis has been awarded to Nicolas Théry since January 1, 2017.

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.

In light of the termination of Alain Fradin's terms of office, the Remuneration Committee, at its meeting on April 5, 2017, in accordance with the decision of the Board at its meeting on May 11, 2011, noted that the performance criterion related to the BFCM Group's consolidated earnings had been met. At its meeting on April 6, 2017, the Board of BFCM therefore decided to award Alain Fradin the indemnities agreed on at the above-referenced Board meeting of May 11, 2011.

Acting on the recommendation of the Remuneration Committee, on April 6, 2017 the Board of Directors of BFCM also decided to set the gross annual fixed remuneration for Daniel Baal at €700,000, plus an "Article 39" supplementary pension indemnity of €9,505.68 per year, contributions to the death and disability plan in the amount of €4,054.68 per year and health-care costs in the amount of €3,475.44 per year, along with €3,880.56 in in-kind benefits (company car) per year. It also decided to create a termination indemnity for Daniel Baal 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, 2017 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. 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, 2017 they did not have any borrowings of this type.

Remuneration paid to the Group's key executives from January 1 to December 31, 2017

2017 Amount in € (a)	Origin	Fixed portion	Variable portion (b)	In-kind benefits (c)	Employer contributions for supplementary benefits	Total
Nicolas Théry	Crédit Mutuel CIC	475,510 250,000		11,393	11,298 1,059	498,201 251,059
Alain Fradin BFCM until 5/31/2017 CFdeCM from 6/1/2017 to 6/30/2018	Crédit Mutuel Crédit Mutuel	1,133,333* 250,268**		2,113 423	3,678 736	1,139,124 251,427
Daniel Baal CFdeCM until 5/31/2017 BFCM as from 6/1/2017	Crédit Mutuel Crédit Mutuel	523,595*** 413,878		1,617 2,264	3,678 2,264	528,890 421,291

2016 Amount in € (a)	Origin	Fixed portion	Variable portion (b)	In-kind benefits (c)	Employer contributions for supplementary benefits	Total
Nicolas Théry	Crédit Mutuel CIC	450,000 250,000		11,226	6,406	467,632 250,000
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 CIC	450,000 250,000		11,286	6,733	468,019 250,000
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).

* of which a termination indemnity of €800,000
** of which a retirement bonus of €203,212
*** of which paid leave and time savings account

Delegations of authority in use

None

II.1.3 - List of offices and positions held by corporate officers during the 2017 fiscal year under Article L.225-102-1 of the French Commercial Code

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

Offices	Position	Start of term of office	End of term of office
Confédération Nationale du Crédit Mutuel	Chairman of the Board of Directors	3/21/2016	2018
Caisse Centrale du Crédit Mutuel	Chairman of the Board of Directors	3/21/2016	2022
Fédération Centre Est Europe	Chairman of the Board of Directors	1/18/2016	open-ended
Caisse Centrale du Crédit Mutuel	Chairman of the Board of Directors	11/14/2014	2019
Banque Fédérative du Crédit Mutuel	Chairman of the Board of Directors	11/14/2014	2017
Crédit Industriel et Commercial	Chairman of the Board of Directors	12/11/2014	2019
Assurances du Crédit Mutuel Vie SA	Chairman of the Supervisory Board	10/14/2014	2017
Assurances du Crédit Mutuel Vie SAM	Chairman of the Supervisory Board	10/14/2014	2017
Assurances du Crédit Mutuel IARD	Chairman of the Supervisory Board	10/14/2014	2017
Groupe des Assurances du Crédit Mutuel (GACM)	Chairman of the Supervisory Board	7/27/2016	2021
Banque CIC Est	Chairman of the Board of Directors	9/13/2012	2019
Banque CIC Nord-Ouest	Chairman of the Board of Directors	5/12/2017	2021
Banque Européenne du Crédit Mutuel	Chairman of the Supervisory Board	11/14/2014	2019
Caisse de Crédit Mutuel Strasbourg Vosges	Member of the Board of Directors	3/5/2014	2019
Euro Information	Member of the Management Board	5/7/2014	2020
ACM GIE	Permanent representative of Groupe des Assurances du Crédit Mutuel	6/30/2015	2021

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

Offices	Position	Start of term of office	End of term of office
Union des Caisses de Crédit Mutuel du District de Bourgogne	Chairman	October 2014	2018
Caisse de Crédit Mutuel de Montbard Venarey	Chairman of the Board of Directors	3/20/1992	2020
Fédération du Crédit Mutuel Centre Est Europe	Vice-Chairman of the Board of Directors	1995	2018
Banque Européenne du Crédit Mutuel	Vice-Chairman of the Supervisory Board	5/7/2008	2020
Confédération Nationale du Crédit Mutuel	Member of the Board of Directors	10/16/2002	2020
Caisse Fédérale de Crédit Mutuel	Member of the Board of Directors	5/3/2006	2018
Banque Fédérative du Crédit Mutuel	Member of the Board of Directors	12/17/1999	2018
Caisse Centrale du Crédit Mutuel	Member of the Board of Directors	3/21/2016	2020
Targobank Spain	Member of the Board of Directors	6/23/2015	2018
Est Bourgogne Média	Member of the Board of Directors	9/17/2012	2018
Euro-Information Production	Member of the Supervisory Board	5/16/1991	2021
Assurance du Crédit Mutuel Vie SA	Permanent representative of Caisse Fédérale de Crédit Mutuel	6/30/2015	2023

Gérard Bontoux
Born on March 7, 1950 in Toulouse (31)
Work address:
10, rue de la Tuilerie - 31112 Balma Cedex

Offices	Position	Start of term of office	End of term of office
Fédération du Crédit Mutuel Midi-Atlantique	Chairman	10/25/1990	2020
Caisse Régionale du Crédit Mutuel Midi-Atlantique	Chairman	10/25/1990	2020
Caisse Fédérale de Crédit Mutuel	Vice-Chairman of the Board of Directors	4/6/2017	2020
Confédération Nationale du Crédit Mutuel	Member of the Board of Directors	10/7/2015	2022
Caisse Centrale du Crédit Mutuel	Member of the Board of Directors	3/21/2016	2022
Banque Fédérative du Crédit Mutuel	Member of the Board of Directors	5/6/2009	2018
Caisse de Crédit Mutuel Toulouse Saint-Cyprien	Member of the Board of Directors	4/29/1996	2020
Banque Européenne du Crédit Mutuel	Member of the Supervisory Board	5/6/2009	2018
Board of Directors of Assurances du Crédit Mutuel Vie S.A.M.	Permanent representative of CRCM Midi-Atlantique	5/13/2015	2021
Board of Directors of CIC Sud-Ouest	Permanent representative of Marsovalor	2/26/2009	2019

Hervé Brochard
Born on March 6, 1948 in Colmar (68)
Work address:
Fédération du Crédit Mutuel de Normandie
17 rue du 11 novembre – 14052 Caen cedex

Offices	Position	Start of term of office	End of term of office
Fédération du Crédit Mutuel de Normandie	Chairman of the Board of Directors	10/18/2010	2019
Créavenir Normandie	Chairman of the Board of Directors		
Caisse Régionale de Crédit Mutuel de Normandie	Chairman of the Board of Directors	10/18/2010	2019
Caisse de Crédit Mutuel de Caen Ecuyère	Chairman of the Board of Directors	10/22/2010	2019
Confédération Nationale du Crédit Mutuel	Non-voting director	3/21/2016	2020
Caisse Centrale du Crédit Mutuel	Non-voting director	3/21/2016	2020
Caisse Fédérale de Crédit Mutuel	Non-voting director	5/3/2017	2020
Banque Fédérative du Crédit Mutuel	Member of the Board of Directors	5/7/2013	2020
Banque Européenne du Crédit Mutuel	Member of the Supervisory Board	5/7/2013	2018
Board of Directors of Assurances du Crédit Mutuel Vie S.A.M.	Permanent representative of CRCM de Normandie	5/13/2015	6 years 2021
Centre International du Crédit Mutuel - CICM	Permanent representative of Fédération du Crédit Mutuel de Normandie		2018
Association des Amis de Jean Bosco			
SCI rue des Dames			

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

Offices	Position	Start of term of office	End of term of office
Union des Caisses de Crédit Mutuel du District de Franche-Comté Sud	Chairman of the Board of Directors	4/20/1995	2018
Caisse de Crédit Mutuel de Baume-Valdahon-Rougemont	Member of the Board of Directors	5/10/1981	2020
Fédération du Crédit Mutuel Centre Est Europe	Member of the Board of Directors	4/20/1995	2018
Banque Fédérative du Crédit Mutuel	Member of the Board of Directors	6/22/1995	2018
Caisse Agricole Crédit Mutuel	Member of the Board of Directors	2/20/2004	2020
Crédit Industriel et Commercial	Member of the Board of Directors	5/19/2011	2021
Cogit'Hommes Franche-Comté	Co-Managing Partner		

Gérard Cormorèche
Born on July 3, 1957 in the 6th arrondissement of Lyon (69)
Work address:
Crédit Mutuel du Sud-Est
8-10 rue Rhin et Danube – 69266 Lyon cedex 09

Offices	Position	Start of term of office	End of term of office
Fédération du Crédit Mutuel du Sud Est	Chairman of the Board of Directors	4/27/1995	2019
Caisse de Crédit Mutuel du Sud Est	Chairman of the Board of Directors	4/27/1995	2019
Caisse Agricole Crédit Mutuel	Chairman of the Board of Directors	4/14/2004	2022
C.E.C.A.M.U.S.E.	Chairman of the Board of Directors	12/2/1991	2018
Caisse de Crédit Mutuel de Sélestat-Scherwiller	Chairman of the Board of Directors	4/15/1993	2021
Caisse Fédérale de Crédit Mutuel	Director	6/22/1995	2019
Confédération Nationale du Crédit Mutuel	Director	6/14/1995	2022
Caisse Centrale du Crédit Mutuel	Director	3/21/2016	2022
Banque Fédérative du Crédit Mutuel	Director	1995	2019
Fédération du Crédit Mutuel Agricole et Rural – FCMAR	Vice-Chairman	4/16/2004	2021
MTRL	Vice-Chairman	2007	2023
CIC	Non-voting director	7/28/2011	2023
Assurances du Crédit Mutuel Vie S.A.M.	Permanent representative of CCM Sud Est	5/11/2016	2022
SCEA Cormorèche Jean-Gérard	Managing Partner		
SARL Cormorèche	Managing Partner		
SCI Cormorèche	Managing Partner		
SCI Ravaille	Managing Partner		
Société des Agriculteurs de France	Director		

Jean-Louis Girodot
Born on February 10, 1944 in Saintes (17)
Work address:
Crédit Mutuel Ile-de-France
18 rue de la Rochefoucauld – 75439 Paris cedex 09

Offices	Position	Start of term of office	End of term of office
Fédération des Caisses de Crédit Mutuel Ile-de-France	Chairman of the Board of Directors	1995	2018
Caisse Régionale du Crédit Mutuel Ile-de-France	Chairman of the Board of Directors	1995	2018
Caisse de Crédit Mutuel de Paris Montmartre Grands Boulevards	Chairman of the Board of Directors	10/7/1980	2019
Caisse Fédérale de Crédit Mutuel	Member of the Board of Directors	5/7/2003	2018
Banque Fédérative du Crédit Mutuel	Member of the Board of Directors	5/22/2008	2020
Centre International du Crédit Mutuel - CICM	Member of the Board of Directors	2000	2019
Euro-Information Production	Member of the Supervisory Board	5/14/1996	2022
Assurances du Crédit Mutuel Vie S.A.M.	Permanent representative of Caisse Régionale de Crédit Mutuel Ile-de-France	5/11/2016	2022
Confédération Nationale du Crédit Mutuel	Non-voting director	3/21/2016	2018
Caisse Centrale du Crédit Mutuel	Non-voting director	3/21/2016	2018
Conseil Economique Social et Environnemental de la Région Ile-de-France (CESER IDF)	Chairman		
Association de moyens du groupe Audiens	Chairman		
Girodot Conseil	Managing Partner		
Chambre Régionale de l'Economie Sociale et Solidaire d'Ile-de-France (CRESS)	Vice-Chairman		
Coopérative d'Information et d'Edition Mutualiste	Vice-Chairman		
Mutuelle Audiens de la Presse, du Spectacle et de la Communication	Vice-Chairman		
AFDAS	Member of the Board of Directors		
WELCARE	Member of the Supervisory Board		
Commission Paritaire des Publications et Agences de Presse	Permanent representative of FNPS		
Fédération Nationale de la Presse Spécialisée (FNPS)	General Secretary		
Syndicat de la Presse magazine et spécialisée	General Secretary		

Etienne Grad
Born on December 26, 1952 in Illkirch (67)
Work address:
Fédération du Crédit Mutuel Centre Est Europe
34 rue du Wacken – 67000 Strasbourg

Offices	Position	Start of term of office	End of term of office
Union des Caisses de Crédit Mutuel de la Communauté Urbaine de Strasbourg	Chairman	2010	2018
Caisse de Crédit Mutuel Cours de l'Andlau	Chairman of the Board of Directors	5/15/1992	2019
Fédération du Crédit Mutuel Centre Est Europe	Member of the Board of Directors	2010	2018
Banque Fédérative du Crédit Mutuel	Member of the Board of Directors	10/17/2010	2019
SAS GRAD Etienne Conseil et Développement	Chairman		
SCI Lemilion	Managing Partner		

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

Offices	Position	Start of term of office	End of term of office
Union des Caisses de Crédit Mutuel du District de Mulhouse	Chairman	2002	2018
Banque Fédérative du Crédit Mutuel	Vice-Chairman of the Board of Directors	12/13/2002	2018
Fédération du Crédit Mutuel Centre Est Europe	Member of the Board of Directors	2002	2018
Caisse Fédérale de Crédit Mutuel	Member of the Board of Directors	12/13/2002	2018
Caisse de Crédit Mutuel la Doller	Member of the Board of Directors	1988	2020
DNA	Member of the Board of Directors	3/31/2014	2020
Société de publications l'Alsace	Member of the Board of Directors	6/21/2012	2018
Assurances du Crédit Mutuel Vie SA	Permanent representative of Fédération du Crédit Mutuel Centre Est Europe	11/27/2015	2021
Editions COPRUR	Member of the Supervisory Board	8/3/2008	2020
CIC	Non-voting director	2/23/2017	2020
Musique Municipale Masevaux	Chairman		
Groupement de l'Union des sociétés de musique Thur-Doller	Chairman		

Daniel Leroyer
Born on April 15, 1951 in Saint-Siméon (61)
Work address:
Crédit Mutuel de Maine-Anjou Basse-Normandie
45 boulevard Volney – 53083 Laval cedex 9

Offices	Position	Start of term of office	End of term of office
Soderec	Chairman of the Supervisory Board	2015	2020
Crédit Industriel et Commercial	Member of the Board of Directors	2005	2019
Confédération Nationale du Crédit Mutuel	Member of the Board of Directors	2003	2019
Caisse Centrale du Crédit Mutuel	Member of the Board of Directors	3/21/2016	2022
Centre International du Crédit Mutuel – CICM	Permanent representative of Fédération du Crédit Mutuel de Maine-Anjou et Basse-Normandie	2012	2016
Director of Banque Fédérative du Crédit Mutuel	Permanent representative of Caisse Fédérale du Crédit Mutuel de Maine-Anjou et Basse-Normandie	11/18/2011	2018
Assurances du Crédit Mutuel Vie S.A.M.	Permanent representative of Caisse Fédérale du Crédit Mutuel de Maine-Anjou et Basse-Normandie	5/13/2015	2021
Director of Assurances du Crédit Mutuel IARD	Permanent representative of Caisse Fédérale du Crédit Mutuel de Maine-Anjou et Basse-Normandie	5/11/2011	
Fédération du Crédit Mutuel de Maine-Anjou et Basse-Normandie	Chairman of the Board of Directors	2003	2018
Caisse Fédérale du Crédit Mutuel de Maine-Anjou et Basse-Normandie	Chairman of the Board of Directors	1990	2019
Caisse de Crédit Mutuel du Pays Fertois	Chairman of the Board of Directors	1998	2017
Caisse Générale de Financement CAGEFI	Chairman of the Board of Directors	2003	2017
Créavenir	Chairman of the Board of Directors	2004	2018
Caisse de Crédit Mutuel Solidaire de Maine-Anjou et Basse-Normandie	Chairman of the Board of Directors	2007	2017
Assurances du Crédit Mutuel de Maine-Anjou – Normandie	Member of the Board of Directors	2002	2020
Volney Bocage	Member of the Board of Directors	2012	2018
Volney Développement	Permanent representative of Caisse Fédérale du Crédit Mutuel de Maine-Anjou et Basse-Normandie	1999	
Volney Evènements	Permanent representative of Fédération du Crédit Mutuel de Maine-Anjou Basse-Normandie	2013	2019

Damien Liévens
Born on July 25, 1970 in Dreux (28)
Work address:
Crédit Mutuel du Centre
Place de l'Europe 105 rue du faubourg Madeleine – 45920
Orléans cedex 9

Offices	Position	Start of term of office	End of term of office
Caisse de Crédit Mutuel Agricole du Centre	Chairman	11/25/2015	2018
Caisse de Crédit Mutuel de Brezolles	Vice-Chairman	5/3/2007	2019
Caisse Régionale de Crédit Mutuel du Centre	Member of the Board of Directors	5/16/2014	2019
Fédération Régionale des Caisses de Crédit Mutuel du Centre	Member of the Board of Directors	5/19/2015	2019
Banque Fédérative du Crédit Mutuel	Member of the Board of Directors	7/30/2015	2020
Caisse Agricole Crédit Mutuel	Member of the Board of Directors	11/25/2015	2022
CNCM	Member of the Board of Directors	5/2015	
Caisse Centrale du Crédit Mutuel	Member of the Board of Directors	5/10/2017	2018
Fédération du Crédit Mutuel Agricole et Rural	Member of the Board of Directors	5/2015	
Caisse Fédérale de Crédit Mutuel	Non-voting director	5/3/2017	2020
CIC	Non-voting director		
Banque Européenne du Crédit Mutuel	Member of the Supervisory Board	7/30/2015	2020
Board of Directors of Assurances du Crédit Mutuel Vie S.A.M.	Permanent representative of Caisse Régionale de Crédit Mutuel du Centre	5/11/2011	2023
CENTREXPERT	Member of the Board of Directors		
SCEA LIEVENS	Managing Partner		

Michel Lucas
Born on May 4, 1939 in Lorient (56)

Crédit Mutuel Centre Est Europe
34 rue du Wacken – 67000 Strasbourg

Offices	Position	Start of term of office	End of term of office
Banque de Tunisie	Chairman of the Board of Directors	3/30/2004	2019
Crédit Mutuel Cartes de Paiements - CMCP	Chairman	5/7/2003	2018
International Information Developments	Chairman of the Board of Directors	2/6/2004	2019
Direct Phone Services	Chairman of the Board of Directors	2/6/2004	2019
Confédération Nationale du Crédit Mutuel	Non-voting director	3/21/2016	2018
CIC Iberbanco	Vice-Chairman of the Supervisory Board:	6/5/2008	2018
Banque Fédérative du Crédit Mutuel	Member of the Board of Directors	10/22/2010	2019
Banque Transatlantique Belgium (Brussels)	Member of the Board of Directors	3/21/2005	2020
Caisse de Crédit Mutuel Grand Cronenbourg	Member of the Board of Directors	5/11/1985	2021
Caisse Fédérale de Crédit Mutuel	Honorary chairman	2/24/2017	/
Crédit Industriel et Commercial	Honorary chairman	5/24/2017	/
CM-CIC Services	Member of the Supervisory Board	5/7/2008	2020
Manufacture d’impression sur étoffes de Beauvillé	Member of the Supervisory Board	2/14/2000	2018

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

Offices	Position	Start of term of office	End of term of office
Unions des Caisses de Crédit Mutuel du District de Metz	Chairman	2003	2018
Fédération du Crédit Mutuel Centre Est Europe	Member of the Board of Directors	2003	2018
Banque Fédérative du Crédit Mutuel	Member of the Board of Directors	12/13/2002	2019
CME 57	Member of the Board of Directors	1969	2019
Targo Deutschland GmbH	Member of the Supervisory Board	12/8/2008	2022
Targo Management AG	Member of the Supervisory Board	12/8/2008	2018
Targobank AG	Member of the Supervisory Board	12/8/2008	2022
Assurances du Crédit Mutuel IARD	Permanent representative of BFCM	6/30/2015	

Lucien Miara
Born on January 17, 1949 in Casablanca (Morocco)
Work address:
Crédit Mutuel Méditerranéen
494 avenue du Prado BP115 – 13267 Marseille cedex 8

Offices	Position	Start of term of office	End of term of office
Fédération du Crédit Mutuel Méditerranéen	Chairman	2014	2018
Caisse Régionale du Crédit Mutuel Méditerranéen	Chairman	2014	2018
CAMEFI MARSEILLE	Chairman	4/26/2016	5/31/2020
Caisse de Crédit Mutuel Marseille Prado	Chairman	5/17/2016	2020
Caisse de Crédit Mutuel Perpignan Kennedy	Member of the Board of Directors	11/24/2016	2020
Confédération Nationale du Crédit Mutuel	Member of the Board of Directors	6/25/2014	2020
Caisse Centrale du Crédit Mutuel	Member of the Board of Directors	3/21/2016	2020
Caisse Fédérale de Crédit Mutuel	Member of the Board of Directors	5/13/2015	2018
Banque Fédérative du Crédit Mutuel	Member of the Board of Directors	5/13/2015	2018
Centre International du Crédit Mutuel – CICM	Permanent representative of Fédération du Crédit Mutuel Méditerranée	12/18/2014	2019
Euro-Information Production	Member of the Supervisory Board	5/20/1997	2019
Board of Directors of Assurances du Crédit Mutuel Vie S.A.M.	Permanent representative of Caisse Régionale du Crédit Mutuel Méditerranée	5/11/2011	2023
Board of Directors Assurances du Crédit Mutuel VIE	Permanent representative of Caisse Régionale du Crédit Mutuel Méditerranée	5/11/2016	2022
Banque Marocaine du Commerce Extérieur	Permanent representative of Banque Fédérative du Crédit Mutuel	11/15/2017	End of BFCM term of office

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

Offices	Position	Start of term of office	End of term of office
Union des Caisses de Crédit Mutuel du District de Sarreguemines	Chairman	2006	2018
Caisse de Crédit Mutuel Pays de Bitche	Chairman of the Board of Directors	3/26/1999	2018
Board of Directors Assurances du Crédit Mutuel VIE	Permanent representative of Groupe des Assurances du Crédit Mutuel	5/11/2011	
Fédération du Crédit Mutuel Centre Est Europe	Member of the Board of Directors	2006	2018
Banque Fédérative du Crédit Mutuel	Member of the Board of Directors	12/15/2006	2020

Daniel Rocipon
Born on February 17, 1948 in Montchanin (28)
Work address:
Crédit Mutuel Savoie-Mont Blanc
99 avenue de Genève – 74054 Annecy cedex

Offices	Position	Start of term of office	End of term of office
Fédération du Crédit Mutuel Savoie-Mont Blanc	Chairman of the Board of Directors	12/2/2015	2019
Caisse Régionale du Crédit Mutuel Savoie-Mont Blanc	Chairman of the Board of Directors	12/2/2015	2019
Caisse de Crédit Mutuel d'Albertville	Chairman of the Board of Directors	4/22/2011	2021
Caisse Fédérale de Crédit Mutuel	Member of the Board of Directors	2/26/2016	2018
Banque Fédérative du Crédit Mutuel	Member of the Board of Directors	2/25/2016	2018
Centre International du Crédit Mutuel	Member of the Board of Directors		2018
Board of Directors of ACM VIE S.A.M.	Permanent representative of Caisse Régionale du Crédit Mutuel Savoie-Mont Blanc	5/7/2014	2020
Les 3 D	Managing Partner - Shareholder		

Alain Têtedoie
Born on May 16, 1964 in Loroux Bottereau (44)
Work address:
Crédit Mutuel de Loire Atlantique et du Centre Ouest
10 rue de Rieux - 44040 Nantes cedex 1

Offices	Position	Start of term of office	End of term of office
Fédération du Crédit Mutuel de Loire-Atlantique et du Centre Ouest	Chairman of the Board of Directors	2009	2020
Caisse Régionale du Crédit Mutuel de Loire-Atlantique et du Centre Ouest	Chairman of the Board of Directors		
Cémavie	Chairman of the Board of Directors		
Caisse de Crédit Mutuel de Loire-Divatte	Member of the Board of Directors	5/9/2006	2018
Confédération Nationale du Crédit Mutuel	Member of the Board of Directors		2022
Caisse Centrale du Crédit Mutuel	Member of the Board of Directors	3/21/2016	2022
Banque Fédérative du Crédit Mutuel	Member of the Board of Directors	5/10/2007	2018
CM-CIC Services	Chairman of the Supervisory Board	5/7/2008	2018
CM-CIC Immobilier	Chairman of the Supervisory Board	2/1/2013	2019
Banque Européenne du Crédit Mutuel	Member of the Supervisory Board	5/11/2011	2020
Investlaco as Chairman	Permanent representative of Fédération du Crédit Mutuel LACO		
Board of Directors of Assurances du Crédit Mutuel Vie S.A.M.	Permanent representative of Caisse Régionale de Crédit Mutuel LACO	5/13/2015	2021
SCI Champ de Mars 2015	Permanent representative of Caisse Régionale de Crédit Mutuel LACO	9/26/2006	2018
Banque CIC-Ouest on the Board of Directors	Permanent representative of EFSA		
Caisse Fédérale de Crédit Mutuel	Non-voting director	5/3/2017	2020
Thalie Holding	Chairman		
La Fraiseraie	Representative of Thalie Holding		
SCEA La Fraiseraie	Representative of Thalie Holding		
GFA LA FRAISERAIE	Managing Partner		
SCI Profruit	Managing Partner		
SCI Syalie	Co-Managing Partner		
SCI Alvie	Co-Managing Partner		

Michel Vieux
Born on April 12, 1951 in Gap (05)
Work address:
Crédit Mutuel Dauphiné-Vivarais
130-132 avenue Victor Hugo – 26009 Valence cedex

Offices	Position	Start of term of office	End of term of office
Fédération du Crédit Mutuel Dauphiné-Vivarais	Chairman of the Board of Directors	2000	
Caisse Régionale du Crédit Mutuel Dauphiné-Vivarais	Chairman of the Board of Directors	2000	
Caisse de Crédit Mutuel de Pierrelatte	Chairman of the Board of Directors	6/24/1982	2018
Caisse de Crédit Mutuel du Dauphiné	Chairman of the Board of Directors	3/15/2003	2018
Caisse de Crédit Mutuel de la Vallée du Rhône	Chairman of the Board of Directors	3/15/2003	2018
Confédération Nationale du Crédit Mutuel	Member of the Board of Directors		
Banque Fédérative du Crédit Mutuel	Member of the Board of Directors	5/11/2011	2020
Caisse de Crédit Mutuel Agriculture de Valréas	Member of the Board of Directors	6/24/1982	2018
Caisse de Crédit Mutuel de Loriol	Member of the Board of Directors	4/23/2014	2018
Banque Européenne du Crédit Mutuel	Member of the Supervisory Board	5/11/2011	2020
Board of Directors of Assurances du Crédit Mutuel Vie	Permanent representative of CRCM Dauphiné-Vivarais	5/11/2011	
SEGI	Co-Managing Partner		
Sud Est Transactions Immobilières (SETI)	Co-Managing Partner		
Caisse Fédérale de Crédit Mutuel	Non-voting director	5/3/2017	2020
"La Cascade" association	Vice-Chairman		

Executive Management

Daniel Baal
Born on December 27, 1957 in Strasbourg (67)
Work address:
Banque Fédérative du Crédit Mutuel
34 rue du Wacken - 67000 Strasbourg

Offices	Position	Start of term of office	End of term of office
Fédération Centre Est Europe	Chief Executive Officer	6/1/2017	
Caisse Fédérale de Crédit Mutuel	Chief Executive Officer	6/1/2017	
Banque Fédérative du Crédit Mutuel	Chief Executive Officer	6/1/2017	
Crédit Industriel et Commercial	Chief Executive Officer	6/1/2017	
CIC Sud-Ouest			
CIC Ouest		5/11/2017	
Cofidis		5/12/2017	
Cofidis Participations		5/12/2017	
Euro-Information Production	Chairman of the Supervisory Board	3/23/2017	
Targo Deutschland GmbH		3/29 & 3/30/2017	
Targo Management AG		3/29 & 3/30/2017	
Targobank AG		3/29 & 3/30/2017	
GACM	Member of the executive board	5/3/2017	
Banque de Luxembourg	Vice-Chairman of the supervisory body	3/28/2017	

Marc Bauer
Born on June 15, 1955 in Colmar (68)
Work address:
Banque Fédérative du Crédit Mutuel
34 rue du Wacken - 67000 Strasbourg

Offices	Position	Start of term of office	End of term of office
Banque Fédérative du Crédit Mutuel	Deputy Chief Operating Officer	2011	open-ended
LYF	Chief Operating Officer	7/27/2017	2023
LYF	Member of the Board of Directors	1/8/2014	2019
Devest 6	Chairman	5/28/2010	Open-ended
Investmonde	Chairman	12/23/2004	2021
Monetico International	Member of the Board of Directors	4/4/2013	2018
Banque du groupe casino	Member of the Board of Directors	7/7/2011	2022
Targo Deutschland Gmbh	Member of the Board of Directors	9/21/2011	2022
Targo Management AG	Member of the Board of Directors	9/21/2011	2018
Targobank AG	Member of the Board of Directors	9/21/2011	2022
Board of Directors of CM-CIC Home Loan SFH	Permanent representative of Banque Fédérative du Crédit Mutuel as director	4/16/2007	2019
Board of Directors of Opuntia (Luxe TV)	Permanent representative of Banque Fédérative du Crédit Mutuel as director	4/1/2011	2022
Société Civile Foncière et Financière REY & LESSE	Shareholder - Managing Partner		

Alexandre Saada
Born on September 5, 1965 in Boulogne-Billancourt (92)
Work address:
Banque Fédérative du Crédit Mutuel
34 rue du Wacken - 67000 Strasbourg

Offices	Position	Start of term of office	End of term of office
Banque Fédérative du Crédit Mutuel	Deputy Chief Operating Officer	6/1/2017	2020
Crédit Mutuel-CIC Home Loan SFH	Chairman of the Board of Directors	5/3/2017	2018

II.2 - Caisse Fédérale de Crédit Mutuel – Corporate governance report

II.2.1 - Composition of the management bodies as of December 31, 2017

Board of Directors

Nicolas Théry, Chairman
Jean-Paul Adenot
Jean-Louis Boisson
Gérard Bontoux
Gérard Cormorèche
Chantal Dubois
Charles Gerber
André Gerwig
Jean-Louis Girodot
Audrey Hammerer
Jacques Humbert
Christine Leenders
Mireille Lefébure
Lucien Miara
Laurence Miras
Marie-Josée Neyer
Daniel Rocipon
Agnès Rouxel
François Troillard
Annie Virot

Non-voting members

Bernard Basse
Jean-Louis Bazille
Bernard Boccard
Hervé Brochard
Bernard Dubuis
Marie-Hélène Dumont
Philippe Gallienne
Jean-François Jouffray
Damien Lievens
Gérard Lindacher
Jean-Paul Panzani
Marc Prigent
Denis Schitz
Alain Tessier
Alain Têtedoie
Philippe Tuffreau
Didier Vieilly
Michel Vieux

Executive Management

Daniel Baal, Chief Executive Officer and effective manager
Eric Petitgand, Deputy Chief Operating Officer and effective manager
Frantz Rublé, Deputy Chief Operating Officer

Statutory Auditors

ERNST & YOUNG et Autres
KPMG Audit

II.2.2 - Conditions for preparing and organizing the board's work

The provisions of Article L. 225-37 of the French Commercial Code stipulate that the Board of Directors must submit a separate report on corporate governance to the shareholders' meeting referred to in Article L. 225-100, along with the management report referred to in that same article. However, the relevant information may be presented in a specific section of the management report.

This report presents the composition of the Board, 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.2.2.1 - Preparation and organization of the Board's work

Composition of the Board

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

Caisse Fédérale de Crédit Mutuel (CFdeCM) complies with current corporate governance regulations. 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 the Crédit Mutuel regional and local cooperative banks in the Crédit Mutuel CM11 scope, which hold 88.3% of the share capital (directly and indirectly) and 99.9% of the voting rights.

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 or her appointment each director signs a statement certifying that he or she is not subject to the banking bans set out in Article L. 500-1 of the French Monetary and Financial Code.
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. Due to internal timetables, as from the December 2018 meeting of the Chambre Syndicale, the individual age limit is set at 70 for each director and at 75 for each non-voting director. Directors in office at that age will be required to retire at the shareholders' meeting following the relevant birthday.
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, applies to CFdeCM and has begun to be implemented with the appointment of seven women directors to the Board of Directors of CFdeCM at its Ordinary Shareholders' Meeting of May 3, 2017. Following these appointments to the Board, its composition is now 38.9% women and 61.1% men. The Board may also factor in the participation of one male director and one female director who represent employees.
5. Competencies and training of directors: CFdeCM attaches great importance to the competencies of its directors. To hold the position of director or non-voting director on CFdeCM's Board of Directors, each candidate must have experience as an elected member and as Chairman or Vice-Chairman of the Board of Directors or Supervisory Board of a Crédit Mutuel local cooperative bank, participate in the bodies and work of his Crédit Mutuel district or federation, and take part in the training courses for elected members.

   A specific training module has been developed for directors at the initiative of the interfederal commission on elected member training in order to strengthen the knowledge and competencies of CFdeCM's directors and non-voting directors in light of the regulatory expertise required since the transposition in France of CRD IV.

Members of the regulatory committees also have access to specific training modules to strengthen the skills needed to perform the work of these committees.

6. Composition of the Board of Directors and independent directors: CFdeCM 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 practice: respect for values and regulations, respect for persons, the duty of good management, confidentiality, the duty of discretion, voluntary work, the independence of elected officials, and the prevention of conflicts of interest. As such, they perform their duties independently and with integrity and honesty.
   The joint guidelines of the European Banking Authority (EBA) and the European Securities and Markets Authority (ESMA) of September 26, 2017 on the assessment of the suitability of members of management bodies and key function holders have now set 11 independence criteria applicable to all credit institutions within the European Union as of July 1, 2018. These criteria will be transposed into French law in the first half of 2018.

7. 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 professional practice 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 Caisse Fédérale de Crédit Mutuel.

The work of the Board in 2017

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 presentation 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 2017. The attendance rate varied between 72% and 94% (averaging 85%).

The February 24, 2017 meeting of the Board focused primarily on reviewing and approving the financial statements and preparing for the Ordinary and Extraordinary Shareholders' Meetings that were held on May 3. The Board adopted guidelines to define the position of Crédit Mutuel CM11 Group representatives on the matters discussed by the Board of Directors of Confédération Nationale du Crédit Mutuel. The Board examined the financial statements for fiscal year 2016, heard the conclusions of the Statutory Auditors and took note of the control and monitoring activities. The Board approved the reappointment of Jean-François Jouffray as non-voting director for another three-year period and appointed Michel Lucas, whose term as director was set to end at the Shareholders' Meeting of May 3, 2017, as Honorary Chairman of the Caisse Fédérale. Eight new Crédit Mutuel local cooperative banks became members.

At its meeting of April 6, 2017, the Board appointed Daniel Baal as non-director Chief Executive Officer of the Caisse Fédérale, effective June 1, 2017 for a renewable three-year term, to succeed Alain Fradin, and set his remuneration. At this same meeting, the Board noted the expiration of the directorships of Hervé Brochard, Damien Lievens, Gérard Lindacher, Michel Lucas, Alain Têtedoie and Michel Vieux, and asked the Shareholders' Meeting of May 3, 2017 to appoint Chantal Dubois, Mireille Lefébure, Laurence Miras, Marie-Josée Neyer, Agnès Rouxel and Annie Virot for three-year terms to replace the outgoing directors. It also proposed that Christine Leenders be appointed for a three-year term after Bernard Flouriot expressed his wish to terminate his term of office. In the context of these changes, the Board decided to appoint Gérard Bontoux as Vice-Chairman of the Board of Directors as of May 3, 2017 for the remainder of his term as director. In light of these appointments, the Board decided to appoint Hervé Brochard, Damien Lievens, Gérard Lindacher, Michel Lucas, Alain Têtedoie, Philippe Tuffreau and Michel Vieux as non-voting directors for a three-year period beginning on May 3, 2017, and it noted the termination on that same date of the terms of office of

Marie-Hélène Dumont, Jean-Louis Bazille, Bernard Dubuis, Philippe Gallienne and Alain Tessier as non-voting directors. Given the departure of Bernard Flouriot, the Board submitted to the Board of the Confédération and of the Caisse Centrale the appointment of Damien Lievens to fill the director positions and Philippe Tuffreau to fill the non-voting director positions. The board also named Eric Petitgand to the Coordination Committee of the Confédération Nationale du Crédit Mutuel effective June 1, 2017 to replace Alain Fradin.

On July 28, the Board of Directors approved the group's interim consolidated financial statements for the first half of 2017, after taking note of the opinion of the Audit and Financial Statements Committee at its meeting of July 26 and hearing the statutory auditors' report. The supervisory review and evaluation process applicable to the Caisse Fédérale and the Crédit Mutuel CM11 Group and the Crédit Mutuel Group's general risk appetite framework were presented to the Board, which approved them. With the termination of the terms of office of Bernard Flouriot, the Board observed that one seat remained vacant on the Appointments and Remuneration committees. It also approved a change in the rules of those committees to expand their scope of action. The Board also approved the implementation of a procedure for interest representation under the Sapin II law. The Board approved the reappointment of Bernard Basse and Jean-Paul Panzani as non-voting directors as well as the affiliation of CCM Saint Prive Saint Mesmin, CCM de Pringy-Annecy Nord and CCM Enseignant de Haute-Savoie. The Board also considered the report of the Group Risk Monitoring Committee dated April 6, 2017, the ICAAP report, the Group's sector-specific policy on private banking and the Crédit Mutuel CM11 Group's policy on new customer relationships. It also took note of the reclassification and continuation of regulated agreements.

Meeting on November 17, 2017, 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 13, 2017, of the Risk Monitoring Committee dated October 18, 2017, and of the Appointments Committee and the Remuneration Committee dated November 16, 2017. The rules of these last two committees were amended and two new members, Maurice Corgini and Jean-François Jouffray, were appointed. It decided to reappoint Denis Schitz as non-voting director for a three-year term and to co-opt Jean-Louis Maître to replace Bernard Boccard.

Operation of the Board. Executive Management operating methods

In accordance with Article L.511-13 paragraph 2 of the French Monetary and Financial Code, banking regulations require that the roles of chairman of an institution's supervisory body and its effective manager be separated. At least two people are responsible for the effective management of an institution. Members of effective management have all the powers provided for by law and by banking and financial regulations, both internally and vis-à-vis third parties.

The members of executive management of Caisse Fédérale de Crédit Mutuel are:

Daniel Baal, Chief Executive Officer and effective manager,

Eric Petitgand, Deputy Chief Operating Officer and effective manager,

Frantz Rublé, Deputy Chief Operating Officer.

The Board meetings of July 29, 2016 and April 6, 2017 did not set any limits on the powers of the two effective managers, as defined by law and by our bylaws and internal rules.

Internal committees

In accordance with Articles L.511-89 et seq. of the French Monetary and Financial Code, 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. 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.

<u>Group Remuneration Committee</u>

Following the transposition of CRD IV, 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.

The competence of the committee is:

- all credit institutions and financing companies,
- the entities of the group consolidated by Caisse Fédérale de Crédit Mutuel (CIB 10278) in its capacity as parent company of the consolidated Crédit Mutuel CM11 Group which, due to their size and internal organization, as well as the nature, extent, complexity and cross-border dimension of their activities, are included in the scope by decision of the Board of Directors,
- with the exception of entities which, due to their activity, significance or specific nature, have a committee that complies with the legal and regulatory provisions. In that case, this individual committee reports to the Group Remuneration Committee of Caisse Fédérale de Crédit Mutuel on its work and on the information received.

The Remuneration Committee analyzes and/or monitors the remuneration principles and the annual guidance presented by executive management, including:

- applicable regulatory developments,
- the remuneration packages allocated to material risk-takers (MRTs),
- the distribution, individual allocation and payment procedures,
- the list of remuneration in excess of a certain amount and of employees identified as material risk-takers,
- the remuneration of the chief risk officer and of the head of Compliance.

To fulfill these duties, the Remuneration Committee builds on market practices in any way it deems appropriate.

In this context, the Remuneration Committee regularly, and at least every year, makes proposals for the remuneration of the executive body and the corporate officers and issues an opinion on the Group's general remuneration policy note. It may also present the Board of Directors with opinions, proposals and recommendations relating to its duties.

Furthermore, the Remuneration Committee obtains assurance from executive management that the Risk, Control and Compliance departments have been properly consulted by the Human Resources department on the definition and implementation of the remuneration policy.

The Remuneration Committee also takes note of the Audit department's annual report on the remuneration policy and/or the audit monitoring report.

The committee reports on its work and submits its proposals to the Board of Directors. In its report, it presents the opinions and recommendations it deems necessary.

It also makes proposals in that report to improve the effectiveness of the various procedures and of the overall system or to adapt them to new circumstances or regulatory changes.

In the interest of consistency within the Group and in the absence of an appropriate mechanism, a process for coordinating changes in the remuneration of Group entities' senior executives/chief executive officers was adopted at the meeting of the Board of Directors on February 26, 2016.

For the chief executive officers of the federations, the chairmen of the federations are involved in this process and provide an advisory opinion.

This mechanism brings together the Chairman of Caisse Fédérale de Crédit Mutuel, executive management of Caisse Fédérale de Crédit Mutuel, the Group Human Resources Department, the Group General Secretariat and the Group Risk Department.

The Remuneration Committee issues an opinion on the basis of the proposal resulting from the coordination process. It reports to the Board of Directors.

As such, the Committee is supported by the work of the Group Human Resources Department, the Group General Secretariat and the Group Risk Department. The secretariat for committee meetings is held by the Group General Secretariat.

This Committee has five members elected for three years:

- Jacques Humbert, Chairman
- Gérard Bontoux
- Maurice Corgini
- André Gerwig
- Jean-François Jouffray
- François Troillard, employee director

Group Appointments Committee

Following the transposition of CRD IV, 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.

The competence of the committee is:

- all credit institutions and financing companies,
- the entities of the group consolidated by Caisse Fédérale de Crédit Mutuel (CIB 10278) in its capacity as parent company of the consolidated Crédit Mutuel CM11 Group which, due to their size and internal organization, as well as the nature, extent, complexity and cross-border dimension of their activities, are included in the scope by decision of the Board of Directors,
- with the exception of entities which, due to their activity, significance or specific nature, have a committee that complies with the legal and regulatory provisions. In that case, this individual committee reports to the Group Remuneration Committee of Caisse Fédérale de Crédit Mutuel on its work and on the information received.

The primary duties of the Committee are specified in Articles L.511-98 to L.511-101 of the French Monetary and Financial Code, namely to:

- identify and recommend to the Board of Directors appropriate candidates for directorships, non-voting directors, and managers that may be qualified to act as effective manager (chief executive officer, chief operating officer, deputy chief operating officer, and other senior executive positions) with a view to proposing their appointment to the competent body;
- 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 (both must be published);
- 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 the two effective managers, the chief operating officers and the head of the risk management function 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 the interest of consistency within the group and in the absence of an appropriate mechanism, a coordination and consultation process has also been put in place for the appointment and replacement of Group entities' senior executives and chief executive officers.

These appointments and replacements will be made from a list of executives identified as having the professional background defined by the Group.

For the chief executive officers of the federations, and at the end of the coordination and consultation process, appointments and replacements will be made by the Boards of Directors concerned at the recommendation of the chairmen of the federations with due regard for their prerogatives.

This coordination and consultation mechanism will bring together the Chairman of Caisse Fédérale de Crédit Mutuel, executive management of Caisse Fédérale de Crédit Mutuel, the Group Human Resources Department, the Group General Secretariat and the Group Risk Department.

The Appointments Committee is therefore also tasked with issuing the opinion that results from the coordination and consultation process. This opinion is then transmitted in the form of an excerpt from the minutes of the Committee meeting to the relevant entity for a legal decision on the appointment or replacement by its competent body.

It keeps abreast of all financial industry regulations and recommendations on governance.

The Chairman of the Board may, where applicable, consult with the Committee on matters of governance.

In this respect, the Committee draws on the work of the Group General Secretariat of 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 Group General Secretariat of Caisse Fédérale de Crédit Mutuel.

This Committee has five members elected for three years:

- Jacques Humbert, Chairman
- Gérard Bontoux
- Maurice Corgini
- André Gerwig
- Jean-François Jouffray

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. 2008-1278 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 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.

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 control and compliance departments,
- 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;
- is responsible for assessing the efficiency of the internal control systems;
- 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.
- 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 Group Audit and Financial Statements Committee has unrestricted access to the heads of the various control functions (periodic, permanent and compliance) and to the heads of the Risk and Finance departments. The Group Audit and Financial Statements Committee may also call upon the operational managers depending on the issues concerned.

The Group Audit and Financial Statements Committee has 14 members:

- Jean-François Jouffray, Chairman
- Bernard Basse
- Jean-Pierre Bertin
- Michel Brard
- Maurice Corgini
- Christian Fouchard
- Patrice Garrigues
- Jacques Humbert
- Damien Lievens
- Yves Magnin
- Patrick Morel
- Jean-François Parra
- Francis Pernet
- Alain Pupel

<u>Risk Monitoring Committee</u>

This committee is formed at the Crédit Mutuel CM11 Group level and is made up of members of the governing bodies.

Its duties and responsibilities are to:

- Carry out a comprehensive review of the risks that the Group is exposed to. Comprehensiveness refers both to types of risks and to the business activities of the Group's banking and non-banking entities in France and abroad;
- Examine 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 ILAAP process;
- 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 ICAAP process; Interpret the development of results in the context of changes in risk, results and capital consumption, and examine changes in external ratings;
- Assess the quality of all the risks referred to in the decree of November 3, 2014 and, more specifically, credit, market, global interest rate, intermediation, settlement, liquidity and operational risks, for the entire Group entity scope (including the banking scope and insurance companies);
- Assist the governing body in supervising the implementation of risk policies and strategies by the executive management teams that make up the Group's executive body. In that respect, it monitors compliance with the risk indicator limits and any breaches thereof;
- Advise the governing body on strategies and tolerance related to current and future risks. In this context, the Committee may propose to the governing body changes to the risk management system (additions of and changes to indicators and/or limits), suggest specific reports or comment on a particular matter or specific or general risk;
- Examine 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 risk assessment methodologies and the crisis management policies, including crisis recovery plans;
- Verify that procedures are in place to comply with legal and regulatory obligations and to identify and handle incidents and anomalies;
- Ensure that the nature, coverage in terms of scope, granularity, form and frequency of the risk information that is provided to the Committee are appropriate;
- Propose to executive management any measures that may be necessary with respect to the limit or alert threshold mechanism for the main counterparties and economic or geographic sectors, as well as the limit or alert thresholds for interest rate, liquidity and market risk.

The Group Chief Risk Officer reports on changes in the main risks as listed in the decree of November 3, 2014 and, more specifically, credit, market, global interest rate, intermediation, settlement, liquidity and operational risks.

The Group Chief Risk Officer informs the Monitoring Committee of any changes in or breaches of the limits and alert thresholds and comments on regulatory developments and on inspections by the regulators. It provides an update on the Group's performance on its markets in France and abroad.

The Group Risk Monitoring Committee has 15 members:

- Daniel Schoepf, Chairman
- Laurent Benoit
- Gilles Berree
- Jean-Louis Boisson
- Hubert Chauvin
- Gérard Bontoux
- Hervé Chatanay
- Pierre Hussherr
- Jean-François Jouffray

- Claude Leveque
- Jean-Paul Panzani
- Daniel Rocipon
- Denis Schitz
- Nicolas Théry
- Michel Vieux

Ethics and compliance

The Crédit Mutuel CM11 Group's code of ethics was approved by the Board of Directors at its meeting of March 7, 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 Crédit Mutuel CM11 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 Group General Secretariat.

Persons holding inside information are regularly reminded of their obligations under the applicable rules.

Ethics and Compliance Committee

An Ethics and Compliance Committee was created collectively by the meeting of the Chambre Syndicale on April 13-14, 2007 to review implementation of the Code of Ethics and Professional Practice by the Group bodies of the local cooperative banks affiliated with Caisse Fédérale de Crédit Mutuel.

It has 22 members appointed by the Chambre Interfédérale on the principle of one elected member and one staff representative per Group federation:

- 11 elected members, proposed by the Board of Directors of their home federation from among the elected members of that federation who participate in the Chambre Interfédérale,
- 11 staff representatives, proposed by the Works Council of their home federation from among the representatives who participate in the Chambre Interfédérale.

The director of Group Human Resources, the Group General Secretary, the Inspector General, the heads of compliance and the heads of elected member relations at the federations contribute to the Committee’s work in an advisory capacity.

The Committee is chaired by an elected member with a seat on the Chambre. He or she represents the member local cooperative banks and is proposed by the Board of Directors of Fédération du Crédit Mutuel Centre Est Europe.

II.2.2.2 - Principles and rules for the remuneration of employees governed by Article L.511-71 *et seq.* of the French Monetary and Financial Code

The remuneration policy of the Crédit Mutuel CM11 Group, a group that belongs to its customers and members, is designed primarily to be sound and responsible and gives priority to aligning the interests of the Group with those of its employees and to protecting the interests of its members and customers. It therefore takes its duty to advise very seriously.

The Crédit Mutuel CM11 Group believes that a company's remuneration policy is an important aspect of consistency in its strategy and risk management. Against this backdrop, the Crédit Mutuel CM11 Group has remained true to its mutualist values and has defined a policy whose principles are in accordance with regulatory requirements and with industry practices, with the aim of:

- ensuring consistency between employee behavior and the Group’s long-term objectives, in particular with respect to developing risk management control;
- promoting career advancement through internal training and encouraging employees’ long-term commitment;
- ensuring fair pay for work and retaining talented employees by offering them appropriate compensation that takes into consideration the competitive environment and is based on their level of seniority, expertise and professional experience;
- ensuring equal pay for men and women, based on classification, and more broadly fighting all forms of discrimination;
- making sure that shareholders’ equity is regularly strengthened.

The remuneration policy builds on the Crédit Mutuel CM11 Group’s risk appetite framework, which states that remuneration of Group employees must not encourage excessive risk-taking and aims to avoid all conflicts of interest.

In that context, the overall remuneration policy therefore does not encourage risk-taking in excess of the level of risk defined by the Crédit Mutuel CM11 Group. It is guided by the principles of restraint and prudence implemented by the Crédit Mutuel CM11 Group, including for material risk-takers.

Variable remuneration is strictly limited to a few business lines and functions and is not an incentive for employees to take risks that would not be in line with the guidelines from executive management and the board of directors, in particular for those employees whose activities are likely to have a significant impact on the institution’s risk exposure.

The Board of Directors of CFdeCM approved the Crédit Mutuel CM11 Group remuneration policy, including 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 17, 2017 and revised on February 21, 2018.

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.

For all persons at the Crédit Mutuel CM11 Group who meet the above criteria, the overall amount of remuneration for 2017 as set out in the aforementioned Article L. 511-73 was €74,330,102.

A preference for fixed remuneration, with variable remuneration strictly limited to a few specialized activities

The Crédit Mutuel CM11 Group has decided to prioritize fixed remuneration in keeping with its mutualist values and its responsibilities toward its customers and members. It incorporates its constant concern for sustainable development and employee career advancement into its policy.

For most Group employees, in particular all those who work for the networks, the Group has decided[1] to not set individual targets for customer sales that might generate variable remuneration.

Generally speaking, the components of additional compensation (in-kind benefits, variable remuneration, etc.) are subject to restrictions and concern only specific situations in certain business lines or functions when justified by particular considerations. The variable remuneration practices for the Group's specialized businesses are therefore generally consistent with those of other banking groups: trading floor, specialized financing, asset management, private equity, private banking and consumer credit.

Crédit Mutuel CM11 Group remuneration policy harmonized in 2018

At its meeting of July 27, 2017, the Board of Directors of Caisse Fédérale de Crédit Mutuel approved the proposal to integrate into its scope, as of fiscal year 2018, the entities covered by the AIFM and UCITS V directives as well as those subject to the Solvency II directive.

Article L.511-91 of the French Monetary and Financial Code, established by Article 3 of Order no. 2014-158 of February 20, 2014, states that when a credit institution is part of a group subject to supervision by the French Prudential Supervisory and Resolution Authority (*Autorité de contrôle prudentiel et de résolution*) on a consolidated basis, the board of directors of such institution may decide that the functions assigned to the regulatory committees (risk, appointments, remuneration) be performed by the committee of the credit institution at which level supervision is exercised on a consolidated or sub-consolidated basis.

Within the Crédit Mutuel CM11 Group, all Boards of Directors of Group entities – regardless of their activities and the applicable regulations, in France and abroad – delegate their remuneration authority to the "umbrella" committee (Caisse Fédérale de Crédit Mutuel). This includes the federations and regional cooperative banks (which "control" the Caisse Fédérale), the consumer credit activity, the asset management activity and the insurance entities (which are in the consolidated accounting scope), the private equity, services and/or IT activities, the Group's economic interest groups and the international private banking and subsidiary activities (including Banque Transatlantique, Banque de Luxembourg, CIC Suisse, Targobank in Germany and Targobank in Spain which until now had individual remuneration committees).

The scope therefore goes beyond just the regulatory monitoring scope of the banking activity.

The Boards of Directors' delegations of authority take effect at the beginning of 2018 and the Group's entities' regulatory committees, with the exception of the "umbrella" Committee of Caisse Fédérale de Crédit Mutuel, will be eliminated. The "umbrella" Committee reports on its work to the Board of Directors of Caisse Fédérale de Crédit Mutuel, and to the Boards of Directors of Group entities for the information that is relevant to them.

As of the writing of the remuneration policy for 2018, the Boards of Directors of the entities in question planned to formalize the legal delegations of authority at their next meetings.

Process for coordinating changes in the remuneration of the Group's senior executives.

In the interest of consistency within the Group and in the absence of an appropriate mechanism, a process for coordinating changes in the remuneration of Group entities' senior executives/chief executive officers was adopted at the meeting of the Board of Directors on February 26, 2016. For the chief executive officers of the federations, the chairmen of the federations are involved in this process and provide an advisory opinion. This mechanism brings together the Chairman of Caisse Fédérale de Crédit Mutuel, the effective management of Caisse Fédérale de Crédit Mutuel, the Group Human Resources Department, the Group Risk Department and the Group General Secretariat.

The Remuneration Committee issues an opinion on the basis of the proposal resulting from the coordination process. It reports to the Board of Directors.

[1] With some exceptions abroad

II.2.2.3 - Principles for determining remuneration granted to the corporate officers

Guidelines

Caisse Fédérale de 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 the Crédit Mutuel Group.

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 June 1, 2017.

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. In the context of the reform of the CM11 Retraite supplementary pension plan, the change in the rate of contribution to the defined-contribution plan does not offset the loss of future entitlements under the defined-benefit plan. Through strict application of the rider to the pension agreement and in the context of the amounts previously authorized by the Board of Directors of BFCM subsequent to the favorable opinion given by the Remuneration Committee, an indemnity of €25,509.78 on a gross salary basis has been awarded to Nicolas Théry since January 1, 2017 to offset the loss of the employer contributions for supplementary benefits on these wage contributions.

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.

In light of the termination of Alain Fradin’s terms of office, the Remuneration Committee, at its meeting on April 5, 2017, in accordance with the decision of the Board at its meeting on May 11, 2011, noted that the performance criterion related to the BFCM Group's consolidated earnings had been met. At its meeting on April 6, 2017, the Board of BFCM therefore decided to award Alain Fradin the indemnities agreed on at the above-referenced Board meeting of May 11, 2011.

Acting on the recommendation of the Remuneration Committee, on April 6, 2017 the Board of Directors of BFCM also decided to set the gross annual fixed remuneration for Daniel Baal at €700,000, plus an “Article 39” supplementary pension indemnity of €9,505.68 per year, contributions to the death and disability plan in the amount of €4,054.68 per year and health-care costs in the amount of €3,475.44 per year, along with €3,880.56 in in-kind benefits (company car) per year. It also decided to create a termination indemnity for Daniel Baal 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, 2017 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. 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, 2017 they did not have any borrowings of this type.

Remuneration paid to the Group's key executives from January 1 to December 31, 2017

2017 Amount in € (a)	Origin	Fixed portion	Variable portion (b)	In-kind benefits (c)	Employer contributions for supplementary benefits	Total
Nicolas Théry	Crédit Mutuel CIC	475,510 250,000		11,393	11,298 1,059	498,201 251,059
Alain Fradin BFCM until 5/31/2017 CFdeCM from 6/1/2017 to 6/30/2018	Crédit Mutuel Crédit Mutuel	1,133,333* 250,268**		2,113 423	3,678 736	1,139,124 251,427
Daniel Baal CFdeCM until 5/31/2017 BFCM as from 6/1/2017	Crédit Mutuel Crédit Mutuel	523,595*** 413,878		1,617 2,264	3,678 2,264	528,890 421,291

2016 Amount in € (a)	Origin	Fixed portion	Variable portion (b)	In-kind benefits (c)	Employer contributions for supplementary benefits	Total
Nicolas Théry	Crédit Mutuel CIC	450,000 250,000		11,226	6,406	467,632 250,000
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 CIC	450,000 250,000		11,286	6,733	468,019 250,000
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).

* of which a termination indemnity of €800,000
** of which a retirement bonus of €203,212
*** of which paid leave and time savings account

II.2.3 – List of offices and positions held by corporate officers during the 2017 fiscal year under Article L.225-102-1 of the French Commercial Code

Nicolas Théry
Born on December 22, 1965 in Lille (59)
Work address:
Crédit Mutuel Centre Est Europe
34 rue du Wacken – 67000 Strasbourg

Offices	Position	Start of term of office	End of term of office
Confédération Nationale du Crédit Mutuel	Chairman of the Board of Directors	3/21/2016	2018
Caisse Centrale du Crédit Mutuel	Chairman of the Board of Directors	3/21/2016	2022
Fédération Centre Est Europe	Chairman of the Board of Directors	1/18/2016	2020
Caisse Centrale du Crédit Mutuel	Chairman of the Board of Directors	11/14/2014	2019
Banque Fédérative du Crédit Mutuel	Chairman of the Board of Directors	11/14/2014	2017
Crédit Industriel et Commercial	Chairman of the Board of Directors	12/11/2014	2019
Assurances du Crédit Mutuel Vie SA	Chairman of the Supervisory Board	10/14/2014	2017
Assurances du Crédit Mutuel Vie SAM	Chairman of the Supervisory Board	10/14/2014	2017
Assurances du Crédit Mutuel IARD	Chairman of the Supervisory Board	10/14/2014	2017
Groupe des Assurances du Crédit Mutuel (GACM)	Chairman of the Supervisory Board	7/27/2016	2021
Banque CIC Est	Chairman of the Board of Directors	9/13/2012	2019
Banque CIC Nord-Ouest	Chairman of the Board of Directors	5/12/2017	2021
Banque Européenne du Crédit Mutuel	Chairman of the Supervisory Board	11/14/2014	2019
Caisse de Crédit Mutuel Strasbourg Vosges	Member of the Board of Directors	3/5/2014	2019
Euro Information	Member of the Management Board	5/7/2014	2020
ACM GIE	Permanent representative of Groupe des Assurances du Crédit Mutuel	6/30/2015	2021

Jean-Paul Adenot
Born on November 15, 1948 in La Petite Raon (88)
Work address:
Crédit Mutuel Centre Est Europe
34 rue du Wacken – 67000 Strasbourg

Offices	Position	Start of term of office	End of term of office
Union des Caisses de Crédit Mutuel du District des Vosges	Chairman	2010	2018
Caisse de Crédit Mutuel CME 88	Chairman of the Board of Directors	5/1/2004	2020
Fédération du Crédit Mutuel Centre Est Europe	Member of the Board of Directors	2010	2018
Caisse Centrale du Crédit Mutuel	Member of the Board of Directors	5/11/2011	2018
Assurances du Crédit Mutuel Vie SA	Permanent representative of Banque Fédérative du Crédit Mutuel	6/30/2015	2023
SCI Les Hauts de Chantraine	Managing Partner		

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

Offices	Position	Start of term of office	End of term of office
Union des Caisses de Crédit Mutuel du District de Bourgogne	Chairman	October 2014	2018
Caisse de Crédit Mutuel de Montbard Venarey	Chairman of the Board of Directors	3/20/1992	2020
Fédération du Crédit Mutuel Centre Est Europe	Vice-Chairman of the Board of Directors	1995	2018
Banque Européenne du Crédit Mutuel	Vice-Chairman of the Supervisory Board	5/7/2008	2020
Confédération Nationale du Crédit Mutuel	Member of the Board of Directors	10/16/2002	2020
Caisse Fédérale de Crédit Mutuel	Member of the Board of Directors	5/3/2006	2018
Banque Fédérative du Crédit Mutuel	Member of the Board of Directors	12/17/1999	2018
Caisse Centrale du Crédit Mutuel	Member of the Board of Directors	3/21/2016	2020
Targobank Spain	Member of the Board of Directors	6/23/2015	2018
Est Bourgogne Média	Member of the Board of Directors	9/17/2012	2018
Euro-Information Production	Member of the Supervisory Board	5/16/1991	2021
Assurance du Crédit Mutuel Vie SA	Permanent representative of Caisse Fédérale de Crédit Mutuel	6/30/2015	2023

Gérard Bontoux
Born on March 7, 1950 in Toulouse (31)
Work address:
10, rue de la Tuilerie - 31112 Balma Cedex

Offices	Position	Start of term of office	End of term of office
Fédération du Crédit Mutuel Midi-Atlantique	Chairman	10/25/1990	2020
Caisse Régionale du Crédit Mutuel Midi-Atlantique	Chairman	10/25/1990	2020
Caisse Fédérale de Crédit Mutuel	Vice-Chairman of the Board of Directors	4/6/2017	2020
Confédération Nationale du Crédit Mutuel	Member of the Board of Directors	10/7/2015	2022
Caisse Centrale du Crédit Mutuel	Member of the Board of Directors	3/21/2016	2022
Banque Fédérative du Crédit Mutuel	Member of the Board of Directors	5/6/2009	2018
Caisse de Crédit Mutuel Toulouse Saint-Cyprien	Member of the Board of Directors	4/29/1996	2020
Banque Européenne du Crédit Mutuel	Member of the Supervisory Board	5/6/2009	2018
Board of Directors of Assurances du Crédit Mutuel Vie S.A.M.	Permanent representative of CRCM Midi-Atlantique	5/13/2015	2021
Board of Directors of CIC Sud-Ouest	Permanent representative of Marsovalor	2/26/2009	2019

Gérard Cormorèche
Born on July 3, 1957 in the 6th arrondissement of Lyon (69)
Work address:
Crédit Mutuel du Sud-Est
8-10 rue Rhin et Danube – 69266 Lyon cedex 09

Offices	Position	Start of term of office	End of term of office
Fédération du Crédit Mutuel du Sud Est	Chairman of the Board of Directors	4/27/1995	2019
Caisse de Crédit Mutuel du Sud Est	Chairman of the Board of Directors	4/27/1995	2019
Caisse Agricole Crédit Mutuel	Chairman of the Board of Directors	4/14/2004	2022
C.E.C.A.M.U.S.E.	Chairman of the Board of Directors	2/12/1991	2018
Caisse de Crédit Mutuel de Sélestat-Scherwiller	Chairman of the Board of Directors	4/15/1993	2021
Caisse Fédérale de Crédit Mutuel	Director	6/22/1995	2019
Confédération Nationale du Crédit Mutuel	Director	6/14/1995	2022
Caisse Centrale du Crédit Mutuel	Director	3/21/2016	2022
Banque Fédérative du Crédit Mutuel	Director	1995	2019
Fédération du Crédit Mutuel Agricole et Rural – FCMAR	Vice-Chairman	4/16/2004	2021
MTRL	Vice-Chairman	2007	2023
CIC	Non-voting director	7/28/2011	2023
Assurances du Crédit Mutuel Vie S.A.M.	Permanent representative of CCM Sud Est	5/11/2016	2022
SCEA Cormorèche Jean-Gérard	Managing Partner		
SARL Cormorèche	Managing Partner		
SCI Cormorèche	Managing Partner		
SCI Ravaille	Managing Partner		
Société des Agriculteurs de France	Director		

Marie-Chantal Dubois-Thuillier
Born on October 8, 1952 in Périgueux (24)
Work address:

Crédit Mutuel de Loire Atlantique et du Centre Ouest
10 rue de Rieux - 44040 Nantes cedex 1

Offices	Position	Start of term of office	End of term of office
Caisse de Crédit Mutuel de Limoges Centre	Vice-Chairman of the Board of Directors	1985	2019
Caisse Régionale du Crédit Mutuel de Loire-Atlantique et du Centre Ouest	Member of the Board of Directors	2010	2018
Fédération du Crédit Mutuel de Loire-Atlantique et du Centre Ouest	Member of the Board of Directors	2010	2018
The Crédit Mutuel de Loire-Atlantique et du Centre Ouest Foundation	Chairman	2013	2019
Caisse Fédérale de Crédit Mutuel	Member of the Board of Directors	5/3/2017	2020
DOM'AULIM ESH	Permanent representative of Caisse Régionale du Crédit Mutuel de Loire-Atlantique et du Centre Ouest	10/23/2012	

Charles Gerber
Born on June 3, 1954 in Pfetterhouse (68)
Work address:
Crédit Mutuel Centre Est Europe
34 rue du Wacken – 67000 Strasbourg

Offices	Position	Start of term of office	End of term of office
Union des Caisses de Crédit Mutuel d'Altkirch Saint-Louis	Chairman	1999	2018
Caisse de Crédit Mutuel de La Largue	Chairman of the Board of Directors	4/20/2012	2021
Fédération du Crédit Mutuel Centre Est Europe	Director	1999	2018
Caisse Fédérale de Crédit Mutuel	Director	12/19/1999	2018

André Gerwig
Born on April 23, 1939 in Mathay (25)
Work address:
Crédit Mutuel Centre Est Europe
34 rue du Wacken – 67000 Strasbourg

Offices	Position	Start of term of office	End of term of office
Union des Caisses de Crédit Mutuel du District de Belfort	Chairman	1988	2018
Caisse Fédérale de Crédit Mutuel	Member of the Board of Directors	9/29/1992	2019
Caisse de Crédit Mutuel Mandeure-Valentigney	Member of the Board of Directors	4/10/2002	2018
Fédération du Crédit Mutuel Centre Est Europe	Member of the Board of Directors	1988	2018
Targo Deutschland Gmbh	Member of the Supervisory Board	12/8/2008	2022
Targo Management AG	Member of the Board of Directors	12/8/2008	2018
Targobank AG	Member of the Board of Directors	12/8/2008	2022
Editions Coprur	Member of the Board of Directors	7/9/2007	2019
Centre International du Crédit Mutuel – CICM	Permanent representative of Fédération du Crédit Mutuel Centre Est Europe	10/9/2012	2020
Assurances du Crédit Mutuel Vie S.A.M.	Permanent representative of Caisse Fédérale de Crédit Mutuel	5/7/2013	2019

Jean-Louis Girodot
Born on February 10, 1944 in Saintes (17)
Work address:

Crédit Mutuel Ile-de-France
18 rue de la Rochefoucauld – 75439 Paris cedex 09

Offices	Position	Start of term of office	End of term of office
Fédération des Caisses de Crédit Mutuel Ile-de-France	Chairman of the Board of Directors	1995	2018
Caisse Régionale du Crédit Mutuel Ile-de-France	Chairman of the Board of Directors	1995	2018
Caisse de Crédit Mutuel de Paris Montmartre Grands Boulevards	Chairman of the Board of Directors	10/7/1980	2019
Caisse Fédérale de Crédit Mutuel	Member of the Board of Directors	5/7/2003	2018
Banque Fédérative du Crédit Mutuel	Member of the Board of Directors	5/22/2008	2020
Centre International du Crédit Mutuel - CICM	Member of the Board of Directors	2000	2019
Euro-Information Production	Member of the Supervisory Board	5/14/1996	2022
Assurances du Crédit Mutuel Vie S.A.M.	Permanent representative of Caisse Régionale de Crédit Mutuel Ile-de-France	5/11/2016	2022
Confédération Nationale du Crédit Mutuel	Non-voting director	3/21/2016	2018
Caisse Centrale du Crédit Mutuel	Non-voting director	3/21/2016	2018
Conseil Economique Social et Environnemental de la Région Ile-de-France (CESER IDF)	Chairman		
Association de moyens du groupe Audiens	Chairman		
Girodot Conseil	Managing Partner		
Chambre Régionale de l'Economie Sociale et Solidaire d'Ile-de-France (CRESS)	Vice-Chairman		
Coopérative d'Information et d'Edition Mutualiste	Vice-Chairman		
Mutuelle Audiens de la Presse, du Spectacle et de la Communication	Vice-Chairman		
AFDAS	Member of the Board of Directors		
WELCARE	Member of the Supervisory Board		
Commission Paritaire des Publications et Agences de Presse	Permanent representative of FNPS		
Fédération Nationale de la Presse Spécialisée (FNPS)	General Secretary		
Syndicat de la Presse magazine et spécialisée	General Secretary		

Audrey Hammerer
Born on January 8, 1978 in Mulhouse (68)
Work address:
Crédit Mutuel Centre Est Europe
34 rue du Wacken – 67000 Strasbourg

Offices	Position	Start of term of office	End of term of office
Caisse Fédérale de Crédit Mutuel	Employee representative member of the Board of Directors	7/29/2016	2019

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

Offices	Position	Start of term of office	End of term of office
Union des Caisses de Crédit Mutuel du District de Mulhouse	Chairman	2002	2018
Banque Fédérative du Crédit Mutuel	Vice-Chairman of the Board of Directors	12/13/2002	2018
Fédération du Crédit Mutuel Centre Est Europe	Member of the Board of Directors	2002	2018
Caisse Fédérale de Crédit Mutuel	Member of the Board of Directors	12/13/2002	2018
Caisse de Crédit Mutuel la Doller	Member of the Board of Directors	1988	2020
DNA	Member of the Board of Directors	3/31/2014	2020
Société de publications l'Alsace	Member of the Board of Directors	6/21/2012	2018
Assurances du Crédit Mutuel Vie SA	Permanent representative of Fédération du Crédit Mutuel Centre Est Europe	11/27/2015	2021
Editions COPRUR	Member of the Supervisory Board	8/3/2008	2020
CIC	Non-voting director	2/23/2017	2020
Musique Municipale Masevaux	Chairman		
Groupement de l'Union des sociétés de musique Thur-Doller	Chairman		

Christine Leenders
Born on February 21, 1956 in Le Bourg Saint Léonard (61)
Work address:
Crédit Mutuel Anjou
1 place Molière
BP 10648
49006 Angers Cedex 01

Offices	Position	Start of term of office	End of term of office
Caisse de Crédit Mutuel de Durtal-Seiches sur le Loir	Chairman of the Board of Directors	4/2/2003	2019
Caisse de Crédit Mutuel Agricole et Rural de l'Anjou	Member of the Board of Directors	11/28/2006	2018
Caisse Fédérale de Crédit Mutuel	Member of the Board of Directors	5/3/2017	2020
Fédération du Crédit Mutuel Anjou	Member of the Board of Directors	2010	2018
Caisse Régionale du Crédit Mutuel Anjou	Member of the Board of Directors	9/26/2010	2019
Les Landes	Managing Partner		
GFR GONDLEEN	Co-Managing Partner		
SCI GOIREL	Co-Managing Partner		
Le Pied à l'Etrier	Chairman		
Ecurie Le Mors aux Dents	Chairman		

Mireille Lefébure
Born on October 27, 1952 in Couture d'Argenson (79)
Work address:
Crédit Mutuel du Centre
Place de l'Europe 105 rue du faubourg Madeleine – 45920
Orléans cedex 9

Offices	Position	Start of term of office	End of term of office
Caisse de Crédit Mutuel Tours Halles	Chairman of the Board of Directors	4/3/2014	2019
Fédération du Crédit Mutuel du Centre	Member of the Board of Directors	5/7/2017	2021
Caisse Fédérale de Crédit Mutuel	Member of the Board of Directors	5/3/2017	2020
ESCEMAGE Association	Treasurer		

Lucien Miara
Born on January 17, 1949 in Casablanca (Morocco)
Work address:
Crédit Mutuel Méditerranéen
494 avenue du Prado BP115 – 13267 Marseille cedex 8

Offices	Position	Start of term of office	End of term of office
Fédération du Crédit Mutuel Méditerranéen	Chairman	2014	2018
Caisse Régionale du Crédit Mutuel Méditerranéen	Chairman	2014	2018
CAMEFI MARSEILLE	Chairman	4/26/2016	5/31/2020
Caisse de Crédit Mutuel Marseille Prado	Chairman	5/17/2016	2020
Caisse de Crédit Mutuel Perpignan Kennedy	Member of the Board of Directors	11/24/2016	2020
Confédération Nationale du Crédit Mutuel	Member of the Board of Directors	6/25/2014	2020
Caisse Centrale du Crédit Mutuel	Member of the Board of Directors	3/21/2016	2020
Caisse Fédérale de Crédit Mutuel	Member of the Board of Directors	5/13/2015	2018
Banque Fédérative du Crédit Mutuel	Member of the Board of Directors	5/13/2015	2018
Centre International du Crédit Mutuel – CICM	Permanent representative of Fédération du Crédit Mutuel Méditerranée	12/18/2014	2019
Euro-Information Production	Member of the Supervisory Board	5/20/1997	2019
Board of Directors of Assurances du Crédit Mutuel Vie S.A.M.	Permanent representative of Caisse Régionale du Crédit Mutuel Méditerranée	5/11/2011	2023
Board of Directors Assurances du Crédit Mutuel VIE	Permanent representative of Caisse Régionale du Crédit Mutuel Méditerranée	5/11/2016	2022
Banque Marocaine du Commerce Extérieur	Permanent representative of Banque Fédérative du Crédit Mutuel	11/15/2017	End of BFCM term of office

Laurence Miras
Born on April 4, 1965 in Marseille (13)
Work address:
Crédit Mutuel Dauphiné-Vivarais
130-132 avenue Victor Hugo – 26009 Valence cedex

Offices	Position	Start of term of office	End of term of office
Caisse de Crédit Mutuel Agriculture de Valréas	Chairman of the Board of Directors	3/29/2014	2018
Fédération du Crédit Mutuel Dauphiné-Vivarais	Member of the Board of Directors	2015	2020
Caisse Fédérale de Crédit Mutuel	Member of the Board of Directors	5/3/2017	2020
SCI LM	Shareholder - Managing Partner		
SCI L'OCCIMORON	Managing Partner		

Marie-Josée Neyer
Born on March 4, 1949 in Mulhouse (68)
Work address:
Crédit Mutuel Centre Est Europe
34 rue du Wacken – 67000 Strasbourg

Offices	Position	Start of term of office	End of term of office
Caisse de Crédit Mutuel de Forbach et Environs	Chairman of the Board of Directors	3/17/2004	2020
Caisse Fédérale de Crédit Mutuel	Member of the Board of Directors	5/3/2017	2020

Daniel Rocipon
Born on February 17, 1948 in Montchanin (28)
Work address:
Crédit Mutuel Savoie-Mont Blanc
99 avenue de Genève – 74054 Annecy cedex

Offices	Position	Start of term of office	End of term of office
Fédération du Crédit Mutuel Savoie-Mont Blanc	Chairman of the Board of Directors	12/2/2015	2019
Caisse Régionale du Crédit Mutuel Savoie-Mont Blanc	Chairman of the Board of Directors	12/2/2015	2019
Caisse de Crédit Mutuel d'Albertville	Chairman of the Board of Directors	4/22/2011	2021
Caisse Fédérale de Crédit Mutuel	Member of the Board of Directors	2/26/2016	2018
Banque Fédérative du Crédit Mutuel	Member of the Board of Directors	2/25/2016	2018
Centre International du Crédit Mutuel	Member of the Board of Directors		2018
Board of Directors of ACM VIE S.A.M.	Permanent representative of Caisse Régionale du Crédit Mutuel Savoie-Mont Blanc	5/7/2014	2020
Les 3 D	Managing Partner - Shareholder		

Agnès Rouxel
Born on April 20, 1958 in Le Havre (76)
Work address:
Fédération du Crédit Mutuel de Normandie
17 rue du 11 novembre – 14052 Caen cedex

Offices	Position	Start of term of office	End of term of office
Caisse de Crédit Mutuel Le Havre Océane	Chairman of the Board of Directors	4/3/2014	2018
Caisse Régionale de Crédit Mutuel de Normandie	Member of the Board of Directors	5/18/2017	2023
Caisse Fédérale de Crédit Mutuel	Managing Partner	5/3/2017	2020
JP2A	Managing Partner		
Genèse	Managing Partner		
SCI Les Béliers	Managing Partner		
SCI Les 4 couleurs	Shareholder - Managing Partner		
Chamber of Commerce and Industry of Seine Estuaire	Full member and Chairman of the Elected Officials Commission		
Conseil Européen des Entreprises et Commerce – Conseil du commerce de France	Member of the Board		
MEDEF Seine Estuaire	Member of the Board of Directors		

François Troillard
Born on September 16, 1958 in Paris (14th arrondissement)
Work address:
Crédit Mutuel Centre Est Europe
34 rue du Wacken – 67000 Strasbourg

Offices	Position	Start of term of office	End of term of office
Caisse Fédérale de Crédit Mutuel	Employee representative member of the Board of Directors	July 2016	2019

Annie Virot
Born on March 6, 1955 in Lavannes (51)
Work address:
Crédit Mutuel Centre Est Europe
34 rue du Wacken – 67000 Strasbourg

Offices	Position	Start of term of office	End of term of office
Caisse de Crédit Mutuel de Dijon Darcy	Chairman of the Board of Directors	3/16/2017	2019
Caisse Fédérale de Crédit Mutuel	Member of the Board of Directors	5/3/2017	2020

Executive Management

Daniel Baal
Born on December 27, 1957 in Strasbourg (67)
Work address:
Caisse Fédérale de Crédit Mutuel
34 rue du Wacken - 67000 Strasbourg

Offices	Position	Start of term of office	End of term of office
Fédération Centre Est Europe	Chief Executive Officer	6/1/2017	
Caisse Fédérale de Crédit Mutuel	Chief Executive Officer	6/1/2017	
Banque Fédérative du Crédit Mutuel	Chief Executive Officer	6/1/2017	
Crédit Industriel et Commercial	Chief Executive Officer	6/1/2017	
CIC Sud-Ouest			
CIC Ouest		5/11/2017	
Cofidis		5/12/2017	
Cofidis Participations		5/12/2017	
Euro-Information Production	Chairman of the Supervisory Board	3/23/2017	
Targo Deutschland GmbH		3/29 & 3/30/2017	
Targo Management AG		3/29 & 3/30/2017	
Targobank AG		3/29 & 3/30/2017	
GACM	Member of the executive board	5/3/2017	
Banque de Luxembourg	Vice-Chairman of the supervisory body	3/28/2017	

Eric Petitgand
Born on February 4, 1964 in Meulan (78)
Work address:
Caisse Fédérale de Crédit Mutuel
34 rue du Wacken - 67000 Strasbourg

Offices	Position	Start of term of office	End of term of office
Caisse Fédérale de Crédit Mutuel	Deputy Chief Operating Officer Executive Director	7/29/2016	open-ended
Fédération du Crédit Mutuel Centre Est Europe	Deputy Chief Operating Officer	7/29/2016	open-ended
Monetico International	Vice-Chairman	4/4/2013	2018
Cautionnement Mutuel de l'Habitat	Member of the Board of Directors	5/10/2016	2022
LYF	Member of the Board of Directors	7/27/2017	2019
GIE CM-CIC Services	Member of the Supervisory Board	12/9/2016	2022
Euro Télé Services	Member of the Management Board	11/10/2016	2022
Euro Information	Permanent representative of CFdeCM	5/3/2006	2018
Euro TVS	Permanent representative of CFdeCM	Transitioned to position as permanent representative of CFCM on 11/25/2016	2020
GACM	Permanent representative of CFdeCM	8/1/2016	2021
Euro-Information Epithète	Permanent representative of CFdeCM	1/16/2017	6 years – 2023
Bischenberg	Permanent representative of BFCM	4/5/2005	Open-ended
Euro Protection Surveillance	Permanent representative of BFCM	12/7/2016	2020
CM-CIC Asset Management	Permanent representative of CIC Associés	6/13/2016	2019
Euro-Information Telecom	Member of the Management Committee	6/19/2017	open-ended

Frantz Rublé
Born on April 26, 1956 in Saverne (67)
Work address:
Caisse Fédérale de Crédit Mutuel
34 rue du Wacken - 67000 Strasbourg

Offices	Position	Start of term of office	End of term of office
Euro-Information Production – CM-CIC IT group	Director	5/16/2001	open-ended
Lyf	Chief Executive Officer	1/8/2014	2019
International Information Developments	Chief Executive Officer	2/6/2004	
Caisse Fédérale de Crédit Mutuel	Deputy Chief Operating Officer	6/1/2017	
Euro.P3C	Chief Operating Officer	6/27/2016	2022
Euro-Information	Chairman of the Management Board	4/2/2001	2020
Euro-Information Développement	Chairman of the Management Board	4/2/2001	2020
EuroInformation International	Chairman of the Board of Directors	6/29/2011	2021
Lyf SAS	Chairman of the Board of Directors	5/4/2015	2019
CM-CIC Centre de Services et de Traitement - CST	Member of the Management Committee	3/9/2010	2022
Offres Innovantes de Services (OIDS)	Member of the Management Board	12/30/2016	3 years 2020
Banque du Groupe Casino	Member of the Board of Directors	7/7/2011	
Monetico International	Member of the Board of Directors	4/4/2013	
Targo Deutschland GmbH	Member of the Supervisory Board	12/8/2008	2022
Targo Management AG	Member of the Supervisory Board	12/8/2008	2018
Targobank AG	Member of the Supervisory Board	12/8/2008	2022
Filaction	Member of the Supervisory Board	6/19/2014	
CM-CIC Services	Member of the Supervisory Board	5/7/2008	2020
Eurafric Information	Member of the Supervisory Board	2008	
Chairman of Euro-Information Telecom	Permanent representative of Euro-Information	5/13/2008	open-ended
Chairman of Euro Automatic Cash	Permanent representative of Euro-Information	1/31/2014	
Chairman and member of the Board of Directors of SAS Coubertin	Permanent representative of Euro-Information	12/21/2016	6 years 2021

Offices	Position	Start of term of office	End of term of office
Board of Directors of Keynectis	Permanent representative of Euro-Information	2004	
Management Board of EI Epithète	Permanent representative of Euro-Information	1/16/2017	2023
Management Board of Euro-Information Direct Services	Permanent representative of Euro-Information	10/20/1997	2020
Management Board of Euro-Information Services	Permanent representative of Euro-Information	5/20/2000	2020
Management Board of Euro-Protection Surveillance	Permanent representative of Euro-Information	2001	2020
Management Board of Euro Télé Services	Permanent representative of Euro-Information	12/12/2003	
Management Board of Euro TVS - Traitement Valeurs Services	Permanent representative of Euro-Information	At least 1994	2020
Management Board of Euro-Information Telecom	Permanent representative of Euro-Information	5/16/2006	open-ended
Management Board of Sicorfé Maintenance	Permanent representative of Euro-Information	1/1/2003	2021
Board of Directors of ACM VIE	Permanent representative of ADEPI SAS	3/15/2016	

III. FINANCIAL INFORMATION ABOUT CRÉDIT MUTUEL CM11 GROUP

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

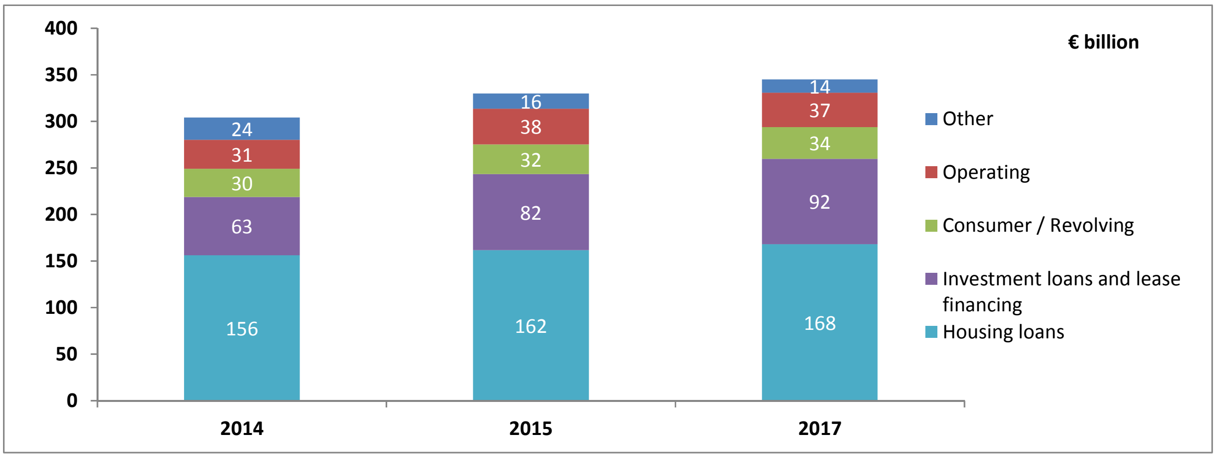
III.1.1 – Description of certain factors affecting results and the financial situation

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-quarters of the Group's total net banking income (68% in 2017). 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-quarters of total net banking income (78% in 2017). 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.

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 2015, 2016 and 2017.



The Group's net interest income includes net interest on regulated savings accounts (*livret A and livret Bleu*), which represented 10% of customer deposits on December 31, 2017. 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.

[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.*

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.

Net additions to/reversals from provisions for loan losses

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, 2016 and 2017:

(€ millions)	**12/31/2017**	**12/31/2016**
Greece	0	0
Portugal	60	99
Ireland	131	162
Total exposure to Greece, Portugal and Ireland	**191**	**261**
Italy	745	1,381
Spain	324	462
Total exposure on Italy and Spain	**1,069**	**1,843**

As of December 31, 2017, all Greek, Portuguese and Irish sovereign debt issues held by the Group represented 0.5% 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 2017 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 97% 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

Economic environment

2017: a general acceleration in growth

The upturn in political visibility boosted worldwide growth throughout the year, driven particularly by the eurozone and the United States. This broke new ground in 2017, fueling the rise in equity markets, but not, however, leading to an increase in bond yields. Returning confidence, coupled with financial conditions that remained favorable, helped investment in developed countries to recover. At the end of the year, these elements contributed to the slight resurgence in inflationary pressure, although slow to materialize, opening the way to the sustained gradual reduction in the accommodating nature of monetary policies.

A year marked by political risk

The first half of the year was marked by the elections in the eurozone and by Donald Trump’s first acts as President of the United States. The failed attempt to reform the Obamacare healthcare system (in March 2017) was a turning point that led to falls in interest rates and the dollar against the main currencies, reversing the movements observed after the election of Donald Trump in November 2016. The movement in currencies intensified with the electoral season in Europe passing off without incident. The result of the French elections provided reassurance to businesses and investors worldwide and led to a recovery in European growth and the single currency. Conversely, the outlook worsened in the United Kingdom due to the lack of visibility over the “Brexit” negotiations (and Theresa May's set-back at the elections in May). As a result, activity in the UK began to slow, at odds with the acceleration observed in other areas.

In the third quarter, although the geopolitical risk in North Korea did little to undermine market confidence, it temporarily encouraged capital flight towards certain safe haven investments (in particular, gold and the yen). Asian indices suffered little from this situation, as they were underpinned by the buoyant economic environment.

Towards the end of the year, the number of elections increased without affecting growth. The failure of Angela Merkel to secure a majority forced her to open negotiations with the liberal and green parties, then solely with the SPD (socialist party) with a view to forming a coalition government. Elsewhere, the situation in Catalonia since the October referendum continued to calm down with the subdued victory of the pro-independence parties in the December elections.

Synchronization of growth worldwide

In the eurozone, the passing off of the various elections without incident led to a very strong return to growth over the final two quarters. This may be explained by domestic factors (a rise in consumer expenditure and a pick-up in household and corporate investment), which were influenced by the buoyancy of world trade. Although the acceleration in growth spread to the entire zone, the same could not be said for inflationary pressure. 2017 was also marked by the easing of deflationary risks (generalized price reductions), leading the European Central Bank to adopt a less accommodating monetary policy. The swift fall in unemployment began to intensify the pressure on salaries, leaving the way open for a slow, gradual rise in inflation.

In the United States, despite an unstable executive branch, growth continued to accelerate, moving back above 2% and boosting US equities, but it was unable to stimulate an upward trend in either sovereign yields or the dollar. To regain momentum, the economy principally relied on robust demand. Households benefited from a favorable environment with the labor market approaching full employment. Although salary growth was long overdue, the possible overheating of the employment market and the desire to avoid financial bubbles caused the Fed to continue with its monetary tightening policy despite the slowdown in core inflation up until Q3 2017. The central bank therefore ended the year with a total of three interest rate hikes and prepared for a change in leadership with the appointment of a new governor (Jerome Powell), who is expected to take a broadly similar line to that of the current governor, Janet Yellen.

The Chinese government confirmed at the Congress of the Communist Party held in mid-October, that its priorities were action against pollution and the overindebtedness of the economy. The authorities pursued a policy of delivering sustainable, long-term growth, and continued to manage the economy with a view to avoiding a sudden crash. Whilst this approach is reassuring, its corollary is a slowdown in worldwide growth.

As for commodities, 2017 was marked by the extension of the agreement between OPEC and Russia on lowering oil production. This strategy was so successful that the price of a barrel of Brent crude oil ended the year above USD 66. The speed with which oil prices rose after mid-June caused short-term inflation to rise.

In France, the new government's reformist agenda fueled the rebound in growth

The election of Emmanuel Macron, accompanied by a large majority in the Assemblée Nationale, marked a turning point last year. The government sought to follow a reformist path and the confidence of households and businesses rose sharply over the second half of the year, reaching historic highs. The government's commitment to reforming the employment market and capital taxation was demonstrated through the orders and the finance law passed in the Autumn. The level of growth continued to surprise and was principally driven by demand, with both investment and consumption recovering. The economic environment remained favorable to fiscal consolidation measures, which remained at the heart of the government's concerns. 2017 was an exceptional year for the French real estate market, which saw a significant increase in the number of transactions in both new and existing properties, leading to a sharp rise in prices.

In conclusion, it should be noted that confidence peaked in both developed countries and emerging countries at the end of last year, leading to an acceleration in worldwide growth. In 2018, the fiscal reforms in the United States will build on the upswing in activity generated by the pick-up in investment. In the eurozone, the lack of political risk and the promising outlook point towards strong growth spreading to all countries. The accommodating monetary policies of central banks are becoming increasingly unnecessary as a result of this economic and financial environment.

Crédit Mutuel CM11 Group activity

In an environment marked by financial and regulatory changes and a digital and behavioral revolution, the Crédit Mutuel CM11 Group stepped up the growth of its sales to its 24.3 million customers in all its business lines: growth in savings deposits and loans, good performances in insurance and diversification towards innovative services for our customers and members.

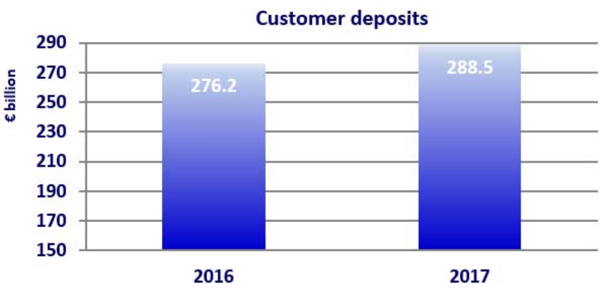
Banking

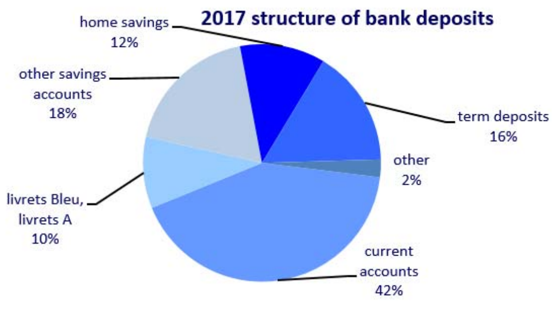
Customer deposits stood at €288.5 billion at the end of December 2017, up by 4.8%, driven by the strong growth in sight deposits (+13.7% to €120.8 billion) given the low returns on savings products.

Deposits in savings accounts continued to grow, both for livret Bleu and livret A accounts (+6.3% to €28 billion), despite the two-year freeze on the rate of return at 0.75%, and for other savings accounts (+3.8% to €53.4 billion). These trends reflect the prudent wait-and-see approach of savers at a time when a significant number of savings measures have been announced.

Home savings sustained their positive momentum, up €2.3 billion, bringing total deposits to

€33.5 billion at the end of 2017, while amounts held in negotiated deposits (PEPs (people's savings schemes and term accounts) fell by 13.3% to €45.9 billion.



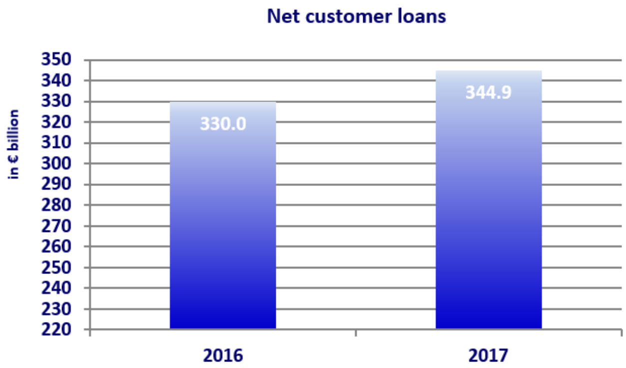


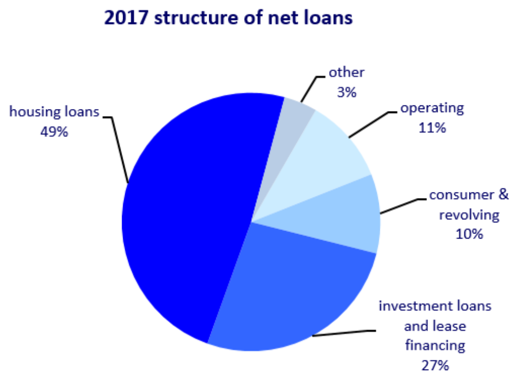
Customer loan outstandings (€344.9 billion at the end of December 2017) increased by 5.3%.

Real estate loan production recorded significant growth of 15.3% compared with 2016, i.e. €36.1 billion in 2017; this strong performance was only partially reflected in the growth in home loans (+4% year on year to approximately €168 billion at the end of 2017) due in particular to the acceleration in the rate of early repayments and to the natural amortization rate.

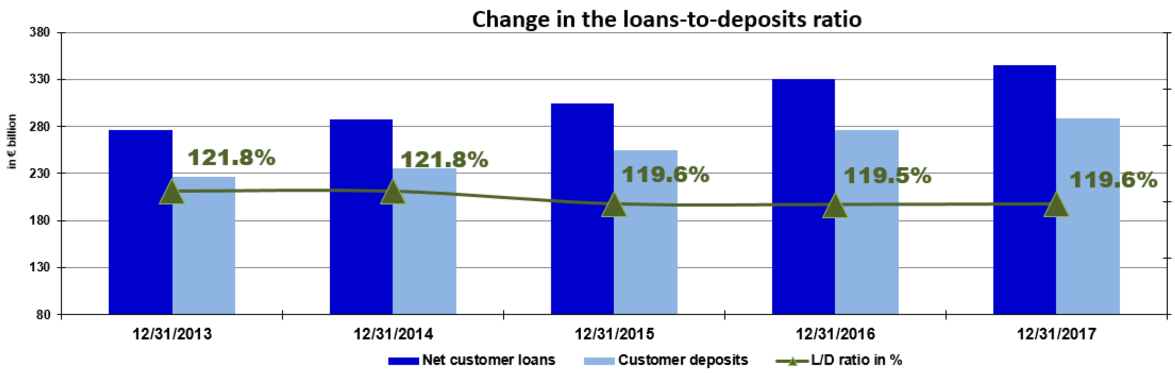
New equipment loans to businesses posted strong growth of 11.5% compared with 2016, at €18.5 billion, and outstanding loans increased by 14.2% to €78.6 billion.

Consumer loan outstandings were €34.3 billion at the end of December 2017, up by 6.6% year on year. The specialist subsidiaries of the Cofidis Group and Targobank Germany represented 65% of outstanding loans and were favorably positioned with loans growing by +9.2% and +7.3%, respectively. The group is therefore playing its role in supporting and retaining its individual customers by providing financing for their equipment, construction and car expenditure.





In 2017, the relatively similar growth in deposits and outstanding loans, of 4.8% and 5.3%, respectively, caused the loan-to-deposit ratio to stabilize below 120% for the third consecutive year.



Insurance

The Crédit Mutuel-CM11 Group's insurance business continued its excellent momentum in 2017.

The €10.2 billion revenue of the Groupe des Assurances du Crédit Mutuel (GACM) reflects the excellent level of sales of property and casualty insurance and the successful re-balancing in life insurance.

In terms of the property and casualty insurance activity, revenue from the property insurance activity (€1.9 billion) rose by 5.6%, more than twice the market's growth rate (+2.4%). This performance is attributable to record levels of new business in auto and home insurance, for which 451,000 and 378,000 policies were sold respectively. Growth was particularly significant in auto insurance, with revenue up 6.3% in France and a market share that grew by one point in two-and-a-half years.

Personal insurance revenue was up 4.9% (€2.7 billion). Personal protection policies performed particularly well in 2017, with advisers given access in April to a new sales support tool and an improved range of products. The portfolio of Accident Insurance policies increased by almost 10%.

The equally sustained growth in the portfolio of policies for professionals reflects the good penetration of this market by the network.

In terms of life insurance, gross savings inflows were, in overall terms, down by 12.6%. Persistently low interest rates led the group, in 2016, to limit inflows of euros and to reorient inflows more towards unit-linked policies. The success of this strategy can be seen in the fact that the share of inflows represented by unit-linked policies is now in line with the market (at 25.9% –27.9% for the market). It can also be seen in the gross level of inflows, which corresponds to our market share in terms of outstandings.

Services activities

The Crédit Mutuel CM11 Group's willingness to offer its members and customers a full package of services that meet their day-to-day needs can be seen in its development of a broad range of high-performing serves, in particular in the areas of telephony, remote surveillance, real estate sales and digital wallets.

The launch of the Avantoo offering in 2017, which provides a fully serviced current account, high-performance remote services and a telephone subscription positions the Group as a modern-day bank that distributes services with high technological added value.

Euro-Information Telecom

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

In a market that remains highly competitive, Euro-Information Telecom continues to develop its model based on mobile telephone services that combine high data allowances (100GB) and access pricing at some of the best rates on the market. This strategy is based on a 2G/3G/4G supply from the three infrastructure operators that ensure the best access conditions.

In 2017, Euro-Information Telecom experienced commercial growth in the sector's three market segments: general public, businesses and wholesale (large accounts and MVNOs).

The customer base continued to develop with positive net growth of around 100,000 customers, giving a customer base of 1,667,000 at the end of the year.

Euro-Information Telecom ended 2017 with the best figures in its history: revenue of €467 million (+7% compared with 2016), and net income of

€34.7 million, obtained thanks to the optimization of its purchasing costs from network operators.

At the end of 2017, Euro-Information Telecom retained and consolidated its position as the leading French MVNO.

Euro Protection Surveillance (EPS)

The Crédit Mutuel-CM11 Group's remote surveillance subsidiary continued to grow in 2017 and now has 446,434 subscribers (+7.6%), 91% of whom are individuals, while the number of business customers continued to increase (+10% in 2017). EPS thus confirmed its leadership in residential remote surveillance in France with a 31% share of the market (source: Atlas de la Sécurité 2017/internal data).

Revenue in 2017 was €160.7 million (up 7.2% year on year) and net income contributed €26.4 million (up 15.7%).

Lyf pay, a modern-day payment solution

In the electronic wallet sector, the Group approved the merger of its application, Fivory, with that of BNP Paribas, Wa !, to create a new brand called Lyf Pay. This new application, available since May 18, was developed with merchants and for consumers. Its scope is extremely broad: in-store payments (from small retailers to mass market retailers, having been rolled out in 2017 in Auchan hypermarkets), online payments, peer-to-peer payments and even charitable donations. Integrating payment cards, loyalty cards and coupons, it creates a real sense of proximity to the consumers it assists, providing them with news on their favorite stores, available offers and information on their expenditure.

The application was downloaded 273,600 times in 2017 and has a total of 156,000 registered users, including 50,000 active users every month.

CM-CIC Immobilier

To meet the needs of member-customers and with a view to diversifying its offering, 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 had a net 9,904 housing units in contract in 2017, up 13% from 2016 (+1,100); CM-CIC Gestion Immobilière had a total of 4,534 Zeninvest management mandates; and CM-CIC Aménagement Foncier recorded 976 building lots in contract. On the development side, ATARAXIA Promotion reported 518 property units in contract.

Results of the Crédit Mutuel CM11 Group

(€ millions)	2017	2016	change *
Net banking income	**14,009**	**13,302**	**+4.2%**
Operating expenses	(8,458)	(8,202)	+2.0%
Operating income before provisions	**5,551**	**5,100**	**+7.8%**
Net additions to/reversals from provisions for loan losses	(871)	(826)	+4.4%
Operating income	**4,680**	**4,273**	**+8.5%**
Gains/losses on other assets and associates	(346)	(310)	+11.7%
Income before tax	**4,334**	**3,963**	**+8.3%**
Corporate income tax	(1,929)	(1,383)	+40.5%
Gains/losses after corp. tax on disc. operations	22	44	Immaterial
Net income (loss)	**2,427**	**2,624**	**-10.5%**
Non-controlling interests	219	214	+1.8%
Net income attributable to owners of the company	**2,208**	**2,410**	**-11.6%**

** at constant scope*[2]

Net banking income

In 2017, the Crédit Mutuel CM11 Group's net banking income increased by €700 million from 2016, to €14 billion (+4.2%). This strong growth was primarily generated by the Group's two core business lines, retail banking and insurance, which represent 80% of its net banking income.

The geographic breakdown of Crédit Mutuel CM11 Group's net banking income illustrates the dominance of activities on the French domestic market, at 78%. The Group earned 22% of its net banking income outside France, of which 12% was earned in Germany.

The retail bank's net banking income (€10 billion, representing 68% of the total) benefited from growth in fee and commission income earned by the network, while the interest margin continues to fall. It profited from the strong margin of the subsidiary that specializes in consumer credit, Cofidis, and from a favorable scope effect associated with the integration of the factoring and leasing subsidiaries acquired from General Electric in July 2016.

In insurance, the increase in the gross margin resulting from continued strong activity and good underwriting income led to 18.2% growth in net insurance income, to €1.8 billion.

The contribution of private equity to the Group's net banking income grew by 33.2%, to €259 million, reflecting the strong rise in the value of the investment portfolio and the net capital gains realized from disposals.

Despite unfavorable capital markets conditions, the private bank's net banking income grew by 6.1% to €509 million, while the corporate bank and capital markets division's net banking income fell by almost 5% to €765 million.

Capital gains on disposals of non-controlling interests had a positive impact on NBI in 2017.

[2] *For details regarding the change at constant scope, see the methodology note at the end of the section.*

Year ended December 31

(€ millions)	**2017**	**2016 restated**	*change **
Retail banking	10,031	9,666	+1.9%
Insurance	1,764	1,492	+18.2%
Financing and capital markets	765	805	-4.9%
Private banking	509	512	+6.1%
Private equity	259	195	+33.2%
Logistics and holding company services	1,459	1,357	+0.0%
Inter-businesses	(777)	(725)	Ns
Total	**14,009**	**13,302**	**+4.2%**

** 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 2017. The following table shows net banking income by region in 2016 and 2017.

(€ millions)	**2017**	**2016**	change
France	11,060	10,688	+3.5%
Europe, excluding France	2,776	2,402	+15.6%
Rest of the world	173	212	-18.4%
TOTAL	**14,009**	**13,302**	**+5.3%**

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.

€million exept Number of employees Country	Net banking income	Profit/loss before tax	Current tax	Deferred tax	Other taxes	Number of employees	Governmen t subsidies
Germany	1,556	586	-165	-1	-80	7,328	0
Belgium	136	32	-7	1	-7	606	0
Spain	365	43	-28	-1	-20	2,428	0
United States	103	75	-21	-12	-6	86	0
France	11,057	4,963	-1,600	-35	-1,608	51,706	0
Hong-Kong	4	1	-2	1	0	7	0
Hungary	46	9	0	0	-3	265	0
Italy	42	6	0	0	-4	225	0
Luxembourg	302	128	-23	7	-18	832	0
Morocco	0	65	0	0	0	0	0
Monaco	3	1	0	0	0	9	0
Poland	1	-1	0	0	0	27	0
Portugal	163	95	-27	1	-5	643	0
Czech Republic	7	-2	0	0	-1	142	0
United Kingdom	43	23	-4	-2	-4	62	0
Saint Martin	3	-1	0	0	0	9	0
Singapore	63	24	-5	1	1	248	0
Slovakia	1	-3	0	0	0	43	0
Switzerland	115	36	-6	1	-10	322	0
Tunisia	0	17	0	0	0	0	0
Total	**14,010**	**6,097**	**-1,889**	**-39**	**-1,765**	**64,988**	**0**

Operating income before provisions

Gross operating income totaled €5,551 million in 2017, up 7.8% at constant scope from €5,100 million in 2016, attributable to a smaller increase in general operating expenses than in net banking income.

The Group's operating expenses, at €8.5 billion, were up 2.0% compared with 2016. They include the non-recurring impact of restructuring costs for the press sector and the 29% increase in the contribution to the Single Resolution Fund.

The operating expenses of operational divisions, excluding the effect of the change of scope, were up 1.2%, reflecting strict cost management. The cost/income ratio improved by 1.3 points to 60.4%, reflecting these efforts in a good business development environment.

Analysis of cost of risk and non-performing loans

Net additions to/reversals from provisions for loan losses amounted to €871 million in 2017 from €826 million in 2016, up 4.4% at constant scope (effect of the collective provision). Relative to customer loans, net additions to/reversals from provisions for loan losses were stable at 0.24%.

The retail bank's individual net additions to/reversals from provisions for loan losses represented 95% of the Group's total net additions to/reversals from provisions for loan losses. It fell by 5.1% and benefited from good risk management by the Crédit Mutuel networks and CIC (-6.9%) and Targobank in Spain (€34 million in 2017, compared with €89 million in 2016).

The rate of non-performing loans was 3.3% at the end of 2017, compared with 4.0% in 2016, and the overall non-performing loan coverage ratio was 59.7%.

Cost of risk as a % of customer loans	**12/31/2017**	**12/31/2016**
Banking networks(1)	0.13%	0.13%
Individuals(2)	*0.04%*	*0.04%*
Home loans(2)	*0.02%*	*0.03%*
Consumer credit - Targobank Germany	1.32%	1.09%
Consumer credit - Cofidis	2.36%	2.44%
Corporate banking(3)	0.11%	0.22%
Private banking	0.05%	0.04%
Cost of total customer risk	**0.24%**	**0.24%**

(1) networks (excluding Targobank in Germany, Cofidis and the network's back office subsidiaries)
(2) excluding Targobank in Germany; excluding collective provisions
(3) Large corporates, International (incl. foreign branches), specialized financing.

(€ billions)	**12/31/2017**	**12/31/2016**
Gross amount of customer loans	352.0	338.5
Non-performing loans	11.8	13.5
Provisions for loan impairment	7.0	8.5
of which, for individual impairment	*6.4*	*8.0*
of which, for collective impairment	*0.5*	*0.5*
Ratio of non-performing loans (1)(2)	3.34%	3.98%
Non-performing loan coverage ratio	57.7%	63.0%

(1) non-performing individual loans/gross amount of customer loans

(2) rounded

See the risk report in section III.3 of the 2017 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

The Group's operating income was up 8.5% in 2017, at €4.7 billion, compared with €4.3 billion in 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 -€334 million in 2017 compared with -€136 million in 2016. This amount includes the recognition of the capital loss on the disposal of the Banco Popular shares to Santander in June pursuant to a resolution of the Single Resolution Board (with an after-tax impact of €121 million) and the impairment of the equity-accounted value of the BMCE Bank of Africa shares to their market price (€175 million). This item also includes the net income from the Group's investments in Banque Marocaine du Commerce Extérieur and Banque de Tunisie for €60.1 million and in the insurance companies ACMN and Royale Marocaine d'Assurance, among others (€31.3 million).

Gains (losses) on other assets. Gains (losses) on other assets show a net gain of €3 million.

Change in value of goodwill. This item also includes a goodwill impairment provision for CIC Iberbanco of €14.9 million.

Income before tax

Income before tax, €4.3 billion, was up 8.3% in 2017 compared with 2016.

Net income (loss)

Despite the increase in income before tax, which reflects the Group's operating performance, net income was down by 10.5% to €2.4 billion, due to a non-recurring surcharge of €296 million levied on large companies as a way of partially offsetting the effect of the ruling that the dividend tax was unconstitutional. Ignoring this surcharge, the Group's total income in 2017 would have been €2.7 billion, up by €100 million from 2016. Net income attributable to owners of the company was €2.2 billion (-11.6%).

The Group's tax expense was €1.9 billion (€1.4 billion in 2016), a record high tax rate of 44.5%.

Results by Crédit Mutuel CM11 Group activity

Description of the business lines

RETAIL BANKING: this business includes the local Crédit Mutuel banks, the CIC network, Banque Européenne du Crédit Mutuel, CIC Iberbanco, Targobank in Germany and Spain, the Cofidis Participations Group, Banque Casino and all the specialized activities whose products are marketed by the networks, such as equipment leasing and leasing with purchase option, real estate leasing, vendor credit, factoring, fund management, employee savings and real estate sales.

INSURANCE: the insurance business line consists of Groupe des Assurances du Crédit Mutuel.

CORPORATE BANKING: with its teams based in France and at its branches (London, New York, Singapore, Hong Kong), the corporate banking business line provides services to large corporate and institutional customers, taking a comprehensive approach to their requirements. It also supports the work of the "corporate" networks on behalf of their major customers and contributes to the development of international business and the implementation of specialized financing (acquisitions, assets and projects).

CAPITAL MARKETS: the Crédit Mutuel-CM11 Group's capital markets activities are recorded on CIC's balance sheet. They include the investment in fixed-income, equities and credit business line and the commercial activity (CM-CIC Market Solutions) in France and at the New York and Singapore branches.

PRIVATE BANKING: the companies that make up this business line operate both in France through CIC Banque Transatlantique and abroad through the Banque de Luxembourg, Banque CIC Suisse, Banque Transatlantique Luxembourg, Banque Transatlantique Belgium and Banque Transatlantique London subsidiaries and branches. They develop expertise in financial and wealth management for families of business owners and private investors.

PRIVATE EQUITY: this business activity is carried out by CM-CIC Investissement, which has its head office in Paris and offices in Lyon, Nantes, Lille, Bordeaux and Strasbourg, thereby ensuring close ties to customers while gradually entering a phase of international development. It includes equity investments, M&A consulting and financial and capital markets engineering.

IT, LOGISTICS & PRESS: this division includes the Group's IT companies, logistics companies and the press business.

HOLDING COMPANY SERVICES: this division includes the Group's custody and central treasury/refinancing activities (since January 2017) and all activities not assigned to another business.

Retail banking

Retail banking is by far the Group's largest business segment. In 2017, it accounted for 68% of the Group's net banking income. The following table presents the income statement items for retail banking in 2016 and 2017.

(€ millions)	**2017**	**2016** restated[(1)]	change *
Net banking income	**10,031**	**9,666**	**-1.9%**
Operating expenses	(6,327)	(6,177)	+0.3%
Operating income before provisions	**3,704**	**3,489**	**+4.7%**
Net additions to/reversals from provisions for loan losses	(849)	(800)	+5.0%
Gains/losses on other assets and associates	(7)	2	Immaterial
Income before tax	**2,849**	**2,691**	**+4.3%**
Corporate income tax	(996)	(969)	+3.4%
Net income (loss)	**1,853**	**1,722**	**+4.8%**

[(1)] see methodology descriptions

*** at constant scope – see methodology descriptions*

Net banking income from the retail activity comprised 68% of the Group's total NBI. In 2017, it grew by 1.9% at constant scope, hampered by the contraction in the interest margin caused by low interest rates and renegotiations and early repayments of real estate loans. However, commission income grew by 6.5%, illustrating the transition towards a diversification model that generates commission income.

The 2017 revenue of the retail bank includes, on a full-year basis, €321 million in net banking income from the General Electric factoring and leasing businesses in France and Germany acquired in July 2016.

Operating expenses were strictly managed. At constant scope, they remained virtually stable (+0.3%) at €6,327 million. Gross operating income was up 4.7% to €3,704 million and the retail bank's cost/income ratio improved by 0.8 points to 63.1%.

Net additions to/reversals from provisions rose by 5% to €849 million. They reflect an increase in collective provisions calculated on the basis of statistical parameters (+€82 million) and a fall of €42 million (-5.1%) in individual net additions to/reversals from provisions for loan losses. Relative to loans, the retail bank's individual net additions to/reversals from provisions for loan losses reached a low of 0.25% in 2017 (0.28% in 2016).

Income before tax was up 4.3% to €2,849 million.

After factoring in the tax expense, the retail bank's net income was €1,853 million in 2017, compared with €1,722 million in 2016.

Banking networks

The net banking income of Crédit Mutuel CM11 Group's banking and insurance network was relatively stable in 2017 compared with 2016 (-0.5%), at €2,949 million. The loss of margin brought about by the fall in interest rates, despite the increase in volumes, was almost offset by the rise in commission income (+9.4%), the weighting of which in net banking income rose by 4.4 points and reached almost 49%. Operating expenses were effectively managed, up slightly by 0.4% to €2,107 million.

Net additions to/reversals from provisions for loan losses rose by €7 million as a result of the large increase in collective provisions (+€25 million) while provisions for individual risks fell (-€18 million), demonstrating the quality of the receivables. Net income fell by 10% to €468 million.

The net banking income of the CIC banking and insurance network (€3,367 million) rose by 2.6%, with the slight fall in the margin (-0.7%) offset by a substantial rise in commission income (+€101 million, or +6.5%). Operating expenses increased slightly, by 1.1%; gross operating income therefore rose by 5.3% to €1,214 million and the cost/income ratio was up one point to 63.9%. After more substantial net additions to/reversals from provisions for loan losses and tax expenses, the net income of CIC's banking and insurance network stood at €662 million, up 1.3% from 2016.

BECM's net banking income increased by 7% to €293.3 million. The financial margin was positively impacted by the increase in customer loan volumes and the fall in rates on deposits. Gross operating income increased by 7.6% to €200 million, with a 0.4% improvement in the cost/income ratio to a low of 31.8%. Income before tax fell by 9.6% to €158.2 million, including net additions to/reversals from provisions for loan losses representing 0.30% of gross customer loans in terms of average annual capital.

The net banking income of Targobank's banking network in Germany was up 2.3% to €1,433 million, benefiting from the significant increase in lending volumes, which offset the effect of the fall in interest rates. Thanks to the productivity gains achieved by the bank, operating expenses fell by 1.7% to €783 million. After the effect of net additions to/reversals from provisions for loan losses - the rise of which is in line with the growth in loans - and the effect of the tax expense, IFRS net income contributed by Targobank's banking network was up 4.3% on 2016 to almost €310 million.

Ancillary businesses to retail banking

The net banking income of Cofidis' retail bank was up 3.6% to €1,261 million and its contribution to the Group's net income in 2017 was €213 million, a rise of 13.9%.

The subsidiaries acquired from General Electric in France and Germany represented NBI of €321 million on a full-year basis.

Insurance

In 2017, the insurance activities contributed 12% of Crédit Mutuel-CM11 Group's net banking income. The following table shows the income statement items for the insurance business in 2016 and 2017, as presented in the Group's consolidated financial statements.

(€ millions)	2017	2016	change
Net banking income	**1,764**	**1,491**	**+18.2%**
Operating expenses	(521)	(498)	+4.7%
Operating income before provisions	**1,242**	**994**	**+25.0%**
Gains/losses on other assets and associates	31	45	-31.0%
Income before tax	**1,273**	**1,039**	**+22.6%**
Corporate income tax	(532)	(306)	+73.5%
Net income (loss)	**742**	**733**	**+1.3%**

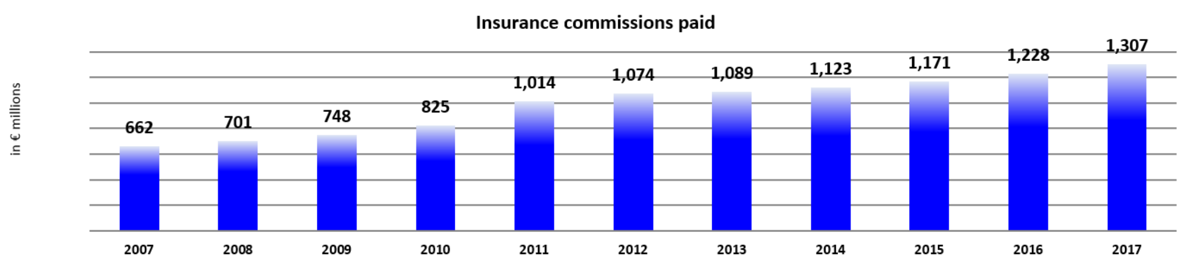
Significant growth was achieved in the insurance activity without adversely affecting underwriting income. Underwriting income continued to grow, leading to a substantial rise in operating income.

In life insurance, the interest rates offered were stable compared with 2016. The Profit-Sharing Provision, established to better deal with persistently low interest rates, was increased by an additional €0.8 billion in 2017.

The contribution of insurance to the Crédit Mutuel CM11 Group's results was €742 million, up slightly by +1.3% compared with 2016.

GACM's net income was €754 million (+1.4%). This income includes the supplementary provisions in respect of borrower's insurance to reflect the possibility of annual termination, and the non-recurring corporate income tax contribution payable in respect of the year ended December 31, 2017. The corporate income tax rate increased to 44.43% and the tax expense was €532 million (€306 million in 2016), €135 million of which was in respect of the non-recurring contribution.

These results include €1.307 billion in commission payments to the distribution network (up by 6.4%).



Corporate banking and capital markets

In 2017, corporate banking and capital markets accounted for 6 % of the Group's net banking income. The following table presents the income statement items for corporate banking and capital markets in 2016 and 2017.

(€ millions)	**2017**	**2016** restated [(1)]	change *
Net banking income	**765**	**805**	**-4.9%**
Operating expenses	(321)	(301)	+6.7%
Operating income before provisions	**444**	**504**	**-11.8%**
Net additions to/reversals from provisions for loan losses	(11)	(19)	-41.6%
Income before tax	**433**	**485**	**-10.7%**
Corporate income tax	(142)	(169)	-16.4%
Net income (loss)	**291**	**315**	**-7.6%**

[(1)] see methodology descriptions

*** at constant scope – see methodology descriptions*

Corporate banking

Net corporate banking customer loan outstandings stood at €17.1 billion, up 4.6%.

Net banking income fell 2.7% to €382 million against a backdrop of negative interest rates and with commission income falling by 5.7%.

Operating expenses rose by 2.4% to €109 million with a contribution to the Single Resolution Fund that was €3 million higher than that of the previous year.

Net additions to/reversals from provisions for loan losses were €19 million, compared with €22 million in the previous year, with collective provisions showing a significant recovery at €19 million, compared with €15 million in 2016.

Income before tax stood at €254 million, down 3.9% from December 31, 2016.

Capital markets activities

The capital markets division generated net banking income of €383 million, down 6.9% from 2016.

Most of the profit on commercial transactions is allocated to the operating accounts of the entities monitoring clients, as is the case for the other ancillary network activities. In 2017, the group participated in the growth of a number of companies on the markets: 36 transactions were carried out in the primary bond market, while 13 transactions were carried out on the primary equities market.

The know-how of CIC's investment business line is offered to customers through the AIFM Cicogne fund, whose assets under management passed €3 billion.

The 9% increase in general operating expenses was partly due to a Single Resolution Fund tax charged to this business line, which was in excess of €7 million more than the previous year.

Income before tax was €179 million compared to €220 million in 2016.

Private banking

In 2017, private banking accounted for 3% of Crédit Mutuel-CM11 Group’s net banking income. The following table presents the income statement items for the private banking activity in 2016 and 2017.

(€ millions)	2017	2016	change*
Net banking income	**509**	**512**	**+6.1%**
Operating expenses	(353)	(367)	+6.2%
Operating income before provisions	**155**	**145**	**+5.8%**
Net additions to/reversals from provisions for loan losses	(5)	(4)	ns
Gains/losses on other assets and associates	4	7	ns
Income before tax	**154**	**149**	**+2.3%**
Corporate income tax	(35)	(32)	+10.5%
Gains/losses after corp. tax on disc. operations	22	(22)	Ns
Net income (loss)	**141**	**95**	**+23.3%**

** at constant scope – see methodology descriptions*

Private banking deposits remained stable at €19 billion (-0.4% compared with 31 December 2016). Outstanding loans stood at €11.6 billion (+2.3%). Customer funds invested in savings products amounted to €93.6 billion (+10.2%).

Net banking income totaled €509 million, a rise of 6.1%. Commission income rose by 5.5% and the other components of net banking income (net interest margin and other components) rose on average by 6.7%.

Operating expenses amounted to €353 million (+6.2%).

Net additions to/reversals of provisions for loan losses totaled €5 million compared to €4 million in 2016.

Income before tax was €154 million (€149 million in 2016, including a capital gain of €10 million from a property disposal), up by 2.3%, before taking account, at December 31, 2017, of net income on divested activities of +€22 million in 2017 (disposals of the Singapore and Hong Kong private banking businesses). In 2016, income from divested activities was -€22 million.

These results do not include those of the CIC Private Banking branches in France, which are accounted for under the CIC banks since they mainly serve business executive clients. Income from ordinary activities before tax of the CIC Private Banking branches was stable at €94.6 million (-0.7%).

Private equity (CM-CIC Investissement)

In 2017, private equity accounted for 2% of Crédit Mutuel-CM11 Group's net banking income. The following table presents the income statement items for the private equity business in 2016 and 2017.

(€ millions)	2017	2016	change
Net banking income	**259**	**195**	**+33.2%**
Operating expenses	(47)	(46)	+3.9%
Operating income before provisions	**212**	**149**	**+42.1%**
Income before tax	**212**	**149**	**+42.1%**
Corporate income tax	1	(0)	ns
Net income (loss)	**213**	**149**	**+43.4%**

The proprietary investment portfolio totaled €2.3 billion, including €668 million of investment in 2017 by all entities in the private equity division. The portfolio is made up of 352 equity holdings, excluding funds, the vast majority of which are in companies that are customers of the Group's networks. Funds managed for third parties stood at €205 million.

The private equity business performed well in 2017, reporting net banking income of €259 million at December 31, 2017, compared with €195 million in 2016, and income before tax of €212 million, compared with €149 million a year earlier.

(€ billions)	**12/31/2017**
Total capital invested by the Group	2,262
Value of the Group's portfolio, excluding funds managed for third parties	2,539
Investments made during the year	668

IT, logistics and press/holding company services

These activities 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 Lyfpay, the Group's digital 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 and the equity share of entities in which the Group hold non-controlling interests.

The following table presents the income statement items for the IT, logistics and press/holding company services activities in 2016 and 2017.

(€ millions)	**2017**	**2016** restated [1]	change
Net banking income	**1,459**	**1,357**	**+7.5%**
Operating expenses	(1,665)	(1,539)	+8.2%
Operating income before provisions	**(206)**	**(181)**	**-13.8%**
Net additions to/reversals from provisions for loan losses	(6)	(4)	ns
Gains/losses on other assets and associates	(374)	(364)	-2.7%
Income before tax	**(587)**	**(550)**	**-6.7%**
Corporate income tax	(226)	94	ns
Gains/losses after corp. tax on disc. operations	0	66	ns
Net income (loss)	**(813)**	**(390)**	**ns**

1 see methodology descriptions

Net banking income from the logistics and holding company services activities totaled €1,459 million in 2017, up from €1,357 million the previous year. These figures reflect the following factors:

- The Group's "logistics" activity generated net banking income or gross margins of €1,608 million in 2017, up 13.2% (+€188 million) compared with €1,420 million in 2016. This increase was mainly due to the growth recorded by Euro Information, Euro Information Développement, Euro Protection Surveillance and EI Telecom. The contribution of the press division was down slightly (-€7 million) to €290 million.

- The holding company activities of the Group generated negative net banking income of €150 million in 2017, including the carrying cost of non-current assets and capital gains on the disposal of securities investments.

General operating expenses increased from €1,539 million in 2016 to €1,665 million in 2017, a rise of 8.2%, in line with the increased activity of the Group's IT structures.

Net additions to/reversals from provisions for loan losses for this business line amounted to €6 million in 2016; they mainly comprise overdue payments recorded in relation to EI Telecom.

The tax expense of €226 million is associated with the non-recurring surcharge levied on large companies as a way of partially offsetting the effect of the ruling that the dividend tax was unconstitutional.

Overall, the IT, logistics and press/holding company services activities recorded a net loss of €813 million in 2017, compared with €390 million in 2016.

Crédit Mutuel CM11 Group's financial situation

Crédit Mutuel-CM11 Group's total assets increased by 1.5% from the end of 2016 to €619.2 billion in 2017. 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 119.6% as of December 31, 2017.
- 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 3 liquidity ratios, which are now above the 100% threshold; the LCR was 131% as of December 31, 2017.
- Crédit Mutuel-CM11 Group has a net stable funding surplus of €36.5 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 3.98% at December 31, 2016 to 3.34% at December 31, 2017. Moreover, the Group's non-performing loan coverage ratio remained high at 59.7% as of December 31, 2017, compared with 63.0% on December 31, 2016.

As at December 31, 2017, shareholders' equity was €41.0 billion and common equity tier 1 capital was €32.6 billion. The common equity tier 1 ratio excluding transitional measures was 16.5%, one of the best at the European level. The capital adequacy ratio excluding transitional measures was 19.9% and the leverage ratio in accordance with the delegated act excluding transitional measures was 5.9%.

Assets

Summary. The Group's consolidated assets totaled €619.9 billion as of December 31, 2017, up +1.5% from €609.8 billion as at December 31, 2016.

This 1.5% increase (+€9.4 billion) in total assets between 2016 and 2017 is primarily attributable to the increase in loans and receivables due from customers (+€15 billion, i.e. +4.5%) partly offset by the fall in cash and amounts due from central banks (-€4 billion, i.e. -6.5%).

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 €32.7 billion at December 31, 2017, up 17.5% from €27.9 billion at December 31, 2016. As of December 31, 2017, financial assets at fair value through profit or loss represented 5.3% 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 €103.2 billion as of December 31, 2017 versus €107.1 billion at December 31, 2016. This fall is principally due to the reduction in "government securities" and bonds and other fixed-income 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 €37.6 billion as of December 31, 2017 compared with €37.7 billion as of December 31, 2016.

Loans and receivables due from customers. Loans and receivables due from customers totaled €344.9 billion as of December 31, 2017, a 4.5% increase from €330.0 billion one year earlier. This change was driven by the increase in home loans from €161.5 billion as of December 31, 2016 to €167.9 billion as of December 31, 2017 and by the €9.5 billion and €2.1 billion increases in equipment loans and consumer loans, respectively.

Liabilities (excluding shareholders' equity)

Summary. The Group's consolidated liabilities excluding shareholders' equity totaled €578.2 billion as of December 31, 2017, up +1.4% from €570.2 billion at December 31, 2016. These liabilities include subordinated debt totaling €7.7 billion as of December 31, 2017 and €6.7 billion at December 31, 2016. The increase in liabilities excluding shareholders' equity in 2017 was mainly due to increases in amounts due to customers (mainly deposits) of €12.3 billion (+4.5%) and in technical provisions on insurance policies of €3 billion (+3.2%).

Financial liabilities at fair value through profit or loss. Financial liabilities at fair value through profit or loss totaled €9.8 billion as of December 31, 2017, down 18% from €12.0 billion at December 31, 2016 as a result of the decline in trading derivative instruments (-€1.2 billion) and in interbank liabilities (-€1.1 billion).

Due to credit institutions Liabilities to credit institutions fell by €5.3 billion (down -10.8%) to €43.9 billion as of December 31, 2017.

Amounts due to customers. Liabilities to customers consist mainly of sight deposits, term accounts, regulated savings accounts and repurchase agreements. These liabilities totaled €288.5 billion as of December 31, 2017, compared with €276.2 billion at December 31, 2016. 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 totaled €112.4 billion as of December 31, 2017, stable relative to 2016.

Technical provisions on insurance policies. Technical provisions on insurance policies totaled €96.4 billion as of December 31, 2017, compared with €93.4 billion at December 31, 2016, representing an increase of 3.2%.

Consolidated shareholders' equity

Consolidated shareholders' equity attributable to the Group was €38.6 billion as of December 31, 2017, compared with €36.5 billion at December 31, 2016. The increase mainly reflected the net income carried forward in 2017.

Non-controlling interests decreased from €3,113 million at December 31, 2016 to €2,390 million as of December 31, 2017.

Liquidity and refinancing

Throughout 2017, the Crédit Mutuel CM11 Group benefited from particularly favorable refinancing conditions on the markets. In addition to the very strong reputation of the Group among international investors, the very accommodating policy of the European Central Bank (ECB) was favorable to issuers.

In total, external funding raised on the markets stood at €132.1 billion at the end of December 2017, a level almost unchanged from the previous financial year (€132.8 billion); the split between short-term and medium-term funding was 36%/64%.

The Crédit Mutuel CM11 Group's liquidity situation at the end of December 2017 was very healthy:

- its LCR (Liquidity Coverage Ratio) was 131%;
- HQLAs (High Quality Liquid Assets) held by the central treasury stood at €65 billion at the end of 2017, more than 75% of which were deposits with the ECB, illustrating very prudent management;
- market resources due to mature within the next 12 months are more than 180% covered by liquid and ECB-eligible assets held by Group treasury.

Medium- and long-term funding stood at €85 billion at the end of 2017 (including the 2016 TLTRO – Targeted Long Term Refinancing Operations - drawdowns), compared with €84 billion at the end of 2016.

Throughout 2017, €15.2 billion was raised, including €9.7 billion (63.8%) in the form of public issues and the rest in the form of private placements.

Public issues may be broken down as follows:

- €2.5 billion carried out by BFCM in the form of senior EMTNs in euros.
- €1.0 billion (equivalent) in Swiss francs and pounds sterling.
- €3.1 billion (equivalent) raised in US144A and Samurai format.
- €1.0 billion in subordinated tier 2 bonds.
- €2.0 billion issued in the form of housing bonds by CM-CIC Home Loan SFH.

In 2017, the Group drew down for the second time under the SME/mid-cap loan facility offered by the European Investment Bank (EIB) in the amount of €250 million over 7 years. Other areas of cooperation such as EIB loans in the renewable energy sector or the SME guarantee facility (InnovFin) derived from the "Juncker Plan" sponsored by the European Commission are being analyzed.

Short-term funding amounted to €47.2 billion, a significant share of which was obtained through issuances in pounds sterling (27%) and in US dollars (8%) to supplement the money market funding raised in euros.

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-2017, the Group's stable funding totaled €414.5 billion and total loans and advances to customers, securities held to maturity and mandatory uses of funds were €378 billion. The Group therefore has a net stable funding surplus of €36.5 billion.

Solvency

At December 31, 2017, Crédit Mutuel-CM11 Group had shareholders' equity of €41 billion compared with €39.6 billion at the end of 2016, thanks to the appropriation of income to reserves.

The *Common Equity Tier 1* (CET1) ratio was 16.5%[3] at the end of 2017, up 150 basis points and the overall solvency ratio[2] stood at 19.9%. These levels are much higher than the thresholds required by the European Central Bank as defined during the 2018 Supervisory Review and Evaluation Process. The CET1 ratio required of the Group on a consolidated basis was set at 7.88% in 2018, with an overall ratio of 9.50% plus a conservation buffer of 1.88%. The Group therefore has a surplus over the SREP requirement of 862 basis points for its CET1 ratio and 852 basis points for the overall ratio.

The CET1[2] capital increased by 5% to €32.6 billion at the end of 2017 while risk-weighted assets fell by 4.2% to €198.2 billion.

The leverage ratio[2] stood at 5.9%.

[3] *Without transitional measures*

Methodology descriptions and alternative performance indicators

Methodology descriptions

1/ Restated 2016 results: minor changes were made to segment reporting in 2017:

- the custody (retail banking), central treasury (capital markets) and group subsidiaries (corporate banking) activities were grouped together and assigned to the "holding company services" activity. Restated 2016 results are therefore presented for these four businesses (retail banking, corporate banking, capital markets and holding company services) at December 31, 2017.
- The results of entities in which the Group holds a non-controlling interest have been moved from the retail banking business line to the holding company services business line so that the retail bank only shows the results of networks and subsidiaries over which the Group exercises complete management influence.

The restated 2016 results reported in 2017 are set out in detail below for the three retail banking, corporate banking and capital markets activities:

retail banking *(in € millions)*	2017	2016 reported (a)	*2016 adjustments (b)*	2016 adjusted* (a) + (b)
Interest margin	5,753	5,677	(28)	5,649
Commission income	4,105	3,766	37	3,804
Other components of net banking income	172	239	(26)	213
Net banking income	10,031	9,682	*(16)*	9,666
Operating expenses	(6,327)	(6,181)	4	(6,177)
Gross operating income	3,704	3,501	*(12)*	3,489
Net additions to/reversals from provisions for loan losses	(849)	(800)	-	(800)
Gains/losses on other assets & associates	(7)	(64)	66	2
Income before tax	2,849	2,637	*54*	2,691
Corporate income tax	(996)	(973)	5	(969)
Net income	1,853	1,663	*59*	1,722

* in 2017, reassignment of the custody activity, previously classified under retail banking, to holding company services and transfer of non-controlling interests to the holding company services segment

corporate banking *(in € millions)*	2017	2016 reported (a)	*2016 adjustments (b)*	2016 adjusted* (a) - (b)
Interest margin	297	288	19	306
Commission income	75	79	(0)	79
Other components of net banking income	10	8	(0)	8
Net banking income	382	375	*18*	393
Operating expenses	(109)	(108)	2	(106)
Gross operating income	273	267	*20*	287
Net additions to/reversals from provisions for loan losses	(19)	(22)	-	(22)
Gains/losses on other assets & associates	(0)	0	0	0
Income before tax	254	245	*20*	265
Corporate income tax	(75)	(90)	(7)	(97)
Net income	179	155	*13*	168

* in 2017, transfer of Group subsidiaries to holding company services

capital markets (in € millions)	2017	2016 reported (a)	2016 adjustments (b)	2016 adjusted* (a) + (b)
Interest margin	(204)	(360)	245	(115)
Commission income	59	32	5	37
Other components of net banking income	528	760	(271)	490
Net banking income	383	433	*(21)*	412
Operating expenses	(213)	(223)	28	(195)
Gross operating income	171	209	*7*	217
Net additions to/reversals from provisions for loan losses	8	3	-	3
Gains/losses on other assets & associates	0	0	0	0
Income before tax	179	213	*7*	220
Corporate income tax	(67)	(72)	(1)	(72)
Net income	112	141	*6*	148

* in 2017, reassignment of the central treasury activity, previously classified under capital markets, to holding company services

2/ Changes at constant scope are calculated after:

- adjustments in 2016 and 2017 for first-time consolidations of the factoring and leasing entities acquired from General Electric in France and Germany (retail banking sector).
- adjustment for the deconsolidation in 2017 of the private banking business of CIC Singapore.

These items are detailed below under the different intermediary balances:

Crédit Mutuel CM11 Group *(in € millions)*	2017			2016			**changes 2017 / 2016**	
	reported	changes in scope to be adjusted	**at constant scope**	reported	changes in scope to be adjusted	**at constant scope**	gross	**at constant scope**
Interest margin	5,713	218	5,496	5,551	100	5,452	+2.9%	+0.8%
Commission income	3,512	103	3,409	3,256	56	3,201	+7.8%	+6.5%
Other components of net banking income	4,784	0	4,783	4,494	14	4,481	+6.4%	+6.8%
Net banking income	**14,009**	**321**	**13,688**	**13,302**	**169**	**13,133**	**+5.3%**	**+4.2%**
Operating expenses	-8458	-214	-8244	(8,202)	(118)	-8085	+3.1%	+2.0%
Gross operating income	**5,551**	**106**	**5,444**	**5,100**	**51**	**5,048**	**+8.8%**	**+7.8%**
Net additions to/reversals from provisions for loan losses	-871	-14	-857	(826)	-5	-821	+5.4%	+4.4%
Operating income	**4,680**	**92**	**4,587**	**4,273**	**46**	**4,227**	**+9.5%**	**+8.5%**
Gains/losses on other assets & associates	-346	0	-346	(310)	0	(310)	+11.7%	+11.7%
Income before tax	**4,334**	**92**	**4,241**	**3,963**	**46**	**3,917**	**+9.3%**	**+8.3%**
Corporate income tax	-1929	-8	-1921	(1,383)	-15	-1368	+39.5%	+40.5%
Net gains/losses on discontinued operations	22	22	0	44	-	44	n.s.	n.s.
Net income	**2,427**	**107**	**2,320**	**2,624**	**31**	**2,593**	**-7.5%**	**-10.5%**
Non-controlling interests	219	3	216	214	2	212	+2.3%	+1.8%
Net income attributable to owners of the company	**2,208**	**104**	**2,104**	**2,410**	**29**	**2,381**	**-8.4%**	**-11.6%**

Alternative performance indicators – article 223-1 of the General Regulations of the AMF / ESMA guidelines (ESMA/20151415)

Name	Definition/calculation method	For the ratios, justification of use
operating ratio	ratio calculated from items of the consolidated income statement: ratio of general operating expenses (sum of items "general operating expenses" and "allocations/reversals of depreciation, amortization and provisions for property, plant and equipment and intangible assets" of the consolidated income statement) to "IFRS net banking income"	For the ratios, justification of use measure of the bank's operational efficiency
total net additions to/reversals from provisions for customer loan losses as a percentage of outstanding loans (expressed in % or basis points).	net additions to/reversals from provisions for customer loan losses from Note 31 to the consolidated financial statements as a percentage of gross outstanding loans at the end of the period (loans and receivables due from customers excluding individual and collective impairment)	allows the level of risk to be assessed as a percentage of the balance-sheet credit commitments
total net additions to/reversals from provisions for customer loan losses	"net additions to/reversals from provisions for customer loan losses" item of the publishable consolidated income statement; by comparison with the individual net additions to/reversals from provisions for loan losses (definition in this table)	measures the risk level
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)	measures the risk level calculated on an individual basis
customer loans	"loans and receivables due from customers" item of the asset side of the consolidated balance sheet	measure of customer activity in terms of loans
customer deposits; bank deposits	"due to customers" item of the liabilities side of the consolidated balance sheet	measure of customer activity in terms of balance sheet deposits
insurance-based savings	life insurance products held by our customers - management data (insurance company)	measure of customer activity in terms of life insurance
bank savings products	off-balance sheet savings products held by our customers or under custody (securities accounts, mutual funds, etc.) management data (group entities)	representative measure of activity in terms of off-balance sheet funds (excluding life insurance)
total savings	sum of bank deposits, insurance-based savings and bank savings products	measure of customer activity in terms of savings
operating expenses, general operating expenses, management fees	sum of lines "general operating expenses" and "allocations/reversals of depreciation, amortization and provisions for property, plant and equipment and intangible assets"	measures the level of operating expenses
interest margin, net interest revenue, net interest income	calculated from items of the consolidated income statement: difference between the interest received and the interest paid: - interest received = "interest and similar income" item of the publishable consolidated income statement - interest paid = "interest and similar expenses" item of the publishable consolidated income statement	representative measure of profitability
loan production	amount of new loans released to customers - source management data, sum of individual data from entities of the "retail banking - branch network" segment + COFIDIS	measure of customer activity in terms of new loans
collective provisions	application of IAS 39 which provides for a collective examination of loans, in addition to the individual examination, and, if applicable, the creation of a corresponding collective provision (IAS 39 paragraphs 58-65 and application guidance AG 84-92)	measures the level of collective provisions
loan-to-deposit ratio	ratio calculated from items of the consolidated balance sheet: ratio expressed as a percentage of total customer loans ("loans and receivables due from customers" item of the asset side of the consolidated balance sheet) to customer deposits ("due to customers" item of the liabilities side of the consolidated balance sheet)	measure of the dependency on external refinancing
overall non-performing loan coverage ratio	determined by calculating the ratio of provisions for credit risk (including collective provisions) to the gross outstandings identified as in default within the meaning of the regulations; calculation from Note 8a to the consolidated financial statements: "individual impairment" + "collective impairment" / "individually-impaired receivables"	this coverage rate measures the maximum residual risk associated with loans in default ("non-performing loans")
non-performing loan ratio	ratio of individually impaired receivables to gross customer outstanding loans	indicator of asset quality

IAP, reconciliation with the accounts:

Cost/income ratio	2017	2016
General operating expenses	(8,458)	(8,202)
Net banking income	14,009	13,302
Cost/income ratio	60.4%	61.7%

total net additions to/reversals from provisions for customer loan losses as a percentage of outstanding loans	2017	2016
Net additions to/reversals from provisions for customer loan losses	(861)	(825)
Gross receivables + finance leases	351,958	338,449
Total net additions to/reversals from provisions for customer loan losses as a percentage of outstanding loans	0.24%	0.24%

Interest margin	2017	2016
Interest and similar income	15,623	15,053
Interest and similar expense	(9,910)	(9,501)
Interest margin	5,713	5,552

Loan-to-deposit ratio	Dec. 31, 2017	Dec. 31, 2016
Loans and advances due from customers	344,942	329,958
Due to customers	288,532	276,194
Loan-to-deposit ratio	119.6%	119.5%

Overall non-performing loan coverage ratio	Dec. 31, 2017	Dec. 31, 2016
Individual and collective impairment	7,016	8,491
Individually impaired receivables	11,754	13,473
Overall non-performing loan coverage ratio	59.7%	63.0%

Non-performing loan ratio	Dec. 31, 2017	Dec. 31, 2016
Individually impaired receivables	11,754	13,473
Gross receivables + finance leases	351,958	338,449
Non-performing loan ratio	3.3%	4.0%

III.2 - Recent developments and outlook

III.2.1 – Events after the reporting period

There have been no material events or events that may have an impact on the financial statements for the year ended December 31 since the accounts were closed.

III.2.2 – Outlook

Towards a new Strategic Plan 2019-2023: accelerating transformation

The employees of the Crédit Mutuel CM11 Group are committed to jointly building a new strategic plan and meeting the challenges of the new world.

Through the roll-out of its “Priorité Client Sociétaire” (Priority for customer-members) 2015-2018 plan, the Crédit Mutuel CM11 Group's digital transformation is already well underway and is accelerating. This plan, which signals the Group's willingness to place the needs of members and customers at the heart of its concerns, be attentive to new behaviors and offer flexible and personalized relationships, is crystallizing around 250 projects. It represents an investment of 100,000 man-hours, allows the networks to consolidate their position as phygital and local banks, combining personalized and digital aspects for greater effectiveness.

The Group has embarked on a major drive involving all its structures to build its next strategic plan “2019-2023 ensemble#nouveaumonde”, which will be publicized at the end of 2018. Drawing on its diversity, its local presence and mutual respect, the Crédit Mutuel of the new world is looking to the future while remaining committed to its founding values of liberty, solidarity and responsibility.

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 that have been checked for accuracy and consistency as stipulated in Article L.823-10 of the French Commercial Code, like the rest of the management report, are marked with a "c".

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 section entitled "Internal control and risk management system".

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 – Risk factors

Summary of the risks to which the group is exposed

The Group is exposed to a certain number of risks associated with its retail banking, insurance, corporate banking, private banking and capital markets activities, including the following:

- *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, an investment fund, or a natural person. Credit risk applies to the financing and guarantee activities as well as other activities where the Group is exposed to the risk of counterparty default, such as its the trading and settlement, capital markets and settlement activities.
- *Market risk* is the risk to earnings that arises from adverse movements of market parameters, such as interest rates, bond price, foreign exchange rates and commodity prices. Market risk arises in the vast majority of the group's activities that involves direct exposure to market parameters such as trading and asset and liability management (where fees are largely based on the market value of managed portfolios) and risks arises from asset and liability mismatches (for example, where assets have interest rate and currency structures that differ from those of liabilities).
- *Liquidity risk* is the risk that the Group is no longer able to meet its commitments to its creditors due to a mismatch between the terms of its assets and those of its liabilities, or where the Group is unable to sell its assets when necessary to honor its commitments to its creditors.
- *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. Operational risk also includes non-compliance and reputational risk, including legal risks and the risk of damage caused to the Group's image that may arise as a result of non-compliance with its regulatory or statutory obligations or rules of professional conduct.
- *The insurance risk* is the risk that any discrepancy between provisions for amounts payable under insurance policies sold by the Group's insurance companies and the amounts actually paid adversely affects profits.

These risks are described in further detail in this section, together with quantitative data on these risks and their potential impact on the Group's results. This section also describes in detail the risk management measures put in place by the Group. If the Group's risk management strategy is unable to adequately deal with the risks referred to above, the Group's activity, results and financial position may be adversely impacted.

The Group has carried out a review of the risks that could have a material adverse effect on its business, financial position or its results (or its ability to realize its objectives) and believes there are no material risks other than those presented.

1/ Difficult market and economic conditions could have a material adverse effect in the future 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 around the world. A deterioration in market and economic conditions may result in:

- Unfavorable economic conditions that could affect the Group's businesses and customers, which may lead to a higher default rate on loans and receivables;
- A fall in prices on bond, equity and commodity markets which could have an impact on the Group's various activities, including on the profitability of its trading, corporate banking and asset management activities.
- Macro-economic policies adopted in response to actual or projected economic conditions which may have unexpected effects and may impact market parameters such as interest rates and foreign currency rates which could in-turn have a negative impact on the Group's activities with most exposure to market risk.
- Economic conditions perceived as favorable, either to the economy as a whole or in certain business sectors, could lead to speculative bubbles and consequently increase the impact of market adjustments when conditions become less favorable.
- Serious economic disruption (such as the 2008 financial crisis or the 2011 European sovereign debt crisis) could have a significant impact on the Group's overall activities, particularly if such disruptions are characterized by a lack of market liquidity that makes it difficult to dispose of certain categories of asset at their estimated market value, or, in extreme cases, prevents any disposals from taking place.

Such a deterioration may result 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, geopolitical tensions, cyberattacks or armed conflicts).

Although economic indicators of developed countries showed positive trends and equity and debt markets performed very well over the past year, there is no guarantee that such positive trends will continue. Given this improved economic outlook, the Federal Reserve System (Fed) and the European Central Bank (ECB) began to tighten their monetary policies. A significant decline in the availability of liquidity could weigh on demand for credit and economic development. European markets could be affected by a number of factors, including the uncertainty linked to the framework of the relationship between the United Kingdom and the European Union following the decision in favor of Brexit. The prices of commodities may also be impacted by unforeseeable geopolitical factors.

It is difficult to predict when economic or market downturns may occur, and which markets will be most affected thereby. If the economic or market conditions in France or elsewhere in Europe or, more broadly, world markets, were to deteriorate or become more volatile, the Group's operations could be disrupted and its activities, operating results and financial position may be adversely affected.

2/ A protracted period of low interest rates could affect the Group's profitability with risks for the Group when the economic environment changes.

Over the past few years, global markets have been marked by low interest rates which are likely to 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 housing savings schemes) which bear higher interest rates 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 its high level of loan stock at low interest rates. 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 interest rates 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.

The end of a protracted period of low interest rates, particularly as a result of a tightening of monetary policy, also carries risks. Any tightening that is more pronounced or more rapid than expected could have a negative impact on economic recovery. In respect of loans granted by the Group, this could, in particular, put the Group's lending and bond portfolio's resistance to the test, and possibly lead to a rise in non-performing loans and events of default. More generally, the end of accommodating monetary policies (in particular, the injection of liquidity resulting from asset purchases by central banks) may lead to significant adjustments for certain markets or asset categories (for example, companies and sovereign borrowers that do not have an investment grade rating or certain equity and real estate markets) that particularly benefited from a sustained period of low interest rates and significant liquidity. These adjustments could spread to all financial markets, due to a significant increase in 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 may 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. 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. The ramp-up in regulations has led to uncertainty and certain developments could have a substantial impact on the Group’s results and the structure of its balance sheet.

The measures that have been or may be adopted 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 of interests 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, a “bail-in” procedure (the mandatory writedown or conversion into equity of certain debt instruments in the event of resolution), enhanced recovery and resolution regimes, periodic stress tests and the creation of new regulatory bodies or the strengthening of the powers of existing bodies.

The Group is thus subject to extensive regulatory requirements and high-level supervision in each jurisdiction in which it operates. In particular, the Group is required to comply with the requirements of the Basel 3 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.

Some of the recently adopted regulatory measures are already the subject of proposed revisions. The pace of regulatory change and the frequency and complexity of regulatory proposals have substantially increased compliance costs for the Group and generated uncertainty regarding the Group’s operating environment. For example, on November 23, 2016, the European Commission issued several legislative proposals proposing to amend number of key European Union directives and regulations on capital adequacy, bank recovery and resolution which have only recently come into effect. If adopted, these legislative proposals would, among other things, modify the requirements applicable to MREL *(Minimum Requirement for Own Funds and Eligible Liabilities)* which is a requirement that banks maintain a minimum amount of capital and liabilities that can be written down or converted to equity if the bank experiences significant financial difficulties. These proposals are subject to amendment by the European Parliament and Council, and are scheduled to be adopted in 2019. It is not yet possible to determine whether these proposals will be fully adopted or to assess their impact.

4/ Investors holding BFCM securities could suffer losses if the Group is subject to resolution procedures

As mentioned above, Directive 2014/59/EU of May 15, 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (the “BRRD”) and the Single Resolution Mechanism (“SRM”) have been transposed into French law by, in particular, order no. 2015-1024 of August 20, 2015 containing miscellaneous provisions to adapt the law to European Union financial laws. Under these measures, the resolution authorities can impair, cancel or convert into shares the capital instruments and eligible commitments of financial institutions such as BFCM, once a resolution procedure or, in other words, a “bail-in” solution, has been instigated. 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 reasonably foreseeable measure 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;

c) protect public funds by reducing to a minimum the need to seek exceptional public financial aid, and

d) protect clients’ assets, in particular those of depositors.

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 group's to which they belong, which may include (among other measures): 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 shares (or other instruments) of BFCM's eligible commitments. Moreover, if the Group's financial situation were to deteriorate or if 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 financial instruments issued by BFCM. Public financial aid would not be available, other than as a last resort, once the resolution tools, including the bail-in solution have been fully implemented.

5/ More generally, the Group is subject to numerous regulations, which may change

A variety of 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, the European Union other countries and international agencies could have an adverse impact on the businesses and earnings of Group entities. Such constraints could limit the ability of the Group's 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 liable to significantly influence investor decisions, in particular in the markets in which the Group operates;
- general changes in regulatory requirements, notably prudential rules relating to regulatory capital adequacy framework and the recovery and resolution regime (as described in the risk factors above):
- changes to markets in financial instruments;
- changes to the regulations on derivatives;
- changes relative to asset management;
- changes in rules and procedures relating to internal controls;
- changes to the management, aggregation, storage and restitution of data;
- changes in financial reporting rules;
- changes in tax law or its application;
- changes to accounting standards including the entry into force of IFRS 9 as of January 1, 2018, which will impact the Group's provisioning methodologies;
- changes to the regulation of payment services, crowdfunding and the fintech sector;
- changes to the rules on personal data protection with a material impact on banking and insurance businesses;
- changes to the regulations on cyber security;
- changes to regulation governing employee compensation;
- expropriation, nationalization, price controls, exchange controls, confiscation of assets and changes in legislation relating to foreign ownership; and
- any other adverse change of law that may affect demand for the products and services offered by the Group.

6/ 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 2017, France accounted for approximately 78% of the Group's net banking income and approximately 89% of its customer credit risk.

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 housing 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, 2017) could be significantly and adversely affected.

7/ BFCM must maintain high credit ratings, or the Group's business and profitability could be adversely affected.

Credit ratings are important in obtaining financing, affect financing conditions on the markets and play a significant role in the Group's liquidity. A rating downgrade could have a negative impact on the Group'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.).

During the 2017 financial year, Fitch Ratings confirmed the Crédit Mutuel CM11 Group's A+ rating. Similarly, BFCM's Aa3 credit rating was confirmed by Moody's, as illustrated in its credit opinion in December 2017.

Lastly, Standard & Poor's confirmed Crédit Mutuel[4]'s A rating, and kept its outlook as stable, following "resilient results".

The risk of a downgrade of France's sovereign debt credit rating also exposes the entire economy to adverse repercussions. Although there were no changes to France's ratings in 2017, any future downgrade of France's sovereign debt credit rating would likely cause BFCM's rating to likewise drop, which would negatively impact 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 movements in the cost to purchasers of credit default swaps referenced to BFCM's 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.

8/ 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,

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4 S&P's LT senior A rating is a Crédit Mutuel Group rating which applies to all of Crédit Mutuel's federal entities (caisses fédérales) and inter-federal entities (caisses interfédérales).

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.

9/ 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 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 to 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. 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.

10/ The Group is exposed to the risk of non-compliance with applicable regulations

The Group is exposed to the risk of non-compliance, i.e. the inability to comply fully with all applicable laws and regulations 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. In addition to reputational damage and the possibility of civil claims being brought against the Group, failure to comply with these laws and regulations would expose the Group to disputes and significant fines and costs (including fines and costs in excess of the amounts provisioned for), warnings from the authorities, suspension of operations and, in extreme cases, withdrawal of authorizations to operate.

11/ The Group faces significant competition

The Group faces intense competition in all its main businesses on the markets on which it operates or on which it may decide to operate. 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, through, for example, increased price pressure and lower business volumes for the Group and its competitors. New, competitive companies that are subject to separate or more flexible regulations, or to different prudential ratios, could also enter the market. These new market players may be able to offer a more competitive range of products and services.

Technological advances and the growth of digital commerce have enabled non-banking institutions to offer products and services that were traditionally banking products, and have allowed financial institutions and other companies to offer electronic and internet-based financial solutions, including electronic securities trading. These new entrants could apply downward pressure on the prices of the

Group’s products and services or affect the Group’s market share. Furthermore, new payment systems and new currencies, such as bitcoin, and new technologies that facilitate transaction processing, such as blockchain, have become increasingly commonplace. The effect of the emergence of these new technologies, which are subject to little regulation by comparison with the Group, is difficult to predict, but their increased use could reduce the Group’s market share or divert amounts that would otherwise have been invested in portfolios managed by more established financial institutions such as the Group.

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 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 many cases based on the value or performance of those portfolios, a market downturn would reduce the value of the managed portfolios, and accordingly, the revenues generated by the Group’s asset management and private banking businesses. Future downturns 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 in 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 that 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/ Changes to accounting principles could have an impact on the Group's financial statements and capital ratios and give rise to additional costs

Applicable accounting principles develop and change over time, and the Group's financial statements and prudential ratios are exposed to the risk of changes to these principles. For example, in July 2014 the International Accounting Standards Board published IFRS 9 "Financial Instruments", which, following its adoption by the European Union, replaced IAS 39 as of January 1, 2018. This standard changes and supplements the rules on the classification and measurement of financial instruments. It introduces a new impairment model for financial instruments based on expected credit losses (the current model being based on incurred losses) and new rules on the accounting regime for hedging instruments. The new approach based on expected credit losses may lead the Group to establish additional, significant impairment provisions and, possibly, increased volatility in its capital adequacy ratios, and the cost to the Group of applying these rules could have a negative effect on its operating income.

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 these expenses 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 loans, 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.

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, 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/ Attacks on the Group’s IT systems may have a negative effect on the proper functioning of banking services and the protection of the Group’s customers

Like other organizations, the Group's IT systems are the target of an increasing number of attacks.

Corporate information systems are exposed to complicated and constantly developing new threats that have the potential to significantly impact all companies and, more specifically, those in the banking sector, both financially and reputationally. The Group has prioritized the resilience of its technical infrastructure, the continuity of services to customers, and the security of data exchanges, both in terms of anticipating, and its ability to react to, threats. These actions may not, however, be enough to fully protect the Group, its employees, its partners or its customers, given the changing nature and sophistication of cyberattacks. Despite the Group's efforts, such attacks could disrupt customer services or lead to losses, theft or the disclosure of confidential data, and the infiltration of the Group’s IT security systems could cause interruptions in business activity, information recovery and verification costs and reputational damage. Such consequences could have an adverse effect on the Group’s business activities, operating income and financial position.

22/ 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.

23/ 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 intermediaries 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.

24/ The legal risks to which the Group is exposed could have an adverse effect on its financial position and results.

The Group and certain 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 loss or 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 damages and interest claimed is not specified or not known, and if the proceeding is unusual.

When preparing its financial statements, the Group estimates the consequences of legal, regulatory and arbitration proceedings in which it is involved and recognizes a provision when the losses associated with such proceedings are likely and can 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 such proceedings, it could have an adverse material effect on the Group's financial position and results.

25/ BFCM does not hold any ownership or financial interest in the local banks.

BFCM does not own any interest in the local banks. BFCM does not share in the profits and losses of the local banks. Its economic interest in the results of the local 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 banks.

26/ The local 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 banks, including 93% through the Caisse Féderale de Crédit Mutuel (CF de CM). As a result, CF de CM and the local 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.

27/ BFCM does not participate in the solidarity mechanisms specific to the local banks.

The local 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 banks, and not on any legal obligation. If BFCM's financial condition were to deteriorate, there can be no assurance that the local banks or CF de CM would recapitalize or otherwise provide support to BFCM.

28/ Local 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.

29/ The Group's local 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 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 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 banks that are not part of the Group.

30/ 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 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

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

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 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 reports directly to Executive Management and is 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.

Under CRBF regulation 93-05, corporate regulatory limits applicable to the Crédit Mutuel CM11 Group 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 Crédit Mutuel 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.

Quantified data

Summary credit-risk exposure (balance sheet and off-balance sheet)

Exposure

Total gross exposure came to €373.0 billion, up by 3.3% compared with year-end 2016. Loans to customers totaled €344.7 billion, up by 3.8% in relation to 2016, while loans to credit institutions fell 1.5%.

(€ million)	12/31/2017	12/31/2016
Loans & receivables		
Credit institutions	28,264	28,698
Customers	344,743	332,219
Gross exposure	**373,007**	**360,917**
Impairment provisions		
Credit institutions	0	0
Customers	-7,016	-8,491
Net exposure	**365,991**	**352,426**

Source: Accounting - excluding repurchase agreements.

Commitments given

(€ million)	12/31/2017	12/31/2016
Financing commitments given		
Credit institutions	1,217	1,316
Customers	59,550	56,784
Guarantee commitments given		
Credit institutions	3,294	2,591
Customers	16,522	15,676
Provision for risks on commitments given	**136**	**133**

Source: Accounting - excluding repurchase agreements.

Customer loans

Loans to customers, excluding repos, totaled €344.7 billion, up by 3.8% compared with 2016. On-balance sheet medium- and long-term loans increased by 5.5%, while short-term loans were up by 0.8%.

(€ million)	12/31/2017	12/31/2016
Short-term loans	**70,779**	**70,205**
Overdrawn current accounts	7,506	7,733
Commercial loans	14,789	13,042
Short-term credit facilities	47,373	48,312
Export credits	1,111	1,118
Medium- and long-term loans	**261,524**	**247,834**
Equipment loans	78,443	68,976
Housing loans	167,715	161,287
Finance leases	13,002	12,432
Other loans	2,365	5,139
Total gross customer loans, excluding non-performing loans	**332,303**	**318,039**
Non-performing loans	11,754	13,473
Accrued interest	686	707
Total gross customer loans	**344,743**	**332,219**

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 98.0% of the loans and receivables due from customers.

Performing loans to customers by internal rating	12/31/2017	12/31/2016
A+ and A-	39.8%	39.7%
B+ and B-	28.6%	27.8%
C+ and C-	20.9%	21.4%
D+ and D-	8.7%	9.0%
E+	2.0%	2.2%

Source: Risk Management.
Crédit Mutuel CM11 Group scope excluding Targobank in Germany, Factofrance, CM-CIC Leasing Solutions, Targo Leasing, Targo Commercial Finance.

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 4.0% in 2017 and accounted for 50% of total gross customer loans. Home loans are divided among a very large number of customers and are 88% backed by real property sureties or first-rate guarantees.

(€ million)	12/31/2017	12/31/2016
Housing loans	**167,715**	**161,287**
Secured by Crédit Logement or Cautionnement Mutuel Habitat	67,999	64,002
Secured by mortgage or equivalent, low-risk guarantee	79,356	76,790
Other guarantees*	20,360	20,496

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.

	12/31/2017	12/31/2016
Retail	74%	75%
Corporates	22%	22%
Large corporates	2%	2%
Specialized financing and other	1%	2%

Source : Risk management / Financial Dpt
Crédit Mutuel-CM11 Group scope excluding foreign branchs of CIC ; ACM and IT not taken into account.
Outstandings from CM-CIC Bail, CM-CIC Lease, CM-CIC Factor, Factofrance, CM-CIC Leasing Solutions, Targo Leasing, Targo Factoring, Targo Commercial Finance classified into "Corporates".

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		
	12/31/2017	12/31/2016
France	88%	87%
Europe, excluding France	11%	10%
Rest of the world	2%	2%

Source: Accounting.

Concentration risk/Exposure by segment

Concentration risk and exposure by segment are addressed in section IV entitled “Information on pillar 3 of the Basel agreements”.

Major risks

CORPORATE

Concentration of customer credit risk	12/31/2017	12/31/2016
*** Gross commitments in excess of € 300m**		
Number of counterparty groups	47	53
Total commitments (€m)	30,006	32,020
of which total statement of financial position (€m)	12,110	12,829
of which total off balance sheet position guarantee and financing commitments	17,896	19,192
*** Gross commitments in excess of € 100m**		
Number of counterparty groups	168	166
Total commitments (€m)	49,374	49,916
of which total statement of financial position (€m)	22,739	22,055
of which total off balance sheet position guarantee and financing commitments	26,635	27,861

Source : DGR Crédit Mutuel-CM11 Group excluding Banque Casino - weighted risks in thousand €
Gross commitments: weighted uses statement of financial position + off balance sheet guarantee and financing commitments.

BANKING

Concentration of customer credit risk	12/31/2017	12/31/2016
*** Gross commitments in excess of € 300m**		
Number of counterparty groups	8	8
Total commitments (€m)	4,614	5,505
of which total statement of financial position (€m)	3,196	4,236
of which total off balance sheet position guarantee and financing commitments	1,418	1,268
*** Gross commitments in excess of € 100m**		
Number of counterparty groups	25	32
Total commitments (€m)	7,389	9,305
of which total statement of financial position (€m)	5,418	7,357
of which total off balance sheet position guarantee and financing commitments	1,971	1,948

Source : DGR Crédit Mutuel-CM11 Group excluding Banque Casino - weighted risks in thousand €
Gross commitments: weighted uses statement of financial position + off balance sheet guarantee and financing commitments.

At-risk items and cost of risk

Non-performing loans and loans in litigation fell to €11,754 million as of December 31, 2017, compared with a total of €13,473 million as of end-December 2016. These loans accounted for 3.3% of total customer loans compared with 4.0% at the end of 2016.

At year-end 2017, actual net provisioning for known risks represented 0.23% of gross outstanding customer loans, compared with 0.26% at December 31, 2016. The total cost of customer risk, which includes provisions for collectively impaired receivables, amounted to 0.24% of gross outstanding customer loans, the same as at December 31, 2016.

Net additions to/reversals from provisions for loan losses

	12/31/2017	12/31/2016
Cost of total customer risk*	**0.24%**	**0.24%**
Banking networks*1	0.13%	0.13%
Individuals **2	*0.04%*	*0.04%*
Housing Loans **2	*0.02%*	*0.03%*
Consumer credit - Targobank in Germany*	1.32%	1.09%
Consumer credit - Cofidis*	2.36%	2.44%
Financing*3	0.11%	0.22%
Private banking*	0.05%	0.04%

Source: Accounting and Risk management

1 network excluding Targobank in Germany, Cofidis and network support subsidiaries

2 excluding Targobank in Spain

3 Corporates, International (including foreign subsidiaries), Specialized financing

** including collective provisions*

*** excluding collective provisions*

Quality of customer risks

(€ million, year-end principal balances)	12/31/2017	12/31/2016
Individually impaired receivables	11,754	13,473
Individual impairment	6,506	8,012
Collective impairment	510	479
Coverage ratio	59.7%	63.0%
Coverage ratio (individual impairment only)	55.4%	59.5%

Source : Accounting.

€ million	12/31/2017	12/31/2016
Gross customer loans	351,958	338,449
Part of non performing loans in gross customer loans	3.3%	4.0%
Cost of risk	-861	-825
Individual cost of risk	-826	-872
Cost of risk / gross customer loans	0.24%	0.24%
Individual cost of risk / gross customer loans	0.23%	0.26%

Source : Accounting.

Outstanding loans to customers that are overdue but not impaired

Dec. 31, 2017 (€ million)	< 3 months	> 3 months < 6 months	> 6 months < 1 year	> 1 year	TOTAL
Debt instruments (1)	0	0	0	0	0
Loans & receivables	3,943	26	107	2	4,077
Due to central banks	0	0	0	0	0
Governments	31	0	1	0	32
Credit institutions	0	0	0	0	0
Other financial sector	32	1	1	0	34
Non-financial companies	2,582	21	99	2	2,704
Retail customers	1,297	4	6	0	1,307
Total	3,943	26	107	2	4,077

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

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	31	1	1	0	33
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.

Interbank loans v

Interbank loans by geographic region

Interbank loans by geographic region	12/31/2017	12/31/2016
France	79.5%	80.5%
Europe, excluding France	11.4%	13.4%
Rest of the world	9.1%	6.0%

Source: credit risk calculator - 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 2017, exposures mainly concerned banks in the European Economic Area, in particular French and German banks.

Structure of interbank exposure by internal rating

Structure of interbank exposure by internal rating	Equivalent external rating	12/31/2017	12/31/2016
A +	AAA/AA+	4.9%	6.0%
A -	AA/AA-	52.8%	53.6%
B +	A+/A	17.4%	15.8%
B -	A-	16.7%	15.6%
C and below (excluding default ratings)	BBB+ and below	8.2%	8.9%
Not rated	-	0.0%	0.0%

Source: credit risk calculator - Banks only - Excluding entities in standard method.

Interbank exposure is broadly concentrated in the highest internal rating notches, with 91.8% of exposures rated between A+ and B- at end-2017 (or an external equivalent of AAA to A-), compared with 91.1% in 2016.

Sovereign risk

Sovereign risk is presented in Note 7c to the consolidated financial statements of Crédit Mutuel CM11 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, 2017	Carrying amount as of Dec. 31, 2016
Debt securities	**108,352**	**113,311**
Of which, government securities	14,256	16,680
Of which, bonds	94,097	96,631
Derivative instruments	**6,268**	**8,420**
Repurchase agreements & securities lending	**16,554**	**15,278**
Gross exposure	**131,174**	**137,009**
Provisions for impairment of securities	-55	-49
Net exposure	**131,119**	**136,960**

Source: Accounting.

III.3.3 - Asset-liability management (ALM) risk

Organization

The Crédit Mutuel CM11 Group's asset-liability management functions are centralized.

The Crédit Mutuel CM11 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 breaches of limits and alert thresholds 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 and alert thresholds set for the Crédit Mutuel CM11 Group 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.

Interest-rate risk management [v]

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 outstandings 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 and alert thresholds are set in relation to the annual net banking income of the 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 twenty 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 twenty 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 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 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), the Crédit Mutuel CM11 Group (banking book) shows a -0.22% sensitivity to a fall in interest rates over one year (-€25.8 million in absolute value). Over two years, the Group has a -1.81% exposure to a fall in interest rates to the tune of -€212.1 million in absolute value.

The Crédit Mutuel CM11 Group's risk limits (net banking income sensitivity of 3% over one year and 4% over two years) and the alert thresholds (2.7% over one year and 3.6% over two years) were complied with at one and two years.

NBI sensitivity indicators of the Crédit Mutuel CM11 Group:

Normalized interest rate shocks	Sensitivity as a % of NBI		Limit	
	1 year	2 years	1 year	2 years
Scenario S1	1.38%	2.67%	3%	4%
Scenario S2	-0.22%	-1.81%	3%	4%
Scenario S3	1.10%	4.81%		
Scenario S4	0.81%	-3.49%		
Scenario S5	0.54%	2.91%		

Scenario S1 constant balance sheet	0.94%	2.05%
Scenario S2 constant balance sheet	0.21%	-1.21%

Stress scenarios	Sensitivity as a % of NBI	
	1 year	2 years
Scenario S6	-1.02%	-3.58%
Scenario S6 bis (*)	-1.43%	-0.96%
Scenario S7	0.44%	-2.08%
Scenario S7 bis (*)	0.24%	-1.69%

(*): alternative funding rule

4 - **Sensitivity of Net Asset Value (NAV)** arising from the application of the Basel 2 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.

In overall terms, the Crédit Mutuel CM11 Group's sensitivity of NAV:

- to a 2% fall in rates, is -4.86% (-€1,593 million in absolute value) of tier 1 common equity,
- to a 2% rise in rates, is -2.50% (-€821 million).

The warning threshold of 15% of tier 1 equity is complied with by the Crédit Mutuel CM11 Group.

Sensitivity of net asset value	As a % of total equity
Sensitivity + 200 bp	-2.5 %
Sensitivity - 200 bp	-4.9 %

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 Crédit Mutuel CM11 Group consolidated statement of financial position by residual maturity of future contractual cash flows (principal and interest)

2017	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	178	622	1,624	2,086	3,634	2,953	997	12,094
Financial assets at fair value through profit or loss	48	10	6	2	2,459	107	54	2,686
Derivatives used for hedging purposes (assets)	277	34	129	322	1,169	1,079	0	3,010
Available-for-sale financial assets	1,419	656	3,488	3,745	8,892	10,893	1,558	30,652
Loans and receivables (including finance leases)	52,866	17,358	32,645	32,861	82,728	162,211	1,412	382,081
Held-to-maturity investments	0	0	5,000	0	5,020	0	0	10,020
Other assets	6,353	5,900	230	73	257	534	246	13,592
Liabilities								
Central bank deposits	285	0	0	0	0	0	0	285
Financial liabilities held for trading	132	154	699	500	2,211	1,744	24	5,463
Financial liabilities at fair value through profit or loss	0	0	0	0	0	0	0	0
Derivatives used for hedging purposes (liabilities)	175	17	463	540	1,319	740	0	3,254
Financial liabilities carried at amortized cost	247,240	29,496	60,872	27,930	61,630	40,010	1,245	468,424
Of which, debt securities (including bonds)	*10,720*	*13,425*	*30,278*	*13,231*	*26,092*	*23,670*	*0*	*117,415*
Of which, subordinated debt	*0*	*17*	*1,004*	*0*	*1,508*	*4,772*	*1,225*	*8,527*

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.

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.

The Group has carried out a specific review of its liquidity risk and believes that it is in a position to meet its future scheduled repayments.

Currency 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 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 branches and thus add to the structural foreign currency position.

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 €968 million as at December 31, 2017 compared with €666 million at December 31, 2016 and solely concerned CIC's capital markets business.

Financial assets accounted for using the fair value option through profit or loss totaled:

- €2,226 million under the fair value option, mainly in relation to the private equity business line.
- €16,640 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.

Available-for-sale financial assets

Financial assets classified as available-for-sale and various long-term investments amounted to €12,541 million and €2,662 million respectively (see Note 7 to the consolidated financial statements).

Long-term investments included:

- investments in non-consolidated companies totaling €1,617 million and in associates totaling €602 million: the main holdings concern Desjardins (€71 million), Foncières des Régions (€592 million), CRH (Caisse de Refinancement de l'Habitat) for €118 million and CISA Inc. (€62 million).
- other long-term securities amounting to €443 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 provisions through profit or loss totaled €86 million in 2017, compared with net provisions of €21 million in 2016.

At December 31, 2017, the acquisition value of impaired stocks was €3,392 million and the corresponding impairment provision was €1,562 million. Their market value was €1,830 million.

Private equity

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

The proprietary investment portfolios comprise around 380 investment lines, relating mainly to small- and medium-sized enterprises.

	12/31/2017	12/31/2016
Number of listed investment lines	29	35
Number of unlisted, active investment lines	323	326
Revalued proprietary portfolio (€m)	28	47
Managed funds (€m)	2,539	2,183
Number of managed funds	205	234

Source: risk management

III.3.4 – Capital markets risk

General structure

The Group's capital markets activities are carried out by the "Group treasury" department and by CM-CIC Marchés for BFCM and CIC in France and in the London, New York and Singapore branches (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), the last two business lines constituting CM-CIC Marchés. 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 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

CM-CIC Market Solutions is the department responsible for commercial activities. It is 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 also markets the underlying equities, bonds and derivatives. 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's networks, institutional customers, business customers 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, 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.

Internal control structures

In 2017, 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).

All methodologies are formalized in two "bodies of rules." A CM-CIC Marchés body of rules for the Commercial and Investment business lines and a Group Treasury 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 control system is based on first-level controls performed by three Post-Market 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 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,

- the Group's lending department, which monitors at-risk outstandings for each counterparty group,

- the Group'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 (MRC) that meets monthly and a Group Treasury Risk Committee (GTRC) that meets quarterly are responsible for monitoring the strategy, results and risks of CM-CIC Marchés (in France and in the branches) and Group Treasury, respectively, in relation to the limits prescribed by the Boards of Directors of CIC and BFCM. The MRC is chaired by the member of executive management in charge of CM-CIC Marchés and comprises the Chief Executive Officer of CIC and of 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."

The GTRC is chaired by the Chief Executive Officer of BFCM, and is attended by the head of Group Treasury, the group head of ALM, the heads of the Post-Market teams and the head of the Risk Department. It analyzes market refinancing transactions, the refinancing transactions of Group entities and transactions in liquidity assets.

Risk management [v]

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 2017 for the fixed-income, equity, credit and commercial business lines are stable in relation to 2016. At the end of 2017, the limits on these activities were reconfirmed for 2018. 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 €3.9 million at year-end 2017. A general stress test policy and a stress test mechanism were 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 trading activities are maintained in New York within reduced limits under the supervision of CM-CIC Marchés.

CM-CIC Marchés' overnight cash borrowing position must not exceed a limit set at €1 billion for 2018, 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 consumption of capital mainly relates to the HQLA portfolio. It is calculated based on the CAD and the European capital adequacy ratio (which is very close to regulatory definitions). In 2017, the overall consumption of risk capital in CNC fell from €129.4 million to €71.7 million with a peak of €142.7 million in March. The changes are due to the sharp fall in the European capital adequacy ratio (account taken of internal LGDs), together with a fall in the General Interest Rate Risk (use of derivatives against liquidity portfolio securities).

2 - Hybrid instruments:

The consumption of capital was €61 million on average in 2017 and ended the year at €54.5 million. The stock of convertible bonds is stable compared with 2016, standing at €1.9 billion at the end of 2017.

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 €54.4 million over the course of the year and, at the end of 2017, was €52.1 million. This fall was due to the maturing of CDS and iTraxx Tranches. As for the ABS portfolio, consumption of risk capital was about €34 million (€29.5 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 €50 million in 2017, reaching a high of €63.5 million in April. This rise followed the change in outstandings and the removal of corporate actions from M&A. Outstandings in respect of this activity therefore totaled €246 million in December 2017 (with a maximum of €460 million in April), compared with €230 million at year-end 2016.

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 €26.6 million at year-end and have remained low since the redemption of €1.7 billion in September 2014. Total government bond investments rose to €2.7 billion in 2016, compared with €1.3 billion at year-end 2017, €0.8 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.

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 2017, 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.

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.

Securitization

During 2017, Group securitization investments rose by €286 million (up +4%), and represented a carrying amount of €7.3 billion as of December 31, 2017.

Securitization portfolios are managed on a prudent basis and mainly comprise senior securities with high credit ratings. The increase in investments in 2017, consisting mainly of AAA securities, further improved the overall quality of the portfolios, as 79% of securities are rated AAA (versus 78% in 2016) and 14% 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 91% 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. This exercise will be repeated in 2018, based on year-end 2017 investments.

Breakdown of securitization investments by portfolio (in millions of euros)	**2017**	**2016**
Banking portfolio	6,860	6,631
Trading portfolio	474	417
Total	**7,335**	**7,048**

Breakdown of Inv. Grade and Non-Inv. Grade	**2017**	**2016**
Investment Grade category (of which 78% AAA)	96%	94%
Non-Investment Grade category	4%	6%
Total	**100%**	**100%**

Geographic breakdown of investments	**2017**
USA	40.58%
France	11.98%
Germany	9.81%
Italy	6.87%
UK	6.03%
Netherlands	5.75%
Spain	3.38%
Australia	2.00%
Ireland	1.09%
Finland	0.85%
Portugal	0.52%
Switzerland	0.42%
Norway	0.26%
Greece	0.10%
Belgium	0.01%
Rest of the world	10.35%
TOTAL	**100%**

The Group has very little exposure to the EU countries that were most affected by the last financial crisis (Ireland: 1.1%, Portugal: 0.5%, 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, managed on a run-off basis, with a net carrying amount of €274 million. All expected losses on this portfolio are provisioned in full.

III.3.5 – European capital adequacy ratio

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 [v]

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, emergency and business continuity 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. 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. The Crédit Mutuel Group is awaiting a letter from the ECB that will authorize it to extend the approved AMA scope to Targobank in Germany for the purpose of calculating its AMA capital adequacy requirements.

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).

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.

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.

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, 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 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.

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.

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.

Inventory of Crédit Mutuel CM11 Group loss events

In 2017, the Crédit Mutuel CM11 Group suffered total operational losses of €122.4 million, including €136.4 million of actual losses and €14 million of reversals of provisions of prior-year losses.

This total breaks down as follows:

- fraud: €52.3 million;
- legal risk: €45.4 million;
- human/procedural error: €12.1 million;
- natural disasters and system malfunctions: €6.2 million;

- industrial relations: €6.5 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.

In the event that the provisions for these risks are increased, the amounts are listed in note 21 to the consolidated financial statements.

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.3.7 - Internal control and risk management system

General framework

The internal control and risk management system is fully integrated into the group's organization. Its purpose is to ensure compliance with regulatory requirements, sound risk management, secure transactions and improved performance.

Regulatory references

The cornerstone of sound management of banking activities, the applicable internal control and risk monitoring principles and procedures are governed by a number of French and European statutory and regulatory provisions, supplemented by various international standards.

In this respect, the main reference text that applies to the Crédit Mutuel CM11 Group's internal control system is the ministerial decree of November 3, 2014, which replaced regulation no. 97-02, as amended, of the consultative committee of financial legislation and regulation, the CCLRF. This decree, which sets out the conditions of implementing and monitoring internal controls in credit institutions and investment firms transposes the requirements of European Directive 2013/36/EC of July 26, 2013 (CRDIV) into French regulations.

Covering the classification of risks, compliance and risk monitoring, it sets out the principles applicable to transaction control systems and internal procedures, accounting structures and information processing, systems for measuring risks and results, monitoring and risk management systems, documentation and information systems, and the monitoring of flows.

A common system

In compliance with the four fundamental concepts issued by the Basel Committee (universality, independence, impartiality and the appropriateness of the resources allocated to tasks) and restated in the aforementioned decree, the group ensures that its internal control system is appropriate to its size and its operations.

Similarly, it ensures that it is appropriate for the size of the risks to which its activities expose it and that the employees who work on the system are able to carry out their duties in suitable conditions.

Within the group, the principles governing internal control are included in the guidelines issued by executive management and then implemented using common methods and tools that allow the group to develop quality standards.

Accordingly, the internal control and risk measurement system aims to:

- comprehensively cover all group banking and insurance activities;
- identify, assess, monitor and aggregate risks in a consistent manner and on a consolidated basis;
- communicate clear and reliable information (in particular, accounting and financial information) both internally and externally;
- ensure compliance with applicable laws and regulations as well as internal policies, instructions and guidelines set by executive management;
- ensure the proper operation of internal processes and the safeguarding of assets.

More broadly, the system aims to contribute to the management of business activities while contributing to further improve the effectiveness of processes and organizations.

A structured system

The purpose of the structure is to ensure the quality and comprehensive nature of the internal control system. The Group ensures, for itself and for the businesses it controls, that the system is based on a set of procedures and operational limits that comply with regulations and internal and professional standards. The Group is committed to providing a high-quality internal control system and seeks to continue improve the quality of the system, including by adapting it to regulatory changes.

The identification and management of the main risks using guidelines and control mapping and monitoring them with appropriate limits, formalized procedures and dedicated tools are constant objectives for the Group's internal control and risk monitoring departments. The analysis tools and monitoring reports allow the various risks to which the Group is exposed to be regularly reviewed: counterparty risk, market risk, asset-liability management risk, operational risk, etc. As required by regulations, a report is produced each year - using the framework recommended by the *Autorité de Contrôle Prudentiel et de Résolution* (ACPR) - on internal controls and on risk measurement and monitoring, for which a detailed review of the systems is carried out.

An integrated and independent system

The control system aims to develop a culture of prudence and high-quality risk management across the whole group, in line with the prevailing values at the organization.

Under this system, risk management and controls are initially carried out by operational staff, who are responsible for the transactions they enter into. As the first level of control, operational management is an integral part of the system, since it is both responsible for risk prevention and for taking corrective action to remedy identified malfunctions.

Group entities also have second level controls within dedicated teams. The necessary independence of these second level controls is guaranteed by the fact that the employees assigned to these control tasks have no operational responsibilities and have hierarchical or functional reporting lines directly to central departments, thereby ensuring their freedom of judgment and assessment.

The central departments are responsible for defining, overseeing and coordinating all local or cross-disciplinary systems. They organize and supervise the performance of control tasks. Given their expertise and independence, they also participate in defining, and supervise, normative controls.

Similarly, the periodic control function operates independently (see below).

<u>The Crédit Mutuel CM11 Group system</u>

It has three objectives:

- breaking down the various types of control into separate functions (periodic, permanent and compliance), in accordance with regulatory requirements;

- harmonizing the control work performed within the Group through the establishment of an organization based on homogeneous methods and tools, complementarity, subsidiarity and the independence of controls;
- providing a comprehensive and cross-functional view of all forms of risk to ensure reliable, regular and exhaustive reporting to executive management and the governing body.

Organization of controls

As required by the order of November 3, 2014, the system comprises three functions:

- periodic control;
- permanent control;
- the compliance function.

The last two, which, since the end of 2017, have been part of a common Risk, Permanent Control and Compliance Department, are subject to periodic controls by the first. The system's overall coherence is ensured by a control and compliance committee chaired by a member of the executive body. This committee reports to the Group audit and financial statements committee, which represents the Group's supervisory bodies.

To perform their functions, the control departments have, as a matter of principle, permanent and unrestricted access to individuals, premises, hardware, software and information of any kind, where relevant to their work, throughout the Group.

Breakdown by type of control

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

- periodic control, for in-depth inspection-type assignments performed as part of a cycle over several years;
- permanent control, for all work of a recurring nature, principally carried out using remote tools;
- compliance control, in particular for the application of regulatory requirements, internal policies and professional standards, including anti-money laundering and counter terrorist financing provisions.

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

Division between the network and business lines

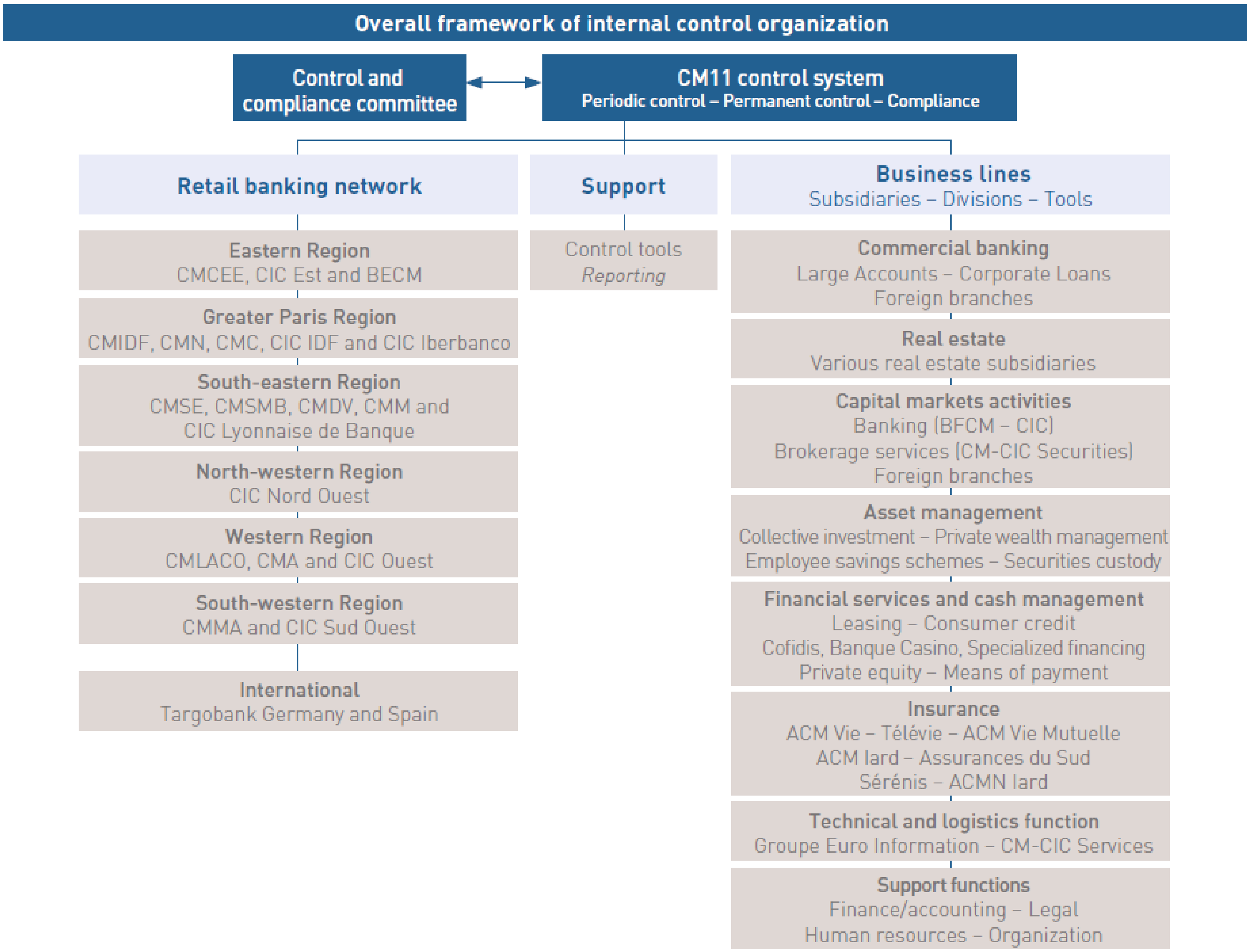
Controls are divided into a network branch, dealing with the retail banking network and a business line branch (corporate banking, capital markets activities, asset management, financial services, cash management, etc.), with managers appointed for each at the Crédit Mutuel CM11 Group level. The two network and business line branches of periodic controls report to a single national manager.

A common support division for the various types of control

The periodic control, permanent control and compliance functions are supplemented by a common support division responsible for:

- developing and upgrading the tools;
- developing reporting tools for control operations and assignments and the centralization of information for governing bodies, at the central and local levels (regions and subsidiaries);
- ensuring that the tools used in the various functions complement each other for optimal coverage of the Group's risks.

Summary chart of the structure of internal control



Oversight system

Group Control and Compliance Committee

Chaired by the Chief Executive Officer, this committee meets regularly with managers to discuss control matters (periodic, permanent and compliance) and risk management. Its objectives are:

- to coordinate the system by ensuring that the work and duties of the participants complement each other with a view to providing comprehensive risk coverage;
- to approve the control plans, examine the results of assignments performed by the periodic control departments as well as the work carried out by permanent control and the compliance function, and, if necessary, make recommendations to the executive body on necessary improvements,
- to analyze the findings of external control assignments, in particular those carried out by regulatory authorities;
- to monitor the implementation of recommendations arising therefrom.

The control and compliance committee also examines a number of reference works and documents. In 2013, for example, it approved the new methodology for monitoring recommendations made at the time of inspections at the networks and audits at the other business entities and functions, as well as the new methodology for certifying the financial statements of the local Crédit Mutuel Caisses. The document formalizing the organization and relations within the network periodic control department and between the central function and the regional periodic control departments was also submitted to the committee. The Group Control and Compliance Committee met four times in 2017 (February 6, June 13, October

16 and December 12).

Group Audit and Financial Statements Committee

To satisfy regulatory obligations and governance standards, the Crédit Mutuel CM11 Group has had, since 2008, an audit and financial statements committee.

It comprises fourteen volunteer and independent directors drawn from the Group's cooperative banking base. A number of its members have specific skills in accounting and finance. The executive body, the control departments and the finance department are all represented on the committee. Committee members remain up to date with developments by attending training seminars.

This committee:

- reviews the provisional internal control program;
- is informed of the findings of the assignments 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;
- receives up-to-date information on the Group's risk situation;
- makes recommendations to the various governing bodies on any improvements it believes are required to support the findings brought to its attention.

In relation to financial reports, it:

- is responsible for monitoring the financial reporting process;
- 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;
- participates in choosing the statutory auditors;
- supervises the statutory audit of accounts.

The audit and financial statements committee met four times in the past financial year (February 15, April 26, July 26, September 13) and a sub-committee met on December 7. Minutes of these meetings were sent to the governing bodies of the various federations and CIC.

It also examined the financial statements for the year ended December 31, 2017 at its meeting held on February 16, 2018, but did not have any specific comments thereon.

Remuneration Committee

As required by Articles L.511-89, 102 and 103 of the French Monetary and Financial Code and Article 104 of the internal control order, the Group has established two remuneration committees, one for the Caisse Fédérale de Crédit Mutuel scope and the other for the CIC scope. These provide their opinions on the proposals made by executive management drawn up following consultation with the Risk and Compliance department, and review and approve the remuneration policy each year. These committees also ensure that the principles defined by the governing body are effectively implemented. In this respect, the remuneration committees provide regular reports on their work to the governing body.

Group Ethics and Compliance Committee

Created for the Crédit Mutuel CM11 Group, this committee helped to draw up the Group's code of ethics. Each year, it prepares a report on the application of and compliance with the ethics and compliance principles and rules within the Group.

Risk management system

Group Risk Department

The role of the Group Risk Department, which is also part of the Risk, Permanent Control and Compliance Department, as defined by the decree of November 3, 2014, is to measure, monitor and manage all forms of risk in respect of banking and non-banking activities, while contributing to the development and profitability of the Crédit Mutuel CM11 Group.

It therefore regularly and exhaustively analyses and reviews all forms of risk (credit, market, interest rate, operational, asset-liability management, refinancing, insurance, etc.) and produces a summary report for executive management and the governing body.

In 2017, the risk business line further improved the consolidated reporting of risks in an operational, comprehensive and prudential approach to reflect allocated regulatory capital and ongoing regulatory changes, and, in particular, the implementation of the new Basel 3 standards. It also worked on introducing the recommendations made by the ECB to strengthen its prerogatives and to closely monitor the activities of subsidiaries, both in France and abroad.

It participated in a number of cross-disciplinary workstreams, including those on crisis recovery plans and the ICAAP and ILAAP processes on the capital and liquidity requirements that the Group and its subsidiaries are required to meet. It was also a stakeholder in the drafting of the Group’s risk appetite declaration and in the preparation of the workstream on the application of the requirements of the BCBS 239 principles on data quality and risk reporting.

While ensuring the quality of the risk management systems, the Risk Department, the main contact point for regulators, oversaw the various control inspections by the ACPR and ECB, coordinated the monitoring and implementation of recommendations and kept regulators informed on progress. The establishment of a Risks, Permanent Control and Compliance Department at the end of 2017, without altering the internal structure of these three functions, strengthened collaboration between their teams, facilitated the pooling of their resources and contributed to the diffusion of the risk management, control and compliance culture throughout the group.

The Group Risk Monitoring Committee

This committee consists of members of the deliberative bodies and meets twice a year to review strategic challenges and opportunities in the risk area. In view of the findings made, it makes suggestions to the Board of Directors on prudential decisions to be applied to the whole Group in relation to the measurement, monitoring and management of risks. The head of the Risk Department chairs the 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, and the heads of the business lines involved in matters on the agenda may also be invited.

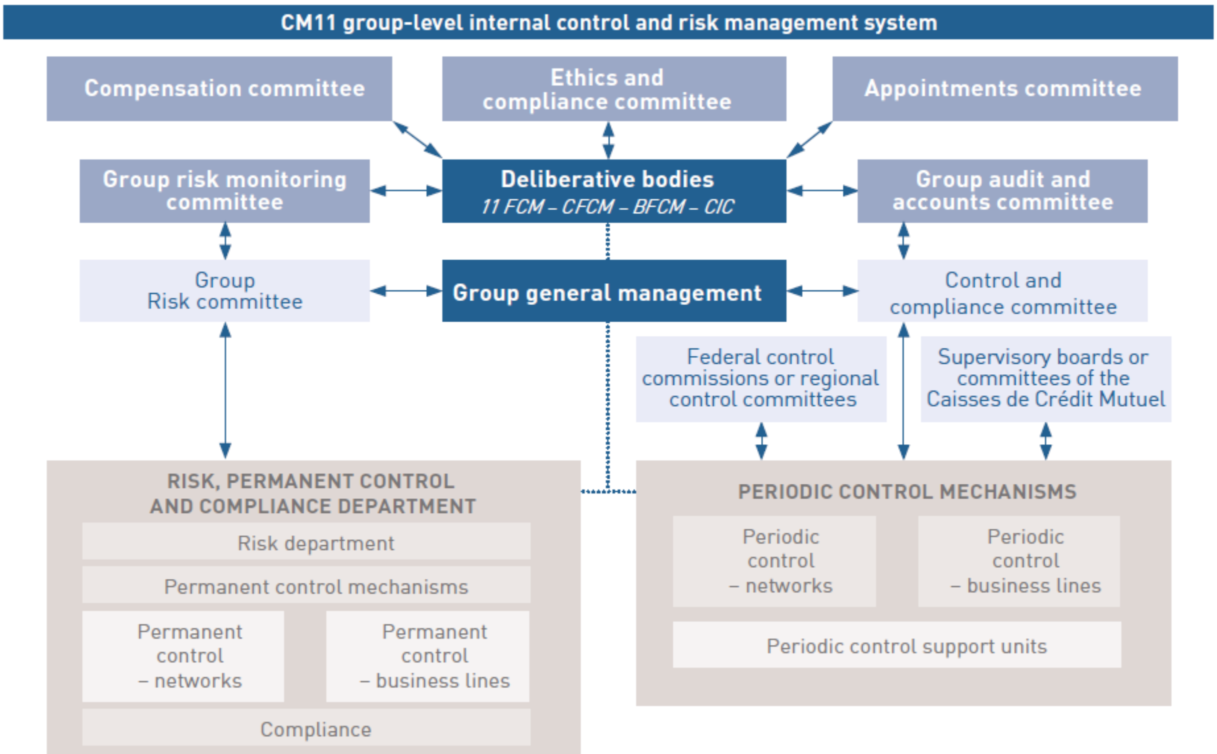
Group Risk Committee

It meets quarterly and is attended by executive management and the heads of the relevant business lines and functions: retail banking, insurance, corporate banking, refinancing, markets, commitments and the finance department.

Chaired by the Risk Department, this Committee is responsible for overall ex-post and ex-ante risk monitoring.

Operational Risk Steering Committee

This committee meets four times a year and comprises the Risk Department and the group heads of the permanent control and compliance functions. It is responsible for suggesting and coordinating protection and operational risk mitigation measures in light of reported failings.



Controls

These are carried out in all areas in which the bank conducts its business, and are based on methods and tools put in place at Group level and on formalized procedures. The findings lead to the formulation of recommendations, the application of which is monitored.

Basel 2 workstream

A structure that carries out regular controls on the system is in place in the Group in conjunction with the Confédération Nationale du Crédit Mutuel. A schedule of works divides the various tasks among the relevant entities.

In terms of the management of operational risks, the Group has, since 2010, been authorized by the ACPR to use the advanced method.

Basel 3 workstream

The Risk Department oversees the transition to the new regulatory constraints.

Common methods and tools

Control tools and methods and the management of risks have been harmonized using common tools developed by the group support division, which include dedicated oversight functionalities.

Periodic control tools

These aim to map network risks through the consolidation of all types of tasks, based on a common catalog of control points, and are regularly updated. Access to the information needed to carry out the controls is provided via the IT system.

Given the Group's growth, a project was launched to develop a tool to monitor the implementation of recommendations issued by Group periodic control and the regulatory authorities as part of their work. The tool (PRECO) was rolled out at the beginning of 2013.

Permanent control tools

Network periodic controls are performed remotely, principally by using data from the IT system. They supplement the first level controls carried out on a daily basis by the heads of the operating entities and the regional oversight, assistance and control functions. They are carried out through "internal control portals" that structure and plan the various works to be carried out in terms of risk coverage.

The automated detection of "at risk" files, using predetermined default criteria, is a key aspect of good credit risk management. Other types of control assess the quality of the results obtained and enable resources to be appropriately allocated and provide guidance for tasks.

Compliance tools

Work continued on legal and regulatory oversight and the monitoring of non-compliance risks. Compliance has its own areas of control within the "internal control portals" that allow it to check the proper application of regulations, particularly in relation to professional conduct rules and ethics, the protection of customers' interests, the delivery of investment services and anti-money laundering and counter-terrorist financing rules. In 2014, a new tool known as "Comply" was developed to monitor the due diligence work carried out in relation to the US FATCA regulations. In 2016, dedicated tools designed to improve anti-money laundering and counter-terrorist financing measures were rolled out.

Procedures

Procedures are placed on the intranet and are continually available to all employees via search engines. The control tools make reference to the procedures and links have been added to facilitate consultation and use. "Framework procedures" are defined at the level of the Group's central control functions in a number of areas, in particular compliance.

Risk management

The management of credit risk is structured around two mechanisms: one dedicated to loan origination and the other to the measurement of risks and the monitoring of loans.

A lending reference document summarizes the internal procedures for the Group lending unit pursuant to the bylaws and organizational and regulatory provisions. It describes the mechanism for loan origination and the mechanism for measurement of risks and the monitoring of loans and the management of at-risk items. It contains appendices on capital markets activities and on the directly affected subsidiaries.

The management of liquidity risk and interest rate risk for the Group banks is centralized. The hedges are assigned to the entities concerned, in accordance with their needs. They are no longer authorized to take hedging decisions individually.

The overall calculation of market risks is based on the regulatory framework. Capital markets activities are monitored using a formalized system that is independent in terms of organization and control.

Operational risks are managed and controlled using Group procedures coordinated by dedicated experts. The security of the IT systems and the implementation of business continuity plans form part of the work carried out in this area. Operational risks are covered in detail in the Basel 2 workstream.

Risk monitoring

Risk monitoring is carried out by dedicated and independent teams that use tools designed, firstly, to understand the commitments on an exhaustive and aggregated basis and, secondly, to continually monitor risks using an advanced anomaly detection system, vigilance on compliance with limits and on changes to internal ratings.

Information on changes to credit, market, asset-liability management and operational risks is regularly provided to the managing bodies and to the relevant heads of department. The Risk Department carries out a general risk monitoring function with respect to the regulatory capital consumed by each activity from the viewpoint of risk exposure and the return on equity.

Accounting data and the Group's control method

The financial departments of CIC and the Crédit Mutuel CM11 Group, which are responsible for drawing up and validating the financial statements, are structured around two functional divisions known as “networks” and “specialized business lines”. Specialized business lines deals with financial accounting and consolidation, as well as accounting controls.

Information concerning financial reporting is prepared and approved by this department then presented to the audit and financial statements committee.

Controls on the individual financial statements

Accounting system

Accounting architecture

It is based on an IT platform common to 15 Crédit Mutuel federations and the CIC regional banks, which includes accounting and regulatory functionality related in particular to:

- the chart of accounts, whose structure is the same for all institutions of the same type 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).

The administration of the common accounting information system is entrusted to the “Accounting Procedures and Processes” divisions, which are autonomous units within either the “networks” finance department or the “specialized business lines” finance department, as the case may be.

These are responsible 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; the relevant division where necessary consults the tax department and the implementation of the processes is subject to a validation procedure involving various operational managers The "Accounting Procedures and Processes" divisions are hierarchically and operationally independent from the accounting production departments themselves, which allows a separation between the accounting architecture design and administration functions and the other operational departments. At CIC, all accounts are mandatorily assigned to an operational department responsible for their operation and control; no account may therefore be "unassigned". The organization and procedures in place ensure compliance with the Decree of November 3, 2014 and the existence of an audit trail.

Chart of accounts

It is based on two main types: 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. In terms of securities custody, "substance accounting" distinguishes between third-party and proprietary securities ownership. All the credit institutions administered on the common IT platform use the same chart of accounts, which is administered by the "Accounting Procedures and Processes" divisions.

It defines the account properties with respect to the following areas:

- regulatory attributes (consistency with the official French chart of accounts for credit institutions, link to the item of the publishable financial statements, etc.);
- certain tax aspects (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 certain 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.

Data aggregation procedure

Under the model used by the Crédit Mutuel CM11 Group, the accounting aggregates are derived from the following entities:

- the Group (e.g. CIC);
- the federation comprising one or more banks or other legal entities;
- the bank attached to a federation.

The entire bank (branches and central departments) is broken down into banking outlets, the basic unit used by the accounting system. It is at this level that the accounting entries are prepared.

The accounting consistency of management data

Each banking outlet comprises an external banking outlet and an internal banking outlet. The first records financial accounting entries and the second records analytical accounting entries. For each banking outlet, management results are obtained by aggregating the results of the internal and external data. The Group results are obtained by adding together the banking outlets' accounting balances. A link is established between the financial accounts and the codes allocated to the products sold by the bank. The analytical data is used to determine each business line's results.

Control method

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.

Controls of closings of individual financial statements

At the close of each period, the accounting results are compared with the forecast management data – prepared by divisions that are independent from the accounting production departments (management control and budget control) – and the previous year's data, for validation.

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 procedures implemented

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

Levels of control

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

The accounting control departments (controls/procedures and "specialized business line" management controls) also perform a general task involving 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 for the annual and interim financial statements. Furthermore, the control departments (periodic, permanent and compliance) also perform accounting work. A dedicated control portal has been introduced; it is currently being rolled out to the whole Group.

The exercise of controls

Automated accounting controls

An automated daily control procedure uses the bank's daily trial balance to check the balance sheet and off-balance sheet items, the balances of assets and liabilities by branch and currency and to monitor technical accounts. This procedure is also applied at the end of the month to the overall trial balance.

Justification of accounts

All balance sheet accounts are justified either by an automated control or by an account verification carried out by the department responsible therefor. A report prepared by each department lists the results of the controls that are carried out.

Controls on the consolidated financial statements

Accounting principles and methods

Adapting to regulatory changes

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

The application of IFRS

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.

CIC and the Crédit Mutuel CM11 Group define the French (CNC) and international (IFRS) accounting principles and methods 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. The accounting principles used to consolidate the financial statements are the same as those used by the Crédit Mutuel Group.

The Group entities' accounting managers meet twice a year to prepare the financial statements. Individual financial statements based on IFRS are prepared in the central IT system for the entities that use it and drawn up with the same organization and the same team as the individual financial statements based on French principles (CNC).

Information reporting and consolidation

The consolidation process

The Group has a consolidation chart of accounts. In the common IT system, each account in the 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, (i) the person responsible for closing the subsidiary's financial statements and (ii) the person responsible for identifying the inter-company accounts between fully consolidated companies are designated. The statutory auditors of the consolidated financial statements send simultaneous 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 to the application (consolidation packages) is partly automated based on an interface developed for the accounting IT system. This allows balances to be retrieved automatically, thereby ensuring consistency between company and consolidated data.

Information reporting and data controls

The consolidation package cannot be sent by the companies until a number of consistency checks programmed into the data entry software have been performed. These control rules (currently more than

600), developed by the consolidation departments, relate to a large 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 authorized by the central 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 for 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.

Analysis of accounting and financial information

The consolidated financial statements are compared with those of the previous financial year, the budget and with quarterly accounting and financial reports. These are organized by topic (net additions to/reversals from provisions for loan losses, growth in loans and deposits, etc.). The changes observed are corroborated by the relevant departments such as the lending department and the management control departments of the various entities.

Analysis of the contribution of each Group structure to the consolidated financial statements is also carried out.

At the close of each reporting period involving financial statements or financial information to be published, this information is presented to CIC's Executive Management and Board of Directors by the finance department. The determination of income and the presentation of the financial position and activity result in a report that includes reconciliations with non-accounting management data (interest rates, average capital, etc.). The accounting processes are regularly presented to the group audit and financial statements committee.

Conclusion

Using shared methods and tools, CIC's internal control and risk management system forms part of the Group's control structure, and comprises a comprehensive set of measures that is appropriate to the various activities carried out in France and internationally. It complies with the requirements of banking and financial regulations and with the operating principles that the Group has set for itself. The Group constantly endeavors to strengthen and improve its efficiency.

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III.4 - Crédit Mutuel CM11 Group's consolidated financial statements

III.4.1 – Balance sheet

Balance Sheet - Assets
Crédit Mutuel CM11 Group

€million	Dec. 31, 2017	Dec. 31, 2016	Notes
Cash and amounts due from central banks and post office banks	57,049	61,044	4a
Financial assets at fair value through profit or loss	32,742	27,862	5a, 5c
Derivatives used for hedging purposes	3,010	4,126	6a, 5c, 6c
Available-for-sale financial assets	103,164	107,089	7a, 5c
Loans and receivables due from credit institutions	37,609	37,694	4a
Loans and receivables due from customers	344,942	329,958	8a
Remeasurement adjustment on interest-rate risk hedged portfolios	429	604	6b
Held-to-maturity financial assets	10,720	11,657	9
Current tax assets	1,832	1,590	13a
Deferred tax assets	1,255	1,293	13b
Accrued income and other assets	13,991	15,120	14a
Non-current assets held for sale	119	0	3e
Investments in associates	1,744	1,973	15
Investment property	2,816	1,961	16
Property, plant and equipment	2,969	2,942	17a
Intangible assets	690	686	17b
Goodwill	4,118	4,157	18
Total assets	**619,199**	**609,756**	

Balance Sheet - Liabilities
Crédit Mutuel CM11 Group

€million	Dec. 31, 2017	Dec. 31, 2016	Notes
Due to central banks and post office banks	285	0	4b
Financial liabilities at fair value through profit or loss	9,821	11,971	5b, 5c
Derivatives used for hedging purposes	3,254	4,913	6a,5c,6c
Due to credit institutions	43,890	49,209	4b
Due to customers	288,532	276,194	8b
Debt securities	112,431	112,458	18
Remeasurement adjustment on interest-rate risk hedged portfolios	-518	-1,165	6b
Current tax liabilities	831	764	13a
Deferred tax liabilities	1,273	1,268	13b
Accrued expenses and other liabilities	11,207	11,616	14b
Liabilities related to non-current assets held for sale	14	0	3e
Technical reserves of insurance companies	96,423	93,396	20
Provisions	3,041	2,835	21
Subordinated debt	7,725	6,710	22
Shareholder's equity	**40,990**	**39,587**	
. Shareholder's equity - Group share	**38,600**	**36,474**	
- Subscribed capital and issue premiums	6,010	5,941	23a
- Consolidated reserves	29,035	26,828	23a
- Unrealised or deferred gains and losses	1,347	1,296	23b
- Net income for the year	2,208	2,410	23a
. Shareholder's equity - Minority interests	**2,390**	**3,113**	
Total liabilities	**619,199**	**609,756**	

III.4.2 – Consolidated income statement

Consolidated income statement
Crédit Mutuel CM11 Group

€million	Dec. 31, 2017	Dec. 31, 2016	Notes
Interest income	15,623	15,053	25
Interest expense	-9,910	-9,501	25
Commission income	4,719	4,366	26
Commission expense	-1,208	-1,110	26
Net gain/loss on financial instruments at fair value through profit or loss	885	920	27
Net gain/loss on available for sale financial assets	374	689	28
Gains on other activites	15,334	15,069	29
Losses on other activites	-11,809	-12,184	29
Net banking income	**14,009**	**13,302**	
Operating expense	-7,983	-7,646	30a,30b
Depreciation	-475	-557	30c
Gross operating income	**5,551**	**5,100**	
Cost of risk	-871	-826	31
Operating income	**4,680**	**4,273**	
Share of earning in associates	-334	-136	15
Net gain /loss on other assets	3	13	32
Goodwill	-15	-187	33
Net income before tax	**4,334**	**3,963**	
Income tax	-1,929	-1,383	34
Gain / loss on discontinued operations, net of tax	22	44	3e
Net income after tax	**2,427**	**2,624**	
Of which minority interests	219	214	
Net income less minority interests	**2,208**	**2,410**	

Net income and gains and losses recognized directly in shareholders' equity
Crédit Mutuel CM11 Group

€million	Dec. 31, 2017	Dec. 31, 2016	Notes
Net income	**2,427**	**2,624**	
Translation adjustments	-109	-63	
Remeasurement of available-for-sale financial assets	94	-51	
Remeasurement of hedging derivative instruments	25	1	
Share of unrealized or deferred gains and losses of affiliates	-3	1	
Total recyclable gains and losses recognized directly in shareholders' equity	**7**	**-113**	
Remeasurement of non-current assets	0	0	
Actuarial gain or losses on post-employment defined benefits	32	-110	
Total non recyclable gains and losses recognized directly in shareholders' equity	**32**	**-110**	23c,23d
Net income and gains and losses recognized directly in shareholders' equity	**2,467**	**2,401**	
including group share	*2,259*	*2,163*	
including minority interests	*207*	*238*	

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

III.4.3 – Consolidated statement of changes in shareholder’s equity

Crédit Mutuel CM11 Group

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, 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**	**18**	**-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 used for					-84	1			-83	32	-51
Change in actuarial gains and losses							-106		-106	-4	-110
Translation adjustments				-59					-59	-4	-63
Sub-total	**0**	**0**	**0**	**-59**	**-84**	**1**	**-106**	**2,410**	**2,162**	**238**	**2,401**
Impact of acquisitions and disposals on minority interests			0						0	175	175
Other movements			-15			0			-15	-63	-78
Shareholders’ equity at December 31, 2016	**5,941**	**0**	**26,828**	**84**	**1,532**	**-21**	**-300**	**2,410**	**36,474**	**3,113**	**39,587**
Appropriation of earnings from previous year			2,410					-2,410	0		0
Capital increase	69								69		69
Distribution of dividends			-68						-68	-58	-127
Change in investments in subsidiaries not resulting in loss of control			-114						-114	-954	-1,068
Sub-total: movements arising from shareholder relations	**69**	**0**	**2,228**	**0**	**0**	**0**	**0**	**-2,410**	**-113**	**-1,013**	**-1,126**
Consolidated net income for the year								2,208	2,208	219	2,427
Change in fair value of available-for-sale financial assets and derivative instruments used for					137	25			162	-8	154
Change in actuarial gains and losses							28		28	4	32
Translation adjustments				-139					-139	-7	-146
Sub-total	**0**	**0**	**0**	**-139**	**137**	**25**	**28**	**2,208**	**2,260**	**207**	**2,467**
Impact of acquisitions and disposals on minority interests									0	82	82
Other movements		0	-21						-21	0	-20
Shareholders’ equity at December 31, 2017	**6,010**	**0**	**29,035**	**-55**	**1,670**	**4**	**-273**	**2,208**	**38,600**	**2,390**	**40,990**

(1) Reserves as of December 31, 2017 include the legal reserve of €325 million, regulatory reserves for a total of €4,773 million and other reserves amounting to €23,937 million.

III.4.4 – Statement of cash flows

CONSOLIDATED STATEMENT OF CASH FLOWS

Crédit Mutuel CM11 Group

€million	2017	2016
Net income	2,427	2,624
Corporate income tax	1,929	1,383
Income before corporate income tax	**4,356**	**4,007**
+/- Net depreciation/amortization expense on property, equipment and intangible assets	478	575
- Impairment of goodwill and other non-current assets	16	189
+/- Net additions to/reversals from provisions and impairment losses	86	14
+/- Share of net income/loss of associates	334	136
+/- Net loss/gain from investing activities	9	-482
+/- Income/expense from financing activities	0	0
+/- Other movements	-1,492	4,632
= Total non-monetary items included in income before tax and other adjustments	**-569**	**5,064**
+/- Cash flows relating to interbank transactions	-3,736	-437
+/- Cash flows relating to customer transactions	-3,109	2,536
+/- Cash flows relating to other transactions affecting financial assets and liabilities	-1,573	12,360
+/- Cash flows relating to other transactions affecting non-financial assets and liabilities	-31	-1,266
- Corporate income tax paid	-1,852	-1,668
= Net decrease/increase in assets and liabilities from operating activities	**-10,301**	**11,525**
NET CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	**-6,513**	**20,596**
+/- Cash flows relating to financial assets and investments in non-consolidated companies	1,300	490
+/- Cash flows relating to investment property	-990	-73
+/- Cash flows relating to property, equipment and intangible assets	-437	-433
NET CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES	**-128**	**-16**
+/- Cash flows relating to transactions with shareholders	-58	-58
+/- Other cash flows relating to financing activities	2,812	-3,704
NET CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	**2,753**	**-3,762**
IMPACT OF MOVEMENTS IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	**-232**	**100**
Net increase (decrease) in cash and cash equivalents	**-4,119**	**16,917**
Net cash flows from (used in) operating activities	-6,513	20,596
Net cash flows from (used in) investing activities	-128	-16
Net cash flows from (used in) financing activities	2,753	-3,762
Impact of movements in exchange rates on cash and cash equivalents	-232	100
<u>Cash and cash equivalents at beginning of year</u>	**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
<u>Cash and cash equivalents at end of year</u>	**51,510**	**55,630**
Cash accounts and accounts with central banks and post office banks	56,766	61,044
Demand loans and deposits - credit institutions	-5,256	-5,415
CHANGE IN CASH AND CASH EQUIVALENTS	**-4,119**	**16,917**

III.4.5 – 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, 2017. These standards include IAS 1-41, IFRS 1-8 and 10-13, and any SIC and IFRIC interpretations adopted as of that date.

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.

Since January 1, 2017, the Group has applied the various amendments adopted by the EU without any material impact on the Group's accounts. This mainly concerns the amendment to IAS 12 - Income Taxes, which clarified the accounting principles for deferred tax assets in respect of unrealized losses on debt instruments measured at fair value. It states that whether this temporary difference can be deducted is determined:

- alongside all the entity’s temporary differences and carried forward tax losses, regardless of whether the holder intends to sell the securities or hold them to maturity,
- by taking account of the restrictions on the use of tax losses.

The estimate of probable future taxable profits may reflect a recoverable value for the assets in excess of their carrying amount (for example, as a result of their fair value). It excludes tax deductions resulting from the reversal of deductible temporary differences.

Information on risk management is included in the group management report.

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 entitiy's key activities require unaminous 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, 2017 were as follows:

- ***Additions:*** CIC Hong Kong (branch), CM-CIC Caution Habitat, SCI Cotentin, SCI Tombe Issoire, SCI Provence Bureaux, SCI Saint Augustin, SCI Rue de Londres.

- ***Merger/absorption:*** CM Akquisition with Banque Fédérative du Crédit Mutuel, COFISUN with COFIDIS Belgique, CM-CIC Proximité with CM-CIC Investissement SCR, HELLER Gmbh with TARGO Deutschland, QUANTA with TARGOBANK AG, Documents AP with Est Bourgogne Media, Jean Bozzi Communication with Est Bourgogne Média, Distripub with SAP Alsace, COFIDIS AS Slovaquie with COFIDIS SA.

- ***Removals:*** Ventadour Investissement (dissolution), SCGPA (dissolution), Cigogne CLO Arbitrage (disposal), CMCP (liquidation).

- ***Change in consolidation method:*** Lyf SAS and Lyf SA (from full consolidation to the equity method)

- ***Change of name:*** FIVORY became Lyf SA, FIVORY SAS became Lyf SAS, Diversified Debt Securities SICAV – SIF became Cigogne CLO Arbitrage, CM-CIC Capital et participations became CM-CIC Capital.

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 Studies*) TF 00-02 table.

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

Actuarial variances are recognized as unrealized or deferred gains or losses in equity. Any reductions in terms or liquidation of the plan generate changes in the obligation, which are recognized in income for the year.

Supplementary benefits provided by pension funds

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

Other post-employment defined benefits

A provision is recognized for 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.

Commissions considered to be additional interest form an integral part of the effective interest rate. Commission income is therefore booked in interest income and expense.

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.

1.3.21 Standards and interpretations adopted by the European Union and not yet applied

❑ **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 comparative figures for 2017 in the IFRS 9 format. An explanation of the portfolios’ transition between the two standards and the impacts on shareholders’ equity at 1 January 1, 2018 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 continued in 2017.

The implementation of IFRS 9 is relevant to all Group activities except those of the insurance divisions governed by the Conglomerates Directive, for which application is deferred until 2021, as set out in the amendment to IFRS 4 as adopted by the European Union. To benefit from deferred application, certain conditions must be met. These include the absence of transfers of financial instruments between the insurance sector and the other sectors of the conglomerate after the date on which the text enters force, other than those recognized at their fair value through profit or loss in both sectors.

The Group's insurance divisions are nevertheless fully involved in the workstream.

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 categorization 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 on the principal amount outstanding (analysis carried out via the solely payments of principal and interest (SPPI) test5), provided that they are not designated at fair value through profit or loss option,
- 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, without trading, and if the cash flows are solely payments of principal and interest on principal, provided that they are not designated at fair value through profit or loss option. 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 (on the basis that they do not meet the SPPI criteria and/or are managed using the "other" business model) 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 when instruments are classified as available for sale (AFS) under IAS 39. 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 related to the derecognition of assets are replicated in IFRS 9 without amendment, as are those on 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 non-recyclable unrealized or deferred gains or losses in

[5] *This test seeks to ensure that the instruments are basic and that the flows cover nothing other than the passage of time and the credit risk associated with the repayment of the principal amount of the loan over the relevant time period.*

equity, and not in profit or loss. The Group is marginally affected by the own credit risk issue,

  - The recognition of the modified gain/loss for financial assets that are not derecognized by IFRS 9,

- In October, the IASB published an amendment on compensation on instruments with symmetric prepayment options; it is in the process of being adopted by the EU. It states that assets containing prepayment options with a negative penalty for the bank may exceptionally be deemed to be SPPI instruments (and therefore able to be measured at amortized cost or fair value through equity), provided that the method of calculating the penalty is compatible with the concept of “reasonable compensation” set out in the standard. This change avoids loans containing this type of clause being recognized at fair value through profit or loss. The Group is marginally affected by this issue.

The operational work conducted within the Group throughout 2017 sought to:

- finalize the SPPI tests for the rates identified as risky (averaged, or with a decorrelation between the length of the rates and their repricing frequency). It should be noted that the group has decided to no longer grant loans at non-compliant rates and that the SPPI condition must be met on the creation of new products,
- continue the work of documenting the various instruments, at the national and regional level, as regards both the characteristics of the instruments and the business models. In terms of the inflow model, an acceptable sales threshold has been set by reference to the portfolio's duration to allow financial instruments to be classified at amortized cost, thereby going beyond the cases set out in the standard. It should be noted that, in practical terms, this threshold only applies to securities, as the group does not sell its loans.

It is primarily units of UCITSs and real estate funds (OPCIs), certain convertible bonds, structured debt securities and securitization tranches that will be reclassified at fair value through profit or loss. The impact of the reclassifications is moderate.

Crédit Mutuel has chosen not to issue "Group" principles regarding:

- the use of the fair value through equity option for equity instruments,
- the classification at amortized cost, or at fair value through equity, of debt instruments included in the liquidity portfolio.

Each sub-group will classify its instruments according to its own business model.

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:

- Status 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 is observed after initial recognition;

- Status 2: loss allowance provided for on the basis of the lifetime expected credit losses (resulting from the default risks over the entire residual life of the instrument) if the credit risk has increased significantly since initial recognition, and

- Status 3: category comprising credit-impaired financial assets for which there is an objective indication of impairment related to an event that has occurred since the loan was granted. 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 the financial instrument on the reporting date with the default risk on the initial recognition date.

For the Group, this involves measuring the risk at the level of the borrower, with the change in the risk assessed on a contract-by-contract basis.

To define the boundary between statuses 1 and 2:

- the Group will rely on models developed for prudential purposes and on the measurement of the 12-month default risk:
  - on LDPs (Low Default Portfolios, for which the rating model is based on an expert assessment), the boundary is based on an allocation matrix that relates the rating on grant to the rating at the closing date,
  - on HDPs (High Default Portfolios, for which historical data can be used to create a statistical rating model), a boundary curve relates the default rate on grant to the default rate at the closing date.
- 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.;
- methods based solely on qualitative criteria will be used for the entities or small portfolios, classified prudentially under the standardized approach and that do not have rating systems.

The operational work conducted within the Group throughout 2017 principally sought to:

- define the boundaries between statuses 1 and 2 for the group's different categories of exposure and the method for taking forward-looking information into account in the parameters. This will include, for the probability of default, three scenarios (optimistic, neutral and pessimistic) that will be weighted based on the group’s view of changes to the economic cycle over a five-year period.
- document all bodies of rules;
- complete the adaptation of the information system.

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 within the scope of the standards on leases, insurance policies or financial instruments.

Recognition of revenue under IFRS 15 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 from ordinary activities 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, 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 and 2017, the Group analyzed the standard and assessed its potential impacts. This work was done by a dedicated Confédération Nationale du Crédit Mutuel working group, in which the different Crédit Mutuel 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.

In the absence of a material impact, the accounting method for the revenue from these activities should not need to be modified.

❑ **IFRS 16 – Leases**

Published at the beginning of 2016, this new standard, adopted by the EU on October 31, 2017, enters into force on January 1, 2019. 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.

For lessees, operating leases and finance leases will be recognized using a single model, with recognition of:

- an asset representing the right to use the leased assets over the term of the agreement,
- offset by a liability representing the obligation to make lease payments,
- straight-line depreciation of the asset and declining interest expense in the income statement.

As a reminder, according to IAS 17 currently in force, no amount is recorded on the lessee's balance sheet under an operating lease and the lease payments are included in operating expenses.

In 2017, the Group continued its analysis of the impacts of this standard, the possible first-time application procedures and the implementation in the information systems. The group also carried out a review of its real estate and equipment (IT, car fleet, etc.) leases. The analysis of the potential impacts of IFRS 16 on the Group's financial statements is ongoing.

1.3.22 Standards and interpretations not yet adopted by the European Union

This principally concerns IFRS 17 on insurance contracts.

- **IFRS 17 – Insurance Contracts**

Starting in 2021, it will replace IFRS 4, which allows insurance companies to maintain their local accounting policies for their insurance contracts and other contracts within the scope of IFRS 4, which makes it difficult to compare the financial statements of entities in this sector.

The aim of IFRS 17 is to harmonize the recognition of the various types of insurance contracts and to base their valuation on a prospective assessment of insurers' commitments. This requires greater use of complex models and concepts similar to those of Solvency II. Significant changes must also be made to financial reporting.

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 in Germany and in Spain, Cofidis 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.

• Corporate banking and capital markets covers:

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

b) capital markets activities include investing in 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) also as press and logistic entities: intermediate holding companies, minority interests, specific entities holding real estate used for operations, press 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, 2017	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	3,855		981	3,086		49,127	57,049
Financial assets at fair value through profit or loss	30	17,977	11,647	88	2,555	446	32,743
Hedging derivative instruments	5		245	6		2,754	3,010
Available-for-sale financial assets	1,128	72,507	9,321	2,290	4	17,913	103,163
Loans and receivables due from credit institutions	22,041	1,558	8,633	622	5	4,749	37,608
Loans and receivables due from customers	308,129	363	24,390	11,597		463	344,942
Held-to-maturity financial assets	19	10,700	1				10,720
Investments in associates	56	271				1,417	1,744
LIABILITIES							
Cash, central banks, post office banks						285	285
Financial liabilities at fair value through profit or loss	1	4,371	5,022	152		274	9,820
Hedging derivative instruments	10		1,833	107		1,304	3,254
Due to credit institutions			43,890				43,890
Due to customers	253,913	103	11,645	19,025		3,845	288,531
Debt securities	18,105		12,617	46		81,663	112,431

Dec. 31, 2016 restated **	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	4,337	0	2,483	3,329	0	50,895	61,044
Financial assets at fair value through profit or loss	29	13,444	11,454	156	2,186	593	27,862
Hedging derivative instruments	6	0	162	6	0	3,952	4,126
Available-for-sale financial assets	1,135	73,154	10,738	2,320	12	19,730	107,089
Loans and receivables due from credit institutions	22,281	1,595	7,295	787	3	5,733	37,694
Loans and receivables due from customers	292,838	340	22,562	13,802	(0)	416	329,957
Held-to-maturity financial assets	11	11,645	1	0	0	0	11,657
Investments in associates	48	179	(0)	0	0	1,746	1,973
LIABILITIES							
Financial liabilities at fair value through profit or loss	1	5,501	6,021	172	0	276	11,971
Hedging derivative instruments	9	0	2,662	157	0	2,085	4,913
Due to credit institutions	(0)	(0)	49,209	0	0	0	49,209
Due to customers	241,710	86	8,644	20,092	0	5,662	276,194
Debt securities	19,413	0	12,085	28	0	80,932	112,458

Dec. 31, 2016 published	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							
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

2b - Breakdown of the income statement items by business line

Dec. 31, 2017	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)	10 031	1 764	765	509	259	1 459	-777	14 009
General operating expenses	-6 327	-521	-321	-353	-48	-1 665	777	-8 458
Gross operating income	3 704	1 242	444	155	212	-206	0	5 551
Net additions to/reversals from provisions for loan losses	-849		-11	-5		-6		-871
Net gain (loss) on disposal of other assets*	-7	31	0	4		-374		-346
Net income before tax	2 849	1 273	433	154	212	-587		4 334
Corporate income tax	-996	-532	-142	-35	1	-226		-1 929
Gains and losses net of tax on abandoned assets				22				22
Net income (loss)	**1 853**	**742**	**291**	**141**	**213**	**-813**		**2 427**
Net income attributable to minority interests								219
Net income attributable to the Group								**2 208**

** Including net income of associates and impairment losses on goodwill (15 and 18 notes)*

Dec. 31, 2016 restated **	Retail banking	Insurance	Corporate banking and capital	Private banking	Private equity	IT, Logistics and holding company	Intra Group transactions	Total
Net banking income (expense)	9 666	1 492	805	512	195	1 357	-725	13 302
General operating expenses	-6 177	-498	-301	-367	-46	-1 539	725	-8 202
Gross operating income	3 489	994	504	145	149	-181	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*	2	45		7		-364		-310
Net income before tax	2 691	1 039	485	149	149	-550		3 963
Corporate income tax	-969	-306	-169	-32	0	94		-1 383
Gains and losses net of tax on abandoned assets				-22		66		44
Net income (loss)	**1 722**	**733**	**315**	**95**	**149**	**-390**		**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.*

*** Minor changes were made to segment reporting in 2017:*
- Custody (retail banking), central treasury (capital markets) and group subsidiaries (corporate banking) activities were grouped together and assigned to the "holding company services" business. 2016 adjusted results are therefore presented for these four businesses (retail banking, corporate banking, capital markets and holding company services) at December 31, 2017.
- The results of entities in which the group has non-controlling interests were moved from the retail banking business to the holding company services business in order to present under retail banking the results of the networks and subsidiaries over which the group has full management influence.

Dec. 31, 2016 published	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.*

2c - Breakdown of the statement of financial position items by geographic region

	Dec. 31, 2017				Dec. 31, 2016			
	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	50,636	5,424	989	57,049	52,385	6,174	2,486	61,044
Financial assets at fair value through profit or loss	30,764	513	1,466	32,742	26,472	551	839	27,862
Hedging derivative instruments	2,999	6	5	3,010	4,114	7	6	4,126
Available-for-sale financial assets	95,424	3,869	3,871	103,164	98,771	4,924	3,393	107,089
Loans and receivables due from credit institutions	35,868	875	866	37,609	35,154	1,717	823	37,694
Loans and receivables due from customers**	302,681	36,938	5,323	344,942	287,875	34,413	7,670	329,958
Held-to-maturity financial assets	10,686	34	0	10,720	11,624	33	0	11,657
Investments in associates	947	123	674	1,744	878	449	646	1,973
LIABILITIES								
Cash, central banks, post office banks	285	0	0	285	0	0	0	0
Financial liabilities at fair value through profit or loss	9,481	154	186	9,821	11,521	235	215	11,971
Hedging derivative instruments	3,146	107	1	3,254	4,743	160	10	4,913
Due to credit institutions	32,800	6,111	4,979	43,890	36,608	5,322	7,279	49,209
Due to customers	249,535	38,298	700	288,532	236,582	38,265	1,347	276,194
Debt securities	103,946	2,653	5,832	112,431	103,609	3,272	5,576	112,458

** USA, Singapore, Hong-Kong (in 2017), Saint Martin, Tunisia and Morocco.*

2d - Breakdown of the income statement items by geographic region

	Dec. 31, 2017				Dec. 31, 2016			
	France	Europe, excluding France	Rest of the world*	Total	France	Europe, excluding France	Rest of the world*	Total
Net banking income **	11,060	2,776	173	14,009	10,688	2,402	212	13,302
General operating expenses	-6,743	-1,628	-88	-8,458	-6,484	-1,599	-119	-8,202
Gross operating income	4,317	1,149	85	5,551	4,204	803	93	5,100
Net additions to/reversals from provisions for loan losses	-534	-348	10	-871	-493	-327	-7	-826
Net gain (loss) on disposal of other assets ***	-428	1	82	-346	-300	-111	101	-310
Net income before tax	3,355	802	177	4,334	3,411	365	188	3,963
Net income	1,720	545	162	2,427	2,289	171	164	2,624
Net income attributable to the Group	1,559	493	157	**2,208**	2,082	174	154	**2,410**

** USA, Singapore, Hong-Kong (in 2017), Saint Martin, Tunisia and Morocco.*

*** In 2017, 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),
- 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)
- Caisses de Crédit Mutuel in the Fédération du Crédit Mutuel Centre Est Europe,
- Caisses de Crédit Mutuel in the Fédération du Crédit Mutuel Sud-Est,
- Caisses de Crédit Mutuel in the Fédération du Crédit Mutuel Ile-de-France,
- Caisses de Crédit Mutuel in the Fédération du Crédit Mutuel de Savoie-Mont Blanc,
- Caisses de Crédit Mutuel in the Fédération du Crédit Mutuel Midi-Atlantique,
- Caisses de Crédit Mutuel in the Fédération du Crédit Mutuel Loire-Atlantique Centre Ouest,
- Caisses de Crédit Mutuel in the Fédération du Crédit Mutuel Centre,
- Caisses de Crédit Mutuel in the Fédération du Crédit Mutuel Dauphiné-Vivarais,
- Caisses de Crédit Mutuel in the Fédération du Crédit Mutuel Méditerranée,
- Caisses de Crédit Mutuel in the Fédération du Crédit Mutuel Normandie,
- Caisses de Crédit Mutuel in the Fédération du Crédit Mutuel Anjou.

	Country	Dec. 31, 2017			Dec. 31, 2016		
		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	98	FC	100	93	FC
CIC Iberbanco	France	100	98	FC	100	98	FC
CIC Lyonnaise de Banque (LB)	France	100	98	FC	100	93	FC
CIC Nord Ouest	France	100	98	FC	100	93	FC
CIC Ouest	France	100	98	FC	100	93	FC
CIC Sud Ouest	France	100	98	FC	100	93	FC
Crédit Industriel et Commercial (CIC)	France	100	98	FC	95	93	FC
CIC Hong-Kong (a branch of CIC)	Hong-Kong	100	98	FC			
CIC Londres (a branch of CIC)	United Kingdom	100	98	FC	100	93	FC
CIC New York (a branch of CIC)	USA	100	98	FC	100	93	FC
CIC Singapour (a branch of CIC)	Singapore	100	98	FC	100	93	FC
Targobank AG & Co. KGaA	Germany	100	98	FC	100	98	FC
Targobank in Espagne	Spain	100	98	FC	51	50	FC
B. Banking network - subsidiaries							
Bancas	France	50	49	EM	50	49	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
Cartes et crédits à la consommation	France	100	98	FC	100	98	FC
CM-CIC Asset Management	France	90	92	FC	90	91	FC
CM-CIC Bail	France	100	98	FC	100	94	FC
CM-CIC Bail Espagne (a branch of CM-CIC Bail)	Spain	100	98	FC	100	94	FC

	Country	Dec. 31, 2017			Dec. 31, 2016		
		Percent control	Percent interest	Method *	Percent control	Percent interest	Method *
CM-CIC Caution Habitat SA	France	100	98	FC			
CM-CIC Epargne salariale	France	100	98	FC	100	93	FC
CM-CIC Factor	France	95	96	FC	95	92	FC
CM-CIC Gestion	France	100	92	FC	100	91	FC
CM-CIC Home Loan SFH	France	100	98	FC	100	98	FC
CM-CIC Lease	France	100	98	FC	100	96	FC
CM-CIC Leasing Benelux	Belgium	100	98	FC	100	94	FC
CM-CIC Leasing GmbH	Germany	100	98	FC	100	94	FC
CM-CIC Leasing Solutions SAS	France	100	98	FC	100	98	FC
Cofacredit	France	64	63	FC	64	63	FC
Cofidis Belgique	Belgium	100	69	FC	100	54	FC
Cofidis France	France	100	69	FC	100	54	FC
Cofidis Espagne (a branch of Cofidis France)	Spain	100	69	FC	100	54	FC
Cofidis Hongrie (a branch of Cofidis France)	Hungary	100	69	FC	100	54	FC
Cofidis Portugal (a branch of Cofidis France)	Portugal	100	69	FC	100	54	FC
Cofidis SA Pologne (a branch of Cofidis France)	Poland	100	69	FC	100	54	FC
Cofidis SA Slovaquie (a branch of Cofidis France)	Slovakia	100	69	FC	100	54	FC
Cofidis Italie	Italy	100	69	FC	100	54	FC
Cofidis République Tchèque	Czech Republic	100	69	FC	100	54	FC
Cofidis Slovaquie	Slovakia			MER	100	54	FC
Creatis	France	100	69	FC	100	54	FC
Factofrance	France	100	98	FC	100	98	FC
FCT CM-CIC Home loans	France	100	98	FC	100	98	FC
LYF SA (formely Fivory)	France	44	43	EM	89	87	FC
Monabanq	France	100	69	FC	100	54	FC
SCI La Tréflière	France	100	99	FC	100	99	FC
Targo Commercial Finance AG	Germany	100	98	FC	100	98	FC
Targo Factoring GmbH	Germany	100	98	FC	100	98	FC
Targo Finanzberatung GmbH	Germany	100	98	FC	100	98	FC
Targo Leasing GmbH	Germany	100	98	FC	100	98	FC
C. Corporate banking and capital market							
Banque Fédérative du Crédit Mutuel (BFCM)	France	98	98	FC	98	98	FC
Cigogne Management	Luxembourg	100	98	FC	100	95	FC
Cigogne CLO arbitrage (formely Diversified Debt Securities SICAV - SIF)	Luxembourg			NC	100	93	FC
D. Private banking							
Banque de Luxembourg	Luxembourg	100	98	FC	100	93	FC
Banque Transatlantique (BT)	France	100	98	FC	100	93	FC
Banque Transatlantique Londres (a branch of BT)	United Kingdom	100	98	FC	100	93	FC
Banque Transatlantique Belgium	Belgium	100	98	FC	100	93	FC
Banque Transatlantique Luxembourg	Luxembourg	100	98	FC	100	93	FC
CIC Suisse	Switzerland	100	98	FC	100	93	FC
Dubly-Douilhet Gestion	France	100	98	FC	100	93	FC
Transatlantique Gestion	France	100	98	FC	100	93	FC
E. Private equity							
CM-CIC Capital (formely CM-CIC Capital et Participations)	France	100	98	FC	100	93	FC
CM-CIC Conseil	France	100	98	FC	100	93	FC
CM-CIC Innovation	France	100	98	FC	100	93	FC
CM-CIC Investissement	France	100	98	FC	100	93	FC
CM-CIC Investissement SCR	France	100	98	FC	100	93	FC
CM-CIC Proximité	France			MER	100	93	FC
F. IT & Logistics and holding company							
Actimut	France	100	100	FC	100	100	FC
Adepi	France	100	98	FC	100	93	FC
Banco Popular Español	Spain			NC	4	4	EM
Banque de Tunisie	Tunisia	34	33	EM	34	33	EM
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
CIC Participations	France	100	98	FC	100	93	FC

	Country	Dec. 31, 2017			Dec. 31, 2016		
		Percent control	Percent interest	Method *	Percent control	Percent interest	Method *
CM Akquisitions	Germany			MER	100	98	FC
CM-CIC Services	France	100	100	FC	100	100	FC
CMCP - Crédit Mutuel Cartes de Paiement	France			NC	59	61	FC
Cofidis Participations	France	71	69	FC	55	54	FC
Euro Automatic Cash	Spain	50	40	EM	50	40	EM
Euro-Information	France	80	80	FC	80	79	FC
Euro-Information Développement	France	100	80	FC	100	79	FC
EIP	France	100	100	FC	100	100	FC
EI Telecom	France	95	76	FC	95	75	FC
Euro Protection Surveillance	France	100	84	FC	100	84	FC
Lyf SAS (formely Fivory SAS)	France	43	34	EM	83	66	FC
Gesteurop	France	100	98	FC	100	93	FC
Groupe Républicain Lorrain Communication (GRLC)	France	100	98	FC	100	98	FC
Heller GmbH	Germany			MER	100	98	FC
L'Est Républicain	France	95	93	FC	92	90	FC
Mutuelles Investissement	France	100	98	FC			
SAP Alsace	France	99	97	FC	99	97	FC
Société Civile de Gestion des Parts dans l'Alsace (SCGPA)	France			NC	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 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
Ventadour Investissement	France			MER	100	98	FC
G. Insurance companies							
ACM GIE	France	100	87	FC	100	86	FC
ACM IARD	France	96	84	FC	96	83	FC
ACM Nord IARD	France	49	43	EM	49	42	EM
ACM RE	Luxembourg	100	87	FC	100	86	FC
ACM Services	France	100	87	FC	100	86	FC
ACM Vie SA	France	100	87	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	83	FC	95	82	FC
Agrupación pensiones, entidad gestora de fondos de pensiones,S.A. (formely Agrupació Bankpyme Pensiones)	Spain	100	83	FC	100	82	FC
Agrupació serveis administratius	Spain	100	83	FC	100	82	FC
AMDIF	Spain	100	83	FC	100	82	FC
Amgen Seguros Generales Compañía de Seguros y Reaseguros SA	Spain	100	87	FC	100	86	FC
AMSYR	Spain	100	83	FC	100	82	FC
Asesoramiento en Seguros y Previsión Atlantis SL	Spain	80	69	FC	80	69	FC
Asistencia Avançada Barcelona	Spain	100	83	FC	100	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	78	FC	88	77	FC
GACM España	Spain	100	87	FC	100	86	FC
Groupe des Assurances du Crédit Mutuel (GACM)	France	88	87	FC	88	86	FC
ICM Life	Luxembourg	100	87	FC	100	86	FC
Margem-Mediação Seguros, Lda	Portugal	100	69	FC	100	54	FC
MTRL	France	100	100	FC	100	100	FC
NELB (North Europe Life Belgium)	Belgium	49	43	EM	49	42	EM
Partners	Belgium	51	44	FC	51	44	FC
Procourtage	France	100	87	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
Voy Mediación	Spain	90	77	FC	90	76	FC
H. Other companies							
Affiches d'Alsace Lorraine	France	100	97	FC	100	98	FC
Alsacienne de Portage des DNA	France	100	97	FC	100	98	FC

	Country	Dec. 31, 2017			Dec. 31, 2016		
		Percent control	Percent interest	Method *	Percent control	Percent interest	Method *
CM-CIC Immobilier	France	100	98	FC	100	98	FC
Distripub	France			MER	100	97	FC
Documents AP	France			MER	100	98	FC
Est Bourgogne Médias	France	100	98	FC	100	98	FC
Foncière Massena	France	100	87	FC	100	86	FC
France Régie	France	100	97	FC	100	98	FC
GEIE Synergie	France	100	69	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
Jean Bozzi Communication	France			MER	100	98	FC
Journal de la Haute Marne	France	50	47	EM	50	45	EM
La Liberté de l'Est	France	97	91	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	99	97	FC	100	98	FC
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			MER	100	98	FC
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	87	FC	100	86	FC
SCI Cotentin	France	100	87	FC			
SCI Le Progrès Confluence	France	100	98	FC	100	98	FC
SCI Provence Bureaux	France	67	58	FC			
SCI Rue de Londres	France	67	58	FC			
SCI St Augustin	France	67	58	FC			
SCI Tombe Issoire	France	100	87	FC			
Société d'Edition de l'Hebdomadaire du Louhannais et du Jura (SEHLJ)	France	100	98	FC	100	98	FC

* Method: FC = full 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 April 8, 2016.

€million exept Number of employees Country	Net banking income	Profit/loss before tax	Current tax	Deferred tax	Other taxes	Number of employees	Government subsidies
Germany	1,556	586	-165	-1	-80	7,328	0
Belgium	136	32	-7	1	-7	606	0
Spain	365	43	-28	-1	-20	2,428	0
United States	103	75	-21	-12	-6	86	0
France	11,057	4,963	-1,600	-35	-1,608	51,706	0
Hong-Kong	4	1	-2	1	0	7	0
Hungary	46	9	0	0	-3	265	0
Italy	42	6	0	0	-4	225	0
Luxembourg	302	128	-23	7	-18	832	0
Morocco	0	65	0	0	0	0	0
Monaco	3	1	0	0	0	9	0
Poland	1	-1	0	0	0	27	0
Portugal	163	95	-27	1	-5	643	0
Czech Republic	7	-2	0	0	-1	142	0
United Kingdom	43	23	-4	-2	-4	62	0
Saint Martin	3	-1	0	0	0	9	0
Singapore	63	24	-5	1	1	248	0
Slovakia	1	-3	0	0	0	43	0
Switzerland	115	36	-6	1	-10	322	0
Tunisia	0	17	0	0	0	0	0
Total	**14,010**	**6,097**	**-1,889**	**-39**	**-1,765**	**64,988**	**0**

3c - Fully-consolidated entities with significant minority interests

Dec. 31, 2017	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	20%	21	189	-1	1,365	90	1,124	99
Groupe des Assurances du Crédit Mutuel (GACM)	13%	101	1,203	-36	100,029	1,176	1,681	691
Cofidis Belgique	31%	3	217	0	831	-1	98	8
Cofidis France	31%	19	332	0	8,292	-4	525	55

* Amounts before elimination of accounts and intercompany transactions.

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
Cofidis Belgique	50%	-72	165	0	2,511	0	62	-144
Cofidis SGPS SA	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

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.

- 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, 2017	Securitization vehicles (SPV)	Asset management (UCITS/SCPI) *	Other structured entities **
Total assets	0	20,778	2,237
Carrying amount of financial assets	0	9,787	954

* The amounts indicated relate to UCITS in which the group owns at least a stake of 20% and for which it performs asset management, including 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", the following are included in "Net gain/(loss) on discontinued operations":

- *In 2017: the proceeds from the disposal of the private banking activity of the Singapore branch, and the results of that activity up to the disposal on December 2, 2017.*
- *In 2016: the results of Banque Pasche until it was disposed of in May 2016, and the reclassification of the translation reserve through profit or loss.*

NOTE 4 - Cash and amounts due from central banks

4a - Loans and receivables due from credit institutions

	Dec. 31, 2017	Dec. 31, 2016
Cash and amounts due from central banks		
Due from central banks	55,856	59,873
including reserve requirements	2,465	2,317
Cash	1,193	1,172
TOTAL	**57,049**	**61,044**
Loans and receivables due from credit institutions		
Crédit Mutuel network accounts (1)	19,656	18,897
Other current accounts	2,319	2,391
Loans	3,915	4,248
Other receivables	1,913	2,442
Securities not listed in an active market	289	486
Resale agreements	9,346	9,050
Accrued interest	169	180
TOTAL	**37,609**	**37,694**

(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, 2017	Dec. 31, 2016
Due to central banks	285	0
Due to credit institutions		
Other current accounts	2,777	2,944
Borrowings	12,513	16,026
Other debt	4,921	4,315
Resale agreements	23,631	25,862
Accrued interest	48	62
TOTAL	**44,175**	**49,209**

The Group participated in TLTRO II (Targeted Longer-Term Refinancing Operation) offered by the ECB in the amount of €9.994 billion at December 31, 2017. TLTRO II includes a 0.4% interest rate reduction during the term of the operation (four years) provided that banks sufficiently improve their lending to the economy. Given the increase in our eligible loans at December 31, 2017, the Group has "reasonable assurance" that the increase objective will be achieved and has therefore recognized the interest accrued from the subsidy during the previous period.

NOTE 5 - Financial assets and liabilities

5a - Financial assets at fair value through profit or loss

	Dec. 31, 2017			Dec. 31, 2016		
	Held for trading	Fair value option	Total	Held for trading	Fair value option	Total
Securities	8,822	20,660	29,482	7,812	15,702	23,514
- Government securities	865	0	865	865	1	866
- Bonds and other fixed-income securities	6,989	1,794	8,783	6,280	1,885	8,165
. Quoted	*6,989*	*1,309*	*8,297*	*6,280*	*1,492*	*7,772*
. Not quoted	*0*	*485*	*485*	*0*	*393*	*393*
- Equities and other variable-income securities	968	18,866	19,834	666	13,817	14,483
. Quoted	*968*	*16,037*	*17,005*	*666*	*11,669*	*12,335*
. Not quoted	*0*	*2,829*	*2,829*	*0*	*2,148*	*2,148*
. Trading derivative instruments	3,259	0	3,259	4,294	0	4,294
. Other financial assets		2	2		54	54
TOTAL	**12,081**	**20,662**	**32,742**	**12,106**	**15,756**	**27,862**

5b - Financial liabilities at fair value through profit or loss

	Dec. 31, 2017	Dec. 31, 2016
Financial liabilities held for trading	5,449	6,403
Financial liabilities at fair value by option through profit or loss	4,371	5,568
TOTAL	**9,821**	**11,971**

Financial liabilities held for trading

	Dec. 31, 2017	Dec. 31, 2016
. Short selling of securities	2,111	1,840
- Bonds and other fixed-income securities	917	864
- Equities and other variable-income securities	1,194	975
. Trading derivative instruments	3,242	4,488
. Other financial liabilities held for trading	97	75
TOTAL	**5,449**	**6,403**

Financial liabilities at fair value by option through profit or loss

	Dec. 31, 2017			Dec. 31, 2016		
	Carrying amount	Maturity amount	Variance	Carrying amount	Maturity amount	Variance
. Interbank liabilities	4,371	4,371	0	5,497	5,497	0
. Due to customers	0	0	0	71	71	0
TOTAL	**4,371**	**4,371**	**0**	**5,568**	**5,568**	**0**

Own credit risk is deemed immaterial.

5c - Fair value hierarchy of financial instruments at fair value

Dec. 31, 2017	Level 1	Level 2	Level 3	Total
Financial assets				
Available-for-sale (AFS)	97,525	2,931	2,708	103,164
- Government and similar securities - AFS	13,379	2	0	13,380
- Bonds and other fixed-income securities - AFS	72,364	1,496	720	74,580
- Equities and other variable-income securities - AFS	10,858	1,423	260	12,541
- Investments in non-consolidated companies and other LT investments - AFS	924	4	1,132	2,060
- Investments in associates - AFS	0	6	596	603
Held for trading / Fair value option (FVO)	25,359	3,144	4,240	32,742
- Government and similar securities - Held for trading	732	133	0	865
- Government and similar securities - FVO	0	0	0	0
- Bonds and other fixed-income securities - Held for trading	6,411	312	266	6,989
- Bonds and other fixed-income securities - FVO	1,080	306	407	1,794
- Equities and other variable-income securities - Held for trading	968	0	0	968
- Equities and other variable-income securities - FVO	16,062	0	2,804	18,866
- Loans and receivables due from credit institutions - FVO	0	2	0	2
- Loans and receivables due from customers - FVO	0	0	0	0
- Derivative instruments and other financial assets - Held for trading	105	2,391	763	3,259
Hedging derivative instruments	0	2,966	43	3,010
Total	**122,884**	**9,041**	**6,991**	**138,916**
	Level 1	Level 2	Level 3	Total
Financial liabilities				
Held for trading / Fair value option (FVO)	2,311	6,721	788	9,821
- Due to credit institutions - FVO	0	4,371	0	4,371
- Due to customers - FVO	0	0	0	0
- Derivative instruments and other financial liabilities - Held for trading	2,311	2,350	788	5,449
Hedging derivative instruments	0	3,243	10	3,254
Total	**2,311**	**9,965**	**799**	**13,074**

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
- 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**

	Level 1	Level 2	Level 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
- 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**

There are three levels of fair value of financial instruments, as defined by IFRS 13:

- 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	1,558	518	-307	182	853	2,804

5d - Offsetting financial assets and financial liabilities

Dec. 31, 2017	Gross amount of financial assets	Gross amount of financial liabilities offset	Net amount shown	Effect of offset framework agreements	Associated amounts not offset		Net amount
					Financial instruments received in guarantee	Cash collateral received	
Financial assets							
Derivatives	6,268	0	6,268	-1,819	0	-2,548	1,901
Resale agreements	16,672	0	16,672	0	-16,580	-69	23
Total	**22,940**	**0**	**22,940**	**-1,819**	**-16,580**	**-2,617**	**1,924**

Dec. 31, 2017	Gross amount of financial assets	Gross amount of financial liabilities offset	Net amount shown	Effect of offset framework agreements	Associated amounts not offset		Net amount
					Financial instruments received in guarantee	Cash collateral received	
Financial liabilities							
Derivatives	6,495	0	6,495	-1,860	0	-3,555	1,080
Resale agreements	30,050	0	30,050	0	-29,831	-208	11
Total	**36,545**	**0**	**36,545**	**-1,860**	**-29,831**	**-3,763**	**1,091**

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		Net amount
					Financial instruments received in guarantee	Cash collateral received	
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		Net amount
					Financial instruments received in guarantee	Cash collateral received	
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**

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. This in particular relates to transactions for which the right to offset is exercised in the event of default, insolvency or bankruptcy by any of the parties to the agreement. This concerns derivatives and repurchase agreements, whether or not dealt with via clearing houses.
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 recognized as "Other assets or liabilities" in the statement of financial position.

NOTE 6 - Hedging

6a - Hedging derivative instruments

	Dec. 31, 2017		Dec. 31, 2016	
	Assets	Liabilities	Assets	Liabilities
. Cash flow hedges	0	0	0	0
. Fair value hedges (change in value recognized through profit or loss)	3,010	3,254	4,126	4,913
TOTAL	**3,010**	**3,254**	**4,126**	**4,913**

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. The value of the ineffective portion of the hedging instruments, recognized in "Net gain (loss) on financial instruments at fair value through profit or loss" was -€33 million (note 27).

6b - Remeasurement adjustment on interest-risk hedged investments

	Fair value Dec. 31, 2017	Fair value Dec. 31, 2016	Change in fair value
Fair value of interest-risk by investment category			
. financial assets	429	604	-175
. financial liabilities	-518	-1,165	647

6c - Analysis of derivative instruments

	Dec. 31, 2017			Dec. 31, 2016		
	Notional	Assets	Liabilities	Notional	Assets	Liabilities
Trading derivative instruments						
Interest-rate derivative instruments						
Swaps	73,586	1,978	1,836	81,130	2,735	2,729
Other forward contracts	244,581	7	7	111,153	5	1
Options and conditional transactions	23,484	97	177	20,561	71	198
Foreign exchange derivative instruments						
Swaps	90,727	45	53	95,821	73	69
Other forward contracts	10,177	705	682	7,140	622	576
Options and conditional transactions	26,276	119	111	24,989	200	191
Derivative instruments other than interest-rate and foreign exchange						
Swaps	12,995	132	162	12,733	76	129
Other forward contracts	5,526	42	75	1,157	14	63
Options and conditional transactions	4,489	134	138	11,784	499	531
Sub-total	**491,842**	**3,259**	**3,242**	**366,468**	**4,294**	**4,488**
Hedging derivative instruments						
Fair value hedges						
Swaps	74,825	3,013	3,254	106,439	4,126	4,913
Other forward contracts	47,399	0	0	15,782	0	0
Options and conditional transactions	1	(4)	0	2	(0)	0
Cash flow hedges						
Swaps	0	0	0	0	0	0
Other forward contracts	0	0	0	0	0	0
Sub-total	**122,226**	**3,010**	**3,254**	**122,223**	**4,126**	**4,913**
TOTAL	**614,067**	**6,268**	**6,495**	**488,691**	**8,420**	**9,401**

The CVA (credit valuation adjustment) and the DVA (debt valuation adjustment) entail limiting own credit risk and, at December 31, 2017, totaled -€25 million (-€41 million at December 31, 2016) and €5 million (€3 million at December 31, 2016), 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 -€10 million at December 31, 2017 (-€14 million at December 31, 2016).
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, 2017	Dec. 31, 2016
. Government securities	13,284	15,703
. Bonds and other fixed-income securities	74,492	76,677
- Listed	73,807	76,044
- Unlisted	685	633
. Equities and other variable-income securities	12,541	11,031
- Listed	11,430	10,780
- Unlisted	1,112	251
. Long-term investments	2,662	3,437
- Investments in non-consolidated companies	1,617	2,595
- Other long-term investments	443	316
- Investments in associates	602	527
. Accrued interest	185	240
TOTAL	**103,164**	**107,089**
Including unrealized gains (losses) on bonds, other fixed-income securities and government securities recognized directly in equity	*1,065*	*969*
Including unrealized gains (losses) on equities, other variable-income securities and long-term investments recognized directly in equity	*1,107*	*1,084*
Including impairment of bonds and other fixed-income securities	*-31*	*-38*
Including impairment of equities and other variable-income securities and long-term investments	*-1,562*	*-1,610*

7b - List of main investments in non-consolidated companies

		% held	Shareholders' equity	Total assets	NBI or revenue	Net income
Crédit logement	Unlisted	< 10%	1,857	10,601	218	108
CRH (Caisse de refinancement de l'habitat)	Unlisted	< 40%	563	39,626	2	0
Foncière des Régions	Quoted	< 10%	8,468	19,500	815	1,119

The figures above (excluding the percentage of interest) relate to 2016.

7c - Exposure to sovereign risk

Countries benefiting from aid packages

*Net exposure**	**Dec. 31, 2017**		**Dec. 31, 2016**	
	Portugal	**Ireland**	**Portugal**	**Ireland**
Financial assets at fair value through profit or loss	8		31	
Available-for-sale financial assets	52	131	68	162
TOTAL	**60**	**131**	**99**	**162**

** Net exposure amounts are shown net of any insurance policyholder profit-sharing portion.*

Residual contractual maturity	**Portugal**	**Ireland**	**Portugal**	**Ireland**
< 1 year	50		14	30
1 to 3 years		94	50	90
3 to 5 years	2	30		5
5 to 10 years	5	7	22	37
> 10 years	3		13	
Total	**60**	**131**	**99**	**162**

Other sovereign risk exposures in the banking portfolio

Net exposure	**Dec. 31, 2017**		**Dec. 31, 2016**	
	Spain	**Italy**	**Spain**	**Italy**
Financial assets at fair value through profit or loss	42	98	35	353
Available-for-sale financial assets	282	647	427	1,028
TOTAL	**324**	**745**	**462**	**1,381**

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	169	565	419	810
1 to 3 years	26	82	8	384
3 to 5 years	36	33	6	49
5 to 10 years	58	54		129
> 10 years	35	11	29	9
Total	**324**	**745**	**462**	**1,381**

NOTE 8 - Customers

8a - Loans and receivables due from customers

	Dec. 31, 2017	Dec. 31, 2016
Performing loans	326,793	312,164
. Commercial loans	14,789	13,042
. Other customer loans	311,110	298,188
- Home loans	167,715	161,287
- Other loans and receivables, including repurchase agreements	143,395	136,901
. Accrued interest	586	594
. Securities not listed in an active market	309	340
Insurance and reinsurance receivables	301	264
Individually impaired receivables	11,326	13,006
Gross receivables	**338,420**	**325,434**
Individual impairment	-6,304	-7,781
Collective impairment	-510	-479
SUB-TOTAL I	**331,605**	**317,175**
Finance leases (net investment)	13,538	13,015
. Furniture and movable equipment	9,045	8,540
. Real estate	4,065	4,008
. Individually impaired receivables	429	467
Impairment provisions	-202	-232
SUB-TOTAL II	**13,337**	**12,783**
TOTAL	**344,942**	**329,958**
of which non-voting loan stock	*6*	*9*
of which subordinated notes	*14*	*15*

Finance leases with customers

	Dec. 31, 2016	Acquisition	Sale	Other	Dec. 31, 2017
Gross carrying amount	13,015	1,609	-1,080	-5	13,538
Impairment of irrecoverable rent	-232	-88	118	0	-202
Net carrying amount	12,783	1,521	-962	-6	13,337

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	3,036	6,012	2,296	11,344
Present value of future lease payments	2,929	5,864	2,248	11,041
Unearned finance income	**107**	**148**	**48**	**303**

8b - Amounts due to customers

	Dec. 31, 2017	Dec. 31, 2016
. Regulated savings accounts	119,270	113,483
- demand	80,541	77,183
- term	38,729	36,300
. Accrued interest	38	41
Sub-total	**119,307**	**113,523**
. Current accounts	120,147	106,948
. Term deposits and borrowings	46,607	53,514
. Resale agreements	2,017	1,575
. Accrued interest	350	548
. Insurance and reinsurance payables	103	86
Sub-total	**169,225**	**162,671**
TOTAL	**288,532**	**276,194**

NOTE 9 - Held-to-maturity financial assets

	Dec. 31, 2017	Dec. 31, 2016
Securities	10,744	11,667
- Government securities	10	0
- Bonds and other fixed-income securities	10,733	11,667
. Quoted	8,379	8,693
. Not quoted	2,354	2,975
. Accrued interest	1	1
GROSS TOTAL	**10,745**	**11,668**
of which impaired assets	*33*	*20*
Impairment provisions	-24	-11
NET TOTAL	**10,720**	**11,657**

NOTE 10 - Movements in impairment provisions

	Dec. 31, 2016	Additions	Reversals	Other (1)	Dec. 31, 2017
Loans and receivables due from customers	-8,491	-1,815	1,960	1,330	-7,016
Available-for-sale securities	-1,648	-128	187	-4	-1,593
Held-to-maturity securities	-11	-12	0	-2	-24
TOTAL	**-10,150**	**-1,955**	**2,147**	**1,324**	**-8,634**

At December 31, 2017, provisions on loans and receivables due from customers totalled €7,106 million (€8,491 million at end-2016), of which €510 million in collective provisions. Individual provisions relate mainly to ordinary accounts in debit for €744million (€790million at end-2016) and to provisions on commercial receivables and other receivables (including home loans) for €5,560 million (€7,004 million at end-2016).

(1) €1,299 million of fully provisioned loans made by Targobank AG to customers more than five years ago were canceled in the 2017 consolidated financial statements due to the almost non-existent prospect of recovery.

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, the Group 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, 2017		Dec. 31, 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans and receivables portfolio	378	417	626	658
AFS portfolio	1,297	1,297	2,236	2,236

	Dec. 31, 2017	Dec. 31, 2016
Gains/(losses) that would have been recognized in the income statement at fair value if the assets had not been reclassified	-246	92
Unrealized gains/(losses) that would have been recognized in equity if the assets had not been reclassified	48	-146
Gains/(losses) recognized in income (net banking income and net additions to/reversals from provisions for loan losses) relating to reclassified assets	213	62

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, 2017	Carrying amount Dec. 31, 2016
RMBS	3,002	2,797
CMBS	49	51
CLO	1,897	2,075
Other ABS	2,042	1,640
Sub-total	*6,990*	*6,564*
CLO hedged by CDS	0	5
Liquidity facilities for ABCP programs	185	185
TOTAL	**7,175**	**6,754**

Unless otherwise stated, securities are not covered by CDS.

Exposures at 12/31/2017	RMBS	CMBS	CLO	Other ABS	Total
Trading	1,503	5	17	141	1,666
AFS	1,131	44	1,720	1,676	4,571
Loans	368		160	225	753
TOTAL	**3,002**	**49**	**1,897**	**2,042**	**6,990**
France	68		251	599	919
Spain	91		26	25	143
United Kingdom	194		149	225	568
Europe excluding France, Spain and United Kingdom	316	49	308	1,113	1,786
USA	2,214		417	43	2,674
Rest of the world	119		745	36	900
TOTAL	**3,002**	**49**	**1,897**	**2,042**	**6,990**
US Agencies	1,834		-	-	1,834
AAA	641		1,778	1,285	3,705
AA	168		84	526	777
A	52		20	25	96
BBB	6	49	4	206	265
BB	16				16
B or below	286				286
Not rated	-		11		11
TOTAL	**3,002**	**49**	**1,897**	**2,042**	**6,990**
Originating 2005 or before	107	49			156
Originating 2006-2008	423		8	31	462
Originating 2009-2011	70				70
Originating 2012-2015	2,402		1,889	2,011	6,301
TOTAL	**3,002**	**49**	**1,897**	**2,042**	**6,990**

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 2012-2014	1,862	-	2,030	1,608	5,500
TOTAL	**2,797**	**51**	**2,075**	**1,640**	**6,564**

NOTE 13 - Corporate income tax

13a - Current income tax

	Dec. 31, 2017	Dec. 31, 2016
Asset (through income statement)	1,832	1,590
Liability (through income statement)	831	764

13b - Deferred income tax

	Dec. 31, 2017	Dec. 31, 2016
Asset (through income statement)	1,090	1,115
Asset (through shareholders' equity)	165	178
Liability (through income statement)	641	598
Liability (through shareholders' equity)	632	670

Breakdown of deferred income tax by major categories

	Dec. 31, 2017		Dec. 31, 2016	
	Assets	Liabilities	Assets	Liabilities
. Temporary differences on:				
- Deferred gains (losses) on available-for-sale securities	165	632	178	670
- Impairment provisions	639		670	
- Unrealized finance lease reserve		237		250
- Remeasurement of financial instruments	243	200	520	436
- Accrued expenses and accrued income	211	105	223	107
- Tax losses	4		6	
- Insurance activities	15	138	19	199
- Other timing differences	53	37	45	-26
. Netting	-75	-75	-368	-368
Total deferred tax assets and liabilities	1,255	1,273	1,293	1,268

Deferred taxes are calculated using the liability method.
For the French entities, deferred taxes are calculated by applying the tax rate that will be in force at the time the timing difference is reversed. This calculation reflects the requirements of the French Finance Law 2018, adopted on December 21, 2017, which provides for a gradual reduction in the tax rate in France. The standard corporate income tax rate will fall from 34.43% to 25.82% by 2022.

NOTE 14 - Accruals, other assets and other liabilities

14a - Accruals and other assets

	Dec. 31, 2017	Dec. 31, 2016
Accruals - assets		
Collection accounts	519	397
Currency adjustment accounts	52	967
Accrued income	633	531
Other accruals	2,331	2,081
Sub-total	**3,534**	**3,977**
Other assets		
Securities settlement accounts	86	122
Guarantee deposits paid	5,520	6,112
Miscellaneous receivables	4,364	4,414
Inventories	20	26
Other	49	37
Sub-total	**10,037**	**10,712**
Other insurance assets		
Technical reserves - reinsurers' share	310	320
Other expenses	109	112
Sub-total	**419**	**432**
TOTAL	**13,991**	**15,120**

14b - Accruals and other liabilities

	Dec. 31, 2017	Dec. 31, 2016
Accruals - liabilities		
Accounts unavailable due to collection procedures	290	266
Currency adjustment accounts	54	15
Accrued expenses	1,331	1,302
Deferred income	1,447	1,412
Other accruals	2,001	2,179
Sub-total	**5,124**	**5,173**
Other liabilities		
Securities settlement accounts	594	270
Outstanding amounts payable on securities	79	231
Other payables	5,207	5,742
Sub-total	**5,880**	**6,242**
Other insurance liabilities		
Deposits and guarantees received	203	201
Sub-total	**203**	**201**
TOTAL	**11,207**	**11,616**

NOTE 15 - Investments in associates

Equity value and share of net income (loss)

				Dec. 31, 2017			
		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	8	8	NC*
ASTREE Assurance	Listed	Tunisia	30.00%	14	2	1	23
Banco Popular Español	Listed	Spain	0.00%	0	-246	0	0
Banque de Tunisie	Listed	Tunisia	34.00%	165	15	7	166
Banque Marocaine du Commerce Extérieur (BMCE)	Listed	Morocco	26.21%	871	-130	18	897
Caisse Centrale de Crédit Mutuel	Unlisted	France	52.84%	333	1	0	NC*
Euro Automatic Cash	Unlisted	Spain	50.00%	48	9	0	NC*
LYF SA (formely Fivory)	Unlisted	France	43.50%	8	0	0	NC*
NELB (North Europe Life Belgium)	Unlisted	Belgium	49.00%	104	1	2	NC*
Royale Marocaine d'Assurance (formely RMA Watanya)	Unlisted	Morocco	22.02%	114	20	11	NC*
Other	Unlisted			0	-10	0	NC*
TOTAL (1)				**1,696**	**-330**	**48**	
Joint ventures							
Bancas	Unlisted	France	50.00%	1	0	0	NC*
Banque Casino	Unlisted	France	50.00%	48	-4	0	NC*
TOTAL (2)				**48**	**-4**	**0**	
TOTAL (1) + (2)				**1,744**	**-334**	**48**	

** NC: not communicated*

		Country	Percent interest	Investment value	Share of net income (loss)	Dividends received	Investments in joint ventures
				Dec. 31, 2016			
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.*

Banco Popular Español (BPE)

As a reminder, at December 31, 2016, BPE was consolidated as an associate in light of the significant influence relationship between it and the Group: the Crédit Mutuel CM11 Group is represented on BPE's 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.

As a result of significant liquidity constraints, on June 6, 2017 the European Central Bank decided that BPE was likely to fail and informed the Single Resolution Board accordingly. The Single Resolution Board and the Spanish resolution authority (FROB) decided that the sale of BPE to Banco Santander would serve the public interest by protecting all its depositors and ensuring its financial stability.

The resolution plan took effect on June 7, 2017 and the Single Resolution Board transferred all of BPE's shares and capital instruments to Banco Santander for one euro.

The Crédit Mutuel-CM11 Group, which owned 3.95% of BPE shares, recognized a capital loss net of impairment of €232 million already booked in net income (loss) of associates in its consolidated financial statements at December 31, 2017. This capital loss resulted from setting the equity-accounted value to zero at December 31, 2017 (€405.6 million) and reversing the impairment (€174 million).

Banque Marocaine du Commerce Extérieur (BMCE)

The investment in BMCE underwent an impairment test on December 31, 2017, which resulted in the recognition of a €175 million impairment provision.

Financial data published by the major associates

	Total assets	NBI or revenue	Operating income before provisions	Net income	OCI reserves	Shareholders' equity
			Dec. 31, 2017			
Entities over which significant influence is exercised						
ACM Nord	215	159	26	17	2	74
ASTREE Insurance (2)	441	146	23	14	39	155
Banque de Tunisie (1) (2)	4,718	236	129	101	NC*	730
Banque Marocaine du Commerce Extérieur (1) (3)	305,923	12,990	5,615	2,835	-6	23,583
CCCM	4,870	125	120	113	52	656
Euro Automatic Cash	102	28	17	12	1	84
LYF SAS (formely Fivory SAS)	7	3	-24	-24	0	-4
LYF SA (formely Fivory)	18	0	-1	-1	0	18
NELB	2,010	58	7	3	3	213
RMA Watanya (1) (3)	342,166	17,756	4,551	905	4,997	5,529
Joint ventures						
Banque Casino	978	118	53	6	0	97

*(1) 2016 amounts (2) in millions of Tunisian Dinars (3) in millions of Moroccan Dirhams *NC: not communicated*

	Dec. 31, 2016					
	Total assets	NBI or revenue	Operating income before provisions	Net income	OCI reserves	Shareholders' equity
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*

NOTE 16 - Investment property

	Dec. 31, 2016	Additions	Disposals	Other movements	Dec. 31, 2017
Historical cost	2,324	991	-2	-122	3,190
Accumulated depreciation and impairment provisions	-363	-36	4	20	-374
Net amount	**1,961**	**955**	**2**	**-102**	**2,816**

The fair value of investment property recognized at amortized costs was €3,556 million at December 31, 2017.

NOTE 17 - Property, equipment and intangible assets

17a - Property and equipment

	Dec. 31, 2016	Additions	Disposals	Other movements	Dec. 31, 2017
Historical cost					
Land used in operations	516	7	-2	29	551
Buildings used in operations	4,780	193	-142	81	4,913
Other property and equipment	2,602	323	-304	-12	2,609
TOTAL	**7,898**	**523**	**-447**	**98**	**8,072**
Accumulated depreciation and impairment provisions					
Land used in operations	-5	-2	0	0	-7
Buildings used in operations	-2,927	-194	125	-28	-3,025
Other property and equipment	-2,024	-204	161	-4	-2,071
TOTAL	**-4,957**	**-400**	**286**	**-32**	**-5,103**
TOTAL - Net amount	**2,942**	**123**	**-162**	**67**	**2,969**
Including buildings under finance leases					
Land used in operations	7				7
Buildings used in operations	111			-2	109
Total	**118**	**0**	**0**	**-2**	**116**

17 b - Intangible assets

	Dec. 31, 2016	Additions	Disposals	Other movements	Dec. 31, 2017
Historical cost					
. Internally developed intangible assets	16	0	-16	0	0
. Purchased intangible assets	1,893	105	-57	-10	1,931
- software	497	29	-17	-12	497
- other	1,396	77	-40	2	1,434
TOTAL	**1,909**	**105**	**-74**	**-10**	**1,931**
Accumulated depreciation and impairment provisions					
. Internally developed intangible assets					
. Purchased intangible assets	-1,223	-82	48	15	-1,241
- software	-481	-18	33	12	-454
- other	-741	-64	15	4	-787
TOTAL	**-1,223**	**-82**	**48**	**15**	**-1,241**
Net amount	**686**	**24**	**-25**	**5**	**690**

NOTE 18 - Goodwill

	Dec. 31, 2016	Additions	Disposals	Impairment losses/reversals	Other movements	Dec. 31, 2017
Goodwill, gross	4,632		0	0	-24	4,608
Impairment provisions	-475	0	0	-15	0	-490
Goodwill, net	**4,157**	**0**	**0**	**-15**	**-24**	**4,118**

Subsidiaries	Goodwill as of Dec. 31, 2016	Additions	Disposals	Impairment losses/reversals	Other movements*	Goodwill as of Dec. 31, 2017
Targobank in GermanyAllemagne	2,781					2,781
Crédit Industriel et Commercial (CIC)	497					497
Cofidis Participations	457					457
Factofrance SA	80				-12	68
EI Telecom	78					78
Heller Gmbh et Targo Leasing GmbH	75				-12	63
Amgen Seguros Generales Compañía de Seguros y Reaseguros SA	53					53
CM-CIC Investissement SCR	21					21
CIC Iberbanco	15			-15		0
Banque de Luxembourg	13					13
Cofidis Italie	9					9
Banque Transatlantique	6					6
Transatlantique Gestion	5					5
Autres	66					66
TOTAL	**4,157**	**0**	**0**	**-15**	**-24**	**4,118**

** The other changes correspond to the write-downs of goodwill following the adjustment of the acquisition price of the entities concerned.*

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 in Germany	Cofidis
	Network bank	Consumer credit
Capital cost	9.00%	9.00%
Effect of 50 basis point increase in capital cost	-304	-213
Effect of 1% decrease in future cash flows	-46	-32

NOTE 19 - Debt securities

	Dec. 31, 2017	Dec. 31, 2016
Retail certificates of deposit	460	744
Interbank instruments and money market securities	55,292	61,111
Bonds	55,898	49,175
Accrued interest	781	1,428
TOTAL	**112,431**	**112,458**

NOTE 20 - Technical reserves of insurance companies

	Dec. 31, 2017	Dec. 31, 2016
Life	83,527	82,239
Non-life	3,390	3,139
Unit of account	9,209	7,724
Other expenses	297	295
TOTAL	**96,423**	**93,396**
Of which deferred profit-sharing - liability	*13,212*	*12,026*
Reinsurers' share of technical reserves	**310**	**320**
TOTAL - Net technical reserves	**96,113**	**93,076**

NOTE 21 - Provisions

	Dec. 31, 2016	Additions	Reversals - provisions used	Reversals - provisions not used	Other movements	Dec. 31, 2017
Provisions for risks	**333**	**356**	**-39**	**-80**	**-1**	**569**
Signature commitments	133	50	-3	-47	3	136
Financing and guarantee commitments	3	0	0	-1	1	3
Provision for taxes	36	8	-1	-10	0	33
Provisions for claims and litigation	97	56	-34	-19	30	130
Provision for risks on miscellaneous receivables	64	242	-1	-3	-35	267
Other provisions	**1,125**	**400**	**-198**	**-177**	**-36**	**1,114**
Provisions for home savings accounts and plans	162	11	0	-3	1	171
Provisions for miscellaneous contingencies	547	276	-179	-146	88	586
Other provisions (1)	416	113	-19	-28	-125	357
Provision for retirement benefits	**1,377**	**77**	**-28**	**-18**	**-50**	**1,358**
Retirement benefits - defined benefit and equivalent, excluding pension funds						
Retirement bonuses (2)	1,002	45	-18	-14	-33	981
Supplementary retirement benefits	217	8	-8	-3	6	219
Long service awards (other long-term benefits)	128	18	-2	0	3	147
Sub-total recognized	1,346	71	-27	-18	-24	1,347
Supplementary retirement benefit - defined benefit, provided by Group's pension funds						
Provision for pension fund shortfalls (3)	31	6	0	0	-26	11
Sub-total recognized	31	6	0	0	-26	11
TOTAL	**2,835**	**833**	**-265**	**-275**	**-87**	**3,041**

Assumptions used	**2017**	**2016**
Discount rate(4)	1.3%	1.2%
Annual increase in salaries(5)	Minimum 1%	Minimum 0.5%

(1) Other provisions include provisions set aside in respect of economic interest groupings (EIG) totaling €314 million.

(2) The other changes result from the change in the discount rate, estimated using the Iboxx index, which was retained at 1.3% at December 31, 2017, compared with 1.2% at December 31, 2016

(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. It is also based on the age of employees.

Movements in provision for retirement bonuses

	Commitments	Non-group insurance contract and externally managed assets	Provisions
December 31, 2015	1,256	392	**865**
Discounted amount	26	0	**26**
Financial income	0	8	**-8**
Cost of services performed	52	0	**52**
Other costs incl. past service			**0**
Actuarial gains (losses) relating to changes in assumptions			
- demographic	-6	0	**-6**
- financial	140	5	**135**
Payment to beneficiaries	-50	-1	**-50**
Contributions to the plan	0	4	**-4**
Mobility transfer	2	0	**2**
Other	-10	0	**-10**
December 31, 2016	1,410	408	**1,002**
Discounted amount	17	0	**17**
Financial income	0	5	**-5**
Cost of services performed	59	0	**59**
Other costs incl. past service	-1	0	**-1**
Actuarial gains (losses) relating to changes in assumptions			
- demographic	-3	0	**-3**
- financial	-2	18	**-20**
Payment to beneficiaries	-52	0	**-52**
Contributions to the plan	0	13	**-13**
Mobility transfer	0	0	**0**
Other	-3	0	**-3**
December 31, 2017	1,424	443	**981**

A change of plus or minus 50 basis points in the discount rate would result in, respectively, a fall of €108 million / an increase of €112 million in the commitment. The term of the commitments (excluding foreign entities) is 18 years.

Change in the fair value of plan assets

	Fair value of plan assets
Fair value of assets as of Dec. 31, 2015	899,303
Discounted amount	6,092
Actuarial gains (losses)	24,830
Yield of plan assets	11,509
Contributions by plan participants	3,855
Employer contributions	33,845
Payment to beneficiaries	-33,601
Foreign exchange effect	0
Other	-47
Fair value of assets as of Dec. 31, 2016	945,784
Discounted amount	6,450
Actuarial gains (losses)	-24,193
Yield of plan assets	31,886
Contributions by plan participants	12,560
Employer contributions	33,788
Payment to beneficiaries	-44,319
Foreign exchange effect	0
Other	-6
Fair value of assets as of Dec. 31, 2017	961,951

Details of the fair value of plan assets

	Dec. 31, 2017				Dec. 31, 2016			
	Debt securities	Equity instruments	Real estate	Other	Debt securities	Equity instruments	Real estate	Other
Assets listed on an active market	73%	16%	0%	10%	76%	21%	0%	2%
Assets not listed on an active market	0%	0%	1%	0%	0%	0%	1%	0%
Total	**73%**	**16%**	**1%**	**10%**	**76%**	**21%**	**1%**	**2%**

Provisions for signature risk on home savings accounts and plans

	Dec. 31, 2017	Dec. 31, 2016
Home savings plans		
Contracted less than 10 years ago	19,496	22,813
Contracted more than 10 years ago	11,079	5,527
Total	**30,575**	**28,340**
Amounts outstanding under home savings accounts	**2,895**	**2,789**
Total	**33,470**	**31,129**

Home savings loans	Dec. 31, 2017	Dec. 31, 2016
Balance of home savings loans giving rise to provisions for risks reported in assets	177	258

Provisions for home savings accounts and plans	Dec. 31, 2016	Net additions/ reversals	Other movements	Dec. 31, 2017
On home savings accounts	16	(2)	0	14
On home savings plans	141	12	0	153
On home savings loans	5	(2)		3
Total	**162**	**8**	**0**	**170**
Maturity analysis				
Contracted less than 10 years ago	129	(33)	0	96
Contracted more than 10 years ago	12	45	0	57
Total	**141**	**12**	**0**	**153**

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 change of the provision is due to the constated change of interest rates on the markets and the increase of PEL outstanding.

NOTE 22 - Subordinated debt

	Dec. 31, 2017	Dec. 31, 2016
Subordinated debt	6,613	5,611
Non-voting loan stock	23	24
Perpetual subordinated loan stock	1,014	1,014
Accrued interest	76	61
TOTAL	**7,725**	**6,710**

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	€913m	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	Sep. 11,2015	€1,000m	€1,000m	3.00	Sep. 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
Banque Fédérative du Crédit Mutuel	Subordinated note	Mar. 31, 2017	€500m	€500m	2.625	Mar. 31, 2027
Banque Fédérative du Crédit Mutuel	Subordinated note	Nov. 15, 2017	€500m	€500m	1.625	Nov. 15, 2027
CIC	Non-voting loan stock	May 28, 1985	€137m	€10m	(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, 2017	Dec. 31, 2016
. Capital stock and issue premiums	6,010	5,941
- Capital stock	6,010	5,941
. Consolidated reserves	29,035	26,828
- Regulated reserves	9	8
- Other reserves (including effects related to first-time application of standards)	28,891	26,690
- Retained earnings	136	129
. Net income for the year	2,208	2,410
TOTAL	**37,254**	**35,178**

The share capital of *Caisses de Crédit Mutuel* includes:
- 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 local bank 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 Crédit Mutuel CM11 group.

At December 31, 2017, the capital of the Crédit Mutuel Caisses comprised:
- €196.9 million in A units
- €5,801.4 million in B units
- €11.6 million in P units

23b - Unrealized or deferred gains and losses

	Dec. 31, 2017	Dec. 31, 2016
Unrealized or deferred gains and losses relating to:*		
. Available-for-sale financial assets		
- equities	1,015	973
- bonds	822	769
. Hedging derivative instruments (cash flow hedges)	6	-19
. Actuarial gains and losses	-280	-312
. Translation adjustments	-13	95
. Share of unrealized or deferred gains and losses of associates	-15	-13
TOTAL	**1,534**	**1,495**
Attributable to the Group	*1,347*	*1,296*
Attributable to minority interests	*187*	*199*

** Net of tax.*

23c - Recycling of gains and losses recognized directly in equity

	Changes 2017	Changes 2016
Translation adjustments		
- Reclassification in income	0	-66
- Other movements	-109	3
- Translation adjustment	*-109*	*-63*
Remeasurement of available-for-sale financial assets		
- Reclassification in income	-127	-205
- Other movements	222	154
Remeasurement of available-for-sale financial assets	*94*	*-51*
Remeasurement of hedging derivative instruments		
- Other movements	25	1
Remeasurement of hedging derivatives	*25*	*1*
- 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	*7*	*-113*
- Actuarial gains and losses on defined benefit plans	32	-110
TOTAL - Non-recyclable gains and losses	**32**	**-110**
Total gains and losses recognized directly in shareholders' equity	**39**	**-223**

23d - Tax on components of gains and losses recognized directly in equity

	Changes 2017			Changes 2016		
	Gross amount	Corporate income tax	Net amount	Gross amount	Corporate income tax	Net amount
Translation adjustments	-109		-109	-63		-63
Remeasurement of available-for-sale financial assets	143	-49	94	-78	27	-51
Remeasurement of hedging derivatives	38	-13	25	2	-1	1
Actuarial gains and losses on defined benefit plans	49	-17	32	-167	58	-110
Share of unrealized or deferred gains and losses of associates	-3		-3	1		1
Total gains and losses recognized directly in shareholders' equity	**119**	**-79**	**39**	**-307**	**84**	**-223**

NOTE 24 - Commitments given and received

Commitments and guarantees given	Dec. 31, 2017	Dec. 31, 2016
Financing commitments		
Commitments given to credit institutions	1,217	1,316
Commitments given to customers	59,550	56,784
Guarantee commitments		
Guarantees given on behalf of credit institutions	3,294	2,591
Guarantees given on behalf of customers	16,522	15,676
Commitments on securities		
Other commitments given	1,542	102
Commitments given by the Insurance business line	1,734	1,468

Commitments and guarantees received	Dec. 31, 2017	Dec. 31, 2016
Financing commitments		
Commitments received from credit institutions	18,234	17,664
Commitments received from customers	0	56
Guarantee commitments		
Commitments received from credit institutions	43,182	41,009
Commitments received from customers	19,540	18,471
Commitments on securities		
Other commitments received	464	753
Commitments received by the Insurance business line	4,446	4,913

Securities sold under repurchase agreements	Dec. 31, 2017	Dec. 31, 2016
Amounts received under resale agreements	30,022	33,255
Related liabilities	30,019	32,934

Assets given as collateral for liabilities	Dec. 31, 2017	Dec. 31, 2016
Security deposits on market transactions	5,520	6,112
Total	**5,520**	**6,112**

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. Assets given as collateral for liabilities relate to derivatives for which margin calls are paid when their fair value is negative. These amounts include the initial margins and those paid subsequently.

NOTE 25 - Interest income, interest expense and equivalent

	Dec. 31, 2017		Dec. 31, 2016	
	Income	Expense	Income	Expense
. Credit institutions and central banks	338	-369	343	-415
. Customers	12,038	-4,768	12,360	-5,001
- of which finance leases and operating leases	3,099	-2,753	2,908	-2,609
. Hedging derivative instruments	2,577	-3,129	1,685	-2,189
. Available-for-sale financial assets	567		504	
. Held-to-maturity financial assets	103		162	
. Debt securities		-1,634		-1,886
. Subordinated debt		-11		-11
TOTAL	**15,623**	**-9,910**	**15,053**	**-9,501**

NOTE 26 - Fees and commissions

	Dec. 31, 2017		Dec. 31, 2016	
	Income	Expense	Income	Expense
Credit institutions	9	-10	8	-8
Customers	1,714	-26	1,584	-26
Securities	801	-39	738	-44
of which funds managed for third parties	*580*		*532*	
Derivative instruments	3	-5	3	-4
Foreign exchange	21	-2	23	-2
Financing and guarantee commitments	92	-3	122	-8
Services provided	2,079	-1,123	1,887	-1,018
TOTAL	**4,719**	**-1,208**	**4,366**	**-1,110**

NOTE 27 - Net gain (loss) on financial instruments at fair value through profit or loss

	Dec. 31, 2017	Dec. 31, 2016
Trading derivative instruments	398	490
Instruments designated under the fair value option (1)	443	369
Ineffective portion of hedging instruments	-33	7
. Fair value hedges	-33	7
. Change in fair value of hedged items	-532	-482
. Change in fair value of hedging items	500	488
Foreign exchange gains (losses)	76	55
Total changes in fair value	**885**	**920**

(1) of which €254 million relating to the Private equity business line vs €195 million as of Dec. 31, 2016.

NOTE 28 - Net gain (loss) on available-for-sale financial assets

	Dec. 31, 2017			
	Dividends	Realized gains (losses)	Impairment losses	Total
. Government securities, bonds and other fixed-income securities		270	0	270
. Equities and other variable-income securities	77	75	142	294
. Long-term investments	52	-13	-228	-189
. Other expenses	0	-1	0	-1
TOTAL	**129**	**331**	**-86**	**374**

	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.

NOTE 29 - Other income and expense

	Dec. 31, 2017	Dec. 31, 2016
Income from other activities		
. Insurance contracts	13,310	13,236
. Investment property	3	2
- Reversals of depreciation, amortization and impairment charges	3	2
. Rebilled expenses	87	84
. Other income	1,935	1,747
Sub-total	**15,334**	**15,069**
Expenses on other activities		
. Insurance contracts	-10,796	-11,068
. Investment property	-38	-38
- depreciation, amortization and impairment charges (based on the accounting method selected)	-38	-38
. Other expenses	-975	-1,078
Sub-total	**-11,809**	**-12,184**
Other income and expense, net	**3,525**	**2,885**

Net income from the Insurance business line

	Dec. 31, 2017	Dec. 31, 2016
Earned premiums	9,786	10,346
Claims and benefits expenses	-7,596	-7,292
Movements in provisions	-3,198	-3,759
Other technical and non-technical income and expense	79	56
Net investment income	3,443	2,817
Total	**2,514**	**2,168**

NOTE 30 - General operating expenses

	Dec. 31, 2017	Dec. 31, 2016
Payroll costs	-4,856	-4,709
Other operating expenses	-3,602	-3,493
TOTAL	**-8,458**	**-8,202**

30a - Payroll costs

	Dec. 31, 2017	Dec. 31, 2016
Salaries and wages	-3,059	-2,981
Social security contributions(1)	-1,155	-1,120
Employee benefits - short-term	-2	-2
Incentive bonuses and profit-sharing	-305	-278
Payroll taxes	-330	-326
Other expenses	-4	-2
TOTAL	**-4,856**	**-4,709**

(1) The CICE tax credit for competitiveness and employment is recognized as a credit to payroll costs and amounted to €74 million in 2017.

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 video-conferencing systems;
- IT developments concerning a virtual assistant, based on cognitive technologies, designed to further improve the quality of the service for shareholding members and customers;
- 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.

Number of employees

Average number of employees	Dec. 31, 2017	Dec. 31, 2016
Banking staff	39,947	39,957
Management	25,041	24,598
TOTAL	**64,988**	**64,555**
Analysis by country		
France	51,706	51,437
Rest of the world	13,282	13,118
TOTAL	**64,988**	**64,555**

	Dec. 31, 2017	Dec. 31, 2016
*Number of employees at end of year**	**69,670**	**69,514**

** 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, 2017	Dec. 31, 2016
Taxes and duties (1)	-425	-416
External services	-2,584	-2,418
Other miscellaneous expenses (transportation, travel, etc.)	-117	-103
TOTAL	**-3,127**	**-2,936**

(1) Including € 111 million for the contribution to the Single Resolution Fund in 2017 compared with € 85 million in 2016.

30c - Depreciation, amortization and impairment of property, equipment and intangible assets

	Dec. 31, 2017	Dec. 31, 2016
Depreciation and amortization	-465	-461
- property and equipment	-401	-388
- intangible assets	-64	-73
Impairment losses	-11	-95
- intangible assets	-11	-95
TOTAL	**-475**	**-557**

NOTE 31 - Net additions to/reversals from provisions for loan losses

Dec. 31, 2017	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	16	0	0	2	18
Customers	-1,756	1,882	-822	-353	188	-861
. Finance leases	-53	67	-24	-2	5	-7
. Other customer items	-1,704	1,816	-798	-351	184	-854
Sub-total	**-1,756**	**1,899**	**-822**	**-353**	**191**	**-842**
Held-to-maturity financial assets	-12	0	0	0	0	-12
Available-for-sale financial assets	-2	8	-2	-12	6	-3
Other	-83	79	-10	0	0	-14
TOTAL	**-1,853**	**1,985**	**-834**	**-366**	**197**	**-871**

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**

NOTE 32 - Gains (losses) on other assets

	Dec. 31, 2017	Dec. 31, 2016
Property, equipment and intangible assets	3	13
. Losses on disposals	-22	-15
. Gains on disposals	25	28
Gain (loss) on consolidated securities sold	0	0
TOTAL	**3**	**13**

NOTE 33 - Change in value of goodwill

	Dec. 31, 2017	Dec. 31, 2016
Impairment of goodwill	-15	-187
TOTAL	**-15**	**-187**

NOTE 34 - Corporate income tax

Breakdown of income tax expense

	Dec. 31, 2017	Dec. 31, 2016
Current taxes	-1,889	-1,427
Deferred taxes	-39	48
Adjustments in respect of prior years	-1	-4
TOTAL	**-1,929**	**-1,383**

Reconciliation between the corporate income tax expense recognized and the theoretical tax expense

	Dec. 31, 2017	Dec. 31, 2016
Taxable income	4,691	4,100
Theoretical tax rate	34.43%	34.43%
Theoretical tax expense	**-1,615**	**-1,412**
Impact of preferential “SCR” and “SICOMI” rates	68	48
Impact of the reduced rate on long-term capital gains	14	163
Impact of different tax rates paid by foreign subsidiaries	28	-23
Permanent timing differences	-38	-94
Other impacts (1)	-386	-66
Tax expense	**-1,929**	**-1,383**
Effective tax rate	41.12%	33.73%

(1) includes the exceptional corporate tax surcharge included in the 2017 Rectifying Finance Act for an amount of € 296 million.

NOTE 35 - Fair value hierarchy of financial instruments recognized at amortized cost

The fair values presented are an estimate based on observable inputs at December 31, 2017. They are determined using discounted cash flows calculated based on a risk-free interest rate curve, to which is added, in the case of asset items, a credit spread computed at the CM11 Group level and reviewed each year.
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, 2017.

	Dec. 31, 2017					
	Market value	Carrying amount	Unrealized gains or losses	Level 1	Level 2	Level 3
Assets	**405,199**	**393,271**	**11,928**	**11,832**	**47,973**	**345,394**
Loans and receivables due from credit institutions	37,452	37,609	-156	0	37,452	0
- Debt securities	289	289	0	0	289	0
- Loans and advances	37,163	37,319	-156	0	37,163	0
Loans and receivables due from customers	354,727	344,942	9,785	60	9,273	345,394
- Debt securities	304	309	-4	60	18	226
- Loans and advances	354,423	344,634	9,789	0	9,255	345,168
Held-to-maturity financial assets	13,019	10,720	2,299	11,771	1,248	0
Liabilities	**459,024**	**452,578**	**6,446**	**0**	**288,840**	**170,184**
Due to credit institutions	44,170	43,890	280	0	44,170	0
Due to customers	290,442	288,532	1,910	0	120,258	170,184
Debt securities	116,066	112,431	3,636	0	116,066	0
Subordinated debt	8,346	7,725	621	0	8,346	0

	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

NOTE 36 - Related party transactions

Statement of financial position items concerning related party transactions

	Dec. 31, 2017		Dec. 31, 2016	
	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	2,854	3,842	2,642	4,021
Loans and receivables due from customers	0	9	0	16
Securities	15	257	0	316
Other assets	3	30	4	30
TOTAL	2,873	4,138	2,646	4,382
Liabilities				
Deposits				
Due to credit institutions	1,393	1,280	921	1,179
Due to customers	24	1,528	10	1,537
Debt securities	0	329	0	555
Other liabilities	0	71	0	64
TOTAL	1,417	3,209	931	3,336
Financing and guarantee commitments				
Financing commitments given	470	0	390	10
Guarantee commitments given	29	110	29	88
Guarantee commitments received	0	563	0	543

Income statement items concerning related party transactions

	Dec. 31, 2017		Dec. 31, 2016	
	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	5	31	12	48
Interest paid	0	-26	-4	-25
Fees and commissions received	5	15	6	20
Fees and commissions paid	0	0	0	0
Other income (expense)	37	10	47	-20
General operating expenses	10	-17	9	-15
TOTAL	57	13	69	9

"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, 2017*	*Dec. 31, 2016*
Amounts in € thousands	Total	Total
Corporate officers - Management Committee - Board members who receive compensation	8,832	5,776

The amount of provisions for retirement bonuses and long-service awards stood at €2,758 thousand at December 31, 2017.

Following the end of Mr. Alain Fradin's terms of office, the remuneration committee, at its meeting held on April 5, 2017, in accordance with the resolution of BFCM's Board of Directors dated May 11, 2011, noted that the performance criteria linked to growth in the BFCM Group's consolidated results had been met. At its meeting of April 6, 2017, BFCM's Board of Directors accordingly resolved to award Mr. Alain Fradin the payments approved by the Board of Directors at the aforementioned meeting held on May 11, 2011, i.e. one year's compensation as a corporate officer, amounting to €800,000 (gross).

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 estimated at €720,000 (including social security contributions). Mr. Nicolas 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 €15,691 in 2017.

At its meeting of April 6, 2017, the Board of Directors of BFCM approved a severance payment in case of termination of Mr. Daniel Baal'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 estimated at €1,100,000 (including social security contributions).
Mr. Baal 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 €9,153 in 2017.

NOTE 37 – Events after the reporting period and other information

The consolidated financial statements of the Crédit Mutuel CM11 Group at the year ended December 31, 2017 were approved by the board of directors at its meeting of February 21, 2018.

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

	Dec. 31, 2017			
	Ernst & Young et autres		Price Waterhouse Coopers	
	amount in € thousands, excluding VAT	%	amount in € thousands, excluding VAT	%
Audit of the financial statements				
- BFCM	0.182	4%	0.124	2%
- fully consolidated subsidiaries	3.692	90%	3.034	53%
Non audit services *				
- BFCM	0.005			
- fully consolidated subsidiaries	0.225	5%	2.601	45%
Total	4.104	100%	5.759	100%
of which fees paid to statutory auditors in France for auditing the financial statements:	*1.859*		*2.359*	
of which fees paid to statutory auditors in France for non audit services:	0.195		0.413	

** Non-audit services refer, in 2017, to comfort letters on market transactions and reports and certifications required for regulatory purposes.*

	Dec. 31, 2016			
	Ernst & Young et autres		Price Waterhouse Coopers	
	amount in € thousands, excluding VAT	%	amount in € thousands, excluding VAT	%
Audit of the financial statements				
- BFCM	0.140	5%		
- fully consolidated subsidiaries	2.140	81%	2.723	85%
Non audit services				
- BFCM	0.050	2%		
- fully consolidated subsidiaries	0.305	12%	0.462	15%
Total	2.636	100%	3.185	100%

III.5 - Statutory Auditors' report on the consolidated financial statements of Crédit Mutuel CM11 Group

PricewaterhouseCoopers France
63, rue de Villiers
92208 Neuilly-sur-Seine Cedex,
S.A.S. au capital de € 2.510.460

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

ERNST & YOUNG et Autres
Tour First
TSA 14444
92037 Paris-La Défense Cedex,
S.A.S. à capital variable
438,476,913 RCS Nanterre

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

Crédit Mutuel CM11 Group

For the year ended December 31, 2017

Statutory Auditors' report on the consolidated financial statements

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report includes information specifically required by European regulations or French law, such as information about the appointment of Statutory Auditors. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

Opinion

In compliance with the engagement entrusted to us by your Shareholders' Meeting, we have audited the accompanying consolidated financial statements of Crédit Mutuel CM11 Group for the year ended December 31, 2017.

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, 2017 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.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under these standards are further described in the "Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements" section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules applicable to us, for the period from January 1, 2017 to the date of our report and in particular we did not provide any non-audit services prohibited by the French Code of Ethics (*Code de déontologie*) for Statutory Auditors.

Justification of assessments

In accordance with the requirements of articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we draw your attention to the following assessments which, in our professional opinion, were the most significant for the audit of the consolidated financial statements for the year under review.

These matters were addressed as part of our audit of the consolidated financial statements as a whole, and therefore contributed to the opinion we formed as expressed above. We do not provide a separate opinion on specific items of the consolidated financial statements.

- The Group uses internal models and methodologies to measure financial instruments that are not quoted in an active market and to recognize certain provisions, as described in Notes 1.3 and 12 to the consolidated financial statements. We examined the control systems relating to these models and methodologies, the inputs used and the identification of the financial instruments to which they are applied.

- The Group carried out impairment tests on goodwill and investments, which led in certain cases to the recognition of impairment losses, as described in Notes 1.2, 15 and 18 to the consolidated financial statements. We examined the methods used to implement these tests, the main assumptions and inputs used and the resulting estimates that led, where applicable, to the recognition of impairment losses.

- The Group recognizes impairment losses to cover the credit and counterparty risks inherent to its business activities (see 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 risks, the impairment methodologies and the coverage of losses in value by individual impairment provisions.

- The Group records provisions for employee benefit obligations (see Notes 1.3 and 21 to the consolidated financial statements). We examined the methodology for assessing these obligations, as well as the main assumptions and calculation methods used.

Verification of the information pertaining to the Group presented in the management report

As required by law and in accordance with professional standards applicable in France, we have also verified the information pertaining to the Group presented in the management report of the Board of Directors.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for preparing consolidated financial statements presenting a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for implementing the internal control procedures it deems necessary for the preparation of consolidated financial statements free of material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it expects to liquidate the company or to cease operations.

The consolidated financial statements were approved by the Board of Directors.

Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in article L.823-10-1 of the French Commercial Code, our audit does not include assurance on the viability or quality of management of the company.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditors exercise professional judgment throughout the audit.

They also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the related disclosures in the notes to the consolidated financial statements.

- Assess the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's[6] ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the company to cease to continue as a going concern. If the Statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion.

- Evaluate the overall presentation of the consolidated financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. The Statutory Auditors are responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed thereon.

Neuilly-sur-Seine and Paris La Défense, April 12, 2018

The Statutory Auditors

French original signed by:

PricewaterhouseCoopers France	**ERNST & YOUNG et Autres**
Jacques Levi	Hassan Baaj

IV. INFORMATION RELATING TO PILLAR 3 OF THE BASEL AGREEMENTS AS TRANSPOSED IN THE EUROPEAN REGULATION

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IV.1 - Risk management

IV.1.1 - The Group's risk profile

The Crédit Mutuel CM11 Group is an unlisted mutual bank, solely owned by its members, which was not included on the list of global systemically important financial institutions (G-SIFIs)[1] as at December 31, 2017.

The Group's strategy is based on long-term values that promote controlled, sustainable and profitable growth. 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 Crédit Mutuel CM11 Group predominantly operates in France and in neighboring European countries (Germany, Belgium, Luxembourg, Switzerland and Spain).

The Crédit Mutuel CM11 Group remains true to its cooperative model and is focused on maintaining and regularly strengthening its financial position, a source of security and sustainability. Its financial solidity is thus strengthened by the regular retention of earnings. Its Common Equity Tier 1 (CET1) capital ratio of 16.4% (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.1.2 - Risk appetite

The Crédit Mutuel CM11 Group's risk appetite framework arose from the Group's commitment to developing a general framework that sets out core principles with regard to risk. These principles derive from its mutualist identity and its choice of the retail bankinsurance model.

In short, the Crédit Mutuel CM11 Group's risk tolerance policy is intended to:

- give Executive Management and the Board of Directors an acceptable level of comfort and confidence with respect to understanding and managing the full range of risks as they relate to the achievement of the Group's objectives,
- be implemented at every level of the Group to obtain a comprehensive view and harmonize best practices,
- identify potential events likely to affect the Group and risk management.

The risk tolerance policy provides a consistent framework for developing the Group's different activities in accordance with Crédit Mutuel's values. It aims to promote a strong and proactive risk management culture. It is based on a medium- and long-term vision and has been incorporated into the decision-making process.

Application of the risk tolerance principles is monitored and supervised by the Group Audit and Compliance departments and by the Risk Management Function.

The risk tolerance policy is taken into consideration when establishing strategic, financial and business development objectives in support of the Group's members and customers.

The risk tolerance policy results from the strategic directions set by Executive Management and the Board of Directors. It allows the Group to:

- engage in activities whose risks are properly understood, controlled and managed,
- seek a profitability horizon and level that are consistent with sound risk management,
- present the risk profiles of the business lines and entities based on earnings, their consumption of capital and the financing needs generated,

[1] Indicators resulting from QIS dedicated to their identification are made public on the group's institutional website in the document entitled "systemic indicators".

- identify risks in advance and manage them proactively while protecting the company's prudential risk profile.

The Crédit Mutuel CM11 Group defined its risk policy around three major pillars:

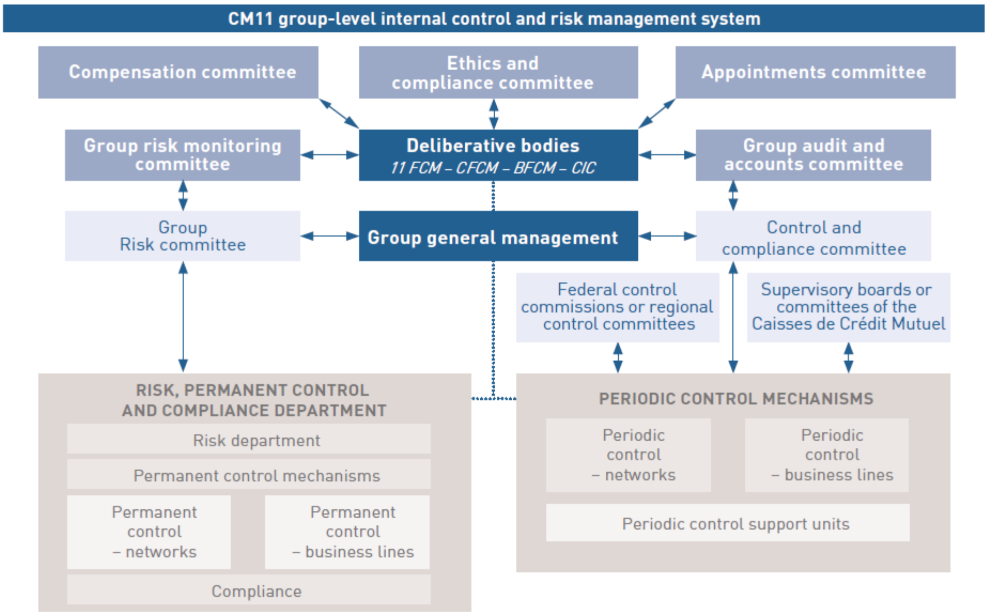
- The Internal Capital Adequacy Assessment Process (ICAAP): following the risk analysis, the level of capital is deemed sufficient to cover the risk exposure; the ICAAP report, prepared in accordance with the Confédération Nationale du Crédit Mutuel's (CNCM) methodology, and the economic capital and three-year capital adequacy ratio projections are updated annually and presented to the Group Risk Committee and the Group Risk Monitoring Committee.
- The Internal Liquidity Adequacy Assessment Process (ILAAP): the Crédit Mutuel CM11 Group's liquidity risk tolerance policy is extremely cautious so as to ensure the long-term refinancing of its activities; it is monitored by the control committees and the operational committees; in order to identify, assess and manage liquidity risk, while also meeting the needs of the entities and business lines, the ALM and Refinancing departments have developed management indicators along with limits and alert thresholds; internal and regulatory stress scenarios allow for regular checks of the robustness of the operational system.
- The implementation of a comprehensive limits mechanism: several limits systems cover most activities and risks, namely limits on credit risk (unit concentration limits; sector limits; country, sovereign and geographic limits; limits specific to each thematic commitments committee; decentralized limits within each regional group for the network bank); limits on interest-rate, liquidity and ALM risks; limits on capital markets activities (business line limits, bodies of rules, risk indicators and comprehensive alert levels).

IV.1.3 - Risk governance

The Group's risk governance system is structured around:

- the governing bodies, which consist of the board of directors (management body in its supervisory role) and Executive Management (management body in its executive role), and
- three lines of defense involved in the Group's risk management: the operational departments (first line), the Risks, Control and Compliance Department (second line) and the Periodic Control Department (third line).

Effective implementation of the Group's risk appetite framework requires coordination between the governing bodies and the different lines involved in risk management. This coordination is achieved through the different technical committees, specialized by type of risk, and the meetings of the board of directors attended by the effective managers and the Group's chief risk officer.



IV.1.4 - Risk management function's structure and organization

The Basel agreements relating to risk management by credit institutions have contributed to the emergence of a risk function at the Crédit Mutuel CM11 Group level, independent from entities responsible for setting up or renewing credit lines. This is overseen by Crédit Mutuel CM11's Risks, Control and Compliance Department, which reports to Executive Management.

The Risks, Control and Compliance Department encompasses, in particular, credit risk, interest-rate, liquidity and market risk, operational risk, compliance risk and permanent control. It consists of three divisions: the Risks team, the Permanent Control team and Compliance.

The Risks team uses tools and methodologies developed by the Crédit Mutuel Group and incorporating quantitative and qualitative risk assessment measures to identify the principal risks to which the Group is exposed on a consolidated basis. It manages the risks function and defines and/or validates the Crédit Mutuel CM11 Group procedures prior to their presentation to decision-making bodies.

The Risks, Control and Compliance Department is involved in the Crédit Mutuel Group's efforts to improve and update the Basel methodologies submitted for approval within the dedicated working groups. A CNCM team specializing in credit risk is responsible for managing and back-testing models and calculating and monitoring parameters. A team dedicated to CNCM's operational risk measures proven and potential risk, monitors the impact of risk mitigation measures, draws up reports and analyzes the principal risks.

Where Group governance is concerned, the Risks, Control and Compliance 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 four times a year to assess the quality of risks and to examine the quality of commitments and any breaches of limits or alert thresholds.

IV.1.5 - Risk management policies

The risk management policy and procedures implemented are described in section III.3 "*Crédit Mutuel CM11 Group's risk management*."

IV.2 - Scope of application of the regulatory framework

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 31.12.2017 breaks down as follows:

Table 1: Outline of the differences in the scopes of consolidation (LI3)

Name of entity	Accounting consolidation method	Regulatory method				Description of entity
		Full consolidation	Proportional consolidation	Not consolidated, not deducted*	Deducted	
Bancas	Consolidation using the equity method		X			B. Banking network - subsidiaries
Banque de Tunisie	Consolidation using the equity method			X		F. Logistics and holding company services
Banque du Groupe Casino	Consolidation using the equity method		X			B. Banking network - subsidiaries
Banque Marocaine du Commerce Extérieur (BMCE)	Consolidation using the equity method			X		F. Logistics and holding company services
Caisse Centrale du Crédit Mutuel	Consolidation using the equity method			X		F. Logistics and holding company services
FCT CM-CIC Home loans	Full consolidation			X		B. Banking network - subsidiaries
LYF SA (formerly Fivory)	Consolidation using the equity method		X			B. Banking network - subsidiaries
Euro Automatic Cash	Consolidation using the equity method		X			F. Logistics and holding company services
EI Telecom	Full consolidation			X		F. Logistics and holding company
Euro Protection Surveillance	Full consolidation			X		F. Logistics and holding company
Lyf SAS (formerly Fivory SAS)	Consolidation using the equity method		X			F. Logistics and holding company services
Groupe Républicain Lorrain Communication	Full consolidation			X		F. Logistics and holding company
L'Est Républicain	Full consolidation			X		F. Logistics and holding company
SAP Alsace	Full consolidation			X		F. Logistics and holding company
Société d'Investissements Médias (SIM)	Full consolidation			X		F. Logistics and holding company
Société de Presse Investissement (SPI)	Full consolidation			X		F. Logistics and holding company
ACM GIE	Full consolidation			X		G. Insurance companies
ACM IARD	Full consolidation			X		G. Insurance companies
ACM Nord IARD	Consolidation using the equity method			X		G. Insurance companies
ACM RE	Full consolidation			X		G. Insurance companies
ACM Services	Full consolidation			X		G. Insurance companies
ACM Vie SA	Full consolidation			X		G. Insurance companies
ACM Vie, Société d'Assurance Mutuelle	Full consolidation			X		G. Insurance companies
Agrupació AMCI d'Assegurances i	Full consolidation			X		G. Insurance companies
Agrupación pensiones, entidad gestora de fondos de pensiones,S.A. (formerly Agrupació Bankpyme Pensiones)	Full consolidation			X		G. Insurance companies
Agrupació serveis administratius	Full consolidation			X		G. Insurance companies
AMDIF	Full consolidation			X		G. Insurance companies
Amgen Seguros Generales Compañía de Seguros y Reaseguros SA	Full consolidation			X		G. Insurance companies
AMSYR	Full consolidation			X		G. Insurance companies
Asesoramiento en Seguros y Previsión	Full consolidation			X		G. Insurance companies
Asistencia Avançada Barcelona	Full consolidation			X		G. Insurance companies
ASTREE Assurances	Consolidation using the equity method			X		G. Insurance companies
Atlantis Asesores SL	Full consolidation			X		G. Insurance companies
Atlantis Correduría de Seguros y Consultoría	Full consolidation			X		G. Insurance companies
Atlantis Vida, Compañía de Seguros y	Full consolidation			X		G. Insurance companies
GACM España	Full consolidation			X		G. Insurance companies
Groupe des Assurances du Crédit Mutuel	Full consolidation			X		G. Insurance companies
ICM Life	Full consolidation			X		G. Insurance companies
MTRL	Full consolidation			X		G. Insurance companies
NELB (North Europe Life Belgium)	Consolidation using the equity method			X		G. Insurance companies
Partners	Full consolidation			X		G. Insurance companies
Procourtage	Full consolidation			X		G. Insurance companies
Royale Marocaine d'Assurance (formerly RMA Watanya)	Consolidation using the equity method			X		G. Insurance companies
Serenis Assurances	Full consolidation			X		G. Insurance companies
Voy Mediación	Full consolidation			X		G. Insurance companies

Name of entity	Accounting consolidation method	Regulatory method				Description of entity
		Full consolidation	Proportional consolidation	Not consolidated, not deducted*	Deducted	
Affiches D'Alsace Lorraine	Full consolidation			X		H. Other companies
Alsacienne de Portage des DNA	Full consolidation			X		H. Other companies
Distripub	Merged			X		H. Other companies
Est Bourgogne Médias	Full consolidation			X		H. Other companies
Foncière Massena	Full consolidation			X		H. Other companies
France Régie	Full consolidation			X		H. Other companies
Groupe Dauphiné Media	Full consolidation			X		H. Other companies
Groupe Progrès	Full consolidation			X		H. Other companies
Groupe Républicain Lorrain Imprimeries	Full consolidation			X		H. Other companies
Jean Bozzi Communication	Merged			X		H. Other companies
Journal de la Haute Marne	Consolidation using the equity method			X		H. Other companies
La Liberté de l'Est	Full consolidation			X		H. Other companies
La Tribune	Full consolidation			X		H. Other companies
Le Dauphiné Libéré	Full consolidation			X		H. Other companies
Le Républicain Lorrain	Full consolidation			X		H. Other companies
Les Dernières Nouvelles d'Alsace	Full consolidation			X		H. Other companies
Lumedia	Consolidation using the equity method			X		H. Other companies
Mediaportage	Full consolidation			X		H. Other companies
Presse Diffusion	Full consolidation			X		H. Other companies
Publiprint Province n°1	Full consolidation			X		H. Other companies
Républicain Lorrain Communication	Full consolidation			X		H. Other companies
Républicain Lorrain - TV news	Full consolidation			X		H. Other companies
SCI ACM	Full consolidation			X		H. Other companies
SCI Cotentin	Full consolidation			X		H. Other companies
SCI Le Progrès Confluence	Full consolidation			X		H. Other companies
SCI Provence Bureaux	Full consolidation			X		H. Other companies
SCI Rue de Londres	Full consolidation			X		H. Other companies
SCI St Augustin	Full consolidation			X		H. Other companies
SCI Tombe Issoire	Full consolidation			X		H. Other companies
Société d'Edition de l'Hebdomadaire du Louhannais et du Jura (SEHLJ)	Full consolidation			X		H. Other companies

** Entities falling within the threshold for deduction from capital*

Table 2: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories (LI1)

In € millions	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items:				
			subject to the credit risk framework	subject to the CCR framework*	subject to the securitization framework	subject to the market risk framework*	not subject to capital requirements or subject to deduction from capital
Assets							
Cash and amounts due from central banks	57,049	57,049	57,049	-	-	-	-
Financial assets at fair value through profit or loss	32,742	14,780	2,686	3,272	-	12,094	-
Hedging derivative instruments - Assets	3,010	3,010	-	3,010	-	-	-
Available-for-sale financial assets	103,164	30,652	25,729	-	4,923	-	-
Loans and receivables due from credit institutions	37,609	35,628	27,485	7,850	-	-	294
Loans and receivables due from customers	344,942	346,453	338,336	8,117	-	-	-
Remeasurement adjustment on interest-rate risk hedged portfolios	429	429	429	-	-	-	-
Held-to-maturity financial assets	10,720	10,020	10,020	-	-	-	-
Current tax assets	1,832	1,653	1,653	-	-	-	-
Deferred tax assets	1,255	678	674	-	-	-	4
Other assets	13,991	13,592	8,468	5,124	-	-	-
Non-current assets held for sale	119	-	-	-	-	-	-
Investments in associates	1,744	9,399	8,681	-	-	-	718
Investment property	2,816	73	73	-	-	-	-
Property and equipment	2,969	2,703	2,703	-	-	-	-
Intangible assets	690	555	- 0	-	-	-	555
Goodwill	4,118	3,927	-	-	-	-	3,927
Total assets	**619,199**	**530,600**	**480,714**	**27,372**	**4,923**	**12,094**	**5,497**
Liabilities							
Amounts due to central banks - Liabilities	285	285	-	-	-	-	285
Financial liabilities at fair value through profit or loss	9,821	5,463	-	20	-	5,463	- 20
Hedging derivative instruments - Liabilities	3,254	3,254	-	3,254	-	-	-
Due to credit institutions	43,890	43,576	-	13,642	-	-	29,933
Due to customers	288,532	298,906	-	2,017	-	-	296,889
Debt securities	112,431	117,415	-	-	-	-	117,415
Remeasurement adjustment on interest-rate risk hedged portfolios	- 518	- 518	-	-	-	-	- 518
Current tax liabilities	831	705	-	-	-	-	705
Deferred tax liabilities	1,273	540	537	-	-	-	3
Other liabilities	11,207	10,417	-	3,507	-	-	6,910
Liabilities associated with assets held for sale	14	-	-	-	-	-	-
Technical provisions on insurance policies	96,423	- 0	-	-	-	-	- 0
Provisions	3,041	2,227	-	-	-	-	2,227
Subordinated debt	7,725	8,527	-	-	-	-	8,527
Shareholders' equity	40,990	39,803	-	-	-	-	39,803
Shareholders' equity attributable to the Group	38,600	38,600	-	-	-	-	38,600
Capital and additional paid-in capital	6,010	6,010	-	-	-	-	6,010
Consolidated reserves - Group	29,035	29,035	-	-	-	-	29,035
Unrealized gains or losses - Group	1,347	1,347	-	-	-	-	1,347
Consolidated net income - Group	2,208	2,208	-	-	-	-	2,208
Shareholders' equity attributable to non-controlling interests	2,390	1,203	-	-	-	-	1,203
Total liabilities and shareholders' equity	**619,199**	**530,600**	**537**	**22,440**	**-**	**5,463**	**502,159**

** Certain items may be subject to capital requirements for the counterparty risk framework and the market risk framework*

Table 3: Main sources of differences between regulatory exposure amounts and carrying values (LI2)

In € millions	Total items subject	Items subject to:			
		the credit risk framework	the CCR framework	the securitization framework	the market risk framework
Assets carrying value amount under the scope of regulatory consolidation (as per table LI1)	**528,375**	**483,986**	**27,372**	**4,923**	**12,094**
Liabilities carrying value amount under the regulatory scope of consolidation (as per table LI1)	**28,441**	**537**	**22,440**	**-**	**5,463**
Total net amount under the regulatory scope of consolidation	**499,934**	**483,448**	**4,932**	**4,923**	**6,631**
Off-balance sheet amounts	**116,203**	**115,911**		**292**	
Differences in valuations for off-balance sheet items	**- 79,790**	**- 79,790**		**-**	
Differences in valuations	*3,663*		*3,663*		
*Differences due to different netting rules, other than those already included in row 2**	*1,199*		*3,117*		*- 1,918*
Differences due to consideration of provisions	*3,988*	*3,988*		*- 0*	
Differences due to prudential filters	*-*	*-*			
Other	*224*	*224*		*0*	
Regulatory exposure amounts	**545,420**	**523,780**	**11,712**	**5,215**	**4,712**

** Counterparty risk: net liability positions netted are excluded from counterparty risk.*

IV.3 - Own funds

IV.3.1 - 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.

The European regulation provides for a transitional period for credit institutions to comply. As such, certain components of capital benefit from transitional arrangements.

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) 20% excluded in 2017,
- 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 2017 are filtered up to 20%.

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:

- 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.

Tier 2 capital

Tier 2 capital consists of subordinated debt instruments with a minimum maturity of five years. Early redemption incentives are prohibited.

2 See table: "Reconciliation of the financial balance sheet / regulatory balance sheet / shareholders' equity"

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.

Table 4: Reconciliation of the financial balance sheet / regulatory balance sheet / shareholders' equity

in € millions	Accounting consolidation	Prudential consolidation	Variance
Shareholders' equity	**40,803**	**39,767**	
Shareholders' equity attributable to the Group - Excl. OCI	**37,253**	**37,253**	
Subscribed capital and share premiums	6,010	6,010	-
Consolidated reserves - Group	29,035	29,035	-
Consolidated net income - Group	2,208	2,208	-
Shareholders' equity attributable to non-controlling interests - Excl. OCI	**2,203**	**1,167**	
Consolidated reserves - Non-controlling interests	1,984	1,039	945
Consolidated net income - Non-controlling interests	219	128	91
Unrealized gains or losses attributable to the Group	**1,347**	**1,347**	-
of which equity instruments	931	932	-1
of which debt instruments	739	739	-
of which cash flow hedges	4	4	-
Unrealized gains or losses attributable to non-controlling interests	187	36	151
Other balance sheet items			
Intangible assets (a)	690	555	135
Goodwill (including goodwill included in the value of investments in associates)	4,656	4,645	11
Deferred tax			
. Assets	1,255	678	577
of which deferred tax assets on tax loss carryforwards	*4*	*4*	-
. Liabilities	1,273	540	733
of which deferred tax liabilities on intangible assets (b)	*52*	*52*	-
Subordinated debt	7,725	8,527	-802

	in € millions	CET1	AT1	AT2
	Capital	**32,611**	**1,146**	**6,539**
1	**Capital attributable to the Group**	**38,224**		
	Paid-in capital and share premiums *	5,992		
	Prior retained earnings	30,105		
	Gain or loss (attributable to the Group)	2,208		
	(-) Non-qualifying share of interim or year-end profits	-81		
2	**Capital - Non-controlling interests**	**622**	**64**	**101**
	Qualifying non-controlling interests*	622	64	101
3	**Unrealized gains or losses attributable to owners of the company**	**173**		**40**
	of which equity instruments*	303		40
	of which debt instruments*	132		
	of which cash flow hedge reserves	4		
	Other balance sheet items included in the capital calculation	**-6,408**	**1,082**	**6,398**
4	(-) Gross amount of other intangible assets including deferred tax liabilities on intangible assets (a-b)	-503		
	(-) Goodwill on intangible assets	-4,645		
5	(-) Deferred tax assets depending on future earnings and not resulting from temporary differences net of the associated tax liabilities	-1		
6	Subordinated debt*		1,082	6,092
	Deductions and prudential filters *(details on following page)*		-	306

Asterisks (*) indicate the existence of transitional arrangements

Variances from the prudential balance sheet numbered below 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. specific calculation is made for non-controlling 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 a specific treatment under the European regulation
6. Subordinated debt included in capital differs from the accounting consolidation 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

in € millions	CET1	AT1	AT2
Details of deductions and prudential filters	**- 1,259**	**-**	**306**
(-) Securitization positions that may be weighted at 1,250%	- 294		
(-) Instruments of relevant entities where the institution does not have a significant investment*	-	-	-
(-) Instruments of relevant entities where the institution has a significant investment*	-	-	-
Surplus deductions by level of capital	-	-	-
Under the internal ratings-based approach, negative difference between provisions and expected losses	- 919		
Under the internal ratings-based approach, positive difference between provisions and expected losses			48
Credit risk adjustments (standardized approach)			258
Prudential filter: cash flow hedge reserve	- 4		
Prudential filter: value adjustments due to requirements for prudent valuation	- 38		
Prudential filter: fair value gains and losses arising from own credit risk related to derivative liabilities	- 5		
Other	-		-

The above tables describe the main features of the capital instruments (Annex II to Commission Implementing Regulation (EU) No 1423/2013 of 20 December 2013) included in:

- Common Equity Tier 1 (CET1) capital;
- Additional Tier 1 (AT1) capital;
- Tier 2 capital.

Table 5.1 Common Equity Tier1 (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)	€196.86 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	N/A
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 : not 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)	€5,794.84 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 : not applicable

Table 5.2 Additional Tier1 (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	2/25/2005
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

Table 5.3 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	5/28/1985
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)	€12.73 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	6/1/1985
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	€19.51 m
10	Accounting classification	Liabilities - amortized cost
11	Original date of issuance	7/20/1987
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)	€188.38 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	12/6/2011
12	Perpetual or dated	Dated
13	Original maturity date	12/6/2021
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	5.30%
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)	€553.13 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	4.00%
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)	€996.99 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	5/21/2014
12	Perpetual or dated	Dated
13	Original maturity date	5/21/2024
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	3.00%
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	N/A
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)	N/A
36	Non-compliant features	N/A
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	9/11/2015
12	Perpetual or dated	Dated
13	Original maturity date	9/11/2025
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	3.00%
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	3/24/2026
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	4/11/2016
12	Perpetual or dated	Dated
13	Original maturity date	4/11/2026
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

1	Issuer	11/ Banque Fédérative du Crédit Mutuel
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	XS1587911451
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)	€500.00 m
9	Par value of instrument	€500.00 m
9a	Issue price	€497.62 m
9b	Redemption price	€500.00 m
10	Accounting classification	Liabilities - amortized cost
11	Original date of issuance	3/31/2017
12	Perpetual or dated	Dated
13	Original maturity date	3/31/2027
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	2.625%
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 according L.228-97 article of *Code de Commerce*
36	Non-compliant features	No
37	If yes, specify non-compliant features	N/A

N/A : non applicable

1	Issuer	12/ Banque Fédérative du Crédit Mutuel
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	XS1717355561
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)	€500.00 m
9	Par value of instrument	€500.00 m
9a	Issue price	€495.72 m
9b	Redemption price	€500.00 m
10	Accounting classification	Liabilities - amortized cost
11	Original date of issuance	11/15/2017
12	Perpetual or dated	Dated
13	Original maturity date	11/15/2027
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	1.625%
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 according L.228-97 article of *Code de Commerce*
36	Non-compliant features	No
37	If yes, specify non-compliant features	N/A
N/A : non applicable		

Table 6: Detailed information about capital

		2017 €million	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 €million
	Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and related share premium accounts	**5,992**	26 (1), 27, 28, 29, ABE 26 (3) list	
	of which shares	*5,992*	ABE 26 (3) list	
	of which share premiums	*0*	ABE 26 (3) list	
2	Retained earnings	**30,105**	26 (1) c	
3	Accumulated other comprehensive income (and other reserves)	**279**	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	**552**	84, 479, 480	70
5a	Independently audited interim profits net of any foreseeable expense or dividend	**2,127**	26 (2)	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**39,055**		
	Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	**-38**	34, 105	
8	Intangible assets (net of related tax liabilities) (negative amount)	**-5,148**	36 (1) b, 37, 472 (4)	
9	Empty set in the EU	**0**		
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)	**-1**	36 (1) c, 38, 472 (5)	0
11	Fair value reserves related to gains and losses on cash flow hedges	**-4**	33 a	
12	Negative amounts resulting from the calculation of expected losses	**-919**	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	**-5**	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	**-294**	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)*	*-294*	36 (1) k (ii), 243 (1) b, 244 (1) b,258	
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)	-

	2017 €million	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 €million
Empty set in the EU			
of which deferred tax assets arising from temporary differences	*0*	36 (1) c, 38, 48 (1) a, 470, 472 (5)	-
Losses for the current financial year (negative amount)	**0**	36 (1) a, 472 (3)	
Foreseeable tax charge relating to CET1 items (negative amount)		36 (1) (i)	
Regulatory adjustments applied to Common Equity Tier 1 capital in respect of amounts subject to pre-CRR treatment	**70**		
Regulatory adjustments relating to unrealized gains and losses pursuant to Articles 467 and 468	**-106**		
of which filter for unrealized loss on equity instruments	*0*	467	
of which filter for unrealized loss on debt instruments	*0*	467	
of which filter for unrealized gain on equity instruments	*-76*	468	
of which filter for unrealized gain on debt instruments	*-33*	468	
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	
Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	**0**	36 (1) (i)	
Total regulatory adjustments to Common Equity Tier 1 (CET 1) capital	**-6,444**		
Common Equity Tier 1 (CET 1) capital	**32,611**		
Additional Tier 1 (AT1) capital: instruments			
Capital instruments and related share premium accounts	**0**	51, 52	
of which classified as equity under applicable accounting standards			
of which classified as liabilities under applicable accounting standards	*0*		
Amount of qualifying items referred to in Art. 484 (4) and related share premium accounts subject to phase-out from AT1	**1,082**	486 (3)	
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	**64**	85, 86, 480	- 13
of which instruments issued by subsidiaries subject to phase-out	*0*	486 (3)	
Additional Tier 1 (AT1) capital before regulatory adjustments	**1,146**		
Additional Tier 1 (AT1) capital: regulatory adjustments			
Direct and indirect holdings by an institution of own AT1 instruments (negative amount)		52(1) b, 56 a, 57, 475 (2)	-
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)		56 b, 58, 475 (3)	-
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)		56 c, 59, 60, 79, 475 (4)	-
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)		56 (d), 59, 79, 475 (4)	-
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)			
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		472, 472 (3) a, 472 (4), 472 (6), 472 (8) a, 472 (9), 472 (10) a, 472 (11) a	
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		477, 477 (3), 477 (4) a	
Amount to be deducted from or added to Additional Tier 1 capital with regard to additional filters and deductions required pre-CRR		467, 468, 481	
Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)		56 a	
Total regulatory adjustments to Additional Tier 1 (AT1) capital			

		2017 €million	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 €million
44	**Additional Tier 1 (AT1) capital**	**1,146**		
45	**Tier 1 capital (T1 = CET1 + AT1)**	**33,757**		
	Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and related share premium accounts	6,046	62, 63	
47	Amount of qualifying items referred to in Art. 484 (5) and related share premium accounts subject to phase-out from T2	46	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	101	87,88, 480	-7
49	*of which instruments issued by subsidiaries subject to phase-out*		486 (4)	
50	Credit risk adjustments	306	62 c et d	
51	**Additional Tier 1 (AT1) capital: regulatory adjustments**	**6,499**		
	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)	**40**		
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	**40**	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*	*40*	481	
Ajoût	*of which restatement for holding of capital instrument*	*0*	481	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**40**		
58	**Tier 2 (T2) capital**	**6,539**		
59	**Total capital (TC = T1 + T2)**	**40,296**		
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	

		2017 €million	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 €million
	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**	**198,374**		
	Capital ratios and buffers			
61	**Common Equity Tier 1 capital (as a percentage of total risk exposure amount)**	**16.44%**	92 (2) a, 465	
62	**Tier 1 capital (as a percentage of total risk exposure amount)**	**17.02%**	92 (2) b, 465	
63	**Total capital (as a percentage of total risk exposure amount)**	**20.31%**	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**	**1.250%**	CRD 128, 129, 130	
65	***of which capital conservation buffer requirement***	***1.250%***		
66	***of which countercyclical buffer requirement***	***0.000%***		
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)**	**11.94%**	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)			
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)	387	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)	991	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)	190	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)	258	62	
77	Cap on inclusion of credit risk adjustments in T2 under standardized approach	615	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)	48	62	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	485	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	1,082	484 (4), 486 (3) et (5)	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-605	484 (4), 486 (3) et (5)	
84	Current cap on T2 instruments subject to phase-out arrangements	46	484 (5), 486 (4) et (5)	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-54	484 (5), 486 (4) et (5)	

IV.3.2 - Capital requirements

Table 7: Overview of risk-weighted assets (RWA) (OV1)

In € millions			Risk-weighted assets		Minimum capital requirements
			12/31/2017	**12/31/2016**	**12/31/2017**
	1	**Credit risk (excluding counterparty risk - CCR)**	**172,285**	**170,857**	**13,783**
Article 438(c)(d)	2	of which standardized approach	50,011	47,363	4,001
Article 438(c)(d)	3	of which foundation internal ratings-based approach	10,180	11,103	814
Article 438(c)(d)	4	of which advanced internal ratings-based approach	73,035	74,139	5,843
Article 438(d)	5	of which equity IRB	39,059	38,251	3,125
Article 107, Article 438(c)(d)	6	**Counterparty risk**	**2,572**	**3,405**	**206**
Article 438(c)(d)	7	of which mark to market	1,794	2,538	144
Article 438(c)(d)	8	of which original exposure	-	-	-
	9	of which standardized approach applied to counterparty risk (SA – CCR)	-	-	-
	10	of which internal model method (IMM)	-	-	-
Article 438(c)(d)	11	of which risk exposure amount for contributions to the default fund of a CCP	96	58	8
Article 438(c)(d)	12	of which CVA	682	809	55
Article 438(e)	13	**Settlement risk**	**6**	**0**	**0**
Article 449(o)(i)	14	**Securitization exposures in the banking book**	**681**	**792**	**54**
	15	of which internal ratings-based (IRB) approach	630	685	50
	16	of which supervisory formula approach	-	-	-
	17	of which internal assessment approach	-	-	-
	18	of which standardized approach (SA)	51	107	4
Article 438 (e)	19	**Market risk**	**2,326**	**2,360**	**186**
	20	of which standardized approach (SA)	2,326	2,360	186
	21	of which internal model method-based (IMM) approaches	-	-	-
Article 438(e)	22	**Large exposures**	**-**	**-**	**-**
Article 438(f)	23	**Operational risk**	**17,551**	**16,495**	**1,404**
	24	of which basic indicator approach	1,702	1,635	136
	25	of which standardized approach	2,779	2,802	222
	26	of which advanced measurement approach	13,070	12,058	1,046
Article 437(2), Article 48 and Article 60	27	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	**2,952**	**3,899**	**236**
Article 500	28	**Floor adjustment**	**-**	**9,322**	**-**
	29	**Total**	**198,374**	**207,129**	**15,870**

IV.4 - Prudential indicators

IV.4.1 - Solvency ratio

The Group's solvency ratios at December 31, 2017, after the integration of income net of the estimated dividend pay-out, totaled:

Table 8: Solvency ratio

in € millions	12/31/2017
COMMON EQUITY TIER 1 (CET1) CAPITAL	32,611
Capital	5,992
Eligible reserves before adjustments	33,064
Deductions from Common Equity Tier 1 capital	- 6,444
ADDITIONAL TIER 1 (AT1) CAPITAL	1,146
	-
TIER 2 (T2) CAPITAL	6,539
TOTAL CAPITAL	40,296
Risk-weighted assets in respect of credit risk	177,809
Risk-weighted assets in respect of market risk	3,014
Risk-weighted assets in respect of operational risk	17,551
TOTAL RISK-WEIGHTED ASSETS	198,374
SOLVENCY RATIOS	
Ratio Common Equity T1 (CET1)	16.4%
Tier 1 ratio	17.0%
Overall ratio	20.3%
For informational purposes: Ratios without transitional arrangements	
Ratio Common Equity T1 (CET1)	*16.5%*
Tier 1 ratio	*16.5%*
Overall ratio	*19.9%*

In the framework of the CRR, the total capital requirement is maintained at 8% of risk-weighted assets (RWA).

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: 1.25% as at 12/31/2017 rising to 2.5% of weighted risks (2019);
- a specific countercyclical capital buffer for each entity, which is not material for the Crédit Mutuel CM11 Group this year. 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 29, 2017, the *Haut Conseil de Stabilité Financière* set this rate at 0% for France. It has also recognized a rate of 1.25% for Iceland, 1.5% for Norway and 2% for Sweden (from January 1, 2017 to December 31, 2017; mandatory recognition of countercyclical buffer rates implemented in other states was capped at 1.25%); above this cap, buffers required explicit recognition by the HCSF.

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.

Table 9: Countercyclical buffer amount applied to the bank

in € millions

010	Total risk-weighted assets	198,374
020	Countercyclical buffer amount applied to the bank	0.006%
030	Countercyclical buffer requirements applicable to the bank	12

Table 10: Breakdown by country of the credit exposures to be used in calculating the countercyclical buffer

in € millions

	General credit exposures		Trading portfolio exposures		Securitization exposures		Capital requirements				Capital requirement weightings	Countercyclical capital buffer rate
	Value of risk exposures using the standard approach	Value of risk exposures using the IRB approach	Sum of the long and short positions in the trading portfolio	Value of the trading portfolio exposures for the internal models	Value of risk exposures using the standard approach	Value of risk exposures using the IRB approach	Of which: general credit exposures	Of which: trading book exposures	Of which: securitization exposures	Total		
HONG KONG	14	907				0	29		0	29	0.21%	1.25%
ICELAND	1	0				0	0		0	0	0.00%	1.25%
NORWAY	12	325				1	7		0	7	0.05%	1.50%
SLOVAKIA	65	1				0	5		0	5	0.03%	0.50%
SWEDEN	85	785				0	13		0	13	0.09%	2.00%
CZECH REPUBLIC	160	7				0	12		0	12	0.08%	0.50%

IV.4.2 - Complementary surveillance of financial conglomerates

The Crédit Mutuel CM11 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 Crédit Mutuel CM11 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 three 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 cross-sector intragroup transactions, along with a breakdown of these transactions in excess of 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 coverage requirement for the conglomerate is 100% and is calculated as follows:

Conglomerate ratio = equity of the conglomerate / (banking requirements + insurances requirements)

At December 31, 2017, the Group had a coverage ratio of its conglomerate's capital requirements of 176% 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 with, at a minimum, the 10 largest exposures to institutions and the 10 largest exposures to unregulated financial entities. A distinction is drawn between the banking and insurance sectors for each beneficiary.

The final part relating to control of intragroup transactions concerns a summary and a breakdown by type of transaction between the conglomerate’s banking and insurance sectors for refinancing, off-balance sheet commitments and products traded.

IV.4.3 - Leverage ratio

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 groups.

Table 11: Leverage ratio common disclosure (LRCom)

Description of the main components of the leverage ratio

Scale in €m		Exposure as of Dec. 31, 2017
On-balance sheet exposures (excluding derivatives and securities financing transactions)		
1	**On-balance sheet items** (excluding derivatives, securities financing transactions and fiduciary assets, but including collateral)	503,354
2	(**Asset amounts deducted** to determine Tier 1 capital)	- 919
3	**Total on-balance sheet exposures** (excluding derivatives, securities financing transactions and fiduciary assets) – sum of lines 1 and 2	**502,435**
Derivatives		
4	**Replacement cost** associated with all derivatives (i.e., net of eligible margin calls received)	1,138
5	**Add-on** amounts for potential future exposures associated with derivatives (mark-to-market method)	2,695
EU-5a	Expositions déterminées selon la méthode de l'exposition initiale	
6	**Réintégration des garanties sur dérivés données** déduites des actifs du bilan en vertu du référentiel comptable applicable	
7	(**Deductions of margin calls** in cash paid on derivatives transactions)	- 4,054
8	(Expositions exemptées relatives aux **opérations d'un membre compensateur avec une contrepartie centrale** éligible CCP)	
9	**Adjusted effective notional amount of credit derivatives written**	5,680
10	(**Adjusted effective notional offsets and add-on deductions for credit derivatives written**)	- 4,619
11	**Total derivatives exposures - sum of lines 4 to 10**	**842**
Securities financing transaction (SFT) exposures		
12	**Gross SFT assets** (with no recognition of netting), after adjusting for transactions recognized as sales	12,754
14	**Counterparty credit risk exposure** for SFT assets	968
EU-14a	**Dérogation pour les SFTs** : expositions au risque de crédit de contrepartie en vertu de l'article 429ter.4 et 222 du CRR	
15	**Expositions pour les agents intermédiaires** dans des SFTs	
EU-15a	(Expositions exemptées relatives aux SFTs entre un membre compensateur et une contrepartie centrale éligible CCP)	
16	**Total SFT exposures - sum of lines 12 to 15a**	**13,722**
Other off-balance sheet exposures		
17	**Off-balance sheet exposures** at gross notional amount	100,016
18	(**Adjustments** for conversion to credit equivalent amounts)	- 62,389
19	**Other off-balance sheet exposures - sum of lines 17 to 18**	**37,628**
Exempted exposures in accordance with Article 429(7) and (14) of the CRR (on and off balance sheet)		
EU-19a	(**Intragroup exposures** (solo basis) exempted in accordance with Article 429(7) of the CRR (on and off balance sheet))	0
EU-19b	(**Exposures exempted** in accordance with Article 429 (14) of the CRR (on and off balance sheet))	0
Capital and total exposure		
20	**Tier 1**	**33,757**
21	**Total exposures - sum of lines 3, 11, 16, 19, EU-19a and EU-19b**	**554,626**
Leverage ratio		
22	**Leverage ratio**	**6.1%**
Choice of transitional arrangements and amount of derecognized fiduciary items		
EU-23	**Choice of transitional arrangements** for the definition of the capital measure	**YES**

Table 12: Summary reconciliation of accounting assets and leverage ratio exposures (LRSum)

Reconciliation of consolidated accounting assets and exposures used in the leverage ratio		
Scale in €m		**Exposure as of Dec. 31, 2017**
1	**Consolidated assets as published in the financial statements**	**619,199**
2	Adjustments for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	- **88,599**
3	(Adjustments for fiduciary assets recognized on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio calculation in accordance with Article 429(13) of the CRR)	N/A GCM to date
4	Adjustments for derivatives	- **5,442**
5	Adjustments for securities financing transactions (SFTs)	- **2,341**
6	Adjustments for off-balance sheet items (conversion to credit equivalent amounts of off-balance sheet items)	**37,628**
EU-6a	(Adjustments for intragroup exposures excluded from the leverage ratio calculation in accordance with Article 429(7) of the CRR)	-
EU-6b	(Adjustments for exposures excluded from the leverage ratio calculation in accordance with Article 429(14) of the CRR) - CDC receivable	-
7	Other adjustments	- **5,817**
8	**Leverage ratio total exposure**	**554,626**

Table 13: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures) (LRSpl)

Breakdown of exposures considered for the leverage ratio		
Scale in €m		**Exposure as of Dec. 31, 2017**
EU-1	**Total on-balance sheet exposures* of which:**	**499,300**
EU-2	**Trading book exposures**	9,382
EU-3	**Banking book exposures, of which:**	**489,919**
EU-4	Covered bonds	2,963
EU-5	Exposures treated as sovereigns	97,657
EU-6	Exposures to regional governments, multilateral development banks, international organizations and public sector entities not treated as sovereigns	4,641
EU-7	Institutions	28,691
EU-8	Secured by mortgages on immovable properties	137,327
EU-9	Retail exposures	115,249
EU-10	Corporate exposures	74,881
EU-11	Exposures in default	5,194
EU-12	Other exposures (equities, securitizations and other non-credit exposure assets)	23,316

** excluding derivatives, SFTs, and exempted exposures*

IV.5 - 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 a bank and its supervisor concerning the level of capital adequacy retained by the institution.

The work carried out by the Crédit Mutuel Group to bring it into compliance with Pillar 2 ties in with improvements to the credit risk measurement and monitoring system. In 2008, the Crédit Mutuel Group rolled out its internal capital assessment framework as part of the Internal Capital Adequacy Assessment Process (ICAAP). Since then, this assessment process has gradually been improved and has now been formalized in a general national framework that was approved by CNCM's Board of Directors at its meeting on March 2, 2016. This framework builds on the general risk appetite framework and applies at all levels of the Crédit Mutuel Group.

The ICAAP is fully integrated into the risk governance framework. It involves the following steps:

- identify significant risks incurred by the bank and the associated procedures, in close conjunction with risk oversight;
- assess the ability of regulatory capital requirements defined under Pillar 1 to absorb these risks on an ongoing basis;
- determine, where applicable, the level of additional economic capital to be allocated.

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 and the Crédit Mutuel Group's comprehensive stress-testing program, based on a holistic and forward-looking approach.

The difference between economic capital and regulatory capital constitutes the margin making it possible to secure the bank’s level of capital. This margin depends on the Crédit Mutuel Group’s risk profile (in view of its current and future activities) and its degree of risk aversion.

The results of the ICAAP, which are regularly presented to the Crédit Mutuel Group's governing bodies, show that it has adequate capital to cover its risk exposure based on its appetite for solvency purposes.

IV.6 - Credit risk

General qualitative information about credit risk (CRA)

A retail customer-oriented model

Credit risk is the Crédit Mutuel CM11 Group’s principal risk due to its business model. This model is focused primarily on developing retail banking, with an expansion into mostly French corporate customers since the acquisition of the CIC Group. Since its integration into the Crédit Mutuel CM11 Group, CIC has also focused its development on retail customers. The Group’s retail banking activity, combined with the distribution of insurance products to retail customers, represents the vast majority of the Crédit Mutuel CM11 Group’s income streams. Nearly half of the Crédit Mutuel CM11 Group’s customer loan outstandings consist of residential real estate loans to individuals and 72% of customer exposure concerns retail customers.

A credit policy aimed at prudent growth

The credit risk policy defines the markets and types of financing in which each network and the specialized departments of the Crédit Mutuel CM11 Group may be active. It sets lending criteria by type of customer and product, based mainly on borrowers’ creditworthiness, and explicitly states any restrictions on the extension of credit, either through the general policy or through appropriate sector-specific policies at the Group level (mainly specific markets or products, individuals banned from banking, previous litigation, ratings-based, etc.).

This risk policy aims to:

- contribute to oversight by controlling commitments in accordance with the limits and, more broadly, with the Group’s risk appetite;
- reduce the cost of risk in the long term;
- measure capital requirements;
- respond effectively to the Basel III regulation as well as to regulations on internal control, and ensure returns on the investments made to achieve regulatory compliance.

The risk policy is applied in the context of the Group's risk appetite, which was approved by the Board of Directors of Caisse Fédérale de Crédit Mutuel, through a limits and alert threshold mechanism, in particular for the unit, sector and geographic concentration of commitments. These limits use, among others, the Crédit Mutuel Group's rating system described in the "Risk management" section of the management report.

The risk policy is communicated to all entities in the Crédit Mutuel CM11 scope via the intranet accessible at all of the Group's French and foreign entities.

The risk management system

The credit risk management system is described in the "Risk management" section of the management report.

Relationships between the credit risk management, risk control, compliance verification and internal audit functions

The Crédit Mutuel CM11 Group ensures that the loan origination and management functions are separated from the transaction control and audit functions. This separation is achieved mainly by having these functions report to different independent departments:

- the loan origination and management functions are part of the Group Lending Department;
- the risk control and monitoring and transaction compliance functions are part of the Risks, Control and Compliance Department;
- internal audit is part of the Network Periodic Control Department for third-level controls of transactions carried out in the networks and is part of the Group Audit Department for third-level controls of commitments made by the specialized business lines.

The Risks, Control and Compliance Department is involved in the credit monitoring system, mainly through the Quarterly Commitment Monitoring Committees, and in the At-risk Items Committees with respect to monitoring significant risks in particular. It works with the Lending Department to propose alert thresholds and internal credit risk limits. It also ensures that the credit risk monitoring system is operating properly and that the executive and decision-making bodies are kept informed of risk levels. Through the Permanent Control Department, it performs second-level controls of credit transactions and verifies that the first-level control tasks have been properly performed by line staff and by the Lending Department.

The Network Periodic Control and Group Audit departments ensure that the entire system is functioning properly, including the second-level system implemented by the Risks, Control and Compliance Department, through general or thematic audits of commitments.

IV.6.1 - Exposures

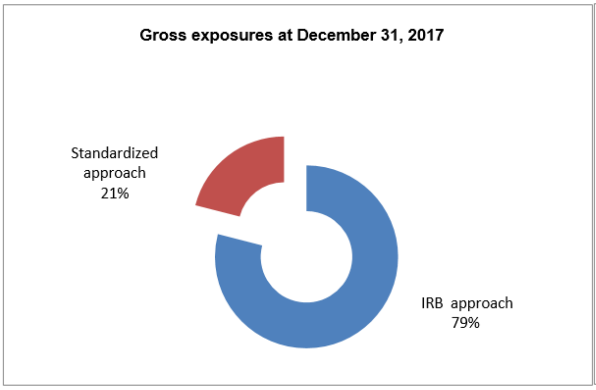
The Crédit Mutuel Group has focused on the advanced forms of the Basel 2 accord, beginning with its core business, retail banking. The ACPR has authorized it to use its internal ratings system to calculate its regulatory capital adequacy requirements in respect of credit risk:

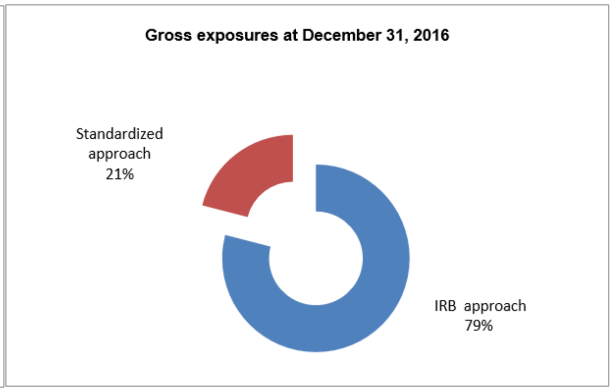
- using the advanced method, as from June 30, 2008, for the retail customer portfolio;
- using the foundation method, as from December 31, 2008, for the Banks portfolio;
- using the advanced method, as from December 31, 2012, for the Corporate portfolio and the Banks portfolio;

The Crédit Mutuel Group has obtained authorization to apply the internal method to the real estate development scope (4% of Corporate). It will be applied as of March 31, 2018.

As part of the rollout plan (transition to the internal ratings-based system), preparations for using the advanced method for the scopes covering the Crédit Mutuel Group factoring subsidiaries in France, Cofidis France and Targobank AG are well underway. These scopes represent 8% of the exposures of the regulatory credit institution, corporate and retail customer portfolios.

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, 2017.





Measured within the scope of credit institutions, corporates and retail customers, Crédit Mutuel CM11 Group

Table 14: Total and average net amount of exposures (CRB-B)

	Net exposures at the end of the period	Average net exposures over the year
Central governments or central banks	-	-
Institutions (banks)	32,808	33,621
Corporates	107,152	105,004
Of which: Specialized lending	8,499	8,299
Of which: SME	24,911	24,372
Retail customers	235,032	231,461
Exposures secured by a mortgage on immovable property	126,142	123,637
SME	18,885	18,349
Non-SME	107,257	105,288
Revolving	15,109	14,549
Other retail customers	93,781	93,275
SME	27,210	26,937
Non-SME	66,571	66,338
Equities	12,604	12,652
Other assets	4,246	4,570
Total IRB approach	**391,841**	**387,309**
Central governments or central banks	76,079	81,330
Regional governments or local authorities	4,978	4,826
Public sector (government agencies excluding central governments)	20,461	20,464
Multilateral development banks	762	783
International organizations	868	966
Institutions (banks)	1,319	1,472
Corporates	36,418	35,827
Of which: SME	2,288	2,445
Retail customers	41,721	41,138
Of which: SME	9,070	8,727
Exposures secured by a mortgage on immovable property	8,357	8,349
Of which: SME	196	259
Exposures in default	1,776	1,772
Exposures associated with particularly high risk	328	192
Covered bonds	61	80
Exposures to institutions and corporates with a short-term credit assessment	-	-
Exposures in the form of units or shares in collective investment undertakings (CIUs)	0	0
Equity exposures	280	236
Other assets	1,262	1,328
Total standardized approach	**194,670**	**198,764**
Total	**586,510**	**586,072**

Exposures by region

The Crédit Mutuel CM11 Group is primarily a French and European player. The geographic breakdown of gross exposures at December 31, 2017 reflects this as 96% of its commitments are in Europe.

Table 15: Geographical breakdown of exposures (CRB-C)

	Net exposure													
	Europe	France	Germany	Belgium	Spain	Luxembourg	Netherlands	UK	Other	Rest of world	USA	Canada	Other	Total
Central governments or central banks	**0**	0	0	0	0	0	0	0	0	**0**	0	0	0	**0**
Institutions (banks)	**29,991**	25,765	187	124	136	97	308	1,737	1,635	**2,817**	561	930	1,326	**32,808**
Corporates	**97,295**	84,746	3,493	1,049	422	1,367	1,746	2,063	2,408	**9,858**	4,310	152	5,396	**107,152**
Retail customers	**234,056**	231,929	219	267	77	170	31	369	994	**976**	237	47	691	**235,032**
Equities	**12,515**	12,355	6	24	0	110	0	2	19	**89**	65	21	3	**12,604**
Other assets	**4,228**	4,213	4	0	0	0	0	10	0	**18**	-2	0	20	**4,246**
Total IRB approach	**378,084**	359,008	3,910	1,464	635	1,744	2,085	4,181	5,057	**13,757**	5,172	1,150	7,436	**391,841**
Central governments or central banks	**72,230**	61,789	3,725	258	505	1,099	691	179	3,984	**3,849**	2,544	240	1,065	**76,079**
Regional governments or local authorities	**4,939**	4,732	167	0	38	1	0	0	0	**39**	0	39	0	**4,978**
Public sector (government agencies excluding central governments)	**20,453**	19,855	589	0	0	9	0	0	0	**8**	0	6	1	**20,461**
Multilateral development banks	**0**	0	0	0	0	0	0	0	0	**762**	0	0	762	**762**
International organizations	**0**	0	0	0	0	0	0	0	0	**868**	0	0	868	**868**
Institutions (banks)	**1,222**	548	312	14	28	45	10	120	145	**97**	26	7	65	**1,319**
Corporates	**34,841**	11,861	13,262	899	1,366	1,444	538	841	4,631	**1,576**	520	43	1,013	**36,418**
Retail customers	**41,555**	12,393	21,959	1,227	2,297	198	29	71	3,381	**167**	37	5	125	**41,722**
Exposures secured by a mortgage on immovable property	**8,298**	2,511	23	54	843	868	5	34	3,960	**59**	1	0	58	**8,357**
Exposures in default	**1,733**	1,143	138	38	178	6	3	13	215	**42**	5	1	37	**1,776**
Exposures associated with particularly high risk	**328**	328	0	0	0	0	0	0	0	**0**	0	0	0	**328**
Covered bonds	**61**	34	0	0	0	0	26	0	0	**0**	0	0	0	**61**
Exposures to institutions and corporates with a short-term credit assessment	**0**	0	0	0	0	0	0	0	0	**0**	0	0	0	**0**
Exposures in the form of units or shares in collective investment undertakings (CIUs)	**0**	0	0	0	0	0	0	0	0	**0**	0	0	0	**0**
Equity exposures	**165**	11	4	3	2	142	0	0	3	**115**	115	0	0	**280**
Other assets	**1,261**	219	450	153	139	220	0	0	79	**1**	0	0	1	**1,262**
Total standardized approach	**187,087**	115,425	40,628	2,646	5,397	4,031	1,303	1,259	16,399	**7,583**	3,248	341	3,994	**194,670**
Total	**565,170**	474,433	44,538	4,110	6,031	5,775	3,388	5,440	21,455	**21,340**	8,420	1,491	11,429	**586,510**

Exposures by industry or counterparty types

The Crédit Mutuel CM11 Group's exposures have historically been well diversified from a sector perspective. This wide variety reduces the concentration risk that could exist in the event of high exposure to one sector. The two largest sectors are retail customers (39%) and governments (18%).

Table 16: Exposures by industry or counterparty types (CRB-D)

	Governments	Banks and financial institutions	Individuals	Sole traders	Agriculture	Non-profit	Other group subsidiaries *	Travel and leisure	Chemicals	Retail
Governments	-	-	-	-	-	-	-	-	-	-
Institutions	-	32,808	-	-	-	-	-	-	-	-
Corporates	-	-	-	214	1,020	1,351	250	3,654	1,205	10,819
Retail customers	-	-	189,709	13,758	5,918	600	-	2,102	42	3,871
Equities	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-
Total IRB approach	-	32,808	189,709	13,972	6,938	1,952	250	5,756	1,247	14,690
Governments	103,178	-	-	-	-	-	-	-	-	-
Institutions	-	1,381	-	-	-	-	-	-	-	-
Corporates	-	-	-	-	2	3	29,660	139	58	1,475
Retail customers	-	-	36,865	322	17	3	6,597	77	21	534
Equities	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-
Total standardized approach **	103,178	1,381	36,865	322	19	6	36,257	216	79	2,009
TOTAL	103,178	34,188	226,574	14,295	6,958	1,958	36,507	5,972	1,326	16,699

** CIC Suisse, BDL, leasing and factoring entities acquired from General Electric*

*** Under the standardized approach, exposures are broken down by regulatory category according to borrower, with no distinction made between exposures secured by a mortgage on immovable property, exposures in default, exposures associated with particularly high risk, and covered bonds.*

Table 16: Exposures by industry or counterparty types (CRB-D)

	Automotive	Building and construction materials	Industrial goods and services	Healthcare	Other financial sector	Industrial transportation	Household goods	Real estate development	Other real estate (of which leasing and real estate companies)	Utilities
Governments	-	-	-	-	-	-	-	-	-	-
Institutions	-	-	-	-	-	-	-	-	-	-
Corporates	3,145	8,199	6,934	2,923	7,375	5,070	1,877	-	12,373	2,724
Retail customers	661	2,553	1,885	411	1,977	1,105	332	-	1,647	265
Equities	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-
Total IRB approach	3,806	10,752	8,820	3,334	9,352	6,175	2,209	-	14,020	2,990
Governments	-	-	-	-	-	-	-	-	-	-
Institutions	-	-	-	-	-	-	-	-	-	-
Corporates	368	512	540	94	61	296	126	5,741	200	194
Retail customers	60	718	370	29	21	144	65	-	66	20
Equities	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-
Total standardized approach **	428	1,230	910	123	83	439	191	5,741	267	214
TOTAL	4,234	11,982	9,730	3,458	9,434	6,615	2,400	5,741	14,287	3,204

*** Under the standardized approach, exposures are broken down by regulatory category according to borrower, with no distinction made between exposures secured by a mortgage on immovable property, exposures in default, exposures associated with particularly high risk, and covered bonds.*

Table 16: Exposures by industry or counterparty types (CRB-D)

	Agri-food and drink	Media	Holding companies, conglomerates	Cutting-edge technologies	Oil and gas, commodities	Telecommunications	Other	Equities	Other assets	**Total**
Governments	-	-	-	-	-	-	-	-	-	-
Institutions	-	-	-	-	-	-	-	-	-	32,808
Corporates	5,453	2,498	8,265	4,249	4,856	1,248	11,448	-	-	107,152
Retail customers	575	161	733	175	97	14	6,440	-	-	235,032
Equities	-	-	-	-	-	-	-	12,604	-	12,604
Other assets	-	-	-	-	-	-	-	-	4,246	4,246
Total IRB approach	6,028	2,658	8,999	4,424	4,953	1,262	17,888	12,604	4,246	391,841
Governments	-	-	-	-	-	-	-	-	-	103,178
Institutions	-	-	-	-	-	-	-	-	-	1,381
Corporates	297	53	107	295	106	232	1,592	-	-	42,152
Retail customers	117	38	25	44	30	8	223	-	-	46,417
Equities	-	-	-	-	-	-	-	280	-	280
Other assets	-	-	-	-	-	-	-	-	1,262	1,262
Total standardized approach **	414	92	131	339	136	241	1,815	280	1,262	194,669
TOTAL	6,442	2,750	9,130	4,763	5,089	1,502	19,703	12,883	5,507	586,510

*** Under the standardized approach, exposures are broken down by regulatory category according to borrower, with no distinction made between exposures secured by a mortgage on immovable property, exposures in default, exposures associated with particularly high risk, and covered bonds.*

Maturity of exposures

Table 17: Maturity of exposures

Gross exposure, in € millions	< 1 month	1 month <M< 3 months	3 months <M< 1 year	1 year <M< 2 years	2 years <M< 5 years	M > 5 years	Perpetual	Total
BALANCE SHEET								
Governments and central banks	58 723	1 371	5 364	3 386	4 426	23 820	220	97 308
Institutions	4 532	5 885	6 999	3 030	9 644	5 908	143	36 141
Corporates	20 725	11 286	7 534	7 577	23 354	20 090	151	90 716
Retail customers	14 739	6 896	19 122	24 172	61 085	123 116	45	249 174
BALANCE SHEET total	**98 718**	**25 438**	**39 018**	**38 164**	**98 509**	**172 933**	**559**	**473 339**
OFF-BALANCE SHEET								
Governments and central banks	171	29	40	7	381	362	4	994
Institutions	1 290	98	201	44	420	484	384	2 921
Corporates	20 901	3 854	4 813	4 620	18 470	1 989	5 337	59 982
Retail customers	20 720	2 204	2 246	2 943	809	8 101	1 150	38 173
OFF-BALANCE SHEET total	**43 081**	**6 185**	**7 300**	**7 614**	**20 079**	**10 936**	**6 875**	**102 070**

IV.6.2 - Asset credit quality

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 ensure the reliability of the arrangements for identifying defaults used for calculating capital requirements.

The accounting definitions and methods applied to impairment provisions are presented in the Crédit Mutuel Group's consolidated financial report in Note 3: Accounting policies and methods, section 3.2 Impairment of loans and receivables and provision for financing and guarantee commitments. The definitions and quantitative information relating to payment arrears are also found in the financial report in the “Payment arrears” section.

In accordance with Delegated Regulation No 183/2014 of 20 December 2013 specifying the calculation of specific and general credit risk adjustments, the Crédit Mutuel Group classifies its individual impairment provisions as specific credit risk adjustments and its collective impairment provisions as general credit risk adjustments. All credit risk impairment provisions are established in accordance with IAS 39.

An exposure is restructured (forborne) if the borrower faces financial difficulty. The Group then makes some concessions to the borrower (change in the terms of the contract such as the rate or the term, partial waiver, additional financing that would not have been granted in the absence of difficulties, etc.). The group has the means in its IT systems to identify forborne exposures in its performing and non-performing portfolios, defined using the principles set out by the EBA on October 23, 2013.

The tables below break down outstanding non-performing and litigious loans and the corresponding provisions at December 31, 2017 according to their industry or counterparty type, their Basel methodological treatment and their geography.

Table 18: Credit quality of exposures by exposure class and instrument (CR1-A)

	Gross exposure		Specific provisions	Collective provisions	Net exposure
	Performing exposures	Non-performing exposures			
Central governments or central banks	-	-	-		
Institutions (banks)	32,796	16	4		
Corporates	106,232	1,998	978		
Of which: Specialized lending	*8,385*	*133*	*18*		
Of which: SME	*24,448*	*902*	*439*		
Retail customers	232,415	5,385	2,612		
Exposures secured by a mortgage on immovable property	*124,412*	*2,547*	*817*		
SME	*18,459*	*639*	*213*		
Non-SME	*105,953*	*1,908*	*604*		
Revolving	*15,079*	*135*	*105*		
Other retail customers	*92,924*	*2,703*	*1,689*		
SME	*26,513*	*1,760*	*1,063*		
Non-SME	*66,411*	*943*	*626*		
Equities	*12,605*	-	*2*		
Other assets	4,246	-	-		
Total IRB approach	***388,294***	***7,399***	***3,595***	***257***	***391,841***
Central governments or central banks	76,079	-	-		
Regional governments or local authorities	4,978	-	-		
Public sector (government agencies excluding central governments)	20,461	-	-		
Multilateral development banks	762	-	-		
International organizations	868	-	-		
Institutions (banks)	1,319	-	-		
Corporates	36,469	-	39		
Of which: SME	*2,295*	-	*7*		
Retail customers	41,970	-	2		
Of which: SME	*9,077*	-	*1*		
Exposures secured by a mortgage on immovable property	8,359	-	2		
Of which: SME	*196*	-	*0*		
Exposures in default -	0	4,914	3,138		
Exposures associated with particularly high risk	328	-	-		
Covered bonds	61	-	-		
Exposures to institutions and corporates with a short-term credit assessment	-	-	-		
Exposures in the form of units or shares in collective investment undertakings (CIUs)	0	-	-		
Equity exposures	281	-	1		
Other assets	1,262	-	-		
Total standardized approach	***193,196***	***4,914***	***3,182***	***258***	***194,669***
Total	**581,490**	**12,312**	**6,777**	**515**	**586,510**

Table 19: Credit quality of exposures by industry or counterparty types (CR1-B)

	Gross exposure		Specific provisions	Collective provisions	Net exposure
	Performing exposures	**Non-performing exposures**			
Governments	103,148	35	5		
Banks and financial institutions	34,176	17	4		
Individuals	224,100	6,518	3,888		
Sole traders	14,059	437	201		
Agriculture	6,813	257	112		
Non-profit	1,943	23	8		
Other group subsidiaries *	36,068	621	182		
Travel and leisure	5,818	335	181		
Chemicals	1,317	19	10		
Retail	16,405	687	393		
Automotive	4,192	102	60		
Building and construction materials	11,731	475	225		
Industrial goods and services	9,587	330	187		
Healthcare	3,431	42	15		
Other financial sector	9,298	378	242		
Industrial transportation	6,510	185	80		
Household goods	2,356	107	63		
Real estate development	5,687	169	115		
Other real estate (of which leasing and	14,189	154	55		
Utilities	3,198	11	6		
Agri-food and drink	6,351	197	106		
Media	2,739	34	23		
Holding companies, conglomerates	9,001	207	79		
Cutting-edge technologies	4,742	40	19		
Oil and gas, commodities	4,970	234	115		
Telecommunications	1,453	53	3		
Other	19,814	645	397		
Equities	12,886	-	2		
Other assets	5,507	-	0		
Total	**581,490**	**12,312**	**6,777**	**515**	**586,510**

** CIC Suisse, BDL, leasing and factoring entities acquired from General Electric*

Table 20: Credit quality of exposures by geography (CR1-C)

In € millions	Gross exposure		Specific provisions	Collective provisions	Net exposure
	Performing exposures	**Non-performing exposures**			
Europe	560,361	12,040	6,732		
France	*470,079*	*9,346*	*4,719*		
Germany	*44,493*	*1,372*	*1,147*		
Belgium	*4,072*	*100*	*59*		
Spain	*5,884*	*499*	*327*		
Luxembourg	*5,773*	*23*	*21*		
Netherlands	*3,383*	*6*	*1*		
UK	*5,426*	*40*	*21*		
Other	*21,252*	*653*	*438*		
Rest of world	21,128	273	44		
United States	*8,346*	*100*	*10*		
Canada	*1,483*	*11*	*4*		
Other	*11,299*	*162*	*31*		
Total	**581,490**	**12,312**	**6,777**	**515**	**586,510**

Table 21: Aging of past-due exposures (CR1-D)

(in € millions)	Gross carrying amount						
	Performing outstandings			Non-performing outstandings			
	Not past due or past due ≤ 30 days	**> 30 days ≤ 60 days**	**> 60 days ≤ 90 days**	**Payment unlikely but not past due or past due < = 90 days**	**> 90 days ≤ 180 days**	**> 180 days ≤ 1 year**	**> 1 year**
Loans	431,641	436	474	2,631	354	658	8,206
Debt securities	39,681	-	-	378	-	-	131
Total	***471,322***	***436***	***474***	***3,009***	***354***	***658***	***8,337***

Table 22: Non-performing and forborne exposures (CR1-E)

(in € millions)	Gross carrying value of performing and non-performing exposures						
		of which performing outstandings with amounts past due > 30 days and ≤ 90 days	Of which performing forborne outstandings	Of which non-performing outstandings			
					Of which defaulted outstandings	Of which outstandings downgraded for accounting purposes	Of which forborne outstandings
Debt securities	40,190	-	-	509	509	509	47
Loans and advances	444,401	910	812	11,849	11,849	11,849	1,546
Off-balance sheet	116,103		-	307	307		-

(in € millions)	Accumulated impairment and negative fair value adjustment due to credit risk				Collateral and guarantees received	
	Of which performing outstandings		Of which non-performing outstandings		Of which non-performing outstandings	Of which forborne outstandings
		Of which forborne outstandings		Of which forborne outstandings		
Debt securities	-	-	93	-	-	-
Loans and advances	515	7	6,546	1,015	3,101	581
Off-balance sheet	-	-	138	-	72	-

IV.6.3 - Reconciliation of credit risk adjustments

Table 23: Changes in the stock of general and specific credit risk adjustments (CR2-A)

(in € millions)	Accumulated specific credit risk adjustments	Accumulated general credit risk adjustments
Opening balance	**-8,159**	**-483**
Allocation for the period	-1,729	-119
Reversal for the period	1,044	83
Reversals associated with assets derecognized from the statement of financial position	874	1
Transfer between credit risk adjustments	-0	0
Exchange rate differences	0	0
Business combinations, including acquisitions/disposals of subsidiaries	2	0
Other	1,329	3
Closing balance	**-6,639**	**-515**
Recoveries on previously impaired assets	198	0
Impairments	-1,246	0

IV.6.4 - Standardized approach

Exposures covered by the standardized approach are presented in the table below.

The Crédit Mutuel Group uses assessments by rating agencies to measure the sovereign risk on exposures relating to governments and central banks. Since September 2017, the Group has relied primarily on estimates provided by Banque de France for corporate exposures.

The cross-reference table used to link the credit quality steps to the external ratings taken into consideration is that defined in the regulations.

Table 24: Breakdown of exposures under the standardized approach (CR5)

Exposure classes	Risk weight										
	0%	10%	20%	35%	50%	75%	100%	150%	250%	Total	Of which unrated
Central governments or central banks	74,441	0	134	0	13	0	37	0	190	74,814	0
Regional governments or local authorities	115	0	4,798	0	0	0	0	0	0	4,912	0
Public sector (government agencies excluding central governments)	21,455	0	133	0	0	0	4	0	0	21,592	0
Multilateral development banks	762	0	0	0	0	0	0	0	0	762	0
International organizations	870	0	0	0	0	0	0	0	0	870	0
Institutions (banks)	2	0	1,234	0	1	0	1	0	0	1,238	0
Corporates	0	0	858	0	2,309	0	17,140	289	0	20,595	0
Retail customers	0	0	0	0	0	30,587	0	0	0	30,587	0
Exposures secured by a mortgage on immovable property	0	0	0	4,903	1,579	87	1,318	0	0	7,887	0
Exposures in default	3	0	0	0	0	0	964	711	0	1,678	0
Exposures associated with particularly high risk	0	0	0	0	0	0	0	304	0	304	0
Covered bonds	0	61	0	0	0	0	0	0	0	61	0
Exposures to institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0	0	0	0	0
Exposures in the form of units or shares in collective investment undertakings (CIUs)	0	0	0	0	0	0	0	0	0	0	0
Equity exposures	0	0	0	0	0	0	277	0	3	280	0
Other assets	0	0	0	0	0	0	1,261	0	0	1,262	0
Total	**97,646**	**61**	**7,156**	**4,903**	**3,901**	**30,675**	**21,002**	**1,304**	**193**	**166,842**	**0**

The totals include assets risk-weighted at 250% corresponding to deferred outstanding assets.

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 Crédit Mutuel groups with good-quality counterparties.

IV.6.5 - Internal ratings-based systems

Rating system and parameters

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 National Confederation for all portfolios. However, the regional entities are directly involved in developing and approving working group projects on specific issues, as well as in work on data quality and application acceptance testing. The authorization work underway in the subsidiaries relies on the expertise of the entity in question, on their parent company's teams (Risk and Finance) and on the teams at the Confédération Nationale.

The rating system for the Crédit Mutuel Group’s counterparties is used across the entire Group.

Probability of default (PD) is the likelihood that a counterparty will default over a one-year period. 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;
- rating grids prepared by experts.

These models are used to ensure proper risk assessment and rating. The scale of values reflects risk progressivity and is divided into 11 positions, including nine non-default positions (A+, A-, B+, B-, C+, C-, D+, D-, E+) and two default positions (E- and F).

At the end of the internal rating process, each borrower in the Retail and "mass" Corporate scopes is assigned a rating. Based on this rating and on other features, sound borrowers are grouped into homogeneous risk classes prior to the PD regulatory parameter measurement process. Cluster analyses are performed on the segments defined as part of the modeling of the algorithms. A risk class's probabilities of default are then estimated using historical default rates for exposures belonging to that class, based on more than 10 years of observations. Prudence factors are taken into account to allow for uncertainty in the estimates.

For the other scopes, too few defaults are available to ensure the relevance and robustness of the statistical estimates. The probabilities of default associated with the internal ratings are calibrated from external data.

Loss given default (LGD) is the ratio of the loss suffered on an exposure due to counterparty default to the amount exposed at default, including any additional drawdowns made after default.

The group has developed internal models for estimating LGD, which have been authorized for the Bank, Corporate and Retail exposure categories.

For the Retail and "mass" Corporate scopes, LGD is calculated by class defined according to the type of loan and the nature of the collateral. The LGD estimate relies on updated monthly recoveries observed for each class. Prudence factors are taken into account to allow for the uncertainties in the estimates and the downturn nature of the LGD. The calculations rely on past internal defaults and losses going back more than 10 years.

For the other scopes, where too few defaults are available to ensure the relevance and robustness of the statistical estimates, LGDs are estimated on the basis of quantitative information and expert opinions, relying on external benchmarks and data and based on a conservative approach (taking into account the downturn effect).

The **credit conversion factor** (CCF) is the ratio between the portion of the current undrawn amount of a line of credit that could be drawn down and would therefore be exposed at default and the current undrawn amount of this line of credit.

For the Corporate and Retail customer portfolios, the Crédit Mutuel Group calculates the credit conversion factors (CCFs) in accordance with an internal method that has been authorized for financing commitments. For guarantee commitments and the Bank exposure category, regulatory values (standardized approach) are applied.

For the Corporate and Retail scopes, the internal CCFs are estimated using average historical CCFs weighted by number of contracts, by performing a product-based segmentation. They are calibrated on internal data.

The parameters used for calculating weighted risks are national and applied for all group entities.

Model mapping

Parameter modeled	Exposure category	Portfolio	Number of models	Methodology
PD	Institutions	Financial institutions	2 models: Banks, Covered Bonds	Expert-type models based on grids that use qualitative and quantitative variables
	Corporates	Large Accounts (revenue>€500m)	6 models depending on counterparty type and sector	Expert-type models based on grids that use qualitative and quantitative variables
		"Mass" Corporate (revenue<€500m)	3 models	Quantitative-type models with qualitative grids based on expert opinions
		Large Account acquisition financing	1 model	Expert-type model based on a grid that uses qualitative and quantitative variables
		Corporate acquisition financing	1 model	Quantitative-type models combined with qualitative grids based on expert opinions
		Specialized financing	Specialized asset financing: 6 models depending on the type of asset, Specialized project financing: 4 models depending on the sector, Specialized real-estate financing: 1 model	Expert-type models based on grids that use qualitative and quantitative variables
		Other Corporate	2 models: Real Estate Companies, Insurance Companies	Expert-type models based on grids that use qualitative and quantitative variables
	Retail	Individuals	6 models depending on the type of loan (mortgage, overdraft, etc.)	Quantitative-type models
		Legal Entities	4 models depending on the type of customer	Quantitative-type models
		Sole traders	3 models depending on the type of profession (merchants, tradespeople, etc.)	Quantitative-type models
		Agriculture	6 models depending on account status and type of activity (cyclical or non-cyclical)	Quantitative-type models
		Non-profit	1 model	Quantitative-type models
		Real-Estate Trusts	1 model	Quantitative-type models

Parameter modeled	Exposure category	Portfolio	Number of models	Methodology
LGD	Institutions	Financial institutions	1 model	Expert-type model depending on the counterparty and the contract, based on quantitative and qualitative information
	Corporates	Large Accounts, Acquisition Financing, Real-Estate Companies and Insurance Companies	1 model, with sector-specific parameters	Expert-type model depending on the counterparty and the contract, based on quantitative and qualitative information
		"Mass" Corporate	1 model applied to 8 segments according to the type of loan and the nature of the collateral	Quantitative-type models relying on internal recovery flows
	Retail		1 model applied to 10 segments according to the type of loan and the nature of the collateral	Quantitative-type models relying on internal recovery flows
CCF	Corporates	"Mass" Corporate	1 model applied to 4 segments according to the type of loan	Quantitative model, CCF calibration based on internal data
	Retail		1 model applied to 8 segments according to the type of loan	Quantitative model, CCF calibration based on internal data

Table 25: IRB approach – Credit risk exposures by exposure class and PD range (CR6)

PD scale	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF (%)	EAD post-CRM and post-CCF	Average PD (%)	Number of obligors	Average LGD (%)	Average maturity (year)	Risk Weighed Assets (RWA)	RWA density (%)	Expected Loss (EL)	Value adjustments and provisions
Institutions (banks)												
0.00 to <0.15	29,277	1,854	40	30,021	0.03	172	37	2.5	3,461	12	3	
0.15 to <0.25	360	225	52	529	0.23	49	32	2.5	251	48	0	
0.25 to <0.50	321	138	50	389	0.42	37	36	2.5	283	73	1	
0.50 to <0.75	0	0	0	0	0.00	0	-		0	0	0	
0.75 to <2.50	166	93	39	204	1.07	47	44	2.5	252	124	1	
2.50 to <10.00	295	53	32	265	2.79	42	44	2.5	427	161	3	
10.00 to <100.00	1	12	30	5	21.61	19	45	2.5	13	288	0	
100.00 (default)	16	0	0	16	100.00	3	45	2.5	0	0	4	
Sub-total	30,436	2,376	41	31,428	0.12	369	37	2.5	4,688	15	13	4
Corporates												
0.00 to <0.15	6,471	11,241	50	12,023	0.10	314	33	2.5	2,751	23	4	
0.15 to <0.25	0	3	20	1	0.43	0	42	2.5	0	1	0	
0.25 to <0.50	11,789	14,166	47	18,274	0.35	3,527	27	2.5	6,646	36	17	
0.50 to <0.75	7,560	1,437	48	8,246	0.56	4,733	21	2.5	2,722	33	10	
0.75 to <2.50	23,531	9,165	47	27,566	1.31	12,120	27	2.5	16,252	59	94	
2.50 to <10.00	8,085	2,394	52	9,271	4.71	4,492	29	2.5	8,810	95	122	
10.00 to <100.00	1,557	447	47	1,700	17.25	1,382	27	2.5	2,334	137	79	
100.00 (default)	1,666	199	70	1,805	100.00	1,825	61	2.5	964	53	1,010	
Sub-total	60,660	39,053	48	78,886	3.83	28,393	28	2.5	40,479	51	1,337	1,060
Of which: Specialized lending												
0.00 to <0.15	0	0	0	0	0.00	0	-		0	0	0	
0.15 to <0.25	0	0	0	0	0.00	0	-		0	0	0	
0.25 to <0.50	0	0	0	0	0.00	0	-		0	0	0	
0.50 to <0.75	0	0	0	0	0.00	0	-		0	0	0	
0.75 to <2.50	0	0	0	0	0.00	0	-		0	0	0	
2.50 to <10.00	0	0	0	0	0.00	0	-		0	0	0	
10.00 to <100.00	0	0	0	0	0.00	0	-		0	0	0	
100.00 (default)	0	0	0	0	0.00	0	-		0	0	0	
Sub-total	0	0	0	0	0.00	0	-		0	0	0	0

PD scale	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF (%)	EAD post-CRM and post-CCF	Average PD (%)	Number of obligors	Average LGD (%)	Average maturity (year)	Risk Weighed Assets (RWA)	RWA density (%)	Expected Loss (EL)	Value adjustments and provisions
Of which: SME							-					
0.00 to <0.15	0	0	0	0	0.00	0	-		0	0	0	
0.15 to <0.25	0	0	0	0	0.00	0	-		0	0	0	
0.25 to <0.50	3,471	558	49	3,742	0.33	2,367	21	2.5	938	25	3	
0.50 to <0.75	4,777	633	49	5,089	0.55	3,539	21	2.5	1,546	30	6	
0.75 to <2.50	9,511	1,333	48	10,153	1.35	8,486	21	2.5	4,172	41	29	
2.50 to <10.00	3,017	372	49	3,198	4.85	2,947	22	2.5	2,018	63	33	
10.00 to <100.00	683	93	50	729	18.59	914	21	2.5	687	94	28	
100.00 (default)	826	76	87	892	100.00	1,264	65	2.5	641	72	528	
Sub-total	22,284	3,065	50	23,803	5.71	19,517	23	2.5	10,002	42	627	439
Retail customers												
0.00 to <0.15	72,790	8,856	35	75,898	0.06	1,918,653	14		1,768	2	7	
0.15 to <0.25	26,651	3,115	37	27,789	0.18	784,564	15		1,453	5	7	
0.25 to <0.50	45,625	4,952	40	47,597	0.38	1,591,403	16		4,428	9	29	
0.50 to <0.75	0	0	0	0	0.00	0	-		0	0	0	
0.75 to <2.50	35,709	4,981	38	37,601	1.32	1,311,142	17		7,323	19	86	
2.50 to <10.00	20,027	3,676	41	21,552	5.26	752,536	17		7,854	36	203	
10.00 to <100.00	5,684	350	41	5,826	20.85	230,050	18		3,762	65	216	
100.00 (default)	5,273	111	80	5,256	100.00	178,080	46		1,281	24	2,340	
Sub-total	211,760	26,040	38	221,519	3.78	6,766,428	16		27,868	13	2,888	2,768
Of which: Exposures secured by a mortgage on immovable property												
0.00 to <0.15	40,688	1,222	42	41,203	0.06	337,501	14		978	2	4	
0.15 to <0.25	16,683	454	42	16,874	0.18	130,620	14		887	5	4	
0.25 to <0.50	30,206	691	43	30,502	0.37	214,065	15		2,865	9	17	
0.50 to <0.75	0	0	0	0	0.00	0	-		0	0	0	
0.75 to <2.50	19,299	507	43	19,516	1.26	150,762	15		4,092	21	37	
2.50 to <10.00	10,842	368	43	11,000	4.75	74,732	15		5,084	46	79	
10.00 to <100.00	3,412	41	43	3,429	19.67	24,327	15		2,731	80	104	
100.00 (default)	2,539	8	42	2,542	100.00	21,867	39		713	28	923	
Sub-total	123,669	3,290	42	125,066	3.32	953,874	15		17,349	14	1,168	817

PD scale	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF (%)	EAD post-CRM and post-CCF	Average PD (%)	Number of obligors	Average LGD (%)	Average maturity (year)	Risk Weighed Assets (RWA)	RWA density (%)	Expected Loss (EL)	Value adjustments and provisions
Of which: SME												
0.00 to <0.15	0	0	0	0	0.00	0	-		0	0	0	
0.15 to <0.25	911	26	42	922	0.15	7,033	14		35	4	0	
0.25 to <0.50	8,436	170	44	8,510	0.38	48,239	17		749	9	6	
0.50 to <0.75	0	0	0	0	0.00	0	-		0	0	0	
0.75 to <2.50	4,346	142	44	4,409	1.46	23,775	17		979	22	11	
2.50 to <10.00	3,056	99	45	3,100	5.01	16,735	17		1,397	45	27	
10.00 to <100.00	1,254	18	44	1,262	19.07	7,823	17		911	72	41	
100.00 (default)	637	1	43	638	100.00	4,541	41		171	27	249	
Sub-total	18,640	457	44	18,842	6.01	108,146	18		4,243	23	335	213
Of which: Non-SME												
0.00 to <0.15	40,688	1,222	42	41,203	0.06	337,501	14		978	2	4	
0.15 to <0.25	15,772	428	42	15,952	0.18	123,587	14		853	5	4	
0.25 to <0.50	21,770	521	42	21,992	0.37	165,826	14		2,116	10	12	
0.50 to <0.75	0	0	0	0	0.00	0	-		0	0	0	
0.75 to <2.50	14,953	365	42	15,107	1.19	126,987	14		3,112	21	26	
2.50 to <10.00	7,786	268	42	7,899	4.65	57,997	14		3,686	47	52	
10.00 to <100.00	2,157	23	43	2,167	20.02	16,504	14		1,819	84	63	
100.00 (default)	1,901	6	42	1,904	100.00	17,326	38		541	28	674	
Sub-total	105,028	2,833	42	106,225	2.84	845,728	14		13,106	12	833	604
Of which: Revolving												
0.00 to <0.15	2,011	4,389	20	2,893	0.07	451,513	33		46	2	1	
0.15 to <0.25	995	1,353	20	1,267	0.19	181,000	33		45	4	1	
0.25 to <0.50	1,202	1,326	20	1,469	0.43	221,583	33		102	7	2	
0.50 to <0.75	0	0	0	0	0.00	0	-		0	0	0	
0.75 to <2.50	1,392	1,104	20	1,613	1.49	268,738	33		286	18	8	
2.50 to <10.00	698	389	20	776	5.34	147,268	33		336	43	14	
10.00 to <100.00	173	49	20	183	19.82	39,426	33		166	91	12	
100.00 (default)	131	3	20	132	100.00	23,910	56		26	20	72	
Sub-total	6,602	8,613	20	8,333	2.93	1,333,438	33		1,008	12	109	105

PD scale	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF (%)	EAD post-CRM and post-CCF	Average PD (%)	Number of obligors	Average LGD (%)	Average maturity (year)	Risk Weighed Assets (RWA)	RWA density (%)	Expected Loss (EL)	Value adjustments and provisions
Of which: Other retail customers												
0.00 to <0.15	30,091	3,246	53	31,802	0.06	1,129,639	13		743	2	3	
0.15 to <0.25	8,973	1,308	52	9,648	0.18	472,944	14		521	5	2	
0.25 to <0.50	14,216	2,934	48	15,626	0.38	1,155,755	16		1,461	9	10	
0.50 to <0.75	0	0	0	0	0.00	0	-		0	0	0	
0.75 to <2.50	15,018	3,370	43	16,472	1.38	891,642	18		2,945	18	42	
2.50 to <10.00	8,488	2,920	44	9,777	5.84	530,536	19		2,434	25	110	
10.00 to <100.00	2,099	260	44	2,214	22.77	166,297	20		865	39	100	
100.00 (default)	2,603	100	85	2,582	100.00	132,303	54		542	21	1,345	
Sub-total	81,489	14,137	48	88,119	4.52	4,479,116	17		9,511	11	1,611	1,845
Of which: SME												
0.00 to <0.15	0	0	0	0	0.00	0	-		0	0	0	
0.15 to <0.25	884	224	39	970	0.15	42,864	18		46	5	0	
0.25 to <0.50	5,020	1,098	35	5,403	0.38	84,830	19		504	9	4	
0.50 to <0.75	0	0	0	0	0.00	0	-		0	0	0	
0.75 to <2.50	8,684	2,012	35	9,383	1.45	151,483	20		1,702	18	27	
2.50 to <10.00	5,760	1,194	38	6,217	6.36	120,729	20		1,569	25	81	
10.00 to <100.00	1,439	198	38	1,515	24.05	49,295	21		585	39	76	
100.00 (default)	1,678	82	88	1,750	100.00	41,601	54		366	21	916	
Sub-total	23,465	4,809	37	25,238	10.57	490,802	22		4,771	19	1,104	1,063
Of which: Non-SME												
0.00 to <0.15	30,091	3,246	53	31,802	0.06	1,129,639	13		743	2	3	
0.15 to <0.25	8,089	1,084	54	8,678	0.18	430,080	14		475	5	2	
0.25 to <0.50	9,196	1,836	56	10,223	0.38	1,070,925	15		957	9	6	
0.50 to <0.75	0	0	0	0	0.00	0	-		0	0	0	
0.75 to <2.50	6,334	1,358	56	7,088	1.29	740,159	15		1,244	18	14	
2.50 to <10.00	2,728	1,725	48	3,560	4.92	409,807	15		864	24	28	
10.00 to <100.00	661	62	62	699	19.97	117,002	17		280	40	24	
100.00 (default)	925	18	75	831	100.00	90,702	53		177	21	429	
Sub-total	58,024	9,329	53	62,881	2.08	3,988,314	14		4,739	8	506	782
Total	**302,855**	**67,469**	**44**	**331,833**	**3.45**	**6,795,190**	**21**	**2.5**	**73,035**	**22**	**4,238**	**3,832**

Backtesting

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 Crédit Mutuel's National Confederation 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. This reporting is carried out for each mass rating model on a quarterly basis and supplemented with half-year and annual controls and monitoring work, for which the levels of detail are higher (analysis of all the components of each of the models).

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).

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.

As the monitoring of parameters is subject to a national procedure, quantitative information relating to the backtesting of parameters and to the change in RWA under the IRB approach is presented in the Pillar 3 report of Confédération Nationale du Crédit Mutuel.

Permanent and periodic controls

The Crédit Mutuel Group's Basel II permanent control plan comprises two levels. At the national level, permanent control is involved in validating new models and significant adjustments made to existing models on the one hand, and on the other, the permanent monitoring of the internal rating system (particularly the parameters). At the regional level, CNCM Permanent Control is responsible for overseeing, coordinating and standardizing the entire Crédit Mutuel Group Permanent Control function for controls of 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 Crédit Mutuel 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.

Additional quantitative information

Risk-weighted assets of Equity exposures are obtained using the simple weighting method, which involves applying fixed weightings to the carrying values of the exposures.

Risk-weighted assets of Specialized Financing exposures are obtained using the slotting criteria method.

Table 26: RWA flow statements of credit risk exposures under the IRB approach (CR8)

Information relating to this table is covered at the national level in the Crédit Mutuel Group's Pillar 3 publication.

Table 27: IRB approach – Backtesting of PD per exposure class (CR9)

Information relating to this table is covered at the national level in the Crédit Mutuel Group's Pillar 3 publication.

Table 28: IRB (specialized lending and equities) (CR10)

Specialized lending

Regulatory categories	Remaining maturity	On-balance sheet amount	Off-balance sheet amount	Risk weight	Exposure amount	Risk Weighed Assets (RWA)	Expected losses
Category 1	Less than 2.5 years	487	186	50%	638	319	0
	Equal to or more than 2.5 years	4,584	375	70%	4,865	3,406	19
Category 2	Less than 2.5 years	139	67	70%	189	133	1
	Equal to or more than 2.5 years	1,524	329	90%	1,770	1,593	14
Category 3	Less than 2.5 years	46	83	115%	108	125	3
	Equal to or more than 2.5 years	469	53	115%	508	584	14
Category 4	Less than 2.5 years	0	11	250%	11	27	1
	Equal to or more than 2.5 years	32	0	250%	32	81	3
Category 5	Less than 2.5 years	26	3	-	31	0	16
	Equal to or more than 2.5 years	85	0	-	101	0	51
Total	**Less than 2.5 years**	**698**	**349**		**978**	**603**	**20**
	Equal to or more than 2.5 yea	**6,694**	**757**		**7,277**	**5,664**	**101**

Equities under the simple risk-weighted approach

Categories	On-balance sheet amount	Off-balance sheet amount	Risk weight	Exposure amount	Risk Weighed Assets (RWA)	Capital requirements
Private equity fund exposures	2,125	0	190%	2,125	4,038	323
Exposures to equities traded on organized markets	95	0	290%	95	275	22
Other equity exposures	9,384	0	370%	9,384	34,720	2,778
Significant holdings in the financial sector	1,001	0	250%	1,001	2,503	200
Total	**12,605**	**0**		**12,605**	**41,536**	**3,323**

Equity exposures under the standardized approach were €280 million at December 31, 2017.

IV.7 - Counterparty risk

Qualitative disclosure requirements related to counterparty credit risk (CCRA)

Risk management objectives and policies related to CCR

For trading desk counterparty risk, the management objective is to estimate the economic loss that the Group would suffer in the event of the immediate default of a counterparty before the recovery rate is taken into account.

The method used to assign the operating limits defined in terms of internal capital for counterparty credit exposures

The counterparty and credit risk limits for the trading desk are mostly based on the internal ratings of the counterparties and on the type of exposure to those counterparties (money market, investment in debt or equity securities, derivatives, and repurchase agreements).

Policies relating to guarantees and other risk mitigation techniques and assessments concerning counterparty risk

In accordance with the specifications of the CCR1 template, counterparty risk for trading desk transactions is calculated (i) using the mark-to-market method, plus an add-on, for exposures via derivatives and (ii) using the financial collateral comprehensive method for exposures via repurchase transactions. Margin call flows (collateralization) mitigate the risks of these exposures. Hedges via CDS may also be used to manage credit risk for certain Large Accounts counterparties. Lastly, the measures implemented for counterparty risk mitigation are: (i) the signature of netting agreements with certain counterparties for certain products (such as close-out netting in the event of counterparty default) and (ii) the netting of certain OTC derivative transactions with a central counterparty.

Policies with respect to wrong-way risk exposures

The two components of wrong-way risk, specific risk and general risk, are subject to supervision. A control procedure for specific wrong-way risk has been implemented to identify transactions likely to be exposed. A calculation is made for general wrong-way risk that combines a scenario of a deterioration in probabilities of default (historical and market) with a scenario of a distortion of the main risk factors to which the portfolio is sensitive.

Table 29: EU CCR1 - Analysis of CCR exposure by approach

	Notional	Replacement cost/current market value	Potential future credit exposure	Effective expected positive exposure	Multiplier	EAD post-CRM	RWAs
Mark to market		**3,530**	**2,315**			**3,391**	**1,768**
Original exposure							
Standardized approach							
IMM (for derivatives and SFTs)							
Of which securities financing transactions							
Of which derivatives and long settlement transactions							
Of which from contractual cross-product netting							
Financial collateral simple method (for SFTs)							
Financial collateral comprehensive method (for SFTs)						**7,672**	**13**
VaR for SFTs							
Total							

Table 30: CVA capital charge (CCR2)

In € millions	Exposure amount	RWAs
Total portfolios subject to the advanced CVA charge		
i) VaR component (including the 3x multiplier)		
(ii) SVaR component in a period of stress (including the 3x multiplier)		
Total portfolios subject to the standardized CVA charge	1,850	682
Total for the original exposure-based method		
Total subject to the CVA capital charge	**1,850**	**682**

Table 31: Standardized approach – CCR exposures by regulatory portfolio and risk (CCR3)

Exposure classes	Risk weight						Total	Of which unrated
	0%	2%	20%	50%	75%	100%		
Central governments or central banks	0	0	0	6	0	0	6	0
Regional governments or local authorities	10	0	0	0	0	4	14	0
Public sector (government agencies excluding central	2	0	0	0	0	4	5	0
Multilateral development banks	0	0	0	0	0	0	0	0
International organizations	0	0	0	0	0	0	0	0
Institutions (banks)	0	648	43	0	0	0	691	0
Corporates	0	1	0	0	0	227	228	0
Retail customers	0	0	0	0	1	0	1	0
Institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0	0
Other assets	0	0	0	0	0	0	0	0
Total	**12**	**649**	**43**	**6**	**1**	**234**	**945**	**0**

Table 32: IRB approach – CCR exposures by portfolio and PD scale (CCR4)

	PD scale	EAD post-CRM	Average PD (%)	Nombre de débiteurs	Average LGD (%)	Average maturity	Risk Weighed Assets	RWA density (%)
Institutions (banks)								
	0.00 to <0.15	6,635	0.05	168.0	13	1.9	400	6
	0.15 to <0.25	1,664	0.23	39.0	8	2.0	155	9
	0.25 to <0.50	2	0.44	4.0	38	2.0	0	14
	0.50 to <0.75	0	0.00	0.0	0	0.0	0	0
	0.75 to <2.50	0	1.02	1.0	45	2.5	0	126
	2.50 to <10.00	1	2.79	1.0	45	2.5	2	164
	10.00 to <100.00	0	0.00	0.0	0	0.0	0	0
	100.00 (default)	0	0.00	0.0	0	0.0	0	0
	Sub-total	8,303	0.09	213.0	12	1.9	558	7
Corporates								
	0.00 to <0.15	1,183	0.04	155.0	9	2.5	64	5
	0.15 to <0.25	0	0.00	0.0	0	0.0	0	0
	0.25 to <0.50	319	0.36	810.0	39	2.5	172	54
	0.50 to <0.75	84	0.58	920.0	37	2.5	54	64
	0.75 to <2.50	493	1.16	1809.0	24	2.5	280	57
	2.50 to <10.00	86	4.81	620.0	42	2.5	126	147
	10.00 to <100.00	38	16.60	160.0	48	2.5	97	254
	100.00 (default)	5	100.01	66.0	45	2.5	0	0
	Sub-total	2,207	1.05	4540.0	20	2.5	794	36
Of which: Specialized lending								
	0.00 to <0.15	0	0.00	0.0	0	0.0	0	0
	0.15 to <0.25	0	0.00	0.0	0	0.0	0	0
	0.25 to <0.50	0	0.00	0.0	0	0.0	0	0
	0.50 to <0.75	0	0.00	0.0	0	0.0	0	0
	0.75 to <2.50	0	0.00	0.0	0	0.0	0	0
	2.50 to <10.00	0	0.00	0.0	0	0.0	0	0
	10.00 to <100.00	0	0.00	0.0	0	0.0	0	0
	100.00 (default)	0	0.00	0.0	0	0.0	0	0
	Sub-total	0	0.00	0.0	0	0.0	0	0
Retail customers								
	0.00 to <0.15	4	0.08	131.0	45		0	3
	0.15 to <0.25	3	0.20	60.0	45		0	6
	0.25 to <0.50	2	0.47	28.0	45		0	10
	0.50 to <0.75	0	0.00	0.0	0		0	0
	0.75 to <2.50	1	2.03	33.0	45		0	19
	2.50 to <10.00	0	5.48	16.0	45		0	26
	10.00 to <100.00	0	15.52	2.0	38		0	32
	100.00 (default)	0	0.00	0.0	0		0	0
	Sub-total	11	0.47	270.0	45		1	7
Of which: Other retail customers								
	0.00 to <0.15	4	0.08	131.0	45		0	3
	0.15 to <0.25	3	0.20	60.0	45		0	6
	0.25 to <0.50	2	0.47	28.0	45		0	10
	0.50 to <0.75	0	0.00	0.0	0		0	0
	0.75 to <2.50	1	2.03	33.0	45		0	19
	2.50 to <10.00	0	5.48	16.0	45		0	26
	10.00 to <100.00	0	15.52	2.0	38		0	32
	100.00 (default)	0	0.00	0.0	0		0	0
	Sub-total	11	0.47	270.0	45		1	7
Of which: SME								
	0.00 to <0.15	0	0.00	0.0	0		0	0
	0.15 to <0.25	0	0.00	0.0	0		0	0
	0.25 to <0.50	0	0.00	0.0	0		0	0
	0.50 to <0.75	0	0.00	0.0	0		0	0
	0.75 to <2.50	0	0.00	0.0	0		0	0
	2.50 to <10.00	0	7.48	1.0	45		0	57
	10.00 to <100.00	0	0.00	0.0	0		0	0
	100.00 (default)	0	0.00	0.0	0		0	0
	Sub-total	0	7.48	1.0	45		0	57
Of which: Non-SME								
	0.00 to <0.15	4	0.08	131.0	45		0	3
	0.15 to <0.25	3	0.20	60.0	45		0	6
	0.25 to <0.50	2	0.47	28.0	45		0	10
	0.50 to <0.75	0	0.00	0.0	0		0	0
	0.75 to <2.50	1	2.03	33.0	45		0	19
	2.50 to <10.00	0	5.23	15.0	45		0	22
	10.00 to <100.00	0	15.52	2.0	38		0	32
	100.00 (default)	0	0.00	0.0	0		0	0
	Sub-total	11	0.47	269.0	45		1	7
		10,521	**0.29**	**5023.0**	**14**	**2.5**	**1,352**	**13**

Table 32: IRB approach – CCR exposures by portfolio and PD scale (CCR4)

	PD scale	EAD post-CRM	Average PD (%)	Nombre de débiteurs	Average LGD (%)	Average maturity	Risk Weighed Assets	RWA density (%)
Institutions (banks)								
	0.00 to <0.15	6,635	0.05	168.0	13	1.9	400	6
	0.15 to <0.25	1,664	0.23	39.0	8	2.0	155	9
	0.25 to <0.50	2	0.44	4.0	38	2.0	0	14
	0.50 to <0.75	0	0.00	0.0	0	0.0	0	0
	0.75 to <2.50	0	1.02	1.0	45	2.5	0	126
	2.50 to <10.00	1	2.79	1.0	45	2.5	2	164
	10.00 to <100.00	0	0.00	0.0	0	0.0	0	0
	100.00 (default)	0	0.00	0.0	0	0.0	0	0
	Sub-total	8,303	0.09	213.0	12	1.9	558	7
Corporates								
	0.00 to <0.15	1,183	0.04	155.0	9	2.5	64	5
	0.15 to <0.25	0	0.00	0.0	0	0.0	0	0
	0.25 to <0.50	319	0.36	810.0	39	2.5	172	54
	0.50 to <0.75	84	0.58	920.0	37	2.5	54	64
	0.75 to <2.50	493	1.16	1809.0	24	2.5	280	57
	2.50 to <10.00	86	4.81	620.0	42	2.5	126	147
	10.00 to <100.00	38	16.60	160.0	48	2.5	97	254
	100.00 (default)	5	100.01	66.0	45	2.5	0	0
	Sub-total	2,207	1.05	4540.0	20	2.5	794	36
Of which: Specialized lending								
	0.00 to <0.15	0	0.00	0.0	0	0.0	0	0
	0.15 to <0.25	0	0.00	0.0	0	0.0	0	0
	0.25 to <0.50	0	0.00	0.0	0	0.0	0	0
	0.50 to <0.75	0	0.00	0.0	0	0.0	0	0
	0.75 to <2.50	0	0.00	0.0	0	0.0	0	0
	2.50 to <10.00	0	0.00	0.0	0	0.0	0	0
	10.00 to <100.00	0	0.00	0.0	0	0.0	0	0
	100.00 (default)	0	0.00	0.0	0	0.0	0	0
	Sub-total	0	0.00	0.0	0	0.0	0	0

	PD scale	EAD post-CRM	Average PD (%)	Nombre de débiteurs	Average LGD (%)	Average maturity	Risk Weighed Assets	RWA density (%)
Retail customers								
	0.00 to <0.15	4	0.08	131.0	45		0	3
	0.15 to <0.25	3	0.20	60.0	45		0	6
	0.25 to <0.50	2	0.47	28.0	45		0	10
	0.50 to <0.75	0	0.00	0.0	0		0	0
	0.75 to <2.50	1	2.03	33.0	45		0	19
	2.50 to <10.00	0	5.48	16.0	45		0	26
	10.00 to <100.00	0	15.52	2.0	38		0	32
	100.00 (default)	0	0.00	0.0	0		0	0
	Sub-total	11	0.47	270.0	45		1	7
Of which: Other retail customers								
	0.00 to <0.15	4	0.08	131.0	45		0	3
	0.15 to <0.25	3	0.20	60.0	45		0	6
	0.25 to <0.50	2	0.47	28.0	45		0	10
	0.50 to <0.75	0	0.00	0.0	0		0	0
	0.75 to <2.50	1	2.03	33.0	45		0	19
	2.50 to <10.00	0	5.48	16.0	45		0	26
	10.00 to <100.00	0	15.52	2.0	38		0	32
	100.00 (default)	0	0.00	0.0	0		0	0
	Sub-total	11	0.47	270.0	45		1	7
Of which: SME								
	0.00 to <0.15	0	0.00	0.0	0		0	0
	0.15 to <0.25	0	0.00	0.0	0		0	0
	0.25 to <0.50	0	0.00	0.0	0		0	0
	0.50 to <0.75	0	0.00	0.0	0		0	0
	0.75 to <2.50	0	0.00	0.0	0		0	0
	2.50 to <10.00	0	7.48	1.0	45		0	57
	10.00 to <100.00	0	0.00	0.0	0		0	0
	100.00 (default)	0	0.00	0.0	0		0	0
	Sub-total	0	7.48	1.0	45		0	57
Of which: Non-SME								
	0.00 to <0.15	4	0.08	131.0	45		0	3
	0.15 to <0.25	3	0.20	60.0	45		0	6
	0.25 to <0.50	2	0.47	28.0	45		0	10
	0.50 to <0.75	0	0.00	0.0	0		0	0
	0.75 to <2.50	1	2.03	33.0	45		0	19
	2.50 to <10.00	0	5.23	15.0	45		0	22
	10.00 to <100.00	0	15.52	2.0	38		0	32
	100.00 (default)	0	0.00	0.0	0		0	0
	Sub-total	11	0.47	269.0	45		1	7
		10,521	**0.29**	**5023.0**	**14**	**2.5**	**1,352**	**13**

Table 33: EU CCR6 - Credit derivatives exposures

	Credit derivative hedges		Other credit derivatives
	Protection bought	Protection sold	
Notionals			
Single-name credit default swaps	**4,095**	**2,458**	
Index credit default swaps	**3,219**	**3,222**	
Total return swaps			
Credit options			
Other credit derivatives			
Total notionals	**7,315**	**5,680**	
Fair values			
Positive fair value (asset)	**-**	**131**	
Negative fair value (liability)	**147**	**15**	

Table 34: RWA flow statements of CCR exposures under the internal model method (CCR7)

Information relating to this table is covered at the national level in the Crédit Mutuel Group's Pillar 3 publication.

Table 35: EU CCR8 - Exposures to central counterparties

	EAD post-CRM	RWAs
Exposures to QCCPs (total)		
Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which		
(i) OTC derivatives	441	9
(ii) Exchange-traded derivatives	19	0
(iii) SFTs	123	2
(iv) Netting sets where cross-product netting has been approved		
Segregated initial margin	1,127	
Non-segregated initial margin		
Prefunded default fund contributions	36	1
Alternative calculation of own funds requirements for exposures		
Exposures to non-QCCPs (total)		
Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which		
(i) OTC derivatives		
(ii) Exchange-traded derivatives		
(iii) SFTs		
(iv) Netting sets where cross-product netting has been approved		
Segregated initial margin		
Non-segregated initial margin		
Prefunded default fund contributions		
Unfunded default fund contributions		

IV.8 - Credit risk mitigation techniques

Financial, personal and physical collateral may be used directly to reduce the calculation of capital requirements measured for credit risk and included in the calculation of the Group's solvency ratio. However, the use of guarantees as risk mitigation techniques is subject to compliance with the eligibility and minimum requirement conditions imposed by the regulations.

IV.8.1 - Netting and collateralization of repos and over-the-counter derivatives

When a framework agreement is entered into with a counterparty, the signatory entity nets the 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.8.2 - Description of the main categories of collateral taken into account by the institution

The Crédit Mutuel 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 this scope, the Group therefore does not use risk mitigation techniques in its capital requirements calculation.

For contracts concerning the “Sovereign” and “Institution” portfolios and, to some extent, the “Corporate” portfolio, personal collateral and financial collateral are used as risk mitigation techniques, as defined by the regulations.

- Personal collateral corresponds to a commitment made by a third party to take the place of the primary debtor if the latter defaults. By extension, credit derivatives (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 said guarantee meets the legal and operational criteria laid down by the regulations. Downstream processing to calculate weighted risks taking into account risk mitigation techniques is largely automated. Verification of compliance with the eligibility and minimum requirements conditions imposed by the regulations must be conducted and formalized when the guarantee is processed.

IV.8.3 - 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 Crédit Mutuel 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 (for example, the valuation of assets financed under finance leases takes into account the economic obsolescence of the asset). For real-estate collateral, the initial valuation is generally calculated using the acquisition cost or construction value of the asset.

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.

To perform the controls necessary for compliance with the conditions related to the guarantee agreements and the guarantors, the identification of guarantees in the information systems, and compliance with the standards and rules on eligibility in force at the Crédit Mutuel Group, the regional groups use common tools and dedicated operational procedures that list the types of guarantees qualifying as eligible, present the IT mechanisms developed in the guarantee management applications to define eligibility, and detail the questions the asset manager must answer to determine the eligibility of the guarantee when it is processed. These procedures are regularly updated by CNCM and submitted for authorization to the Basel III governance bodies. The permanent control department is involved in second-level controls to verify the eligibility and its justification.

The guarantee is periodically revalued over its lifetime in accordance with the rules set out in the procedures.

IV.8.4 - Main categories of protection providers

With the exception of intra-group guarantees, the main categories of protection providers taken into account are mutual guarantee companies such as Crédit Logement and GPA.

Table 36: Credit risk mitigation (CRM) techniques – overview (CR3)

	Exposures unsecured – Carrying amount	Exposures secured – Carrying amount *	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
Total loans	542,382	4,270	3,465	805	0
Total debt securities	21,468	0	0	0	0
Total exposures	**563,850**	**4,270**	**3,465**	**805**	**0**
Of which defaulted	5,507	90	24	66	0

** Column consisting only of exposures secured subject to a credit risk mitigation technique in the regulatory sense. The small amount of exposures secured reflects the fact that, for retail customer contracts based on an advanced IRB approach, the guarantees are used as an element for segmenting the loss given default; CRM techniques are therefore not used.*

Under the standardized approach, small discrepancies between exposure amounts pre- and post-CRM show that the impact of the collateral is not material.

Potential concentrations resulting from CRM measures (by guarantor and by sector) are monitored as part of credit risk management and included in the quarterly report, in particular the monitoring of compliance with concentration limits (monitoring carried out after guarantors are taken into account). No specific concentration has resulted from implementation of CRM techniques.

Table 37: Standardized approach – credit risk exposure and CRM effects (CR4)

	Exposures pre-CCF and CRM		Exposures post-CCF and CRM		RWAs and RWA density	
Exposure classes	**On-balance sheet amount**	**Off-balance sheet amount**	**On-balance sheet amount**	**Off-balance sheet amount**	**Risk Weighed Assets (RWA)**	**RWA density (%)**
Central governments or central banks	75,324	755	74,732	81	544	1
Regional governments or local authorities	4,539	439	4,754	158	960	20
Public sector (government agencies excluding central governments)	20,211	250	21,174	419	31	0
Multilateral development banks	762	0	762	0	0	0
International organizations	868	0	870	0	0	0
Institutions (banks)	1,213	107	1,211	27	249	20
Corporates	17,517	18,913	17,004	3,591	18,847	92
Retail customers	29,894	12,074	29,612	975	21,939	72
Exposures secured by a mortgage on immovable property	7,540	817	7,540	347	3,881	49
Exposures in default	1,683	93	1,594	84	2,031	121
Exposures associated with particularly high risk	289	39	289	16	452	148
Covered bonds	61	0	61	0	6	10
Exposures to institutions and corporates with a short-term credit assessment	0	0	0	0	0	0
Exposures in the form of units or shares in collective investment undertakings (CIUs)	0	0	0	0	0	100
Equity exposures	280	0	280	0	285	102
Other assets	1,262	0	1,262	0	1,261	100
Total	161,441	33,486	161,144	5,698	50,486	30

IRB approach – Effect on RWA of credit derivatives used as CRM techniques (CR7): the effect of credit derivatives as a CRM technique is not material for the Crédit Mutuel Group.

Table 38: EU CCR5-A - Impact of netting and collateral held on exposure values

	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
Derivatives	**11,405**	7,677	**3,729**	2,507	**1,222**
Repurchase agreements *	**15,966**	2,438	**13,528**	5,733	**7,795**
Cross-product netting					
Total	**27,372**	**10,115**	**17,257**	**8,240**	**9,017**

** Under the internal ratings-based approach, net exposures to repurchase and lending/borrowing transactions do not include collateral held, as the latter is included in the calculation of the effective loss given default (LGD*) method used by the Crédit Mutuel Group in accordance with Article 228 §2 of the CRR.*

Table 39: EU CCR5-B - Composition of collateral for exposures to CCR risk

	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegre-gated	Segregated	Unsegre-gated		
Variation margin		**3,450**		**4,028**	**71**	**98**
Initial margin	-		**1,536**		**12,261**	**14,720**
Total	**-**	**3,450**	**1,536**	**4,028**	**12,332**	**14,818**

Segregated: refers to collateral that is protected from default

IV.9 - Securitization

IV.9.1 - 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.

IV.9.2 - Control and monitoring procedures for capital markets activities

Market risks on securitization positions are monitored by the risk and results control function, focusing on various areas, with day-to-day procedures making it possible to monitor changes in market risks. 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-sales documentation and the issue prospectuses are also recorded and made available with the forms, in addition to the investor reports for securitizations issued from January 1, 2011.

Lastly, the capital markets activities have an application for measuring the impact of various scenarios on the positions (notably changes in prepayments, defaults and recovery rates).

IV.9.3 - Credit risk hedging policies

The credit markets activities traditionally buy securities. Nevertheless, purchases of credit default swaps for hedging may be authorized and, as applicable, are governed by the capital markets procedures.

IV.9.4 - Prudential 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.9.5 - 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.9.6 - Exposure by type of securitization

Exposures are stated net of provisions.

Table 40: Securitization by category

	2017			
EAD (in € millions)	**Banking portfolio**		**Trading portfolio**	**Correlation portfolio**
Credit quality	Standardized approach	Internal ratings-based approach	Internal ratings-based approach	Internal ratings-based approach
Investor				
Traditional securitization	82	5,427	1,666	
Synthetic securitization				471
Traditional resecuritization				
Synthetic resecuritization				
Sponsor				
Total	**82**	**5,427**	**1,666**	**471**

Table 41: Detailed breakdown of outstandings by credit rating

	2017			
EAD (in € millions)	**Banking portfolio**		**Trading portfolio**	**Correlation portfolio**
Credit quality	Standardized approach	Internal ratings-based approach	Internal ratings-based approach	Internal ratings-based approach*
E1		4,017	1,522	
E2	60	805	122	
E3		20	3	
E4		26	3	
E5	7	13	1	
E6	0	32		
E7		48	5	
E8		180		
E9	8			
E10		0		
E11		0	7	
Positions weighted at 1,250%	7	286	4	
Total	82	5,427	1,666	471

** The securitization of the correlation portfolio is calculated using the regulatory formula and there is therefore no data by credit quality.*

Table 42: Capital requirements

	2017			
Capital requirements in € millions	**Banking portfolio**		**Trading portfolio**	**Correlation portfolio**
	Standardized approach	Internal ratings-based approach	Internal ratings-based approach	Internal ratings-based approach
Total	4	50	12	7

Exposures using the Internal Ratings method weighted at 1,250% are deducted from shareholder's equity.

IV.10 - Market risks

Qualitative disclosure requirements related to market risk (MRA)

The Group's capital markets activities are carried out by Group Treasury and CM-CIC Marchés for BFCM and CIC in France and in the London, New York and Singapore branches (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), with the latter two business lines constituting CM-CIC Marchés. Management of these three business lines is "sound and prudent" and in line with the French law on the separation and regulation of banking activities.

In 2017, the organization of the market risk management system and of its methodologies for identifying, measuring, monitoring and controlling transactions was further optimized. Against this backdrop, the procedures were revised to take into account a unified limits system that incorporates the capital markets activities of CIC's branches. All methodologies are formalized in two "bodies of rules": a CM-CIC Marchés body of rules for the Commercial and Investment business lines and a Group Treasury 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.

Governance of market risk management is based on the following principles:

- 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 control system is based on first-level controls performed by three post-market teams: (i) the risks and results control team validates production, monitors results on a daily basis and ensures compliance with limits, (ii) the post-market accounting and regulatory team is responsible for reconciling accounting and economic results and for providing oversight on regulatory matters, and (iii) the legal and tax team is responsible for first-level legal and tax compliance;
- second-level controls are organized around: (i) the markets Group permanent control function, which reports to the Group permanent control department, supervises first-level permanent controls carried out by CM-CIC Marchés and conducts its own direct controls of activities, (ii) the Group's lending department, which monitors at-risk outstandings for each counterparty group, (iii) the Group's legal and tax department, which works with the CM-CIC Marchés legal and tax team, and (iv) CIC's finance department, which supervises accounting procedures and the chart of accounts and is responsible for accounting and regulatory controls;
- the Crédit Mutuel CM11 Group's periodic control team – which uses a team of specialist auditors to carry out periodic controls and compliance checks in respect of capital markets activities – and the General Inspectorate of Confédération Nationale du Crédit Mutuel (CNCM) make up the third level.

A Market Risk Committee that meets monthly and a Group Treasury Risk Committee that meets quarterly are responsible for monitoring the strategy, results and risks of CM-CIC Marchés (in France and in the branches) and Group Treasury, respectively, in relation to the limits prescribed by the boards of directors of CIC and BFCM.

The Market Risk Committee is chaired by the member of executive management in charge of CM-CIC Marchés and comprises the chief executive officer of CIC and of 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 Group Treasury Risk Committee is chaired by the chief executive officer of BFCM and comprises the head of Group Treasury, the head of the Group ALM department, the post-market team managers and the manager of the risk department. It analyzes transactions relating to market refinancing, refinancing of Group entities and liquidity assets.

Lastly, the Group Risk Committee (executive level) and the Group Risk Monitoring Committee (specialized committee of the governing body), both of which are supervised by the Group Risk Department, conduct quarterly analyses of all the risks to which the Group is exposed. They review outstandings, risks, results, consumption of capital (regulatory and internal), regulatory developments, projects and audits (internal and external) underway for the capital markets activities.

The Group has adopted a trading policy that describes the rules governing the assignment of market transactions to one of the two prudential books, the banking book or the trading book. The first version of this policy was published in January 2010 and the most recent revisions were in December 2017. The policy covers both the Investment and Commercial business lines (CM-CIC Marchés) and the transactions carried out by Group Treasury. For the Investment business line, an appendix to the policy provides a granular definition — by investment specialty — of the holding period for positions, the prudential classification and the justification for the classification.

Application of the trading policy is subject to two controls:

- The first control is performed by the Post-Market Accounting and Regulatory team. It is intended to (i) ensure low turnover in transactions classified in the banking book; (ii) justify the positions classified in the trading book; and (iii) ensure consistency in the average holding period for securities by specialty relative to the holding period for securities defined in the trading policy. This control is performed on a quarterly basis.

- The second control is performed by the markets Group permanent control function. It is intended to (i) ensure the adequacy of the control by the post-market accounting and regulatory team relative to the trading policy; (ii) verify the updates to the trading policy; and (iii) make sure that the recommendations resulting from external audits have been implemented. This control is performed on a semi-annual basis.

Table 43: Market risk under standardized approach (MR1)

In € millions	RWAs	Capital requirements
Outright products		
Interest rate risk (general and specific)	1,094	88
Equity risk (general and specific)	909	73
Currency risk	-	-
Commodity risk	-	-
Options		
Simplified approach	-	-
Delta-plus method	147	12
Scenario approach	-	-
Securitization (specific risk)	176	14
Total	**2,326**	**186**

IV.11 - Banking book interest-rate risk

Information relating to the assessment of capital requirements in terms of banking book interest-rate risk is presented in section III.3 "Crédit Mutuel CM11 Group's risk management."

IV.12 - Operational risk

Information relating to the structure and organization of the function responsible for operational risk management is presented in the management report of the Board of Directors of CNCM in the section entitled "Capital and risk exposure —Operational risk."

This report also satisfies the disclosure requirements in terms of the policy and arrangements put in place on the one hand (see *Main objectives*) and, on the other, the type of systems for reporting and measuring risks (see *Reporting and general oversight*).

IV.12.1 - 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 by business line, purpose and type of risk, liaising closely with the functional departments and the day-to-day risk management measures. More specifically, the mappings define a standard framework for analyzing the loss experience and lead to modeling based on expert opinions which are 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 Crédit Mutuel 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.12.2 - Authorized scope for AMA method

The Crédit Mutuel 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.12.3 - 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 emergency and business continuity plans.

The emergency and business continuity 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 an emergency and business continuity 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.12.4 - Use of insurance techniques

The ACPR has authorized the Crédit Mutuel 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 Crédit Mutuel 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 (EL);
- 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 Crédit Mutuel 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), fraud and damage to valuables (overall insurance for banking risks), as well as professional third-party liability and cyber-risks.

IV.13 - Liquidity risk

IV.13.1 - Liquidity risk management

Table on qualitative/quantitative information of liquidity risk in accordance with Article 435(1) of Regulation (EU) 575/2013 (LIQA)

1) Implemented strategy and processes

The Crédit Mutuel CM11 Group is an international bank and plays a substantial part in the European banking system. It refinances itself on the financial markets. It is one of the highest-rated European banks.

The Group centralizes liquidity management and oversight at both the asset-liability management (ALM) and Group Treasury levels, with common uniform rules for the business lines regarding risk measures and allocations across all Group entities with no exceptions.

This model allows for unilateral coverage consistent with the Group's very low risk appetite, as sound and prudent liquidity management focuses on long-term sustainability, with Banque Fédérative du Crédit Mutuel (BFCM) the sole issuer of medium/long-term debt.

Centralizing liquidity management at the Group ALM and Group Treasury levels makes it possible to understand the Group's overall exposures, thereby optimizing its monitoring and decision-making in the technical, monitoring and control committees.

2) Structure of the liquidity risk management function

Liquidity is governed by technical and monitoring committees and is supervised by the control committees.

From an operational standpoint, Group ALM and Group Treasury report to Executive Management of the Crédit Mutuel CM11 Group and act in accordance with the decisions of the ad hoc committees (*ALM Technical Committee, Group Treasury Risk Committee, Central Treasury and Liquidity Committee, Emergency Plan Management Committee*).

The Group follows the principles of sound and prudent liquidity risk management. Its aim is to shield the operating accounts of the cooperative banks and branches from liquidity and interest-rate risks, disseminate the market prices necessary for appropriate customer pricing, and guarantee the margins of the commercial network.

Neither ALM nor Group Treasury is a profit center or managed as such. The Group's financing needs identified by ALM, through the ALM technical committee, are communicated to Central Treasury which is responsible for borrowing the necessary funds on the markets.

From a Control standpoint, the Group Risk Department performs the risk management function for every type of risk and all of the Group's entities. It reports to the Chief Executive Officer and submits reports to the decision-making and executive governance bodies.

The Group Risk Department implements liquidity risk control and supervision. It reports regularly to the governing bodies (quarterly reports) and coordinates and participates in the various control committees (*Group Risk Monitoring Committee, Group Risk Committee, Audit and Financial Statements Committee and Control and Compliance Committee*), monitoring committees, technical committees concerned with liquidity risk, and boards of directors.

It coordinates the network of Risk correspondents from the various Group business lines and entities. The Group Risk Department is the first point of contact for the ECB and the national central banks. It also coordinates the monitoring of implementation of the recommendations resulting from supervisory authority inspections.

3) Scope and nature of reporting and measurement systems

The risk oversight and measurement systems are comprehensive and cover the entire Group scope. Non-financial entities are excluded.

The insurance company and asset management entities, which enjoy autonomy in the measurement and operational management of their liquidity, have a robust liquidity risk monitoring system; they regularly report the results of their business-appropriate liquidity stress tests to the Group.

ALM indicators are compiled at the consolidated level and by entity: static and dynamic liquidity gaps, liquidity gap in a Basel III stress scenario.

The limits system is comprehensive and, where applicable, is broken down and applied to each entity or business line in a granular way (LCR, Basel III liquidity gaps).

4) Policies for hedging and mitigating the risk

The general risk policy is consistent with the Group's risk profile, and takes into account the economic environment and market conditions.

Protecting customers, preserving its mutualist culture and organization, and financing and supporting economic activity in the regions are central to the Crédit Mutuel CM11 Group's strategy.

Shielding the sales margins of local entities and specialized business lines from risk is the aim of the system implemented, its organization, and its management through annual revisions of the alert thresholds/limits and an assessment of its resources.

Liquidity risk for the commercial banking activity is stringently managed through the systematic hedging through resources of the transformation generated on maturities ranging from three months to seven years, for assets and liabilities whose estimated future cash flows are close to the LCR and NSFR weightings, with restrictive alert thresholds for liquidity gaps in a Basel III stress scenario.

On the markets, the dedicated Group Treasury team manages and coordinates the issue programs, supervises listings and carries out interest-rate and foreign-exchange risk hedging transactions.

Because of its direct relationship with investors, it has a thorough understanding of all the components of access to the markets, a continuous presence through its listings, centralized portfolio management and the immediate ability to issue liquidity and refinancing instruments to diversify its vehicles, currencies and source countries.

BFCM is the sole issuer of medium/long-term debt on the capital markets; secured debt is issued through Crédit Mutuel-CIC Home Loan SFH. BFCM ensures that the Crédit Mutuel CM11 Group is able to meet its refinancing needs, manage its development challenges and safeguard its solvency.

5) Statement

The Crédit Mutuel CM11 Group certifies that its liquidity risk management arrangements are appropriate to the risk profile of the commercial activities and the risk appetite defined by the governance bodies.

This policy is consistent with the Group's general risk policy and was approved by Executive Management and the governing bodies. It is tailored to the risk profile, nature and size of the Group's activities. It takes into account the economic and market environment.

The liquidity risk management, measurement, oversight, control and monitoring arrangements have been approved by the management body.

The Crédit Mutuel CM11 Group's cash management approach is in line with the objective of sound and prudent management in light of the requirement set out in Title 1, Article 2 of Law no. 2013-672 of July 26, 2013 on the separation and regulation of banking activities. It meets two closely related objectives: to secure and refinance the Group's needs under the best possible terms and to monitor the Group's reputation on the market.

6) Statement

The management body approved the Crédit Mutuel CM11 Group's low risk appetite. Crédit Mutuel CM11 has defined a risk appetite policy that is a risk tolerance policy in general and, more specifically, a risk aversion policy in terms of liquidity and refinancing management.

Protecting customers and members, embodying its mutualist values, and financing and supporting economic activity in the regions are central to Crédit Mutuel CM11's strategy.

The Group's prudential policy for liquidity management is reflected in the introduction of the transformation rules it has put in place and whose limits (at the overall Group level) and thresholds (by entity) must be complied with for maturities ranging from three months to seven years (coverage ratio corresponding to total assets to total liabilities).

	3 months	6 months	9 months	1 year	2 years	3 years	4 years	5 years	6 years	7 years
Limits/alert thresholds	90%	90%	90%	90%	90%	90%	90%	90%	88%	86%

These rules limit liquidity exposures across the cash curve to prevent excessive transformation.

IV.13.2 - 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, 2017, the Crédit Mutuel CM11 Group had an LCR of 130.9%, which is well above the regulatory level of 80% for 2017.

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.

Table 44: Liquidity coverage ratio (LCR) (LIQ1.18)

Scope of consolidation: consolidated		**Unweighted value**				**Weighted value**			
Currency and units: €M									
Quarter ending on:		**3/31/2017***	**6/30/2017***	**9/30/2017**	**12/31/2017**	**3/31/2017***	**6/30/2017***	**9/30/2017**	**12/31/2017**
Number of data points used in the calculation of averages: 12									
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets							**82,792**	**82,259**
CASH OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:			185,367	187,817			12,467	12,598
3	*Stable deposits*			*133,474*	*135,537*			*6,674*	*6,777*
4	*Less stable deposits*			*51,856*	*52,248*			*5,756*	*5,789*
5	Unsecured wholesale funding			92,523	93,298			57,242	57,561
6	*Operational deposits*			*16,933*	*17,927*			*4,036*	*4,276*
7	*Non-operational deposits*			*65,334*	*65,293*			*42,950*	*43,207*
8	*Unsecured debt*			*10,256*	*10,078*			*10,256*	*10,078*
9	Secured wholesale funding							3,919	3,604
10	Additional requirements			64,749	65,360			6,649	6,701
11	*Outflows related to derivative exposures and other collateral requirements*			*104*	*163*			*104*	*163*
12	*Outflows related to loss of funding on debt products*			*0*	*0*			*0*	*0*
13	*Credit and liquidity facilities*			*64,645*	*65,197*			*6,545*	*6,539*
14	Other contractual funding obligations			337	427			312	324
15	Other contingent funding obligations			344	376			17	19
16	**TOTAL CASH OUTFLOWS**							**80,606**	**80,807**
CASH INFLOWS									
17	Secured lending			9,532	9,606			4,205	3,929
18	Inflows from fully performing exposures			21,873	21,891			12,620	12,648
19	Other cash inflows			1,585	1,512			1,553	1,480
EU-19a	Difference between total cash inflows and outflows							0	0
EU-19b	Excess cash inflows from a specialized credit institution							0	0
20	**TOTAL CASH INFLOWS**			**32,990**	**33,009**			**18,378**	**18,057**
EU-20a	***Fully exempt cash inflows***	-							
EU-20b	***Cash inflows subject to 90% cap***	-							
EU-20c	***Cash inflows subject to 75% cap***			*32,990*	*33,007*			*18,378*	*18,057*
21	**LIQUIDITY BUFFER**							82,792	82,259
22	**TOTAL NET CASH OUTFLOWS**							62,227	62,750
23	**LIQUIDITY COVERAGE RATIO (%)**							**133.45**	**131.35**

** Data not available due to implementation of the LCR Delegated Act as of September 30, 2017*

Template on qualitative information on LCR, which complements the LCR disclosure template (LIQ1.19)

1) Concentration of liquidity sources

The consolidated needs of the commercial banking businesses are fully funded by medium- and long-term (MLT) debt.

As the needs are almost exclusively in euros, Group Treasury does not hold MLT resources in their original currencies if these are currencies other than the euro. Group Treasury nonetheless seeks to issue outside Europe (with a target of 20%) and in foreign currencies (USD, JPY) in order to diversify the Group's investor base. It has developed the relevant legal programs and documentation to access these markets. The currency measures and shares correspond to the original currency analysis.

The 2017 issue program breaks down into 64% public issues (with private placements accounting for the balance), 67% in euros and 33% in foreign currencies. Secured debt represented 13.2% of issues, other senior issues 80.2%, and subordinated issues 6.6%.

At December 31, 2017, secured debt represented 32% of total MLT market resources, senior debt 57% and subordinated debt 11%. The share in euros was 87%.

The concentration of sources of MLT refinancing by country and counterparty type can be analyzed only for the participants on origination of each issue. On that basis, France provided 22%, Germany 16%, and Japan and the USA 13% each. Asset managers accounted for 48%, banks 24% and insurance companies 7%. The remainder consisted of other investors and central banks.

The LCR liquidity reserve is funded through short-term debt (maturing in up to 1 year).

At December 31, 2017, ECP (Euro Commercial Paper) and NEU CP (Negotiable European Commercial Paper) represented 40% and 44%, respectively. The share of euros was 63%, GBP 27% and USD 8%. Indicators of the diversity of the sources of refinancing by country and counterparty type are based on information available at the time of issue, and consequently include both the names of dealers buying in large volumes for resale and the names of so-called end-investors.

In total, market debt originally in euros stood at 77% and broke down into 65% MLT resources and 35% short-term resources.

This structure is more supportive of stable market refinancing over time, and is more resilient to cyclical movements due to the lower short-term exposure.

2) Derivative exposures and collateral calls

The Crédit Mutuel CM11 Group's approach to interest-rate and liquidity risk management includes appropriate hedging arrangements. The Group tracks the collateral calls of the various existing contracts to monitor its LCR flows. It also calculates an additional cash outflow corresponding to the collateral needs that may result from an adverse market scenario.

3) Currency mismatch in the LCR

Given its commercial activities and the domestic markets on which it operates, the Crédit Mutuel CM11 Group is highly concentrated on the euro. Only the US dollar exceeds the 5% representation threshold for the total consolidated balance sheet.

At December 31, 2017, the consolidated LCR was 130.9%. The share of the denominator in USD was less than 6.4%.

4) Degree of centralization of liquidity management and interaction between the Group's units

The scope administered by Asset-Liability Management (ALM) covers 100% of customer loans, 100% of customer deposits for the consolidated Group and 100% of Group Treasury's market liabilities.

This scope is relevant for certifying liquidity and interest-rate risk measures and hedges for the Crédit Mutuel CM11 Group excluding insurance companies and asset management.

ALM does not allow entities to lend to each other but administers available liquidity by maturity to entities in need, thereby pooling the positions and optimizing recourse to Group Treasury and the market.

IV.14 - Information about encumbered and unencumbered assets

Since December 31, 2014, and pursuant to article 100 of the CRR, the Crédit Mutuel CM11 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 December 31, 2017, the amount and characteristics of encumbered and unencumbered assets for the Crédit Mutuel CM11 Group broke down as follows:

Table 45: Encumbered and unencumbered assets (Template A)

	in € millions	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of non-encumbered assets	Fair value of non-encumbered assets
		010	040	060	090
010	**Assets of disclosing institution**	76,893		458,638	
030	Equity instruments	155	155	5,322	5,322
040	Debt securities	9,629	9,629	39,784	39,783
050	Of which covered bonds	767	767	7,942	7,942
060	Of which asset-backed securities	1,063	1,066	11,752	11,754
070	Of which issued by general governments	4,449	4,449	16,389	16,389
080	Of which issued by financial corporations	4,095	4,094	18,590	18,590
090	Of which issued by non-financial corporations	1,230	1,230	4,704	4,706
120	Other assets	67,091		413,351	

median values of end-of-quarter data for the last year

Table 46: Collateral received (Template B)

	in € millions	Fair value of the encumbered guarantee received or of encumbered own debt securities issued	Fair value of the guarantee received or of own debt securities issued available for pledging
		010	040
130	**Collateral received by the reporting institution**	14,273	7,678
140	Loans on demand	0	92
150	Equity instruments	2,236	788
160	Debt securities	11,947	3,663
170	Of which covered bonds	557	24
180	Of which asset-backed securities	106	1,338
190	Of which issued by general governments	8,750	559
200	Of which issued by financial corporations	2,503	2,468
210	Of which issued by non-financial corporations	680	670
220	Loans and advances other than loans on demand	0	198
230	Other collateral received	0	3,134
240	**Own debt securities issued other than own covered bonds or asset-backed securities**	0	0
241	**Own covered bonds and asset-backed securities issued and not yet pledged**		0
250	**TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED**	91,166	

median values of end-of-quarter data for the last year

Table 47: Carrying amount of encumbered assets/collateral received and associated liabilities (Template C)

	in € millions	Associated liabilities, contingent liabilities or securities loaned	Assets, guarantees received and own debt securities issued other than guaranteed bonds and securities backed by encumbered assets
		010	030
010	**Carrying amount of the financial liabilities selected**	70,469	87,292

median values of end-of-quarter data for the last year

IV.15 - Remuneration

Information about their sound remuneration policies is set out in the corporate governance report of Caisse Fédérale de Crédit Mutuel and Banque Fédérative de Crédit Mutuel.

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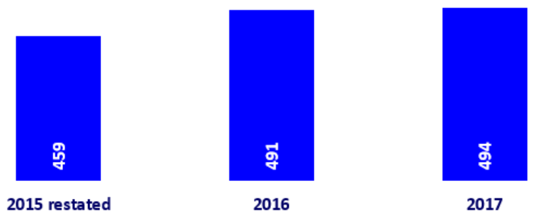
V.1 - BFCM Group's key figures

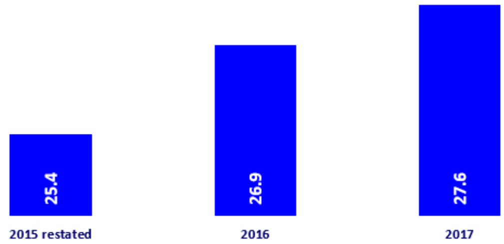
€ million	2017	2016
Net banking income	10 422	9 830
Operating income	3 660	3 295
Net income	1 824	1 943
Net income attributable to the group	1 549	1 655
Cost-to-income ratio[1]	57,4%	58,9%

(1) Ratio of overheads to net banking income

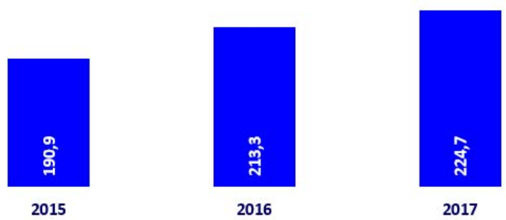
Total Assets (€ billion)



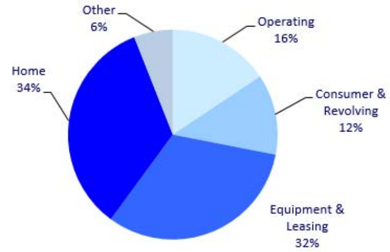
Shareholder's equity (€ billion)



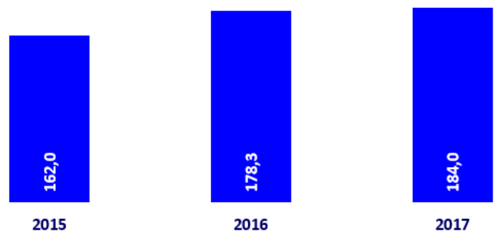
Net customer loans (€ billion)



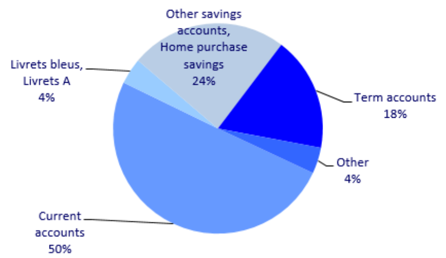
2017 structure of net loans



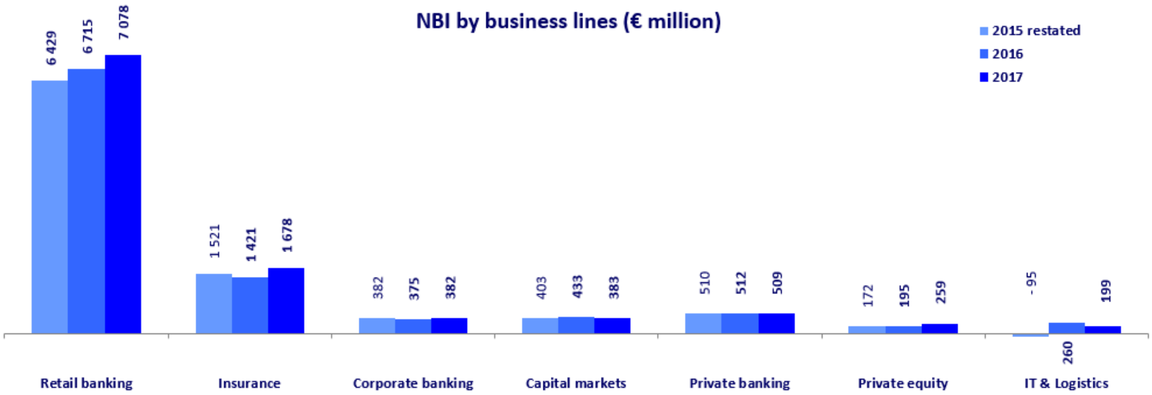
Customer deposits (€ billion)



2017 structure of bank deposits



NBI by business lines (€ million)



V.2 - BFCM Group's Management Report

V.2.1 – Financial review, key financial points relating to the consolidated financial statements, BFCM Group activity and results

2017 financial review

2017: a general acceleration in growth

The upturn in political visibility boosted worldwide growth throughout the year, driven particularly by the eurozone and the United States. This broke new ground in 2017, fueling the rise in equity markets, but not, however, leading to an increase in bond yields. Returning confidence, coupled with financial conditions that remained favorable, helped investment in developed countries to recover. At the end of the year, these elements contributed to the slight resurgence in inflationary pressure, although slow to materialize, opening the way to the sustained gradual reduction in the accommodating nature of monetary policies.

A year marked by political risk

The first half of the year was marked by the elections in the eurozone and by Donald Trump's first acts as President of the United States. The failed attempt to reform the Obamacare healthcare system (in March 2017) was a turning point that led to falls in interest rates and the dollar against the main currencies, reversing the movements observed after the election of Donald Trump in November 2016. The movement in currencies intensified with the electoral season in Europe passing off without incident. The result of the French elections provided reassurance to businesses and investors worldwide and led to a recovery in European growth and the single currency. Conversely, the outlook worsened in the United Kingdom due to the lack of visibility over the "Brexit" negotiations (and Theresa May's set-back at the elections in May). As a result, activity in the UK began to slow, at odds with the acceleration observed in other areas.

In the third quarter, although the geopolitical risk in North Korea did little to undermine market confidence, it temporarily encouraged capital flight towards certain safe haven investments (in particular, gold and the yen). Asian indices suffered little from this situation, as they were underpinned by the buoyant economic environment.

Towards the end of the year, the number of elections increased without affecting growth. The failure of Angela Merkel to secure a majority forced her to open negotiations with the liberal and green parties, then solely with the SPD (socialist party) with a view to forming a coalition government. Elsewhere, the situation in Catalonia since the October referendum continued to calm down with the subdued victory of the pro-independence parties in the December elections.

Synchronization of growth worldwide

In the eurozone, the passing off of the various elections without incident led to a very strong return to growth over the final two quarters. This may be explained by domestic factors (a rise in consumer expenditure and a pick-up in household and corporate investment), which were influenced by the buoyancy of world trade. Although the acceleration in growth spread to the entire zone, the same could not be said for inflationary pressure. 2017 was also marked by the easing of deflationary risks (generalized price reductions), leading the European Central Bank to adopt a less accommodating monetary policy. The swift fall in unemployment began to intensify the pressure on salaries, leaving the way open for a slow, gradual rise in inflation.

In the United States, despite an unstable executive branch, growth continued to accelerate, moving back above 2% and boosting US equities, but it was unable to stimulate an upward trend in either sovereign yields or the dollar. To regain momentum, the economy principally relied on robust demand. Households benefited from a favorable environment with the labor market approaching full employment. Although salary growth was long overdue, the possible overheating of the employment market and the desire to avoid financial bubbles caused the Fed to continue with its monetary tightening policy despite the slowdown in core inflation up until Q3 2017. The central bank therefore ended the year with a total of three interest rate hikes and prepared for a change in leadership with the appointment of a new governor (Jerome Powell), who is expected to take a broadly similar line to that of the current governor, Janet Yellen.

The Chinese government confirmed at the Congress of the Communist Party held in mid-October, that its priorities were action against pollution and the overindebtedness of the economy. The authorities pursued a policy of delivering sustainable, long-term growth, and continued to manage the economy with a view to avoiding a sudden crash. Whilst this approach is reassuring, its corollary is a slowdown in worldwide growth.

As for commodities, 2017 was marked by the extension of the agreement between OPEC and Russia on lowering oil production. This strategy was so successful that the price of a barrel of Brent crude oil ended the year above USD 66. The speed with which oil prices rose after mid-June caused short-term inflation to rise.

In France, the new government's reformist agenda fueled the rebound in growth

The election of Emmanuel Macron, accompanied by a large majority in the Assemblée Nationale, marked a turning point last year. The government sought to follow a reformist path and the confidence of households and businesses rose sharply over the second half of the year, reaching historic highs. The government's commitment to reforming the employment market and capital taxation was demonstrated through the orders and the finance law passed in the Autumn. The level of growth continued to surprise and was principally driven by demand, with both investment and consumption recovering. The economic environment remained favorable to fiscal consolidation measures, which remained at the heart of the government's concerns. 2017 was an exceptional year for the French real estate market, which saw a significant increase in the number of transactions in both new and existing properties, leading to a sharp rise in prices.

In conclusion, it should be noted that confidence peaked in both developed countries and emerging countries at the end of last year, leading to an acceleration in worldwide growth. In 2018, the fiscal reforms in the United States will build on the upswing in activity generated by the pick-up in investment. In the eurozone, the lack of political risk and the promising outlook point towards strong growth spreading to all countries. The accommodating monetary policies of central banks are becoming increasingly unnecessary as a result of this economic and financial environment.

Key financial points relating to the consolidated financial statements of Banque Fédérative du Crédit Mutuel.

Pursuant to Regulation (EC) 1606/2002 on the application of international accounting standards and Regulation (EC) 1126/2008 on the adoption of said standards, the consolidated financial statements for the year have been drawn up in accordance with IFRS as adopted by the European Union as of December 31, 2017. These standards include IAS 1-41, IFRS 1-8 and 10-13, and any SIC and IFRIC interpretations adopted as of that date.

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.

Since January 1, 2017, the Group has applied various amendments adopted by the EU which have no material impact on the Group's financial statements. These mainly include the amendment to IAS 12 – Income Taxes, which clarifies the principles for recognition of deferred tax assets for unrealized losses on debt instruments measured at fair value. It states that the recovery of this temporary difference is assessed:

- with all the temporary differences and carried forward losses of the entity, whether the holder plans to sell the securities or hold them to maturity,
- taking into account restrictions on the use of tax losses.

The estimation of probable future taxable profits can take into account a recoverable amount of assets which is higher than their carrying amount (for example, because of fair value). It excludes tax deductions resulting from the reversal of deductible temporary differences.

Information regarding risk management is provided in the Group's management report.

Scope and basis of consolidation

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, 2017 were as follows:

- Additions: CIC Hong Kong (branch), CM-CIC Caution Habitat, SCI Cotentin, SCI Tombe Issoire, SCI Provence Bureaux, SCI Saint Augustin, SCI Rue de Londres.

- Merger/absorption: CM Akquisition with Banque Fédérative du Crédit Mutuel, Cofisun with Cofidis Belgium, CM-CIC Proximité with CM-CIC Investissement SCR, Heller GmbH with Targo Deutschland, Quanta with Targobank AG, Documents AP with Est Bourgogne Media, Jean Bozzi Communication with Est Bourgogne Média, Distripub with SAP Alsace, Cofidis AS Slovaquie with Cofidis SA.

- Removals: Ventadour Investissement (dissolution), SCGPA (dissolution), Cigogne CLO Arbitrage (disposal), CMCP (liquidation).

- Change in consolidation method: Lyf SAS and Lyf SA (from full consolidation to equity method)

- Change of name: Fivory became Lyf SA, Fivory SAS became Lyf SAS, Diversified Debt Securities SICAV – SIF became Cigogne CLO Arbitrage, CM-CIC Capital et Participations became CM-CIC Capital.

BFCM Group activity and results

Analysis of the consolidated statement of financial position

The total IFRS consolidated statement of financial position of BFCM Group was €493.6 billion in 2017 compared with €491.3 billion in 2016 (+0.5%).

On the liabilities side, the increase mainly relates to amounts due to customers (+€5.8 billion) and technical reserves for insurance policies (+€2.7 billion).

Financial liabilities measured at fair value through profit or loss came to €9.2 billion in 2017 compared with €11.3 billion in 2016. 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 €50.6 billion compared with €55.5 billion in 2016 (-8.8%).

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 3.2% to €184.0 billion in 2017. The contribution of CIC entities alone represented nearly 80% of this total, i.e. €144.1 billion, whereas Targobank Germany contributed 8.0% (€14.7 billion), and BECM 7.0% (€12.8 billion).

Issues of securities other than those measured at fair value through profit or loss totaled €112.5 billion, stable relative to 2016. Bond loans accounted for the bulk of these, with an outstanding amount of €56.2 billion, followed by interbank securities and negotiable debt securities (€55.4 billion). The balance comprised short-term notes and accrued interest.

Technical reserves for insurance policies, representing liabilities to policyholders, came to €84.3 billion (+3.4%), of which €44.4 billion comprised customer savings.

The non-controlling interests shown as liabilities (€3.4 billion at the end of 2017) mainly related to other Crédit Mutuel groups' shares in GACM and the external shareholders of the Cofidis Group.

Shareholders' equity attributable to the Group totaled €24.2 billion, up 6.0% (+1.4 billion) in relation to 2016.

On the assets side, investments on the interbank market comprised assets with the Central Bank in the amount of €55.9 billion and assets with credit institutions in the amount of €50.3 billion.

Total receivables due from customers rose from €213.3 billion to €224.7 billion (+5.3%) in 2017.

76% of all loans are granted through CIC entities (€171.0 billion). The loan portfolio of BECM (€13.6 billion) accounted for 6.1% of total loans outstanding, followed by Targobank Germany (€13.4 billion) and the Cofidis group (€10.9 billion). The outstanding loans of the entities acquired from General Electric in France and Germany totaled €11.0 billion at the end of 2017.

Financial instruments measured at fair value through profit or loss came to €31.3 billion compared with €26.9 billion the previous year.

Goodwill on the assets side (totaling €4.0 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 (€131 million).

Analysis of consolidated income statement

Net banking income

The BFCM Group's net banking income grew from €9.830 billion in 2016 to €10.422 billion in 2017, an increase of 4.5% at constant scope. The main reasons underlying this change in BFCM Group net banking income between 2016 and 2017 are detailed below and result from factors identical to those that affected Crédit Mutuel-CM11 Group:

Net banking income from retail banking (€7.1 billion or 67% of the total) benefited from an increase in commission income received by the network, while the interest margin continued to decline. It was also helped by the strong margin of the Cofidis subsidiary that specializes in consumer credit and a favorable scope effect linked to the integration of the factoring and leasing subsidiaries acquired from General Electric in July 2016.

In the insurance segment, the increase in the gross margin tied to continued strong activity and satisfactory underwriting income resulted in an 18.1% increase in net insurance income to €1.7 billion.

Private equity's contribution to the Group's net banking income rose by 33.2% to €259 million, which reflects the appreciation of the equity portfolio and the net capital gains on disposals.

In an unfavorable capital markets environment, net banking income from private banking nevertheless grew by 6.1% to €509 million, while that of corporate banking and market activities fell by nearly 5% to €765 million.

Capital gains on disposals of non-controlling interests positively impacted net banking income in 2017.

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		
(€ millions)	**2017**	**2016 adjusted**	*change **
Retail banking	7,078	6,699	+3.0%
Insurance	1,678	1,421	+18.1%
Financing and capital markets	765	805	-4.9%
Private banking	509	512	+6.1%
Private equity	259	195	+33.2%
Logistics and holding company services	199	278	ns
Inter-businesses	(67)	(80)	ns
Total	**10,422**	**9,830**	**+4.5%**

** at constant scope*

Net banking income of the BFCM Group's retail banking activity increased by 3.0% relative to 2016, and net banking income of the retail banking activities of the Crédit Mutuel-CM11 Group rose by 1.9% as a result of the slight decrease in the NBI of the regulatory scope (-0.5%).

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 2017. The following table shows net banking income by region in 2016 and 2017.

(€ millions)	**12/31/2017**	**12/31/2016**	change
France	7,472	7,216	+3.5%
Europe, excluding France	2,776	2,402	+15.6%
Rest of the world	173	212	+18.4%
TOTAL	**10,422**	**9,830**	**+6.0%**

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	1,555	586	-165	-1	-80	7,328	0
Belgium	136	32	-7	1	-7	606	0
Spain	365	35	-28	-1	-20	2,428	0
United States	102	75	-21	-12	-6	86	0
France	7,469	3,350	-1,204	-43	-978	28,863	0
Hong-Kong	4	1	-2	1	0	7	0
Hungary	46	9	0	0	-3	265	0
Italy	42	6	0	0	-4	225	0
Luxembourg	302	128	-23	7	-18	832	0
Morocco	0	65	0	0	0	0	0
Monaco	3	1	0	0	0	9	0
Poland	1	-1	0	0	0	27	0
Portugal	163	95	-27	1	-5	643	0
Czech Republic	7	-2	0	0	-1	142	0
United Kingdom	43	23	-4	-2	-4	62	0
Saint Martin	3	-1	0	0	0	9	0
Singapore	63	24	-5	1	1	248	0
Slovakia	1	-3	0	0	0	43	0
Switzerland	115	36	-6	1	-10	322	0
Tunisia	0	17	0	0	0	0	0
Total	**10,420**	**4,476**	**-1,493**	**-47**	**-1,135**	**42,145**	**0**

Operating income before provisions

BFCM Group's gross operating income reached €4.443 billion in 2017 compared with €4.043 billion in 2016, representing an increase of 8.6% at constant scope, in line with the strong growth in net banking income and general operating expenses (including depreciation, amortization and provisions), which showed a 1.7% increase at constant scope to €5.979 billion in 2017 versus €5.787 billion in 2016. BFCM Group’s cost/income ratio fell to 57.4% in 2017, compared with 58.9% in 2016.

Retail banking gross operating income was €2.860 billion in 2017 compared with €2.623 billion in 2016, an increase of 7.2% at constant scope. The retail banking cost/income ratio stood at 59.6% in 2017 compared with 60.8% in 2016.

Net additions to/reversals from provisions for loan losses

Net additions to/reversals from provisions for loan losses stood at €769 million compared with €727 million in 2016, up 4.5% at constant scope (effect of the collective provision). The cost of risk as a percentage of customer loans remained stable at 0.34%.

Retail banking’s individual net additions to/reversals from provisions for loan losses represented 96% of the Group's total cost of risk. They decreased by 3.3% and benefited from satisfactory risk management on the part of the CIC network (+0.4%) and Targobank Spain (€34 million in 2017 versus €89 million in 2016).

The non-performing loan ratio was 4.2% at year-end 2017 compared to 5.1% in 2016 and the overall coverage rate for these loans was 61.7%.

Operating income

The BFCM Group's operating income rose by 9.8% to €3.7 billion in 2017 compared with €3.3 billion in 2016.

Net income before tax

Net income before tax in 2017 was €3.3 billion, up 10.1% compared with 2016.

Net income (loss)

Despite the increase in income before tax reflecting the BFCM Group's operational performance, net income fell by 10.2% to €1.8 billion after the Group was charged an extraordinary surtax of €223 million imposed on large companies to partly offset the unconstitutionality of the tax on dividends. On an equal tax basis in 2017, the BFCM Group's total income would have been €2 billion, an increase of €100 million over 2016.

The Group's tax expense was €1.5 billion (€1.1 billion in 2016), for a record tax rate of 46.1%.

Transactions with Crédit Mutuel CM11 Group entities

Transactions with Crédit Mutuel CM11 Group entities not part of the BFCM Group (mainly the local banks and the CF de CM) accounted for €27 million of the BFCM Group's gross operating income in 2017.

Net interest income from these transactions amounted to €565 million in 2017 compared with €720 million in 2016. Net commission income was -€38 million in 2017 compared with -€35 million in 2016. Net expenses on other activities recognized by these entities were €450 million in 2017, compared with net expenses of €30 million in 2016.

As of December 31, 2016, outstanding loans to Crédit Mutuel-CM11 Group entities not part of the BFCM Group amounted to €29.4 billion (€32.4 billion as of December 31, 2016).

Analysis of results 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 2,546 branches in 2017.

(€ millions)	**2017**	**2016** adjusted	change *
Net banking income	**7,078**	**6,699**	**+3.0%**
Operating expenses	(4,217)	(4,076)	+0.2%
Operating income before provisions	**2,860**	**2,623**	**+7.2%**
Net additions to/reversals from provisions for loan losses	(769)	(727)	+4.5%
Gains/losses on other assets and associates	(11)	3	ns
Net income before tax	**2,081**	**1,898**	**+7.5%**
Corporate income tax	(697)	(696)	+0.9%
Net income (loss)	**1,384**	**1,202**	**+11.4%**

** at constant scope*

Net banking income from retail banking rose 3% to €7.078 billion. Net commission income was up 4.9%. General operating expenses remained stable (+0.2%) at €4.217 billion versus €4.076 billion in 2016. Net additions to/reversals from provisions for loan losses amounted to €769 million.

Net income was therefore €1.384 billion (+11.4%).

Insurance

The insurance activity showed positive trends with a 3.7% increase in policy numbers (28.9 million) and revenue of €9.7 billion.

(€ millions)	**2017**	**2016**	change
Net insurance income	**1,678**	**1,421**	**+18.1%**
Operating expenses	(493)	(472)	+4.4%
Operating income before provisions	**1,185**	**949**	**+24.8%**
Gains/losses on other assets and associates	31	45	-31.0%
Net income before tax	**1,216**	**994**	**+22.3%**
Corporate income tax	(517)	(299)	+72.8%
Net income (loss)	**699**	**695**	**+0.6%**

The contribution by the insurance activity segment to net income was €742 million (+1.3%). This income takes into account additional provisions for borrower's insurance as a result of the annual cancellation that is now possible and the extraordinary corporation tax due for accounts closed as of December 31, 2017.

Corporate banking

This business line managed €17.1 billion in loans and €6.6 billion in deposits.

(€ millions)	**2017**	**2016** adjusted	change
Net banking income	**382**	**393**	**-2.7%**
Operating expenses	(109)	(106)	+2.4%
Operating income before provisions	**273**	**287**	**-4.7%**
Net additions to/reversals from provisions for loan losses	(19)	(22)	-13.6%
Net income before tax	**254**	**265**	**-3.9%**
Corporate income tax	(75)	(97)	-22.6%
Net income (loss)	**179**	**168**	**+6.8%**

At €382 million, net banking income was down 2.7%, driven by negative interest rates and a 5.7% decrease in commission income. Operating expenses rose by 2.4% to €109 million and included a contribution to the Single Resolution Fund that was €3 million more than last year. Net additions to/reversals from provisions for loan losses totaled €19 million versus €22 million a year earlier.

Income before tax stood at €254 million, down 3.9% from December 31, 2016.

Capital markets activities

(€ millions)	**2017**	**2016** adjusted	change
Net banking income	**383**	**412**	**-6.9%**
Operating expenses	(213)	(195)	+9.0%
Operating income before provisions	**171**	**217**	**-21.3%**
Net additions to/reversals from provisions for loan losses	8	3	ns
Net income before tax	**179**	**220**	**-18.8%**
Corporate income tax	(67)	(72)	-8.2%
Net income (loss)	**112**	**148**	**-23.9%**

The capital markets division generated net banking income of €383 million, down 6.9% from 2016. The 9% increase in operating expenses was due in part to a Single Resolution Fund contribution charged to this business line, which was more than €7 million higher than the previous year.

Income before tax was €179 million versus €220 million the previous year.

Private banking

This business line managed savings totaling €112.6 billion. Customer loan outstandings stood at €11.6 billion at the end of 2017.

(€ millions)	**2017**	**2016**	change *
Net banking income	**509**	**512**	**+6.1%**
Operating expenses	(353)	(367)	+6.2%
Operating income before provisions	**155**	**145**	**+5.8%**
Net additions to/reversals from provisions for loan losses	(5)	(4)	ns
Gains/losses on other assets and associates	4	7	ns
Net income before tax	**154**	**149**	**+2.3%**
Corporate income tax	(35)	(32)	+10.5%
Gains/losses after corp. tax on disc. operations	22	(22)	ns
Net income (loss)	**141**	**95**	**+23.3%**

** at constant scope*

Net banking income totaled €509 million, an increase of 6.1%. Commission income rose by 5.5% and other components of net banking income (net interest margin and other components) by an average of 6.7%. Operating expenses totaled €353 million (+6.2%). Net additions to/reversals from provisions for loan losses totaled €5 million compared to €4 million the previous year.

Income before tax came to €154 million (€149 million in 2016, including a €10 million capital gain on the sale of a building), up 2.3% before taking into account at December 31, 2017 net profit on discontinued operations, i.e. €22 million in 2017 (sale of the Singapore and Hong Kong private banking activities).

Private equity

The Group's proprietary invested assets totaled €2.3 billion, including €668 million invested in 2017 by all the entities of the private equity division since the beginning of the year. The portfolio is made up of 352 non-fund holdings, the vast majority of which are in companies that are customers of the Group's networks. Funds managed on behalf of third parties totaled €205 million.

(€ millions)	**2017**	**2016**	change
Net banking income	**259**	**195**	**+33.2%**
Operating expenses	(47)	(46)	+3.9%
Operating income before provisions	**212**	**149**	**+42.1%**
Net income before tax	**212**	**149**	**+42.1%**
Corporate income tax	1	(0)	ns
Net income (loss)	**213**	**149**	**+43.4%**

The private equity business performed well in 2017, reporting net banking income of €259 million as of December 31, 2017 compared with €195 million in 2016 and income before tax of €212 million compared with €149 million a year earlier.

Logistics and holding company services

(€ millions)	**2017**	**2016** restated	change
Net banking income	**199**	**278**	**-28.4%**
Operating expenses	(613)	(605)	+1.3%
Operating income before provisions	**(414)**	**(327)**	**-26.6%**
Net additions to/reversals from provisions for loan losses	2	1	ns
Gains/losses on other assets and associates	(342)	(351)	+2.6%
Net income before tax	**(754)**	**(677)**	**-11.3%**
Corporate income tax	(152)	97	ns
Gains/losses after corp. tax on disc. operations		66	ns
Net income (loss)	**(905)**	**(514)**	**ns**

The logistics and holding company services activities recorded net banking income of €199 million in 2017 compared with €278 million in 2016, in which significant capital gains on disposals were realized. The division posted a net loss of €905 million in 2017 versus a net loss of €514 million in 2016, mainly as a result of the tax expense of €152 million following an extraordinary surtax imposed on large companies to partly offset the unconstitutionality of the tax on dividends.

V.2.2 - Recent developments and outlook

The BFCM Group, which is fully integrated into the Crédit Mutuel CM11 Group, is involved in the work on a new 2019-2023 Strategic Plan aimed at speeding up the Group's transformation.

The men and women of the Crédit Mutuel CM11 Group are committed to building a new strategic plan together and meeting the challenges of today's new world.

Through the rollout of its “2018 Customer Member Priority" plan, the Crédit Mutuel CM11 Group's digital transformation is already well underway and gaining momentum. This plan, which signals the Group's intention to make the needs of its members and customers its main focus, be in tune with new behaviors and offer a fluid and personalized relationship, is becoming a reality through the implementation of 250 projects. It represents an investment of 100,000 man-days and allows the networks to confirm their position as a local "phygital" bank that combines physical and digital for more effective service.

The Group has launched a large-scale project involving all its entities aimed at developing its next 2019-2023 strategic plan, ensemble#nouveaumonde, the content of which will be announced at the end of 2018. Strengthened by its diversity, close regional ties and respect for others, the new world Crédit Mutuel is looking towards the future while remaining committed to its founding values of liberty, solidarity and responsibility.

Events after the reporting period

No significant event or event likely to have an impact on the financial statements for the year ended December 31 has occurred since the year-end closing.

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 that have been checked for accuracy and consistency as provided by Article L. 823-10 of the French Commercial Code, as well as the rest of the management report, are marked with a "v".

The periodic and permanent control functions and the compliance function provide strict oversight of processes across all business activities.

A description of the controls, the review of reporting and the action plans undertaken are provided in the section entitled "risk management".

The risk management department consolidates overall risk monitoring and optimizes risk management through the amount of capital allocated to each business and the analysis of return on equity.

Credit risk

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

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 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.

Pursuant to CRBF Regulation 93-05, the Crédit Mutuel CM11 Group's regulatory corporate limits 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 Crédit Mutuel 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 default, provisioning and reclassification as performing

Adjustments associated with the transfer to default, 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.

Quantified data

Summary credit-risk exposure (statement of financial position and off balance sheet)

Exposure

Total gross exposure came to €264.4 billion, up by 2.2% compared with year-end 2016. Loans to customers totaled €223.3 billion, up 4.1% over 2016, while loans to credit institutions fell by 7.2%.

(€ million)	12/31/2017	12/31/2016
Loans & receivables		
Credit institutions	41,167	44,342
Customers	223,259	214,433
Gross exposure	**264,425**	**258,775**
Impairment provisions		
Credit institutions	0	0
Customers	-5,921	-7,360
Net exposure	**258,504**	**251,416**

Source: Accounting - excluding repurchase agreements.

Commitments given

(€ million)	12/31/2017	12/31/2016
Financing commitments given		
Credit institutions	1,217	1,316
Customers	44,727	43,180
Guarantee commitments given		
Credit institutions	3,264	2,560
Customers	15,999	15,191
Provision for risks on commitments given	**122**	**119**

Source: Accounting - excluding repurchase agreements.

Customer loans

Loans to customers, excluding repos, totaled €223.3 billion, up by 4.1% compared with 2016. On-balance sheet medium- and long-term loans increased by 7.1%, while short-term loans were up by 0.8%.

(€ million)	12/31/2017	12/31/2016
Short-term loans	**62,898**	**62,375**
Overdrawn current accounts	6,791	6,978
Commercial loans	14,749	13,001
Short-term credit facilities	40,248	41,279
Export credits	1,110	1,117
Medium- and long-term loans	**150,289**	**140,344**
Equipment loans	58,744	49,956
Housing loans	76,202	72,834
Finance leases	13,018	12,454
Other loans	2,325	5,100
Total gross customer loans, excluding non-performing loans and accrued interest	**213,187**	**202,719**
Non-performing loans	9,583	11,218
Accrued interest	488	497
Total gross customer loans	**223,259**	**214,433**

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 97.7% of the outstanding loans.

Performing loans to customers by internal rating	12/31/2017	12/31/2016
A+ and A-	32.0%	32.3%
B+ and B-	29.1%	27.7%
C+ and C-	26.2%	26.8%
D+ and D-	10.4%	10.7%
E+	2.3%	2.6%

Source: Risk Management.

BFCM Group scope excluding Targobank in Germany, Factofrance, CM-CIC Leasing Solutions, Targo Leasing, Targo Factoring, Targo Commercial Finance.

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 4.6% in 2017 and accounted for 36% 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)	12/31/2017	12/31/2016
Housing loans	**76,202**	**72,834**
Secured by Crédit Logement or Cautionnement Mutuel Habitat	33,937	31,518
Secured by mortgage or equivalent, low-risk guarantee	32,539	31,263
Other guarantees*	9,727	10,053

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.

	12/31/2017	12/31/2016
Retail	61%	61%
Corporates	33%	34%
Large corporates	3%	3%
Specialized financing and other	2%	2%

Source : Risk management / Financial Dpt

BFCM Group scope excluding foreign branchs of CIC.

Outstandings from CM-CIC Bail, CM-CIC Lease, CM-CIC Factor, Factofrance, CM-CIC Leasing Solutions, Targo Leasing, Targo Factoring, Targo Commercial Finance classified into "Corporates".

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		
	12/31/2017	12/31/2016
France	81%	80%
Europe, excluding France	16%	16%
Rest of the world	2%	4%

Concentration risk/Exposure by segment

The tables shown below derive from the credit risk calculator for the Crédit Mutuel CM11 Group.

Exposure of the Crédit Mutuel CM11 Group (€ billion)	Exposure as of Dec. 31, 2017			Exposure as of Dec. 31, 2016		
	IRB	Standard	Total	IRB	Standard	Total
Governments and central banks	0	99	99	0	104	104
Institutions	41	8	49	40	8	49
Corporates	110	47	157	108	46	154
Retail customers	238	50	287	229	48	277
Stock	13	0	13	13	0	13
Securitization	5	0	5	5	0	5
Other non-credit obligation assets	4	1	6	5	1	7
TOTAL	**411**	**205**	**616**	**401**	**207**	**608**

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 47% as of December 31, 2017.

Exposure by country of residence of the Crédit Mutuel CM11 Group's counterparty

Exposure by country of residence of the Crédit Mutuel-CM11 Group's counterparty as of Dec. 31, 2017	France	Germany	Luxembourg	Other EEA member countries	Rest of the world	Total
Governments and central banks	14.3%	0.8%	0.2%	0.6%	1.3%	17.2%
Institutions	5.4%	0.1%	0.0%	0.7%	0.6%	6.8%
Corporates	17.4%	2.9%	0.6%	2.3%	2.8%	26.1%
Retail customers	44.0%	2.9%	0.1%	1.6%	1.3%	49.9%
TOTAL	**81.1%**	**6.7%**	**0.9%**	**5.1%**	**6.1%**	**100.0%**

Source: Credit risks calculator - Crédit Mutuel CM11 Group consolidation scope

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 - Crédit Mutuel CM11 Group consolidation scope

The Group is primarily a French and European player. The geographic breakdown of exposures as of December 31, 2017 reflects this as 93.9% 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	12/31/2017	12/31/2016
Governments and central banks	19.2%	20.5%
Individuals	30.2%	33.9%
Banks and financial institutions	9.1%	9.1%
Sole traders	1.9%	2.1%
Agriculture	0.7%	0.8%
Non-profit	0.2%	0.2%
Other subsidiaries	9.2%	0.5%
Travel and leisure	1.3%	1.4%
Chemicals	0.3%	0.4%
Retail	3.7%	4.2%
Automotive	1.0%	1.0%
Building and construction materials	2.8%	3.1%
Industrial goods and services	2.3%	2.7%
Healthcare	0.8%	0.9%
Other financial sector	2.1%	2.3%
Industrial transportation	1.6%	1.9%
Household goods	0.6%	0.7%
Real estate	1.3%	1.4%
Real estate other	3.2%	3.3%
Utilities	0.7%	0.9%
Agri-food and drink	1.5%	1.8%
Media	0.7%	0.7%
Holding companies, conglomerates	2.2%	2.2%
Cutting-edge technologies	1.2%	1.4%
Oil and gas, commodities	1.3%	1.7%
Telecommunications	0.4%	0.5%
Other	0.4%	0.5%
TOTAL	**100.0%**	**100.0%**

Source: Credit risks calculator - Crédit Mutuel CM11 Group consolidation scope exlcuding Caisse Fédérale de Crédit Mutuel;

Major risks

CORPORATE

Concentration of customer credit risk	12/31/2017	12/31/2016
*** Gross commitments of €300m or more**		
Number of counterparty groups	47	53
Total commitments (€m)	29,946	31,976
of which total statement of financial position (€m)	12,050	12,784
of which total off balance sheet guarantee and financing commitments	17,896	19,192
*** Gross commitments of €100m or more**		
Number of counterparty groups	168	164
Total commitments (€m)	49,262	49,560
of which total statement of financial position (€m)	22,627	21,752
of which total off balance sheet guarantee and financing commitments	26,635	27,808

Source : DGR Crédit Mutuel CM11 Group scope excluding Banque Casino and Caisse Fédérale de Crédit Mutuel (bank id 10278)

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

BANKING

Concentration of customer credit risk	12/31/2017	12/31/2016
*** Gross commitments of €300m or more**		
Number of counterparty groups	8	8
Total commitments (€m)	4,555	5,448
of which total statement of financial position (€m)	3,137	4,179
of which total off balance sheet guarantee and financing commitments	1,418	1,268
*** Gross commitments of €100m or more**		
Number of counterparty groups	25	32
Total commitments (€m)	7,330	9,248
of which total statement of financial position (€m)	5,359	7,300
of which total off balance sheet guarantee and financing commitments	1,971	1,948

Source : DGR Crédit Mutuel CM11 Group scope excluding Banque Casino and Caisse Fédérale de Crédit Mutuel (bank id 10278)

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

At-risk items and cost of risk

Non-performing loans and loans in litigation fell by 14.6% to €9.583 billion at December 31, 2017 compared with a total of €11.218 billion as of December 31, 2016. These loans accounted for 4.2% of total customer loans compared with 5.1% at the end of 2016.

At year-end 2017, actual net provisioning for known risks represented 0.33% of gross outstanding customer loans, compared with 0.36% as of December 31, 2016. The cost of total customer risk, which includes provisions for collectively impaired receivables, amounted to 0.34% of the gross outstanding customer loans, compared with 0.34% as of December 31, 2016.

The table below summarizes the main components.

Net additions to/reversals from provisions for loan losses

	12/31/2017	12/31/2016
Cost of total customer risk	**0.34%**	**0.34%**
Banking networks *1	0.18%	0.19%
*Individuals **2*	*0.04%*	*0.06%*
*Housing Loans **2*	*0.02%*	*0.04%*
Consumer credit - Targobank in Germany*	1.32%	1.08%
Consumer credit - Cofidis*	2.36%	2.44%
Financing *3	0.11%	0.22%
Private banking*	0.05%	0.04%

Source: Accounting and Risk management

1 network excluding Targobank in Germany, Cofidis and network support

2 excluding Targobank in Spain

3 Corporates, International (including foreign subsidiaries), Specialized financing

** including collective provisions*

*** excluding collective provisions*

Quality of customer risks

(€ million, year-end principal balances)	12/31/2017	12/31/2016
Individually impaired receivables	9,583	11,218
Individual impairment	5,498	6,948
Collective impairment	417	403
Coverage ratio	61.7%	65.5%
Coverage ratio (individual impairment only)	57.4%	61.9%

Source : Accounting.

Outstanding loans to customers that are overdue but not reclassified as non-performing

Dec. 31, 2017 (€ million)	< 3 months	> 3 months < 6 months	> 6 months < 1 year	> 1 year	TOTAL
Debt instruments (1)	0	0	0	0	0
Loans & receivables	2,571	18	44	1	2,635
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	28	0	0	0	28
Non-financial companies	1,677	16	39	1	1,734
Retail customers	867	2	5	0	873
Total	2,571	18	44	1	2,635

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

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.

Interbank loans*

Interbank loans by geographic region

Interbank loans by geographic region	12/31/2017	12/31/2016
France	79.5%	80.5%
Europe, excluding France	11.4%	13.4%
Rest of the world	9.1%	6.0%

Source: credit risks calculator. 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 2017, exposures mainly concerned European banks, in particular French and German banks.

Structure of interbank loan according to internal rating (internal ratings based method)

Structure of interbank exposure by internal rating	Equivalent external rating	12/31/2017	12/31/2016
A +	AAA/AA+	4.9%	6.0%
A -	AA/AA-	52.8%	53.6%
B +	A+/A	17.4%	15.8%
B -	A-	16.7%	15.6%
C and below (excluding default ratings)	BBB+ and below	8.2%	8.9%
Not rated	-	0.0%	0.0%

Source: credit risks calculator. Banks only. Excluding entities in standard method.

Interbank exposure is broadly concentrated in the highest internal rating notches, with 91.8% of exposures rated between A+ and B- at end-2017 (or an external equivalent of AAA to A-), compared with 91.1% in 2016.

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, 2017	Carrying amount as of Dec. 31, 2016
Debt securities	**98,662**	**103,257**
Of which, government securities	14,256	16,680
Of which, bonds	84,406	86,577
Derivative instruments	**6,698**	**9,183**
Repurchase agreements & securities lending	**16,483**	**15,103**
Gross exposure	**121,843**	**127,543**
Provisions for impairment of securities	-55	-48
Net exposure	**121,788**	**127,495**

Source: Accounting.

Asset-liability management (ALM) risk

Organization

The Crédit Mutuel CM11 Group's asset-liability management functions are centralized.

The Crédit Mutuel CM11 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. Any breaches of limits or alert thresholds 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 and alert thresholds set for the Crédit Mutuel CM11 Group 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.

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 products with no contractual maturity and implicit options (early repayment and extension 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 and alert thresholds are set in relation to the annual net banking income of the 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 and off-balance sheet, whose cash flows are considered to be certain over a horizon of one month to twenty 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 twenty 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).

As of December 31, 2017, the net interest income of the BFCM Group's and the Crédit Mutuel CM11 Group's banking book, 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, sensitivity was -€73.0 million in year 1 and -€113.5 million in year 2, i.e. -0.93% and -1.44% of net banking income, respectively.
- For the Crédit Mutuel CM11 Group scope, sensitivity to a drop in interest rates was -0.22% over 1 year (-€25.8 million in absolute value) and -1.81% over 2 years (-€212.1 million). The risk limits (net banking income sensitivity of 3% over 1 year and 4% over 2 years) and alert thresholds (2.7% over 1 year and 3.6% over 2 years) were complied with over 1 year and 2 years.

Net banking income sensitivity indicators of the Crédit Mutuel CM11 Group:

Normalized interest rate shocks	Sensitivity as a % of NBI		Limit	
	1 year	2 years	1 year	2 years
Scenario S1	1.38%	2.67%	3%	4%
Scenario S2	-0.22%	-1.81%	3%	4%
Scenario S3	1.10%	4.81%		
Scenario S4	0.81%	-3.49%		
Scenario S5	0.54%	2.91%		

Scenario S1 constant balance sheet	0.94%	2.05%
Scenario S2 constant balance sheet	0.21%	-1.21%

Stress scenarios	Sensitivity as a % of NBI	
	1 year	2 years
Scenario S6	-1.02%	-3.58%
Scenario S6 bis (*)	-1.43%	-0.96%
Scenario S7	0.44%	-2.08%
Scenario S7 bis (*)	0.24%	-1.69%

(*): 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 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.

Overall, the Crédit Mutuel CM11 Group's NAV sensitivity to:

- a 2% fall in interest rates was -4.86% (-€1.593 billion in absolute value) of Tier 1 capital,
- a 2% rise in interest rates was -2.50% (-€821 million).

The Crédit Mutuel Group complied with the alert threshold of 15% of Tier 1 capital.

Sensitivity of net asset value	As a % of total equity
Sensitivity + 200 bp	-2.5 %
Sensitivity - 200 bp	-4.9 %

BFCM Group : Static fixed rate schedule (€million)

MACRO-AGGREGATE	Amount outstanding at Dec. 31, 2017	1 year	2 years	5 years	10 years
INTERBANK ASSETS	237,747	43,313	29,834	12,956	534
LOANS	194,947	116,923	92,257	47,333	16,252
SECURITIES	41,092	16,208	12,946	7,689	1,714
LONG-TERM INVESTMENTS	26,353	21,260	20,142	16,792	11,214
OTHER ASSETS	23,247	1	1	0	0
Total assets	**523,385**	**197,705**	**155,181**	**84,770**	**29,714**
INTERBANK LIABILITIES	-204,905	-47,105	-34,818	-12,433	-932
DEPOSITS	-166,087	-63,969	-52,796	-34,813	-14,894
SECURITIES	-105,540	-57,532	-49,950	-26,829	-1,795
SHAREHOLDERS' EQUITY	-28,530	-27,106	-25,683	-21,414	-14,301
OTHER LIABILITIES	-26,207	-1	-1	0	0
Total liabilities	**-531,269**	**-195,713**	**-163,246**	**-95,488**	**-31,923**
Total statement of financial position	**-7,883**	**1,992**	**-8,065**	**-10,719**	**-2,209**
OFF BALANCE SHEET ITEMS - FINANCIAL ASSETS	313,786	99,995	93,722	45,918	3,455
OFF BALANCE SHEET ITEMS - FINANCIAL LIABILITIES	-325,019	-82,491	-82,063	-36,491	-2,943
Total off balance sheet	**-11,233**	**17,503**	**11,659**	**9,427**	**513**
Grand Total	**-19,116**	**19,496**	**3,594**	**-1,292**	**-1,696**

* Unaudited figures by the auditors

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:

- monitoring of 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 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 Crédit Mutuel CM11 Group consolidated statement of financial position by residual maturity of future contractual cash flows (principal and interest)

2017	**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	178	622	1,641	2,089	3,646	2,929	997	12,101
Financial assets at fair value through profit or loss	48	10	6	2	2,459	107	54	2,686
Derivatives used for hedging purposes (assets)	290	35	218	385	1,319	1,170	(0)	3,418
Available-for-sale financial assets	1,419	656	3,488	3,745	8,890	10,892	1,205	30,296
Loans and receivables (including finance leases)	48,009	16,262	26,434	25,285	67,607	88,668	1,031	273,296
Held-to-maturity investments	0	0	0	0	20	0	0	20
Other assets	6,045	4,365	229	73	256	535	217	11,720
Liabilities								
Central bank deposits	285	0	0	0	0	0	0	285
Financial liabilities held for trading	132	154	688	501	2,213	1,743	24	5,455
Financial liabilities at fair value through profit or loss	0	0	0	0	0	0	0	0
Derivatives used for hedging purposes (liabilities)	175	19	465	545	1,339	802	0	3,344
Financial liabilities carried at amortized cost	178,791	27,529	55,040	17,020	45,139	32,886	1,949	358,354
Of which, debt securities (including bonds)	*10,693*	*13,394*	*30,174*	*13,133*	*23,707*	*21,353*	*0*	*112,453*
Of which, subordinated debt	*0*	*17*	*1,004*	*0*	*1,508*	*4,121*	*1,725*	*8,375*

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	2,316	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.

Comments:
The tabs above 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 "no fixed maturity" 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 "no fixed maturity" column.

Currency 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.

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 €968 million as of December 31, 2017 compared with €666 million at December 31, 2016 and solely concerned CIC's capital markets business.

Financial assets accounted for using the fair value option through profit or loss totaled:

- €2,229 million under the fair value option, mainly in relation to the private equity business line.
- €15,226 million in equities held by the GACM insurance activity (see Note 1.3.4. to the consolidated financial statements) within the framework of unit-linked policies in the insurance business, to ensure consistency with the treatment of liabilities.

Available-for-sale financial assets

Financial assets classified as available-for-sale and various long-term investments amounted to €10,858 million and €2,350 million respectively (see Note 7 to the consolidated financial statements).

Long-term investments included:

- Investments in non-consolidated companies totaling €1.489 billion and investments in subsidiaries and associates totaling €486 million: the main holdings concern Desjardins (€83 million), Foncières des Régions (€592 million), CRH (Caisse de Refinancement de l'Habitat) (€118 million) and Visa Inc. (€62 million);
- other long-term securities amounting to €375 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 €103 million in 2017 compared with net impairment of €21 million in 2016.

As of December 31, 2017, the acquisition value of impaired stocks was €4,232 million and the corresponding impairment provision was €1,311 million. Their market value was €2,921 million.

Private equity

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

Investments on a proprietary basis comprise around 380 investment lines, relating mainly to small- and medium-sized enterprises.

Risks related to the private equity business

	12/31/2017	12/31/2016
Number of listed investment lines	29	35
Number of unlisted, active investment lines	323	326
Number of funds	28	47
Revalued proprietary portfolio (€m)	2,539	2,183
Managed funds	205	234

Source: risk management

Market risk

General structure

The Group's capital markets activities are carried out in the "Group Treasury" department and at CM-CIC Marchés for BFCM and CIC in France and at the branches in London, New York and Singapore (CIC).

They are organized around three business lines: Group treasury (transactions mainly recognized on BFCM's statement of financial position), commercial and fixed-income/equities/credit investment (recognized on CIC's statement of financial position), with the latter two comprising CM-CIC Marchés. Management of the 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 CM-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 money market or bond instruments and futures contracts 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

CM-CIC Market Solutions is the department that handles commercial activities. It is a comprehensive platform of market solutions for customers in 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, 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. Global Fixed-Income/Forex/Commodities Execution Solutions also includes Equity/Bond/Derivative underlyings. In parallel, the Execution teams are assisted by the Solution Sales teams.

The Investment Solutions team markets investment products such as the Libre Arbitre and Stork EMTNs, which are developed by experts in the investment business line and aimed at the institutional, corporate and retail customers of the various Crédit Mutuel and CIC networks. 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, 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.

Internal control structures

In 2017, 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).

All methodologies are formalized in two “bodies of rules”, a CM-CIC Marchés body of rules for the Commercial and Investment business lines and a Group Treasury 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 of CIC 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 control system is based on first-level controls performed by three Post-Market teams:

- the risks and results control team validates production, monitors results on a daily basis and ensures compliance with limits, and has monitored operational risks since 2016,

- the post-market accounting and regulatory team is responsible for reconciling accounting and economic results, for providing oversight on regulatory matters,

- the 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,

- the Group's lending department, which monitors at-risk outstandings for each counterparty group,

- the Group'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 and a Group Treasury Risk Committee that meets quarterly monitor the strategy, results and risks of CM-CIC Marchés (in France and at the branches) and Group Treasury, respectively, within the limits set by the Boards of Directors of CIC and BFCM. The Market Risk Committee is chaired by the member of Executive Management in charge of CM-CIC Marchés and includes 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."

The Group Treasury Risk Committee is chaired by the Chief Executive Officer of BFCM and includes the Group Treasury manager, the Group's ALM manager, the post-market team managers and the manager of the risk department. It analyzes market refinancing, Group entity refinancing and liquidity assets transactions.

Risk management v

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 2017 for the fixed-income, equity, credit and commercial business lines are stable in relation to 2016. At the end of 2017, the limits on these activities were reconfirmed for 2018. 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 €3.9 million at year-end 2017. 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. Trading activities are maintained in New York within reduced limits under the supervision of CM-CIC Marchés.

CM-CIC Marchés' overnight cash borrowing position must not exceed a limit set at €1 billion for 2018, with an intermediate warning limit, both of which are defined by management 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 capital consumption mainly relates to the HQLA portfolio. It is calculated based on the CAD and the European capital adequacy ratio. In 2017, the overall consumption of risk capital according to French accounting standards fell from €129.4 million to €71.7 million with a peak of €142.7 million in March. The variations stem from a sharp decrease in the European capital adequacy ratio (inclusion of internal LGD parameters), along with a decrease in General Interest Rate Risk (derivatives set up in light of the securities in the liquidity portfolio).

2 - Hybrid instruments:

The consumption of capital was €61 million on average in 2017 and ended the year at €54.5 million. The stock of convertible bonds remained stable relative to 2016, reaching €1.9 billion at year-end 2017.

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, capital consumption averaged €54.4 million during the year and was €52.1 million at the end of 2017. This decrease was due to the maturing of CDS and iTraxx tranches. As for the ABS portfolio, consumption of risk capital was about €34 million (€29.5 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:

Capital consumption averaged €50 million in 2017, reaching a high of €63.5 million in April. This rise followed the change in outstandings and the removal of corporate actions from M&A. Outstandings in respect of this activity therefore totaled €246 million in December 2017 (with a high of €460 million in April) compared with €230 million at year-end 2016.

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 €26.6 million at year-end and have remained low since the redemption of €1.7 billion in September 2014. Total government bond investments stood at €2.7 billion in 2016 versus €1.3 billion at year-end 2017, €0.8 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.

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 2017, 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.

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.

Securitization

During 2017, Group securitization investments rose by €286 million (up +4%), and represented a carrying amount of €7.3 billion as of December 31, 2017.

Securitization portfolios are managed on a prudent basis and mainly comprise senior securities with high credit ratings. The increase in investments in 2017, consisting mainly of AAA securities, further improved the overall quality of the portfolios, as 79% of securities are rated AAA (versus 78% in 2016) and 14% 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 91% 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. This exercise will be repeated in 2018, based on year-end 2017 investments.

Breakdown of securitization investments by portfolio (in millions of euros)	**2017**	**2016**
Banking portfolio	6,860	6,631
Trading portfolio	474	417
Total	**7,335**	**7,048**

Breakdown of Inv. Grade and Non-Inv. Grade	**2017**	**2016**
Investment Grade category (of which 79% AAA)	96%	94%
Non-Investment Grade category	4%	6%
Total	**100%**	**100%**

Geographic breakdown of investments	2017
USA	40.58%
France	11.98%
Germany	9.81%
Italy	6.87%
UK	6.03%
Netherlands	5.75%
Spain	3.38%
Australia	2.00%
Ireland	1.09%
Finland	0.85%
Portugal	0.52%
Switzerland	0.42%
Norway	0.26%
Greece	0.10%
Belgium	0.01%
Rest of the world	10.35%
TOTAL	**100%**

The Group has very little exposure to the EU countries that were hardest hit during the recent financial crisis (Ireland: 1.1%, Portugal: 0.5%, 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 which are managed on a run-off basis and have a net carrying amount of €274 million. All expected losses on this portfolio are provisioned in full.

European capital adequacy ratio [v]

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 as transposed in European regulations".

Operational risk [v]

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 risks, EBCP (Emergency and Business Continuity 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. 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. Lastly, the Crédit Mutuel Group is awaiting a letter from the ECB authorizing it to extend the approved AMA scope to Targobank Germany for calculation of the AMA capital requirements.

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 for cost 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).

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 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.

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, 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 among the back-up measures put in place 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.

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. This committee takes substantive decisions, prioritizes the actions and deals with internal and external communication.
- 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, most notably the activation of the 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 2017, the BFCM Group suffered total operational losses of €98.9 million, including €114.9 million of actual losses and €16.1 million of net reversals of provisions in respect of prior-year losses.

This total breaks down as follows:

- fraud: €41.5 million;
- legal risk: €38.6 million;
- human/procedural error: €8.9 million;
- natural disasters and system malfunctions: €4.6 million;
- industrial relations: €5.2 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.

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.

V.3 - BFCM Group's consolidated financial statements

V.3.1 Balance sheet

Balance Sheet - Assets
BFCM Group

€million	Dec. 31, 2017	Dec. 31, 2016	Notes
Cash and amounts due from central banks and post office banks	55,941	59,950	4a
Financial assets at fair value through profit or loss	31,275	26,927	5a, 5c
Derivatives used for hedging purposes	3,418	4,856	6a, 5c, 6c
Available-for-sale financial assets	92,913	96,597	7a, 5c
Loans and receivables due from credit institutions	50,311	53,138	4a
Loans and receivables due from customers	224,682	213,329	8a
Remeasurement adjustment on interest-rate risk hedged portfolios	429	604	6b
Held-to-maturity financial assets	9,379	10,101	9
Current tax assets	1,164	797	13a
Deferred tax assets	911	947	13b
Accrued income and other assets	12,233	13,666	14a
Non-current assets held for sale	119	0	3e
Investments in associates	1,745	2,028	15
Investment property	2,628	1,903	16
Property, plant and equipment	1,855	1,846	17a
Intangible assets	532	566	17b
Goodwill	4,049	4,088	18
Total assets	**493,585**	**491,344**	

Balance sheet - Liabilities
BFCM Group

€million	Dec. 31, 2017	Dec. 31, 2016	Notes
Due to central banks and post office banks	285	0	4b
Financial liabilities at fair value through profit or loss	9,221	11,279	5b, 5c
Derivatives used for hedging purposes	3,344	4,930	6a,5c,6c
Due to credit institutions	50,586	55,474	4b
Due to customers	184,014	178,256	8b
Debt securities	112,453	112,304	19
Remeasurement adjustment on interest-rate risk hedged portfolios	-270	-573	6b
Current tax liabilities	530	456	13a
Deferred tax liabilities	1,180	1,163	13b
Accrued expenses and other liabilities	9,522	9,995	14b
Liabilities related to non-current assets held for sale	14	0	3e
Technical reserves of insurance companies	84,289	81,547	20
Provisions	2,436	2,235	21
Subordinated debt	8,375	7,360	22
Shareholder's equity	**27,604**	**26,918**	
. Shareholder's equity - Group share	**24,192**	**22,826**	
- Subscribed capital and issue premiums	6,197	6,197	23a
- Consolidated reserves	15,393	14,006	23a
- Unrealised or deferred gains and losses	1,053	968	23b
- Net income for the year	1,549	1,655	23a
. Shareholder's equity - Minority interests	**3,412**	**4,092**	
Total liabilities	**493,585**	**491,344**	

V.3.2 Consolidated income statement

Consolidated income statement

BFCM Group

€million	Dec. 31, 2017	Dec. 31, 2016	Notes
Interest income	13,133	12,337	**25**
Interest expense	-8,861	-8,357	**25**
Commission income	3,628	3,347	**26**
Commission expense	-1,107	-997	**26**
Net gain/loss on financial instruments at fair value through profit or loss	866	903	**27**
Net gain/loss on available for sale financial assets	366	684	**28**
Gains on other activites	12,817	12,798	**29**
Losses on other activites	-10,419	-10,885	**29**
Net banking income	**10,422**	**9,830**	
Operating expense	-5,765	-5,465	**30a, 30b**
Depreciation	-214	-321	**30c**
Gross operating income	**4,443**	**4,043**	
Cost of risk	-783	-749	**31**
Operating income	**3,660**	**3,295**	
Share of earning in associates	-300	-122	**15**
Net gain /loss on other assets	-2	13	**32**
Goodwill	-15	-187	**33**
Net income before tax	**3,342**	**2,999**	
Income tax	-1,541	-1,100	**34**
Gain / loss on discontinued operations, net of tax	22	44	**3e**
Net income after tax	**1,824**	**1,943**	
Of which minority interests	275	288	
Net income less minority interests	**1,549**	**1,655**	
Earnings per share (€)*	**45.86**	**48.99**	**35**

** basic and diluted earnings per share were identical*

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

BFCM Group

€million	Dec. 31, 2017	Dec. 31, 2016	Notes
Net income	**1,824**	**1,943**	
Translation adjustments	-109	-63	
Remeasurement of available-for-sale financial assets	110	-108	
Remeasurement of hedging derivative instruments	25	1	
Share of unrealized or deferred gains and losses of affiliates	-1	3	
Total recyclable gains and losses recognized directly in shareholders' equity	**24**	**-168**	
Actuarial gain or losses on post-employment defined benefits	43	-102	
Total non recyclable gains and losses recognized directly in shareholders' equity	**43**	**-102**	**23c,23d**
Net income and gains and losses recognized directly in shareholders' equity	**1,891**	**1,673**	
including group share	*1,633*	*1,336*	
including minority interests	*258*	*337*	

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

V.3.3 Consolidated statement of changes in shareholder's equity

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

BFCM Group

€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, 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
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						0	175	175
Other movements			-28			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**
Appropriation of earnings from previous year			1,655					-1,655	0		0
Capital increase	0								0		0
Distribution of dividends			-130						-130	-102	-232
Change in investments in subsidiaries not resulting in loss of control			-128						-128	-921	-1,049
Sub-total: movements arising from shareholder relations	**0**	**0**	**1,396**	**0**	**0**	**0**	**0**	**-1,655**	**-258**	**-1,023**	**-1,281**
Consolidated net income for the year								1,549	1,549	275	1,824
Change in fair value of available-for-sale financial assets and derivative instruments					162	25			187	-16	171
Change in actuarial gains and losses							38		38	4	42
Translation adjustments				-140					-140	-6	-146
Sub-total	**0**	**0**	**0**	**-140**	**162**	**25**	**38**	**1,549**	**1,634**	**258**	**1,892**
Impact of acquisitions and disposals on minority interests									0	82	82
Other movements		0	-9						-9	3	-6
Shareholders' equity at December 31, 2017	**1,689**	**4,509**	**15,393**	**-56**	**1,323**	**4**	**-218**	**1,549**	**24,192**	**3,412**	**27,604**

(1) Reserves as of December 31, 2017 include the legal reserve of €0 million, regulatory reserves for a total of €0 million and other reserves amounting to €15,393 million.

V.3.4 Statement of cash flows

BFCM Group

€million	2017	2016
Net income	1,824	1,943
Corporate income tax	1,541	1,100
Income before corporate income tax	**3,365**	**3,043**
+/- Net depreciation/amortization expense on property, equipment and intangible assets	220	340
- Impairment of goodwill and other non-current assets	15	188
+/- Net additions to/reversals from provisions and impairment losses	129	36
+/- Share of net income/loss of associates	300	122
+/- Net loss/gain from investing activities	-1	-481
+/- Income/expense from financing activities	0	0
+/- Other movements	-1,606	4,394
= Total non-monetary items included in income before tax and other adjustments	**-943**	**4,599**
+/- Cash flows relating to interbank transactions	-1,048	405
+/- Cash flows relating to customer transactions	-6,106	558
+/- Cash flows relating to other transactions affecting financial assets and liabilities	-809	12,991
+/- Cash flows relating to other transactions affecting non-financial assets and liabilities	233	-517
- Corporate income tax paid	-1,567	-1,206
= Net decrease/increase in assets and liabilities from operating activities	**-9,297**	**12,231**
NET CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	**-6,875**	**19,873**
+/- Cash flows relating to financial assets and investments in non-consolidated companies	858	280
+/- Cash flows relating to investment property	-851	-72
+/- Cash flows relating to property, equipment and intangible assets	-130	-139
NET CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES	**-123**	**69**
+/- Cash flows relating to transactions with shareholders	-139	-262
+/- Other cash flows relating to financing activities	2,812	-3,704
NET CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	**2,673**	**-3,966**
IMPACT OF MOVEMENTS IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	**-232**	**100**
Net increase (decrease) in cash and cash equivalents	**-4,557**	**16,076**
Net cash flows from (used in) operating activities	-6,875	19,873
Net cash flows from (used in) investing activities	-123	69
Net cash flows from (used in) financing activities	2,673	-3,966
Impact of movements in exchange rates on cash and cash equivalents	-232	100
Cash and cash equivalents at beginning 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
Cash and cash equivalents at end of year	**42,744**	**47,301**
Cash accounts and accounts with central banks and post office banks	55,658	59,950
Demand loans and deposits - credit institutions	-12,914	-12,649
CHANGE IN CASH AND CASH EQUIVALENTS	**-4,557**	**16,076**

V.3.5. 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, 2017. These standards include IAS 1-41, IFRS 1-8 and 10-13, and any SIC and IFRIC interpretations adopted as of that date.

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.

Since January 1, 2017, the Group has applied various amendments adopted by the EU which have no material impact on the Group's financial statements. These mainly include the amendment to IAS 12 – Income Taxes, which clarifies the principles for recognition of deferred tax assets for unrealized losses on debt instruments measured at fair value. It states that the recovery of this temporary difference is assessed:

- with all the temporary differences and carried forward losses of the entity, whether the holder plans to sell the securities or hold them to maturity,
- taking into account restrictions on the use of tax losses.

The estimation of probable future taxable profits can take into account a recoverable amount of assets which is higher than their carrying amount (for example, because of fair value). It excludes tax deductions resulting from the reversal of deductible temporary differences.

Information regarding risk management is provided in the Group's management report.

1.2 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 entitiy'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, 2017 were as follows:

- ***Additions:*** CIC Hong Kong (branch), CM-CIC Caution Habitat, SCI Cotentin, SCI Tombe Issoire, SCI Provence Bureaux, SCI Saint Augustin, SCI Rue de Londres.

- ***Merger/absorption:*** CM Akquisition with Banque Fédérative du Crédit Mutuel, Cofisun with Cofidis Belgium, CM-CIC Proximité with CM-CIC Investissement SCR, Heller GmbH with Targo Deutschland, Quanta with Targobank AG, Documents AP with Est Bourgogne Media, Jean Bozzi Communication with Est Bourgogne Média, Distripub with SAP Alsace, Cofidis AS Slovaquie with Cofidis SA.

- ***Removals:*** Ventadour Investissement (dissolution), SCGPA (dissolution), Cigogne CLO Arbitrage (disposal), CMCP (liquidation).

- ***Change in consolidation method:*** Lyf SAS and Lyf SA (from full consolidation to equity method)

- ***Change of name:*** Fivory became Lyf SA, Fivory SAS became Lyf SAS, Diversified Debt Securities SICAV – SIF became Cigogne CLO Arbitrage, CM-CIC Capital et Participations became CM-CIC Capital.

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 likely that the borrower will not be able to repay the full amount due, when an event of default has occurred, or when 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 almost 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:
    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 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. When a derivative constitues a liability, its valuation incorporates the default risk of the group entity holding it.

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 as 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 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, 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, when 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:

- Operational 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 at fair value, 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, with a maximum ceiling at age 67;
- The mortality according to INSEE (*the French National Institute for Statistics and Economic Studie*s) TH/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.

Commissions considered additional interest are an integral part of the effective interest rate. These commissions are therefore recognized in interest income and expense.

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.

1.3.21 Standards and interpretations adopted by the European Union and not yet applied

- **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 at January 1, 2018 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 continued in 2017.

The implementation of IFRS 9 applies to all the Group's activities with the exception of the insurance divisions governed by the Conglomerate directive, for which implementation is deferred until 2021 as provided by the amendment to IFRS 4, as adopted by the European Union. To take advantage of this deferral, certain conditions must be met, including no transfers of financial instruments between the insurance sector and the other sectors of the conglomerate, after the effective date of the text, other than those measured at fair value through profit or loss in both sectors.

However, the Group's insurance divisions continue to be fully involved in the project.

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 applied to the instruments and their contractual characteristics, which could result in a category and measurement of certain financial assets which are different from those applied 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 on the principal amount outstanding (analysis carried out via SPPI testing (only the payments of principal and interest[1])), on the condition that they are not designated at fair value through profit or loss under the fair value option,
- 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, yet without trading in the instrument, and if the cash flows are solely payments of principal and interest, on the condition that they are not designated at fair value through profit or loss under the fair value option. 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 (as they do not meet the SPPI criterion and/or are managed according to the "other" business model) 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 when instruments are classified as available for sale (AFS) under IAS 39. 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 related to the derecognition of assets are replicated in IFRS 9 without amendment, as are those related to financial liabilities, except:

[1] *The aim of this test is to ensure that the instruments are basic and that the cash flows do not cover anything else than consideration of passage of time and credit risk associated with repayment of the principal amount over the period of time in question.*

  - the recognition of changes in fair value, resulting from the own credit risk of liabilities designated at fair value through profit or loss under the fair value option. They will need to be recognized as unrealized or deferred gains or losses through non-recyclable equity, and not through profit or loss. The Group is marginally affected by the own credit risk issue,
  - the recognition of the gain/loss arising on modification for financial assets which are not derecognized,
- in October, the IASB published an amendment on symmetric prepayment penalties, which is currently being adopted by the EU. It stipulates that assets that include prepayment options with a negative penalty for the bank may, as an exception, be treated as SPPI instruments (able to measured at amortized cost or at fair value through equity), when the penalty calculation method is compatible with the notion of "reasonable compensation" provided by the standard.As a result of this change, recognition at fair value through profit or loss of loans containing this type of clause can be avoided. The Group is marginally affected by this.

The operational work conducted within the Group throughout 2017 sought to:

- finalize the SPPI tests for rates identified as risky (averaged, or where there is decorrelation between the term of the rate and its repricing frequency); It should be noted that the Group has decided to stop producing loans at rates considered non-compliant and that the SPPI criterion must be met when new products are created,

- continue the work of documenting the various instruments, at the national and regional level, as regards both the characteristics of the instruments and the business models. With regard to the intake model, an acceptable sale threshold has been defined based on the duration of the portfolio to allow the classification of financial instruments at amortized cost, in addition to the cases stipulated in the standard. In practice, this threshold applies only to securities since the Group does not sell its loans.

It is primarily units of UCITS and real estate funds (OPCIs), certain convertible bonds, structured debt securities and securitization tranches that will be reclassified at fair value through profit or loss. The impact of the reclassifications is moderate.

Crédit Mutuel has chosen not to issue "Group" principles regarding:

- the use of the fair value through equity option for equity instruments,
- the classification at amortized cost, or at fair value through equity, of debt instruments included in the liquidity portfolio;

Each sub-group will classify its instruments according to its own business model.

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:

- Status 1: loss allowance provided for on the basis of the 12-month expected credit losses (resulting from the default risks over the following 12 months) as from initial recognition of the financial assets, provided that the credit risk has not increased significantly since initial recognition,

- Status 2: loss allowance provided for on the basis of the lifetime expected credit losses (resulting from the default risks over the entire residual life of the instrument) if the credit risk has increased significantly since initial recognition, and

- Status 3: category comprising credit-impaired financial assets for which there is an objective indication of impairment related to an event that has occurred since the loan was granted. 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 the financial instrument on the reporting date with the default risk on the initial recognition date.

For the Group, this involves measuring the risk at the level of the borrower, with the change in the risk assessed on a contract-by-contract basis.

To define the boundary between statuses 1 and 2:

- the Group will rely on models developed for prudential purposes and on the measurement of the 12-month default risk:
  - for LDP portfolios (Low Default Portfolio, for which the rating model is based on an expert assessment), the boundary is based on an assignment matrix that relates the rating at origination and the rating at closing,
  - for HDP portfolios (High Default Portfolio, for which a statistical rating model can be created based on historical data), a boundary curve relates the default rate at origination and the default rate at closing.
- 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.;
- methods based exclusively on qualitative criteria will be used for the entities or small portfolios that are classified prudentially under the standardized method and do not have rating systems.

The operational work conducted within the Group throughout 2017 mainly sought to:

- define the boundaries between statuses 1 and 2 for the Group's various exposure categories and the methodology for including forward-looking information in the parameters. For the probability of default, this methodology will include three scenarios (optimistic, neutral, pessimistic), which will be weighted based on the Group's perception of changes in the economic cycle over five years.
- document the entire body of rules,
- complete the adaptation of the information system.

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*). However, it does not affect revenue that falls within the scope of the standards covering leases, insurance contracts or financial instruments.

Revenue recognition under IFRS 15 must reflect the transfer of control of the 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 from ordinary activities 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, 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.

Analysis of the standard and identification of its potential impacts were carried out in 2016 and 2017. This work was done by a dedicated Confédération Nationale du Crédit Mutuel working group, in which the different Crédit Mutuel 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.

In the absence of a material impact, the method used for recognition of revenue from these activities is not expected to change.

- **IFRS 16 – Leases**

This new standard, which was published in early 2016 and adopted by the EU on October 31, 2017, will take effect on January 1, 2019. 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.

For the lessee, operating leases and finance leases will be accounted for based on a single model, with recognition of:

- an asset representing the right to use the leased asset during the lease term,
- offset by a liability related to the lease payment obligation,
- straight-line depreciation of the asset and interest expenses in the income statement using the diminishing balance method.

As a reminder, according to IAS 17 currently in force, no amount is recorded on the lessee's balance sheet for an operating lease and lease payments are shown under operating expenses.

In 2017, the Group continued its analysis of the impacts of this standard, the practical details regarding first time application and implementation in the information systems. The Group also identified its leases, in terms of both real estate and equipment (IT, vehicle fleet, etc.). A study of the potential impacts of IFRS 16 on the Group's financial statements is currently underway.

1.3.22 Standards and interpretations not yet adopted by the European Union

These mainly include IFRS 17 – Insurance Contracts.

- **IFRS 17 – Insurance Contracts**

Starting in 2021, IFRS 17 will replace IFRS 4, which allows insurance companies to maintain their local accounting policies for their insurance contracts and other contracts within the scope of IFRS 4, which makes it difficult to compare the financial statements of entities in this sector.

The aim of IFRS 17 is to harmonize the recognition of the various types of insurance contracts and to base their valuation on a prospective assessment of insurers' commitments. This requires greater use of complex models and concepts similar to those of Solvency II. Significant changes must also be made to financial reporting.

V.3.6. 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 in Germany and in Spain, Cofidis 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.
• Corporate banking and capital markets covers:
a) financing for major corporations and institutional clients, specialized lending, international operations and foreign branches;
b) capital markets activities include investing in 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) in addition to press and logistic entities: intermediate holding companies, minority interests, specific entities holding real estate used for operations, press 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, 2017	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	2,748		981	3,086		49,127	55,942
Financial assets at fair value through profit or loss	30	16,488	11,655	88	2,555	460	31,276
Hedging derivative instruments	5		399	6		3,009	3,419
Available-for-sale financial assets	892	62,618	9,321	2,290	4	17,788	92,913
Loans and receivables due from credit institutions	5,526	1,350	8,634	622	5	34,175	50,312
Loans and receivables due from customers	187,748	349	24,447	11,597		542	224,683
Held-to-maturity financial assets	19	9,359	1				9,379
Investments in associates	66	271				1,407	1,744
LIABILITIES							
Central banks, post office banks						285	285
Financial liabilities at fair value through profit or loss		3,766	5,023	152		280	9,221
Hedging derivative instruments	10		1,935	107		1,293	3,345
Due to credit institutions	26,755		23,831				50,586
Due to customers	149,231	106	11,660	19,025		3,992	184,014
Debt securities	17,810		12,617	46		81,980	112,453

Dec. 31, 2016 restated **	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	3,242	0	2,483	3,329	0	50,896	59,950
Financial assets at fair value through profit or loss	29	12,476	11,468	156	2,186	612	26,927
Hedging derivative instruments	6	0	440	6	0	4,404	4,856
Available-for-sale financial assets	917	62,999	10,738	2,320	12	19,610	96,597
Loans and receivables due from credit institutions	5,628	1,398	7,359	787	3	37,963	53,138
Loans and receivables due from customers	176,192	325	22,588	13,802	(0)	422	213,329
Held-to-maturity financial assets	11	10,089	1	0	0	0	10,101
Investments in associates	58	179	(0)	0	0	1,791	2,028
LIABILITIES							
Central banks, post office banks							
Financial liabilities at fair value through profit or loss	1	4,792	6,022	172	0	292	11,279
Hedging derivative instruments	8	0	2,680	157	0	2,085	4,930
Due to credit institutions	20,760	(0)	34,713	0	0	0	55,474
Due to customers	143,599	90	8,666	20,092	0	5,808	178,256
Debt securities	18,927	0	12,086	28	0	81,263	112,304

*** see next page for details*

Dec. 31, 2016 published	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							
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

2b - Breakdown of the income statement items by business line

Dec. 31, 2017	Retail banking	Insurance	Corporate banking and capital markets	Private banking	Private equity	IT, Logistics and holding company	Intra Group transaction s	Total
Net banking income (expense)	7,078	1,678	765	509	259	199	-67	10,422
General operating expenses	-4,217	-493	-321	-353	-48	-613	67	-5,979
Gross operating income	2,860	1,185	444	155	212	-414	0	4,443
Net additions to/reversals from provisions for loan losses	-769		-11	-5		2		-783
Net gain (loss) on disposal of other assets*	-11	31	0	4		-342		-317
Net income before tax	2,081	1,216	433	154	212	-754		3,342
Corporate income tax	-697	-517	-142	-35	1	-152		-1,541
Gains and losses net of tax on abandoned assets				22				22
Net income (loss)	**1,384**	**699**	**291**	**141**	**213**	**-905**		**1,824**
Net income attributable to minority interests								275
Net income attributable to the Group								**1,549**

** Including net income of associates and impairment losses on goodwill.*

Dec. 31, 2016 restated **	Retail banking	Insurance	Corporate banking and capital markets	Private banking	Private equity	IT, Logistics and holding company	Intra Group transaction s	Total
Net banking income (expense)	6,699	1,421	805	512	195	278	-80	9,830
General operating expenses	-4,076	-472	-301	-367	-46	-605	80	-5,787
Gross operating income	2,623	949	504	145	149	-327	0	4,043
Net additions to/reversals from provisions for loan losses	-727		-19	-4		1		-749
Net gain (loss) on disposal of other assets*	3	45		7	0	-351		-296
Net income before tax	1,898	994	485	149	149	-677		2,999
Corporate income tax	-696	-299	-169	-32	0	97		-1,100
Gains and losses net of tax on abandoned assets				-22		66		44
Net income (loss)	**1,202**	**695**	**315**	**95**	**149**	**-514**		**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.*

*** Minor changes were made to segment reporting in 2017:*
- Custody (retail banking), central treasury (capital markets) and group subsidiaries (corporate banking) activities were grouped together and assigned to the "holding company services" business. 2016 adjusted results are therefore presented for these four businesses (retail banking, corporate banking, capital markets and holding company services) at December 31, 2017.
- The results of entities in which the group has non-controlling interests were moved from the retail banking business to the holding company services business in order to present under retail banking the results of the networks and subsidiaries over which the group has full management influence.

Dec. 31, 2016 published	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.*

2c - Breakdown of the statement of financial position items by geographic region

	Dec. 31, 2017				Dec. 31, 2016			
	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	49,529	5,424	989	55,941	51,290	6,174	2,486	59,950
Financial assets at fair value through profit or loss	29,296	513	1,466	31,275	25,537	551	839	26,927
Hedging derivative instruments	3,408	6	5	3,418	4,844	7	6	4,856
Available-for-sale financial assets	85,173	3,869	3,871	92,913	88,280	4,924	3,393	96,597
Loans and receivables due from credit institutions	48,571	875	866	50,311	50,598	1,717	823	53,138
Loans and receivables due from customers	182,421	36,938	5,323	224,682	171,246	34,413	7,670	213,329
Held-to-maturity financial assets	9,345	34	0	9,379	10,068	33	0	10,101
Investments in associates	966	104	674	1,745	944	440	645	2,028
LIABILITIES								
Central banks, post office banks	285	0	0	285	0	0	0	0
Financial liabilities at fair value through profit or loss	8,882	154	186	9,221	10,828	235	215	11,279
Hedging derivative instruments	3,237	107	1	3,344	4,760	160	10	4,930
Due to credit institutions	39,504	6,104	4,979	50,586	42,880	5,316	7,279	55,474
Due to customers	145,017	38,298	700	184,014	138,643	38,265	1,347	178,256
Debt securities	103,968	2,653	5,832	112,453	103,455	3,272	5,576	112,304

** USA, Singapore, Hong-Kong (in 2017), Saint Martin, Tunisia and Morocco.*

2d - Breakdown of the income statement items by geographic region

	Dec. 31, 2017				Dec. 31, 2016			
	France	Europe, excluding France	Rest of the world*	Total	France	Europe, excluding France	Rest of the world*	Total
Net banking income**	7,472	2,776	173	10,422	7,216	2,402	212	9,830
General operating expenses	-4,263	-1,628	-88	-5,979	-4,068	-1,599	-119	-5,787
Gross operating income	3,209	1,149	85	4,443	3,148	803	93	4,043
Net additions to/reversals from provisions for loan losses	-446	-348	10	-783	-415	-327	-7	-749
Net gain (loss) on disposal of other assets***	-391	-8	82	-318	-273	-125	101	-296
Net income before tax	2,372	793	177	3,342	2,459	351	188	2,999
Net income	1,125	536	162	1,824	1,621	158	164	1,943
Net income attributable to the Group	902	490	156	**1,549**	1,342	162	150	**1,655**

** USA, Singapore, Hong-Kong (in 2017), Saint Martin, Tunisia and Morocco.*
*** In 2017, 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 - Composition of the consolidation scope

The Group's parent company is Banque Fédérative du Crédit Mutuel

	Country	Dec. 31, 2017			Dec. 31, 2016		
		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 (branch of BECM)	Germany	100	96	FC	100	96	FC
BECM Saint Martin (branch of BECM)	Saint Martin	100	96	FC	100	96	FC
CIC Est	France	100	99	FC	100	94	FC
CIC Iberbanco	France	100	100	FC	100	100	FC
CIC Lyonnaise de Banque (LB)	France	100	99	FC	100	94	FC
CIC Nord Ouest	France	100	99	FC	100	94	FC
CIC Ouest	France	100	99	FC	100	94	FC
CIC Sud Ouest	France	100	99	FC	100	94	FC
Crédit Industriel et Commercial (CIC)	France	100	99	FC	94	94	FC
CIC Hong-Kong (succursale du CIC)	Hong-Kong	100	99	FC			
CIC Londres (branch of CIC)	United Kingdom	100	99	FC	100	94	FC
CIC New York (branch of CIC)	USA	100	99	FC	100	94	FC
CIC Singapour (branch of CIC)	Singapore	100	99	FC	100	94	FC
Targobank AG & Co. KgaA	Germany	100	100	FC	100	100	FC
Targobank Espagne	Spain	100	100	FC	51	51	FC
B. Banking network - subsidiaries							
Bancas	France	50	50	EM	50	50	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
Cartes et crédits à la Consommation	France	100	100	FC	100	100	FC
CM-CIC Asset Management	France	74	74	FC	74	73	FC
CM-CIC Bail	France	99	99	FC	99	93	FC
CM-CIC Bail Espagne (branch of CM-CIC Bail)	Spain	100	99	FC	100	93	FC
CM-CIC Caution Habitat SA	France	100	100	FC			
CM-CIC Epargne salariale	France	100	99	FC	100	94	FC
CM-CIC Factor	France	96	95	FC	96	89	FC
CM-CIC Gestion	France	100	74	FC	100	73	FC
CM-CIC Home Loan SFH	France	100	100	FC	100	100	FC
CM-CIC Lease	France	100	100	FC	100	97	FC
CM-CIC Leasing Benelux	Belgium	100	99	FC	100	93	FC
CM-CIC Leasing GmbH	Germany	100	99	FC	100	93	FC
CM-CIC Leasing Solutions SAS	France	100	100	FC	100	100	FC
Cofacredit	France	64	64	FC	64	64	FC
Cofidis Belgique	Belgium	100	71	FC	100	55	FC
Cofidis France	France	100	71	FC	100	55	FC
Cofidis Espagne (branch of Cofidis France)	Spain	100	71	FC	100	55	FC
Cofidis Hongrie (branch of Cofidis France)	Hungary	100	71	FC	100	55	FC
Cofidis Portugal (branch of Cofidis France)	Portugal	100	71	FC	100	55	FC
Cofidis SA Pologne (branch of Cofidis France)	Poland	100	71	FC	100	55	FC
Cofidis SA Slovaquie (branch of Cofidis France)	Slovakia	100	71	FC	100	55	FC
Cofidis Italie	Italy	100	71	FC	100	55	FC
Cofidis République Tchèque	Czech Republic	100	71	FC	100	55	FC
Cofidis Slovaquie	Slovakia			MER	100	55	FC
Creatis	France	100	71	FC	100	55	FC
Factofrance	France	100	100	FC	100	100	FC
FCT CM-CIC Home loans	France	100	100	FC	100	100	FC
LYF SA (formely Fivory)	France	44	44	EM	89	89	FC
Monabanq	France	100	71	FC	100	55	FC
SCI La Tréflière	France	46	46	EM	46	46	EM
Targo Commercial Finance AG	Germany	100	100	FC	100	100	FC
Targo Factoring Gmbh	Germany	100	100	FC	100	100	FC
Targo Finanzberatung GmbH	Germany	100	100	FC	100	100	FC
Targo Leasing Gmbh	Germany	100	100	FC	100	100	FC

	Country	Dec. 31, 2017			Dec. 31, 2016		
		Percent control	Percent interest	Method *	Percent control	Percent interest	Method *
C. Corporate banking and capital market							
Cigogne Management	Luxembourg	100	100	FC	100	96	FC
Cigogne CLO arbitrage (formely Diversified Debt Securities SICAV - SIF)	Luxembourg			NC	100	94	FC
D. Private banking							
Banque de Luxembourg	Luxembourg	100	99	FC	100	94	FC
Banque Transatlantique (BT)	France	100	99	FC	100	94	FC
Banque Transatlantique Londres (branch of BT)	United Kingdom	100	99	FC	100	94	FC
Banque Transatlantique Belgium	Belgium	100	99	FC	100	94	FC
Banque Transatlantique Luxembourg	Luxembourg	100	99	FC	100	94	FC
CIC Suisse	Switzerland	100	99	FC	100	94	FC
Dubly-Douilhet Gestion	France	100	99	FC	100	94	FC
Transatlantique Gestion	France	100	99	FC	100	94	FC
E. Private equity							
CM-CIC Capital (formely CM-CIC Capital et Participations)	France	100	99	FC	100	94	FC
CM-CIC Conseil	France	100	99	FC	100	94	FC
CM-CIC Innovation	France	100	99	FC	100	94	FC
CM-CIC Investissement	France	100	99	FC	100	94	FC
CM-CIC Investissement SCR	France	100	99	FC	100	94	FC
CM-CIC Proximité	France			MER	100	94	FC
F. IT & Logistics and holding company							
Adepi	France	100	99	FC	100	94	FC
Banco Popular Español	Spain			NC	4	4	EM
Banque de Tunisie	Tunisia	34	34	EM	34	34	EM
Banque Marocaine du Commerce Extérieur (BMCE)	Morocco	26	26	EM	26	26	EM
CIC Participations	France	100	99	FC	100	94	FC
CM Akquisitions	Germany			MER	100	100	FC
CMCP - Crédit Mutuel Cartes de Paiement	France			NC	45	45	EM
Cofidis Participations	France	71	71	FC	55	55	FC
Euro-Information	France	26	26	EM	26	26	EM
Euro Protection Surveillance	France	25	25	EM	25	25	EM
Gesteurop	France	100	99	FC	100	94	FC
Groupe Républicain Lorrain Communication (GRLC)	France	100	100	FC	100	100	FC
Heller Gmbh	Germany			MER	100	100	FC
L'Est Républicain	France	95	95	FC	92	92	FC
Mutuelles Investissement		90	90	FC			
SAP Alsace	France	99	99	FC	99	97	FC
Société Civile de Gestion des Parts dans l'Alsace (SCGPA)	France			NC	50	50	FC
Société de Presse Investissement (SPI)	France	100	100	FC	100	100	FC
Société d'Investissements Medias (SIM)	France	100	100	FC	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 (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
Ventadour Investissement	France			MER	100	100	FC
G. Insurance companies							
ACM GIE	France	100	73	FC	100	72	FC
ACM IARD	France	96	71	FC	96	69	FC
ACM Nord IARD	France	49	36	EM	49	35	EM
ACM RE	Luxembourg	100	73	FC	100	72	FC
ACM Services	France	100	73	FC	100	72	FC
ACM Vie SA	France	100	73	FC	100	72	FC
Agrupació AMCI d'Assegurances i Reassegurances S.A.	Spain	95	70	FC	95	69	FC
Agrupación pensiones, entidad gestora de fondos de pensiones,S.A. (formerly Agrupació Bankpyme Pensiones)	Spain	100	70	FC	100	69	FC
Agrupació Serveis Administratius	Spain	100	70	FC	100	69	FC
AMDIF	Spain	100	70	FC	100	69	FC
Amgen Seguros Generales Compañía de Seguros y Reaseguros SA	Spain	100	73	FC	100	72	FC
AMSYR	Spain	100	70	FC	100	69	FC
Asesoramiento en Seguros y Previsión Atlantis SL	Spain	80	59	FC	80	58	FC
Asistencia Avançada Barcelona	Spain	100	70	FC	100	69	FC
ASTREE Assurances	Tunisia	30	22	EM	30	22	EM
Atlantis Asesores SL	Spain	80	59	FC	80	58	FC

	Country	Dec. 31, 2017			Dec. 31, 2016		
		Percent control	Percent interest	Method *	Percent control	Percent interest	Method *
Atlantis Correduría de Seguros y Consultoría Actuarial SA	Spain	60	44	FC	60	43	FC
Atlantis Vida, Compañía de Seguros y Reaseguros SA	Spain	88	66	FC	88	65	FC
GACM España	Spain	100	73	FC	100	72	FC
Groupe des Assurances du Crédit Mutuel (GACM)	France	73	73	FC	73	72	FC
ICM Life	Luxembourg	100	73	FC	100	72	FC
Margem-Mediação Seguros, Lda	Portugal	100	71	FC	100	55	FC
NELB (North Europe Life Belgium)	Belgium	49	36	EM	49	35	EM
Partners	Belgium	51	37	FC	51	37	FC
Procourtage	France	100	73	FC	100	72	FC
Royale Marocaine d'Assurance (formely RMA Watanya)	Morocco	22	16	EM	22	16	EM
Serenis Assurances	France	100	73	FC	100	72	FC
Voy Mediación	Spain	90	65	FC	90	64	FC
H. Other companies							
Affiches D'Alsace Lorraine	France	100	99	FC	100	100	FC
Alsacienne de Portage des DNA	France	100	99	FC	100	100	FC
CM-CIC Immobilier	France	100	100	FC	100	100	FC
Distripub	France			MER	100	97	FC
Documents AP	France			MER	100	100	FC
Est Bourgogne Médias	France	100	100	FC	100	100	FC
Foncière Massena	France	100	73	FC	100	72	FC
France Régie	France	100	99	FC	100	100	FC
GEIE Synergie	France	100	71	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
Jean Bozzi Communication	France			MER	100	100	FC
Journal de la Haute Marne	France	50	48	EM	50	46	EM
La Liberté de l'Est	France	97	92	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	99	99	FC	100	100	FC
Lumedia	Luxembourg	50	50	EM	50	50	EM
Mediaportage	France	100	99	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			MER	100	100	FC
Républicain Lorrain Communication	France	100	100	FC	100	100	FC
Républicain Lorrain - Tv News	France	100	100	FC	100	100	FC
SCI ACM	France	78	57	FC	87	62	FC
SCI Le Progrès Confluence	France	100	100	FC	100	100	FC
SCI Provence Bureaux	France	67	49	FC			
SCI Rue de Londres	France	67	49	FC			
SCI St Augustin	France	67	49	FC			
SCI Tombe Issoire	France	100	73	FC			
Société d'Edition de l'Hebdomadaire du Louhannais et du Jura (SEHLJ)	France	100	100	FC	100	100	FC

* Method: FC = full 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 April 8, 2016.

In € millions except Number of employees Country	Net banking income	Profit/loss before tax	Current tax	Deferred tax	Other taxes	Number of employees	Government subsidies
Germany	1,555	586	-165	-1	-80	7,328	0
Belgium	136	32	-7	1	-7	606	0
Spain	365	35	-28	-1	-20	2,428	0
United States	102	75	-21	-12	-6	86	0
France	7,469	3,350	-1,204	-43	-978	28,863	0
Hong-Kong	4	1	-2	1	0	7	0
Hungary	46	9	0	0	-3	265	0
Italy	42	6	0	0	-4	225	0
Luxembourg	302	128	-23	7	-18	832	0
Morocco	0	65	0	0	0	0	0
Monaco	3	1	0	0	0	9	0
Poland	1	-1	0	0	0	27	0
Portugal	163	95	-27	1	-5	643	0
Czech Republic	7	-2	0	0	-1	142	0
United Kingdom	43	23	-4	-2	-4	62	0
Saint Martin	3	-1	0	0	0	9	0
Singapore	63	24	-5	1	1	248	0
Slovakia	1	-3	0	0	0	43	0
Switzerland	115	36	-6	1	-10	322	0
Tunisia	0	17	0	0	0	0	0
Total	**10,420**	**4,476**	**-1,493**	**-47**	**-1,135**	**42,145**	**0**

3c - Fully-consolidated entities with significant minority interests

Dec. 31, 2017	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)	27%	201	2,567	-78	100,064	1,176	1,678	682
Cofidis Belgique	29%	2	208	0	831	-1	98	8
Cofidis France	29%	18	317	0	8,292	-4	525	55

* Amounts before elimination of accounts and intercompany transactions.

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.

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.
- 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, 2017	Securitization vehicles (SPV)	Asset management (UCITS/SCPI)*	Other structured entities **
Total assets	0	20,778	2,237
Carrying amount of financial assets	0	9,787	954

* 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”, the following are included in “Net gain/(loss) on discontinued operations”:
- In 2017: the proceeds from the disposal of the private banking activity of the Singapore branch, and the results of that activity up to the disposal on December 2, 2017.
- In 2016: the results of Banque Pasche until it was disposed of in May 2016, and the reclassification of the translation reserve through profit or loss.

NOTE 4 - Cash and amounts due from central banks

4a - Loans and receivables due from credit institutions

	Dec. 31, 2017	Dec. 31, 2016
Cash and amounts due from central banks		
Due from central banks	55,134	59,206
including reserve requirements	1,765	1,678
Cash	807	744
TOTAL	**55,941**	**59,950**
Loans and receivables due from credit institutions		
Crédit Mutuel network accounts (1)	4,604	4,123
Other current accounts	2,304	2,380
Loans	33,117	36,404
Other receivables	667	671
Securities not listed in an active market	289	486
Resale agreements	9,146	8,850
Accrued interest	183	224
TOTAL	**50,311**	**53,138**

(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, 2017	Dec. 31, 2016
Due to central banks	285	
Due to credit institutions		
Crédit Mutuel network accounts	0	0
Other current accounts	12,284	11,721
Borrowings	11,719	15,292
Other debt	3,005	2,646
Resale agreements	23,536	25,761
Accrued interest	43	55
TOTAL	**50,871**	**55,475**

The Group participated in TLTRO II (Targeted Longer-Term Refinancing Operation) offered by the ECB in the amount of €9.994 billion at December 31, 2017. TLTRO II includes a 0.4% interest rate reduction during the term of the operation (four years) provided that banks sufficiently improve their lending to the economy. Given the increase in our eligible loans at December 31, 2017, the Group has "reasonable assurance" that the increase objective will be achieved and has therefore recognized the interest accrued from the subsidy during the previous period.

NOTE 5 - Financial assets and liabilities

5a - Financial assets at fair value through profit or loss

	Dec. 31, 2017			Dec. 31, 2016		
	Held for trading	Fair value option	Total	Held for trading	Fair value option	Total
Securities	8,822	19,171	27,993	7,812	14,734	22,546
- Government securities	865	0	865	865	1	866
- Bonds and other fixed-income securities	6,989	1,715	8,704	6,280	1,774	8,055
. Quoted	*6,989*	*1,230*	*8,219*	*6,280*	*1,381*	*7,662*
. Not quoted	*0*	*485*	*485*	*0*	*393*	*393*
- Equities and other variable-income securities	968	17,456	18,424	666	12,959	13,626
. Quoted	*968*	*14,703*	*15,672*	*666*	*10,867*	*11,533*
. Not quoted	*0*	*2,752*	*2,752*	*0*	*2,092*	*2,092*
. Trading derivative instruments	3,280	0	3,280	4,327	0	4,327
. Other financial assets		2	2		54	54
TOTAL	**12,102**	**19,173**	**31,275**	**12,139**	**14,788**	**26,927**

5b - Financial liabilities at fair value through profit or loss

	Dec. 31, 2017	Dec. 31, 2016
Financial liabilities held for trading	5,455	6,419
Financial liabilities at fair value by option through profit or loss	3,766	4,859
TOTAL	**9,221**	**11,279**

Financial liabilities held for trading

	Dec. 31, 2017	Dec. 31, 2016
. Short selling of securities	2,111	1,840
- Bonds and other fixed-income securities	917	864
- Equities and other variable-income securities	1,194	975
. Debt representing securities given through repurchase agreements		
. Trading derivative instruments	3,248	4,505
. Other financial liabilities held for trading	97	75
TOTAL	**5,455**	**6,419**

Financial liabilities at fair value by option through profit or loss

	Dec. 31, 2017			Dec. 31, 2016		
	Carrying amount	Maturity amount	Variance	Carrying amount	Maturity amount	Variance
Securities issued	0	0	0	0	0	0
. Subordinated debt	0	0	0	0	0	0
. Interbank liabilities	3,766	3,766	0	4,789	4,789	0
. Due to customers	0	0	0	71	71	0
TOTAL	**3,766**	**3,766**	**-0**	**4,859**	**4,860**	**-1**

Own credit risk is deemed immaterial.

5c - Fair value hierarchy of financial instruments at fair value

Dec. 31, 2017	Level 1	Level 2	Level 3	Total
Financial assets				
Available-for-sale (AFS)	87,721	2,797	2,396	92,914
- Government and similar securities - AFS	13,379	2	0	13,380
- Bonds and other fixed-income securities - AFS	64,093	1,496	720	66,309
- Equities and other variable-income securities - AFS	9,310	1,289	260	10,858
- Investments in non-consolidated companies and other LT investments - AFS	924	4	936	1,864
- Investments in associates - AFS	16	6	480	502
Held for trading / Fair value option (FVO)	23,952	4,038	3,285	31,275
- Government and similar securities - Held for trading	732	133	0	865
- Government and similar securities - FVO	0	0	0	0
- Bonds and other fixed-income securities - Held for trading	6,411	312	266	6,989
- Bonds and other fixed-income securities - FVO	1,006	302	407	1,715
- Equities and other variable-income securities - Held for trading	968	0	0	968
- Equities and other variable-income securities - FVO	14,730	880	1,846	17,456
- Loans and receivables due from credit institutions - FVO	0	2	0	2
- Loans and receivables due from customers - FVO	0	0	0	0
- Derivative instruments and other financial assets - Held for trading	105	2,409	765	3,280
Hedging derivative instruments	0	3,374	44	3,418
Total	**111,673**	**10,208**	**5,725**	**127,606**

	Level 1	Level 2	Level 3	Total
Financial liabilities				
Held for trading / Fair value option (FVO)	2,311	6,122	788	9,221
- Due to credit institutions - FVO	0	3,766	0	3,766
- Derivative instruments and other financial liabilities - Held for trading	2,311	2,357	788	5,455
Hedging derivative instruments	0	3,324	21	3,344
Total	**2,311**	**9,446**	**809**	**12,565**

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**

	Level 1	Level 2	Level 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
- 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**

There are three levels of fair value of financial instruments, as defined by IFRS 13:

- 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	1,557	518	-307	182	-104	1,846

5d - Offsetting financial assets and financial liabilities

Dec. 31, 2017	Gross amount of financial assets	Gross amount of financial liabilities offset	Net amount shown	Effect of offset framework agreements	Associated amounts not offset		Net amount
					Financial instruments received in guarantee	Cash collateral received	
Financial assets							
Derivatives	6,698	0	6,698	-1,819	0	-2,747	2,132
Resale agreements	17,662	0	17,662	0	-17,570	-69	24
Total	**24,360**	**0**	**24,360**	**-1,819**	**-17,570**	**-2,816**	**2,156**

Dec. 31, 2017	Gross amount of financial liabilities	Gross amount of financial assets offset	Net amount shown	Effect of offset framework agreements	Associated amounts not offset		Net amount
					Financial instruments given in guarantee	Cash collateral paid	
Financial liabilities							
Derivatives	6,592	0	6,592	-1,860	0	-3,563	1,169
Resale agreements	29,344	0	29,344	0	-29,135	-208	1
Total	**35,936**	**0**	**35,936**	**-1,860**	**-29,135**	**-3,771**	**1,170**

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		Net amount
					Financial instruments received in guarantee	Cash collateral received	
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 liabilities	Gross amount of financial assets offset	Net amount shown	Effect of offset framework agreements	Associated amounts not offset		Net amount
					Financial instruments given in guarantee	Cash collateral paid	
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**

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. This in particular relates to transactions for which the right to offset is exercised in the event of default, insolvency or bankruptcy by any of the parties to the agreement. This concerns derivatives and repurchase agreements, whether or not dealt with via clearing houses.
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 recognized as "Other assets or liabilities" in the statement of financial position.

NOTE 6 - Couverture

6a - Instruments dérivés de couverture

	Dec. 31, 2017		Dec. 31, 2016	
	Assets	Liabilities	Assets	Liabilities
. Cash flow hedges	0	0	0	0
. Fair value hedges (change in value recognized through profit or loss)	3,418	3,344	4,856	4,930
TOTAL	**3,418**	**3,344**	**4,856**	**4,930**

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. The value of the ineffective portion of the hedging instruments, recognized in "Net gain (loss) on financial instruments at fair value through profit or loss" was -€34 million (note 27).

6b - Remeasurement adjustment on interest-risk hedged investments

	Fair value Dec. 31, 2017	Fair value Dec. 31, 2016	Change in fair value
Fair value of interest-risk by investment category			
. financial assets	429	604	-175
. financial liabilities	-270	-573	303

6c - Analysis of derivative instruments

	Dec. 31, 2017			Dec. 31, 2016		
	Notional	Assets	Liabilities	Notional	Assets	Liabilities
Trading derivative instruments						
Interest-rate derivative instruments						
Swaps	73,924	1,999	1,841	81,652	2,766	2,745
Other forward contracts	244,581	7	7	111,153	5	1
Options and conditional transactions	23,480	97	179	21,466	73	197
Foreign exchange derivative instruments						
Swaps	90,727	45	53	95,821	73	69
Other forward contracts	10,177	705	682	7,140	622	576
Options and conditional transactions	26,276	119	111	24,989	200	191
Derivative instruments other than interest-rate and foreign exchange						
Swaps	12,995	132	162	12,733	76	129
Other forward contracts	5,526	42	75	1,157	14	63
Options and conditional transactions	4,489	134	138	11,784	499	531
Sub-total	**492,177**	**3,280**	**3,248**	**367,895**	**4,327**	**4,505**
Hedging derivative instruments						
Fair value hedges						
Swaps	95,172	3,422	3,344	120,403	4,856	4,930
Other forward contracts	47,399	0	0	15,782	0	0
Options and conditional transactions	0	(4)	0	0	(0)	0
Cash flow hedges						
Swaps	0	0	0	0	0	0
Other forward contracts	0	0	0	0	0	0
Options and conditional transactions	0	0	0	0	0	0
Sub-total	**142,571**	**3,418**	**3,344**	**136,185**	**4,856**	**4,930**
TOTAL	**634,748**	**6,698**	**6,592**	**504,080**	**9,183**	**9,434**

The CVA (credit valuation adjustment) and the DVA (debt valuation adjustment) entail limiting own credit risk and, at December 31, 2017, totaled -€25 million (-€41 million at December 31, 2016) and €5 million (€3 million at December 31, 2016), 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 -€10 million at December 31, 2017 (-€14 million at December 31, 2016).
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, 2017	Dec. 31, 2016
. Government securities	13,284	15,703
. Bonds and other fixed-income securities	66,221	68,289
- Listed	65,556	67,676
- Unlisted	664	613
. Equities and other variable-income securities	10,858	9,471
- Listed	9,797	9,257
- Unlisted	1,061	214
. Long-term investments	2,350	2,880
- Investments in non-consolidated companies	1,489	2,205
- Other long-term investments	375	261
- Investments in associates	486	414
. Accrued interest	201	254
TOTAL	**92,913**	**96,597**
Including unrealized gains (losses) on bonds, other fixed-income securities and government securities recognized directly in equity	*843*	*703*
Including unrealized gains (losses) on equities, other variable-income securities and long-term investments recognized directly in equity	*862*	*849*
Including impairment of bonds and other fixed-income securities	*-31*	*-37*
Including impairment of equities and other variable-income securities and long-term investments	*-1,311*	*-1,314*

7b - List of main investments in non-consolidated companies

		% held	Shareholders' equity	Total assets	NBI or revenue	Net income
Crédit logement	Unlisted	< 10%	1,857	10,601	218	108
CRH (Caisse de refinancement de l'habitat)	Unlisted	< 40%	563	39,626	2	0
Foncière des Régions	Quoted	< 10%	8,468	19,500	815	1,119

The figures above (excluding the percentage of interest) relate to 2016.

7c - Exposure to sovereign risk

Countries benefiting from aid packages

*Net exposure**	**Dec. 31, 2017**		**Dec. 31, 2016**	
	Portugal	**Ireland**	**Portugal**	**Ireland**
Financial assets at fair value through profit or loss	8		31	
Available-for-sale financial assets	52	130	68	161
Held-to-maturity financial assets				
TOTAL	**60**	**130**	**99**	**161**

** Net exposure amounts are shown net of any insurance policyholder profit-sharing portion.*

Residual contractual maturity	**Portugal**	**Ireland**	**Portugal**	**Ireland**
< 1 year	50		14	30
1 to 3 years		93	50	89
3 to 5 years	2	30		5
5 to 10 years	5	7	22	37
> 10 years	3		13	
Total	**60**	**130**	**99**	**161**

Other sovereign risk exposures in the banking portfolio

Expositions nettes	Dec. 31, 2017		Dec. 31, 2016	
	Spain	Italy	Spain	Italy
Financial assets at fair value through profit or loss	42	98	35	353
Available-for-sale financial assets	282	647	427	1,028
Held-to-maturity financial assets				
TOTAL	**324**	**745**	**462**	**1,381**

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	169	565	419	810
1 to 3 years	26	82	8	384
3 to 5 years	36	33	6	49
5 to 10 years	58	54		129
> 10 years	35	11	29	9
Total	**324**	**745**	**462**	**1,381**

NOTE 8 - Customers

8a - Loans and receivables due from customers

	Dec. 31, 2017	Dec. 31, 2016
Performing loans	207,600	196,645
. Commercial loans	14,749	13,001
. Other customer loans	192,155	182,919
- Home loans	76,202	72,834
- Other loans and receivables, including repurchase agreements	115,953	110,085
. Accrued interest	388	384
. Securities not listed in an active market	309	340
Insurance and reinsurance receivables	293	257
Individually impaired receivables	9,155	10,751
Gross receivables	**217,049**	**207,652**
Individual impairment	-5,302	-6,725
Collective impairment	-417	-403
SUB-TOTAL I	**211,329**	**200,524**
Finance leases (net investment)	13,555	13,037
. Furniture and movable equipment	9,045	8,540
. Real estate	4,082	4,030
. Individually impaired receivables	429	467
Impairment provisions	-202	-232
SUB-TOTAL II	**13,353**	**12,805**
TOTAL	**224,682**	**213,329**
of which non-voting loan stock	*5*	*8*
of which subordinated notes	*14*	*15*

Finance leases with customers

	Dec. 31, 2016	Acquisition	Sale	Other	Dec. 31, 2017
Gross carrying amount	13,037	1,609	-1,080	-11	13,555
Impairment of irrecoverable rent	-232	-88	118	0	-202
Net carrying amount	12,805	1,521	-962	-11	13,353

Maturity analysis of minimum future lease payments receivable under finance leases

	< 1 an	>1 an et <5 ans	> 5 ans	Total
Minimum future lease payments receivable	3,036	6,012	2,296	11,344
Present value of future lease payments	2,929	5,864	2,248	11,041
Unearned finance income	**107**	**148**	**48**	**303**

8b - Amounts due to customers

	Dec. 31, 2017	Dec. 31, 2016
. Regulated savings accounts	52,397	51,216
- demand	38,184	37,960
- term	14,213	13,256
. Accrued interest	1	1
Sub-total	**52,398**	**51,217**
. Current accounts	91,818	82,180
. Term deposits and borrowings	37,531	42,894
. Resale agreements	2,017	1,575
. Accrued interest	144	300
. Insurance and reinsurance payables	106	90
Sub-total	**131,616**	**127,039**
TOTAL	**184,014**	**178,256**

NOTE 9 - Held-to-maturity financial assets

	Dec. 31, 2017	Dec. 31, 2016
Securities	9,403	10,112
- Government securities	10	0
- Bonds and other fixed-income securities	9,393	10,112
. Quoted	7,371	7,414
. Not quoted	2,022	2,698
. Conversion	0	0
. Accrued interest	1	1
GROSS TOTAL	**9,404**	**10,112**
of which impaired assets	*33*	*20*
Impairment provisions	-24	-11
NET TOTAL	**9,379**	**10,101**

NOTE 10 - Movements in impairment provisions

	Dec. 31, 2016	Additions	Reversals	Other (1)	Dec. 31, 2017
Loans and receivables due from customers	-7,360	-1,592	1,705	1,325	-5,921
Available-for-sale securities	-1,351	-127	141	-4	-1,342
Held-to-maturity securities	-11	-12	0	-2	-24
TOTAL	**-8,722**	**-1,731**	**1,846**	**1,319**	**-7,287**

At December 31, 2017, provisions on loans and receivables due from customers totalled €5,921 million (€7,360 million at end-2016), of which €417 million in collective provisions. Individual provisions relate mainly to ordinary accounts in debit for €601million (€632million at end-2016) and to provisions on commercial receivables and other receivables (including home loans) for €4,701 million (€6,093 million at end-2016).

(1) €1,299 million of fully provisioned loans made by Targobank AG to customers more than five years ago were canceled in the 2017 consolidated financial statements due to the almost non-existent prospect of recovery.

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, 2017		Dec. 31, 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans and receivables portfolio	378	417	626	658
AFS portfolio	1,297	1,297	2,236	2,236

	Dec. 31, 2017	Dec. 31, 2016
Gains/(losses) that would have been recognized in the income statement at fair value if the assets had not been reclassified	-246	92
Unrealized gains/(losses) that would have been recognized in equity if the assets had not been reclassified	48	-146
Gains/(losses) recognized in income (net banking income and net additions to/reversals from provisions for loan losses) relating to reclassified assets	213	62

NOTE 12 - Note on outstanding securitization

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, 2017	Carrying amount Dec. 31, 2016
RMBS	3,002	2,797
CMBS	49	51
CLO	1,897	2,075
Other ABS	2,042	1,640
Sub-total	**6,990**	**6,564**
CLO hedged by CDS	0	5
Liquidity facilities for ABCP programs	185	185
TOTAL	**7,175**	**6,754**

Unless otherwise stated, securities are not covered by CDS.

Exposures at 12/31/2017	RMBS	CMBS	CLO	Other ABS	Total
Trading	1,503	5	17	141	1,666
AFS	1,131	44	1,720	1,676	4,571
Loans	368		160	225	753
TOTAL	**3,002**	**49**	**1,897**	**2,042**	**6,990**
France	68		251	599	919
Spain	91		26	25	143
United Kingdom	194		149	225	568
Europe excluding France, Spain and United Kingdom	316	49	308	1,113	1,786
USA	2,214		417	43	2,674
Rest of the world	119		745	36	900
TOTAL	**3,002**	**49**	**1,897**	**2,042**	**6,990**
US Agencies	1,834		-	-	1,834
AAA	641		1,778	1,285	3,705
AA	168		84	526	777
A	52		20	25	96
BBB	6	49	4	206	265
BB	16				16
B or below	286				286
Not rated	-		11		11
TOTAL	**3,002**	**49**	**1,897**	**2,042**	**6,990**
Originating 2005 or before	107	49			156
Originating 2006-2008	423		8	31	462
Originating 2009-2011	70				70
Originating 2012-2015	2,402		1,889	2,011	6,301
TOTAL	**3,002**	**49**	**1,897**	**2,042**	**6,990**

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 2012-2014	1,862	-	2,030	1,608	5,500
TOTAL	**2,797**	**51**	**2,075**	**1,640**	**6,564**

NOTE 13 - Corporate income tax

13a - Current income tax

	Dec. 31, 2017	Dec. 31, 2016
Asset (through income statement)	1,164	797
Liability (through income statement)	530	456

13b - Deferred income tax

	Dec. 31, 2017	Dec. 31, 2016
Asset (through income statement)	746	770
Asset (through shareholders' equity)	165	178
Liability (through income statement)	608	556
Liability (through shareholders' equity)	572	608

Breakdown of deferred income tax by major categories

	Dec. 31, 2017		Dec. 31, 2016	
	Assets	Liabilities	Assets	Liabilities
. Temporary differences on:				
- Deferred gains (losses) on available-for-sale securities	165	572	178	608
- Impairment provisions	415		452	
- Unrealized finance lease reserve		237		250
- Remeasurement of financial instruments	183	202	469	436
- Accrued expenses and accrued income	124	47	140	61
- Tax losses	4		6	
- Insurance activities	15	138	20	199
- Other timing differences	60	38	55	-19
. Netting	-54	-54	-372	-372
Total deferred tax assets and liabilities	911	1,180	947	1,163

Deferred taxes are calculated using the liability method.

For the French entities, deferred taxes are calculated by applying the tax rate that will be in force at the time the timing difference is reversed. This calculation reflects the requirements of the French Finance Law 2018, adopted on December 21, 2017, which provides for a gradual reduction in the tax rate in France. The standard corporate income tax rate will fall from 34.43% to 25.82% by 2022.

NOTE 14 - Accruals, other assets and other liabilities

14a - Accruals and other assets

	Dec. 31, 2017	Dec. 31, 2016
Accruals - assets		
Collection accounts	177	115
Currency adjustment accounts	51	967
Accrued income	578	469
Other accruals	1,605	1,519
Sub-total	**2,412**	**3,070**
Other assets		
Securities settlement accounts	85	120
Guarantee deposits paid	5,529	6,091
Miscellaneous receivables	3,747	3,924
Inventories	9	13
Other	32	15
Sub-total	**9,402**	**10,164**
Other insurance assets		
Technical reserves - reinsurers' share	310	319
Other	109	113
Sub-total	**419**	**432**
TOTAL	**12,233**	**13,666**

14b - Accruals and other liabilities

	Dec. 31, 2017	Dec. 31, 2016
Accruals - liabilities		
Accounts unavailable due to collection procedures	290	265
Currency adjustment accounts	54	15
Accrued expenses	848	830
Deferred income	661	657
Other accruals	1,822	1,940
Sub-total	**3,675**	**3,707**
Other liabilities		
Securities settlement accounts	594	270
Outstanding amounts payable on securities	79	231
Other payables	4,972	5,588
Sub-total	**5,645**	**6,088**
Other insurance liabilities		
Deposits and guarantees received	201	200
Other	0	0
Sub-total	**201**	**200**
TOTAL	**9,522**	**9,995**

NOTE 15 - Investments in associates

Share of net income (loss) of companies accounted for using the equity method

		Dec. 31, 2017					
		Country	Percent interest	Investment value	Share of net income (loss)	Dividends received	Investment's fair value
Entities over which significant influence is exercised							
ACM Nord IARD	unlisted	France	49.00%	39	8	8	NC*
ASTREE Assurances	listed	Tunisia	30.00%	14	2	1	23
Banco Popular Español	unlisted	Spain	0.00%	0	-246	0	0
Banque de Tunisie	listed	Tunisia	34.00%	165	15	7	166
Banque Marocaine du Commerce Extérieur (BMCE)	listed	Morocco	26.21%	871	-130	18	897
CMCP - Crédit Mutuel Cartes de Paiement	unlisted	France	0.00%	0	0	0	NC*
Euro-Information	unlisted	France	26.36%	340	26	1	NC*
Euro Protection Surveillance	unlisted	France	25.00%	29	7	0	NC*
LYF SA (formerly Fivory)	unlisted	France	43.50%	8	0	0	NC*
NELB (North Europe Life Belgium)	unlisted	Belgium	49.00%	104	1	2	NC*
Royale Marocaine d'Assurance (formely RMA Watanya)	unlisted	Morocco	22.02%	114	20	11	NC*
SCI La Tréflière	unlisted	France	46.09%	10	0	0	NC*
Other	unlisted			2	0	0	NC*
TOTAL (1)				**1,696**	**-296**	**49**	
Joint ventures							
Bancas	unlisted	France	50.00%	1	0	0	NC*
Banque du groupe Casino	unlisted	France	50.00%	48	-4	0	NC*
TOTAL (2)				**48**	**-4**	**0**	
TOTAL (1) + (2)				**1,745**	**-301**	**49**	

** NC : Not communicated*

		Country	Percent interest	Investment value	Share of net income (loss)	Dividends received	Investment's fair value
			Dec. 31, 2016				
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 (ex 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 du groupe Casino	unlisted	France	50.00%	47	-2	0	NC*
TOTAL (2)				**48**	**-2**	**0**	
TOTAL (1) + (2)				**2,028**	**-122**	**49**	

** NC : Not communicated*

Banco Popular Español (BPE)

As a reminder, at December 31, 2016, BPE was consolidated using the equity method in light of the significant influence relationship between it and the Group: the Crédit Mutuel CM11 Group is represented on BPE's 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.

As a result of significant liquidity constraints, on June 6, 2017 the European Central Bank decided that BPE was likely to fail and informed the Single Resolution Board accordingly.

The Single Resolution Board and the Spanish resolution authority (FROB) decided that the sale of BPE to Banco Santander would serve the public interest by protecting all its depositors and ensuring its financial stability.

The resolution plan took effect on June 7, 2017 and the Single Resolution Board transferred all of BPE's shares and capital instruments to Banco Santander for one euro.

The Crédit Mutuel-CM11 Group, which owned 3.95% of BPE shares, recognized a capital loss net of impairment of €232 million already booked in net income (loss) of associates in its consolidated financial statements at December 31, 2017. This capital loss resulted from setting the equity-accounted value to zero at December 31, 2017 (€405.6 million) and reversing the impairment (€174 million).

Banque Marocaine du Commerce Extérieur (BMCE)

The investment in BMCE underwent an impairment test on December 31, 2017, which resulted in the recognition of a €175 million impairment provision.

Financial data published by the major associates

	Total assets	NBI or revenue	Operating income before provisions	Net income	OCI reserves	Shareholders' equity
			Dec. 31, 2017			
Entities over which significant influence is exercised						
ACM Nord	215	159	26	17	2	74
ASTREE Assurance (2)	441	146	23	14	39	155
Banque de Tunisie (1) (2)	4,718	236	129	101	NC*	730
Banque Marocaine du Commerce Extérieur (1) (3)	305,923	12,990	5,615	2,835	-6	23,583
Euro Information (1)	1,181	1,163	137	89	0	1,011
Euro Protection Surveillance (1)	169	150	36	23	0	123
LYF SA (formely Fivory)	18	0	-1	-1	0	18
RMA Watanya (1) (3)	342,166	17,756	4,551	905	4,997	5,529
Joint ventures						
Banque Casino	978	118	53	6	0	97

*(1) 2016 amounts (2) in millions of Tunisian Dinars (3) in millions of Moroccan Dirhams *NC: not communicated*

	Dec. 31, 2016					
	Total assets	NBI or revenue	Operating income before provisions	Net income	OCI reserves	Shareholders' equity
Entities over which significant influence is exercised						
ACM Nord	198	154	25	17	2	74
ASTREE Assurance (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*

NOTE 16 - Investment property

	Dec. 31, 2016	Additions	Disposals	Other movements	**Dec. 31, 2017**
Historical cost	2,228	851	0	-122	2,957
Accumulated depreciation and impairment provisions	-325	-34	3	27	-329
Net amount	**1,903**	**818**	**3**	**-95**	**2,628**

The fair value of investment property recognized at amortized costs was €3,353 million at December 31, 2017.

NOTE 17 - Property, equipment and intangible assets

17a - Property and equipment

	Dec. 31, 2016	Additions	Disposals	Other movements	**Dec. 31, 2017**
Historical cost					
Land used in operations	438	4	-1	29	471
Buildings used in operations	2,988	90	-106	81	3,054
Other property and equipment	1,217	89	-146	-12	1,148
TOTAL	**4,643**	**184**	**-253**	**98**	**4,672**
Accumulated depreciation and impairment provisions					
Land used in operations	-5	-2	0	0	-7
Buildings used in operations	-1,874	-110	92	-26	-1,918
Other property and equipment	-918	-51	83	-6	-892
TOTAL	**-2,797**	**-163**	**175**	**-32**	**-2,817**
TOTAL - Net amount	**1,846**	**21**	**-78**	**67**	**1,855**

17 b - Intangible assets

	Dec. 31, 2016	Additions	Disposals	Other movements	**Dec. 31, 2017**
Historical cost					
. Internally developed intangible assets	16	0	-16	0	0
. Purchased intangible assets	1,428	38	-47	-11	1,408
- software	497	29	-17	-12	497
- other	931	9	-30	1	911
TOTAL	**1,444**	**38**	**-63**	**-11**	**1,408**
Accumulated depreciation and impairment provisions					
. Internally developed intangible assets					
. Purchased intangible assets	-878	-60	48	14	-876
- software	-481	-18	33	12	-454
- other	-396	-42	15	2	-421
TOTAL	**-878**	**-60**	**48**	**14**	**-876**
Net amount	**566**	**-22**	**-15**	**3**	**532**

NOTE 18 - Goodwill

	Dec. 31, 2016	Additions	Disposals	Impairment losses/reversals	Other movements	Dec. 31, 2017
Goodwill, gross	4,563	0	0		-24	4,539
Impairment provisions	-475	0		-15	0	-490
Goodwill, net	**4,088**	**0**	**0**	**-15**	**-24**	**4,049**

Subsidiaries	Goodwill as of Dec. 31, 2016	Additions	Disposals	Impairment losses/reversals	Other movements	Goodwill as of Dec. 31, 2017
Targobank Allemagne	2,781					2,781
Crédit Industriel et Commercial (CIC)	506					506
Cofidis Participations	457					457
Factofrance SA	80				-12	68
Heller Gmbh et Targo Leasing GmbH	75				-12	63
Amgen Seguros Generales Compañía de Seguros y Reaseguros SA	53					53
CM-CIC Investissement SCR	21					21
CIC Iberbanco	15			-15		0
Banque de Luxembourg	13					13
Cofidis Italie	9					9
Banque Transatlantique	6					6
Transatlantique Gestion	5					5
Autres	66					66
TOTAL	**4,088**	**0**	**0**	**-15**	**-24**	**4,049**

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 are as follows:

	Targobank Germany	**Cofidis**
	Network bank	Consumer credit
Capital cost	9.00%	9.00%
Effect of 50 basis point increase in capital cost	-304	-213
Effect of 1% decrease in future cash flows	-46	-32

NOTE 19 - Debt securities

	Dec. 31, 2017	Dec. 31, 2016
Retail certificates of deposit	113	211
Interbank instruments and money market securities	55,395	61,262
Bonds	56,164	49,406
Accrued interest	780	1,424
TOTAL	**112,453**	**112,304**

NOTE 20 - Technical reserves of insurance companies

	Dec. 31, 2017	Dec. 31, 2016
Life	71,701	70,569
Non-life	3,389	3,138
Unit of account	8,903	7,545
Other expenses	297	294
TOTAL	**84,289**	**81,547**
Of which deferred profit-sharing - liability	*10,748*	*9,956*
Deferred profit sharing - assets	**0**	**0**
Reinsurers' share of technical reserves	**310**	**319**
TOTAL - Net technical reserves	**83,979**	**81,228**

NOTE 21 - Provisions

	Dec. 31, 2016	Additions	Reversals - provisions used	Reversals - provisions not used	Other movements	Dec. 31, 2017
Provisions for risks	**305**	**344**	**-34**	**-68**	**-4**	**544**
Signature commitments	119	44	0	-40	-1	122
Financing and guarantee commitments	1	0	0	-1	0	0
Provision for taxes	38	7	-1	-10	0	34
Provisions for claims and litigation	86	52	-32	-15	30	121
Provision for risks on miscellaneous receivables	61	241	-1	-2	-33	267
Other provisions	**986**	**380**	**-146**	**-173**	**-35**	**992**
Provisions for home savings accounts and plans	55	2	0	-2	0	55
Provisions for miscellaneous contingencies	515	265	-128	-143	90	579
Other provisions [(1)]	416	113	-18	-28	-125	358
Provision for retirement benefits	**944**	**69**	**-28**	**-18**	**-67**	**901**
Retirement benefits - defined benefit and equivalent, excluding pension funds						
Retirement bonuses [(2)]	701	37	-18	-14	-33	673
Supplementary retirement benefits	159	8	-8	-3	-9	147
Long service awards (other long-term benefits)	53	18	-1	0	1	70
Sub-total recognized	913	63	-27	-18	-41	890
Supplementary retirement benefit - defined benefit, provided by Group's pension funds						
Provision for pension fund shortfalls [(3)]	31	6	0	0	-26	11
Sub-total recognized	31	6	0	0	-26	11
TOTAL	**2,235**	**794**	**-207**	**-259**	**-106**	**2,436**

Assumptions used	**2017**	**2016**
Discount rate [(4)]	1.3%	1.2%
Annual increase in salaries [(5)]	Minimum 1%	Minimum 0.5%

(1) Other provisions include provisions set aside in respect of economic interest groupings (EIG) totaling €314 million.

(2) The other changes result from the change in the discount rate, estimated using the Iboxx index, which was retained at 1.3% at December 31, 2017, compared with 1.20% at December 31, 2016

(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. It is also based on the age of employees.

Movements in provision for retirement bonuses

	Commitments	Non-group insurance contract and externally managed assets	Provisions
December 31, 2015	962	392	**571**
Discount effect	20	0	**20**
Financial income	0	8	**-8**
Cost of services performed	37	0	**37**
Other costs incl. past service	-2		**-2**
Actuarial gains (losses) relating to changes in assumptions			
- demographic	-1	0	**-1**
- financial	121	5	**115**
Payment to beneficiaries	-34	-1	**-33**
Contributions to the plan	0	4	**-4**
Mobility transfer	2	0	**2**
Other	3	0	**3**
December 31, 2016	1,109	408	**701**
Discount effect	13	0	**13**
Financial income	0	5	**-5**
Cost of services performed	43	0	**43**
Other costs incl. past service	-1	0	**-1**
Actuarial gains (losses) relating to changes in assumptions			
- demographic	0	0	**0**
- financial	-21	18	**-39**
Payment to beneficiaries	-32	0	**-32**
Contributions to the plan	-2	13	**-14**
Mobility transfer	0	0	**0**
Other	6	0	**6**
December 31, 2017	1,116	443	**673**

A change of plus or minus 50 basis points in the discount rate would result in, respectively, a fall of €90 million / an increase of €92 million in the commitment. The term of the commitments (excluding foreign entities) is 17 years.

Change in the fair value of plan assets

	Fair value of plan assets
Fair value of assets as of Dec. 31, 2015	587,863
Discount effect	2,354
Actuarial gains (losses)	12,540
Yield of plan assets	10,051
Contributions by plan participants	3,855
Employer contributions	17,274
Payment to beneficiaries	-17,029
Foreign exchange effect	0
Other	-47
Fair value of assets as of Dec. 31, 2016	616,860
Discount effect	2,503
Actuarial gains (losses)	-8,185
Yield of plan assets	31,104
Contributions by plan participants	12,560
Employer contributions	7,422
Payment to beneficiaries	-26,503
Foreign exchange effect	0
Other	-5
Fair value of assets as of Dec. 31, 2017	635,755

Details of the fair value of plan assets

	Dec. 31, 2017				Dec. 31, 2016			
	Debt securities	Equity instruments	Real estate	Other	Debt securities	Equity instruments	Real estate	Other
Assets listed on an active market	62%	22%	0%	15%	76%	21%	0%	2%
Assets not listed on an active market	0%	0%	1%	0%	0%	0%	1%	0%
Total	62%	22%	1%	15%	76%	21%	1%	2%

Provisions for signature risk on home savings accounts and plans

	Dec. 31, 2017	Dec. 31, 2016
Home savings plans		
Contracted less than 10 years ago	5,824	7,060
Contracted more than 10 years ago	4,472	2,515
Total	**10,296**	**9,575**
Amounts outstanding under home savings accounts	**631**	**596**
Total	**10,927**	**10,172**

Home savings loans	Dec. 31, 2017	Dec. 31, 2016
Balance of home savings loans giving rise to provisions for risks reported in assets	**37**	**55**

Provisions for home savings accounts and plans	Dec. 31, 2016	Net additions/ reversals	Other movements	Dec. 31, 2017
On home savings accounts	4			4
On home savings plans	49	1		50
On home savings loans	1	0		1
Total	**54**	**1**		**55**
Maturity analysis				
Contracted less than 10 years ago	43	7		50
Contracted more than 10 years ago	5	(5)		0
Total	**48**	**2**		**50**

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 change of the provision is due to the observed change of interest rates on the markets and the increase of PEL outstanding.

NOTE 22 - Subordinated debt

	Dec. 31, 2017	Dec. 31, 2016
Subordinated debt	6,613	5,611
Non-voting loan stock	23	24
Perpetual subordinated loan stock	1,661	1,661
Other debt	0	0
Accrued interest	79	64
TOTAL	**8,375**	**7,360**

Main subordinated debt issues

€ million	Type	Issue date	Amount issued	Amount as end of period (1)	Rate	Maturity
Banque Fédérative du Crédit Mutuel	Redeemable subordinated note	12.06.2011	1000 M€	1000 M€	5.30	12.06.2018
Banque Fédérative du Crédit Mutuel	Redeemable subordinated note	10.22.2010	1000 M€	911 M€	4.00	10.22.2020
Banque Fédérative du Crédit Mutuel	Redeemable subordinated note	05.21.2014	1000 M€	1000 M€	3.00	05.21.2024
Banque Fédérative du Crédit Mutuel	Redeemable subordinated note	09.11.2015	1000 M€	1000 M€	3.00	09.11.2025
Banque Fédérative du Crédit Mutuel	Redeemable subordinated note	03.24.2016	1000 M€	1000 M€	2.48	03.24.2026
Banque Fédérative du Crédit Mutuel	Redeemable subordinated note	11.04.2016	700 M€	700 M€	1.88	11.04.2026
Banque Fédérative du Crédit Mutuel	Redeemable subordinated note	03.31.2017	500 M€	500 M€	2.63	03.31.2027
Banque Fédérative du Crédit Mutuel	Redeemable subordinated note	11.15.2017	500 M€	500 M€	1.63	11.15.2027
CIC	Non-voting loan stock	05.28.1985	137 M€	10 M€	(2)	(3)
Banque Fédérative du Crédit Mutuel	Debt	12.28.2005	500 M€	500 M€	(4)	undertermined maturity
Banque Fédérative du Crédit Mutuel	Deeply subordinated note	12.15.2004	750 M€	737 M€	(5)	undertermined maturity
Banque Fédérative du Crédit Mutuel	Deeply subordinated note	02.25.2005	250 M€	250 M€	(6)	undertermined maturity
Banque Fédérative du Crédit Mutuel	Deeply subordinated note	10.17.2008	147 M€	147 M€	(7)	undertermined 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) 1-year Euribor + 0.3 bp
(5) 10-year CMS ISDA + 10 basis points.
(6) 10-year CMS ISDA + 10 basis points.
(7) 3m Euribor + 665 basis points.

NOTE 23 - Shareholders' equity

23a - Shareholders' equity (excluding unrealized or deferred gains and losses) attributable to the Group

	Dec. 31, 2017	Dec. 31, 2016
. Capital stock and issue premiums	6,197	6,197
- Capital stock	1,689	1,689
- Issue premiums	4,509	4,509
. Consolidated reserves	15,393	14,006
- Legal reserve	0	0
- Statutory and contractual reserves	0	0
- Regulated reserves	9	8
- Conversion reserve	0	0
- Other reserves (including effects related to first-time application of standards)	15,384	13,997
- Retained earnings	0	1
. Net income for the year	1,549	1,655
TOTAL	**23,139**	**21,857**

23b - Unrealized or deferred gains and losses

	Dec. 31, 2017	Dec. 31, 2016
Unrealized or deferred gains and losses relating to:*		
. Available-for-sale financial assets		
- equities	841	799
- bonds	755	687
. Hedging derivative instruments (cash flow hedges)	6	-19
. Actuarial gains and losses	-221	-264
. Translation adjustments	-14	95
. Share of unrealized or deferred gains and losses of associates	15	17
TOTAL	**1,382**	**1,315**
Attributable to the Group	*1,053*	*968*
Attributable to minority interests	*329*	*347*

** Net of tax.*

23c - Recycling of gains and losses recognized directly in equity

	Changes 2017	Changes 2016
Translation adjustments		
- Reclassification in income	0	-66
- Other movements	-109	3
- Translation adjustment	*-109*	*-63*
Remeasurement of available-for-sale financial assets		
- Reclassification in income	-87	-213
- Other movements	197	104
Remeasurement of available-for-sale financial assets	*110*	*-108*
Remeasurement of hedging derivative instruments		
- Other movements	25	1
Remeasurement of hedging derivatives	*25*	*1*
- Share of unrealized or deferred gains and losses of associates	-1	3
Share of unrealized or deferred gains and losses of associates	*-1*	*3*
TOTAL - Recyclable gains and losses	*24*	*-168*
- Actuarial gains and losses on defined benefit plans	43	-102
TOTAL - Non-recyclable gains and losses	**43**	**-102**
Total gains and losses recognized directly in shareholders' equity	**67**	**-270**

23d - Tax on components of gains and losses recognized directly in equity

	Changes 2017			Changes 2016		
	Gross amount	Corporate income tax	Net amount	Gross amount	Corporate income tax	Net amount
Translation adjustments	-109		-109	-63		-63
Remeasurement of available-for-sale financial assets	168	-58	110	-165	57	-108
Remeasurement of hedging derivatives	38	-13	25	2	-1	1
Remeasurement of non-current assets	0		0	0		0
Actuarial gains and losses on defined benefit plans	65	-23	43	-155	53	-102
Share of unrealized or deferred gains and losses of associates	-1		-1	3		3
Total gains and losses recognized directly in shareholders' equity	**161**	**-93**	**67**	**-379**	**110**	**-270**

NOTE 24 - Commitments and guarantees given and received

Commitments and guarantees given	Dec. 31, 2017	Dec. 31, 2016
Financing commitments		
Commitments given to credit institutions	1,217	1,316
Commitments given to customers	44,727	43,180
Guarantee commitments		
Guarantees given on behalf of credit institutions	3,264	2,560
Guarantees given on behalf of customers	15,999	15,191
Commitments on securities		
Other commitments given	1,530	89
Commitments given by the Insurance business line	1,567	1,379

Commitments and guarantees received	Dec. 31, 2017	Dec. 31, 2016
Financing commitments		
Commitments received from credit institutions	18,234	17,664
Commitments received from customers	0	56
Guarantee commitments		
Commitments received from credit institutions	41,073	38,745
Commitments received from customers	11,999	11,437
Commitments on securities		
Other commitments received	452	740
Commitments received by the Insurance business line	4,246	4,713

Securities given under repurchase agreements	Dec. 31, 2017	Dec. 31, 2016
Assets given under repurchase agreements	29,321	32,479
Related liabilities	29,319	32,125

Assets given as collateral for liabilities	Dec. 31, 2017	Dec. 31, 2016
Security deposits on market transactions	5,529	6,091
Total	**5,529**	**6,091**

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 lend. Coupons and dividends are the property of the borrower. These transactions are subject to margin calls and the Group is exposed to the risk of non-return of securities. Assets given as collateral for liabilities relate to derivatives for which margin calls are paid when their fair value is negative. These amounts include the initial margins and those paid subsequently.

NOTE 25 - Interest income, interest expense and equivalent

	Dec. 31, 2017		Dec. 31, 2016	
	Income	Expense	Income	Expense
. Credit institutions and central banks	507	-391	576	-427
. Customers	9,088	-3,670	9,058	-3,827
- of which finance leases and operating leases	3,100	-2,753	2,910	-2,609
. Hedging derivative instruments	2,868	-3,141	2,038	-2,194
. Available-for-sale financial assets	567		504	
. Held-to-maturity financial assets	103		162	
. Debt securities		-1,632		-1,881
. Subordinated debt		-27		-28
TOTAL	**13,133**	**-8,861**	**12,337**	**-8,357**

NOTE 26 - Fees and commissions

	Dec. 31, 2017		Dec. 31, 2016	
	Income	Expense	Income	Expense
Credit institutions	4	-9	3	-8
Customers	1,168	-13	1,084	-13
Securities	758	-59	701	-64
of which funds managed for third parties	*561*		*516*	
Derivative instruments	3	-5	3	-4
Foreign exchange	19	-2	21	-2
Financing and guarantee commitments	61	-3	94	-12
Services provided	1,614	-1,016	1,440	-894
TOTAL	**3,628**	**-1,107**	**3,347**	**-997**

NOTE 27 - Net gain (loss) on financial instruments at fair value through profit or loss

	Dec. 31, 2017	Dec. 31, 2016
Trading instruments	394	487
Instruments designated under the fair value option(1)	443	369
Ineffective portion of hedging instruments	-34	6
. Fair value hedges	-34	6
. Change in fair value of hedged items	-196	-230
. Change in fair value of hedging items	162	236
Foreign exchange gains (losses)	62	41
Total changes in fair value	**866**	**903**

(1) of which €254 million relating to the Private equity business line as of Dec. 31, 2017 vs €195 million as of Dec. 31, 2016.

NOTE 28 - Net gain (loss) on available-for-sale financial assets

	Dec. 31, 2017			
	Dividends	Realized gains (losses)	Impairment losses	Total
. Government securities, bonds and other fixed-income securities		270	0	270
. Equities and other variable-income securities*	77	71	142	290
. Long-term investments	51	2	-246	-193
. Other	0	-1	0	-1
TOTAL	**127**	**342**	**-103**	**366**

**includes impairment reversal related to the sale of Eiffage and Havas shares*

	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	0	0	0	0
TOTAL	**104**	**601**	**-21**	**684**

(1) Includes the result of the sale of Visa securities.

NOTE 29 - Income and expense of other activities

	Dec. 31, 2017	Dec. 31, 2016
Income from other activities		
. Insurance contracts	11,850	11,882
. Investment property	3	2
- Reversals of depreciation, amortization and impairment charges	3	2
. Rebilled expenses	80	77
. Other income	884	837
Sub-total	**12,817**	**12,798**
Expenses on other activities		
. Insurance contracts	-9,857	-10,175
. Investment property	-36	-36
- depreciation, amortization and impairment charges (based on the accounting method selected)	-36	-36
. Other expenses	-526	-674
Sub-total	**-10,419**	**-10,885**
Other income and expense, net	**2,398**	**1,913**

Net income from the Insurance business line

	Dec. 31, 2017	Dec. 31, 2016
Earned premiums	9,353	9,920
Claims and benefits expenses	-7,002	-6,745
Movements in provisions	-2,857	-3,414
Other technical and non-technical income and expense	79	56
Net investment income	2,420	1,889
Total	**1,993**	**1,707**

NOTE 30 - General operating expenses

	Dec. 31, 2017	Dec. 31, 2016
Payroll costs	-3,140	-3,048
Other operating expenses	-2,838	-2,739
TOTAL	**-5,979**	**-5,787**

30a - Payroll costs

	Dec. 31, 2017	Dec. 31, 2016
Salaries and wages	-2,041	-2,002
Social security contributions(1)	-748	-714
Employee benefits - short-term	-2	-2
Incentive bonuses and profit-sharing	-164	-147
Payroll taxes	-181	-181
Other expenses	-4	-2
TOTAL	**-3,140**	**-3,048**

(1) The CICE tax credit for competitiveness and employment is recognized as a credit to payroll costs and amounted to €41 million in 2017.

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 video-conferencing systems;
- IT developments concerning a virtual assistant, based on cognitive technologies, designed to further improve the quality of the service for shareholding members and customers;
- 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.

Number of employees

Average number of employees	Dec. 31, 2017	Dec. 31, 2016
Banking staff	26,078	26,082
Management	16,067	15,860
TOTAL	**42,145**	**41,942**
Analysis by country		
France	28,863	28,824
Rest of the world	13,282	13,118
TOTAL	**42,145**	**41,942**

	Dec. 31, 2017	Dec. 31, 2016
*Number of employees at end of year**	**46,236**	**45,522**

** 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, 2017	Dec. 31, 2016
Taxes and duties (1)	-326	-298
External services	-2,320	-2,133
Other miscellaneous expenses (transportation, travel, etc.)	21	13
TOTAL	**-2,625**	**-2,418**

(1) Including € 87 million for the contribution to the Single Resolution Fund in 2017 compared with € 63 million in 2016.

30c - Depreciation, amortization and impairment of property, equipment and intangible assets

	Dec. 31, 2017	Dec. 31, 2016
Depreciation and amortization	-203	-227
- property and equipment	-163	-167
- intangible assets	-40	-60
Impairment losses	-11	-95
- property and equipment	0	0
- intangible assets	-11	-94
TOTAL	**-214**	**-321**

NOTE 31 - Cost of risk

Dec. 31, 2017	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	16	0	0	2	18
Customers	-1,538	1,639	-731	-332	184	-778
. Finance leases	-53	67	-24	-2	5	-7
. Other customer items	-1,485	1,572	-707	-330	179	-771
Sub-total	**-1,538**	**1,655**	**-731**	**-332**	**186**	**-760**
Held-to-maturity financial assets	-12	0	0	0	0	-12
Available-for-sale financial assets	0	4	-2	-12	6	-4
Other	-76	69	0	0	0	-7
TOTAL	**-1,627**	**1,729**	**-733**	**-344**	**192**	**-783**

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**

NOTE 32 - Gains (losses) on other assets

	Dec. 31, 2017	Dec. 31, 2016
Property, equipment and intangible assets	-2	13
. Losses on disposals	-14	-9
. Gains on disposals	12	22
Gain (loss) on consolidated securities sold	0	0
TOTAL	**-2**	**13**

NOTE 33 - Change in value of goodwill

	Dec. 31, 2017	Dec. 31, 2016
Impairment of goodwill	-15	-187
TOTAL	**-15**	**-187**

NOTE 34 - Corporate income tax

Breakdown of income tax expense

	Dec. 31, 2017	Dec. 31, 2016
Current taxes	-1,494	-1,154
Deferred taxes	-47	59
Adjustments in respect of prior years	0	-4
TOTAL	**-1,541**	**-1,100**

Reconciliation between the corporate income tax expense recognized and the theoretical tax expense

	Dec. 31, 2017	Dec. 31, 2016
Taxable income	3,665	3,121
Theoretical tax rate	34.43%	34.43%
Theoretical tax expense	**-1,262**	**-1,074**
Impact of preferential "SCR" and "SICOMI" rates	68	48
Impact of the reduced rate on long-term capital gains	16	155
Impact of different tax rates paid by foreign subsidiaries	28	-22
Permanent timing differences	-29	-95
Other impacts	-362	-111
Tax expense	**-1,541**	**-1,100**
Effective tax rate	42.04%	35.24%

(1) includes the exceptional corporate tax surcharge included in the 2017 Rectifying Finance Act for an amount of € 296 million.

NOTE 35 - Earnings per share

	Dec. 31, 2017	Dec. 31, 2016
Net income attributable to the Group	1,549	1,655
Number of stock units at beginning of year	33,770,590	33,770,590
Number of stock units at end of year	33,770,590	33,770,590
Weighted average number of stock units	33,770,590	33,770,590
Basic earnings per share	**45.86**	**48.99**
Additional weighted average number of stock units assuming full dilution	**0**	**0**
Diluted earnings per share	**45.86**	**48.99**

NOTE 36 - Fair value hierarchy of financial instruments recognized at amortized cost

The fair values presented are an estimate based on observable inputs at December 31, 2017. They are derived from a discounting calculation of future cash flows estimated from a yield curve that includes the signature cost inherent to the debtor.
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, 2017.

	Dec. 31, 2017					
	Market value	Carrying amount	Unrealized gains or losses	Level 1	Level 2	Level 3
Assets	**292,535**	**284,373**	**8,162**	**10,482**	**60,109**	**221,944**
Loans and receivables due from credit institutions	51,289	50,311	978	0	51,289	0
- Debt securities	289	289	0	0	289	0
- Loans and advances	51,000	50,022	978	0	51,000	0
Loans and receivables due from customers	230,557	224,682	5,875	60	8,553	221,944
- Debt securities	304	309	-4	60	18	226
- Loans and advances	230,253	224,374	5,879	0	8,535	221,718
Held-to-maturity financial assets	10,688	9,379	1,309	10,422	267	0
Liabilities	**360,696**	**355,429**	**5,267**	**0**	**268,154**	**92,859**
Due to credit institutions	50,856	50,586	270	0	50,856	0
Due to customers	184,789	184,014	775	0	91,930	92,859
Debt securities	116,055	112,453	3,602	0	116,055	0
Subordinated debt	8,996	8,375	621	0	9,313	0

	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

NOTE 37 - Related party transactions

Statement of financial position items concerning related party transactions

	Dec. 31, 2017			Dec. 31, 2016		
	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	1,155	2,544	29,433	958	2,206	32,427
Loans and receivables due from customers	23	9	0	28	16	0
Securities	121	178	430	61	148	763
Other assets	4	25	12	6	24	3
TOTAL	1,303	2,757	29,875	1,053	2,395	33,193
Liabilities						
Deposits						
Due to credit institutions	62	992	9,582	74	642	8,902
Due to customers	491	1,528	25	471	1,537	25
Debt securities	0	329	0	0	555	0
Other liabilities	50	71	701	41	64	781
TOTAL	603	2,921	10,307	586	2,799	9,708
Financing and guarantee commitments						
Financing commitments given	470	0	0	390	10	0
Guarantee commitments given	13	15	14	13	13	0
Financing commitments received	0	0	0	0	0	0
Guarantee commitments received	0	563	1,698	0	543	1,445

Income statement items concerning related party transactions

	Dec. 31, 2017			Dec. 31, 2016		
	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	17	617	13	27	766
Interest paid	0	-26	-52	0	-27	-46
Fees and commissions received	17	3	8	17	2	10
Fees and commissions paid	-21	0	-46	-22	0	-44
Other income (expense)	10	-93	-450	16	-1	-30
General operating expenses	-413	0	-51	-387	0	-46
TOTAL	-394	-98	27	-363	0	610

"Other entities in the Confédération Nationale" correspond to Caisse Centrale de Crédit Mutuel and the other Crédit Mutuel regional federations that do not belong to the Caisse Fédérale de Crédit Mutuel.

Relationships with parent companies are mainly loans and borrowings as part of cash management.

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, 2017	Dec. 31, 2016
Amounts in € thousands	Total compensation	Total compensation
Corporate officers - Management Committee - Board members who receive compensation	8,832	5,776

** See also the chapter called "Corporate Governance"*

The amount of provisions for retirement bonuses and long-service awards stood at €2,758 thousand at December 31, 2017.

Following the end of Mr. Alain Fradin's terms of office, the remuneration committee, at its meeting held on April 5, 2017, in accordance with the resolution of BFCM's Board of Directors dated May 11, 2011, noted that the performance criteria linked to growth in the BFCM Group’s consolidated results had been met. At its meeting of April 6, 2017, BFCM's Board of Directors accordingly resolved to award Mr. Alain Fradin the payments approved by the Board of Directors at the aforementioned meeting held on May 11, 2011, i.e. one year’s compensation as a corporate officer, amounting to €800,000 (gross).

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 estimated at €720,000 (including social security contributions). Mr. Nicolas 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 €15,691 in 2017.

At its meeting of April 6, 2017, the Board of Directors of BFCM approved a severance payment in case of termination of Mr. Daniel Baal'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 estimated at €1,100,000 (including social security contributions).
Mr. Baal 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 €9,153 in 2017.

NOTE 38 - Events after the reporting period and other information

The consolidated financial statements of BFCM group at the year ended December 31, 2017 were approved by the board of directors at its meeting of February 21, 2018.

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

	12.31.2017			
	Ernst & Young et autres		Price Waterhouse Coopers	
	amount in € thousands, excluding VAT	%	amount in € thousands, excluding VAT	%
Audit of the financial statements				
- BFCM	0.150	4%	0.19	3%
- fully consolidated subsidiaries	3.257	86%	2.846	51%
Non audit services *				
- BFCM	0.141	4%	0.25	4%
- fully consolidated subsidiaries	0.256	7%	2.354	42%
Total	**3.804**	**100%**	**5.635**	**100%**
of which fees paid to statutory auditors in France for auditing the financial statements:	*1.677*		*2.235*	
of which fees paid to statutory auditors in France for non audit services:	*0.190*		*0.413*	

** Non-audit services refer, in 2017, to comfort letters on market transactions and reports and certifications required for regulatory purposes.*

	12.31.2016			
	Ernst & Young et autres		Price Waterhouse Coopers	
	amount in € thousands, excluding VAT	%	amount in € thousands, excluding VAT	%
Audit of the financial statements				
- BFCM	0.161	7%	0.12	4%
- fully consolidated subsidiaries	1.977	81%	2.603	82%
Non audit services				
- BFCM	0.230	9%	0.04	1%
- fully consolidated subsidiaries	0.076	3%	0.420	13%
Total	**2.444**	**100%**	**3.185**	**100%**

V.4 - Statutory Auditors’ report on the consolidated financial statements of BFCM Group

PricewaterhouseCoopers France 63, rue de Villiers 92208 Neuilly-sur-Seine Cedex S.A.R.L. au capital de € 86.000	ERNST & YOUNG et Autres Tour First TSA 14444 92037 Paris-La Défense Cedex S.A.S. à capital variable 438,476,913 RCS Nanterre
Commissaire aux Comptes Membre de la compagnie régionale de Versailles	Commissaire aux Comptes Membre de la compagnie régionale de Versailles

Banque Fédérative du Crédit Mutuel
BFCM

For the year ended December 31, 2017

Statutory Auditors’ report on the consolidated financial statements

This is a free translation into English of the Statutory Auditors’ report issued in French and is provided solely for the convenience of English speaking readers. This report includes information specifically required by European regulations or French law, such as information about the appointment of Statutory Auditors. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders of BFCM,

Opinion

In compliance with the engagement entrusted to us by your Shareholders’ Meeting, we have audited the accompanying consolidated financial statements of BFCM for the year ended December 31, 2017.

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, 2017 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.

The audit opinion expressed above is consistent with our report to the Crédit Mutuel CM11 Group Audit and Financial Statements Committee.

Basis for opinion

- Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under these standards are further described in the “Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements” section of our report.

- Independence

We conducted our audit engagement in compliance with the independence rules applicable to us for the period from

January 1, 2017 to the date of our report and in particular we did not provide any non-audit services prohibited by article 5(1) of Regulation (EU) No 537/2014 or the French Code of Ethics (*Code de déontologie*) for Statutory Auditors.

Justification of assessments – Key audit matters

In accordance with the requirements of articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to the risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements, as well as how we addressed those risks.

These matters were addressed as part of our audit of the consolidated financial statements as a whole, and therefore contributed to the opinion we formed as expressed above. We do not provide a separate opinion on specific items of the consolidated financial statements.

Risk related to the measurement of goodwill and equity-accounted investments

Description of risk	Our response
The Group has carried out acquisitions leading to the recognition of goodwill. Goodwill is shown as a separate line item in the statement of financial position in the case of fully consolidated companies (see Note 18) and under the line item “Investments in associates” in the case of equity-accounted entities (see Note 15). Goodwill corresponds to the difference between the acquisition price and the fair value of the assets and liabilities of the acquired entities. The accounting principle applied is presented in Note 1.2. Goodwill is allocated to cash-generating units (CGUs) and tested for impairment once a year and whenever there is an indication that it may be impaired. When the recoverable amount of the goodwill is lower than its carrying amount, an impairment loss is recognized for the difference. As indicated in Note 18, the recoverable amount is determined using two methods: ► Fair value net of costs to sell, which is based on valuation multiples for comparable transactions or market inputs used by analysts for entities with similar business activities; ► Value in use, which is based on discounted projected future cash flows. To calculate value in use, the cash flow projections are based on business plans drawn up by Group management for a period of no more than five years, plus a terminal value based on a projected long-term growth rate. We deemed the measurement of goodwill to be a key audit matter owing to: ► Its material value in the Group’s consolidated statement of financial position; ► The significant judgment used by management as regards the method of determining the recoverable amount and, for value in use, the assumptions made as regards the future earnings of the relevant companies and the discount rate applied to projected cash flows.	Assisted by our valuation and modelling specialists, our work consisted primarily in: ► Analyzing the methodology applied by the Group; ► Assessing the main inputs and assumptions used by comparison with available market data. As regards the method used to determine value in use, our work consisted in: ► Critically assessing the business plans used to establish the projected cash flows; ► Analyzing available sensitivity tests (as presented in Note 18) to assess the reasonableness of the value in use applied.

Credit risk

Description of risk	Our response
The Banks of your Group are exposed to the credit risks inherent in their business activities, which involve: ► For commercial banking, credit risks on companies operating mainly in Europe, North America and Asia; ► For retail banking, credit risks on customers based principally in France. Impairment allowances are recognized against loans and receivables to cover these risks. Impairment is recognized when there is objective evidence of a measurable decrease in the value of a loan or receivable as a result of an event occurring after inception (see Note 1.3 to the consolidated financial statements). At 31 December 2017, impairment totaled €5,302 million. Management uses judgment to assess the amount of credit risk impairment, which involves: ► Assigning internal ratings, which can result in a loan or receivable being classified as non-performing; ► Determining the amount of impairment to be recognized against non-performing loans or receivables. As an error in judgment can have a significant impact on the amounts of impairment recognized, we deemed credit risk to be a key audit matter.	We examined the processes and controls put in place by the Group for assigning internal ratings with regard to non-performing loans and receivables, as well as the procedures used to quantify the corresponding impairment. Our work consisted in examining: ► Assisted by our IT specialists, the systems for assuring the quality of data used in the rating and impairment models; ► The classification of loans and receivables as performing or non-performing. As regards corporate credit risk in the commercial banking business, our work consisted in: ► Reviewing the reports of decisions made by management as regards to impairment; ► On a sample basis, analyzing the credit reviews for impaired loans to assess the documentation of the credit rating and the level of impairment recognized; ► Where applicable, assessing the appropriateness of manual adjustments made to the internal credit ratings. As regards to credit risk in the retail banking business, our work consisted in: ► Calculating trends in the following key metrics: ratio of non-performing exposure to total exposure and ratio of impairment to non-performing exposure. Wherever a metric deviated from the average across the Group's banks, we analyzed the reason for the deviation; ► Where applicable, on a sample basis, analyzing the credit reviews for impaired loans to assess the documentation of the credit rating and the level of impairment recognized.

Measurement of complex financial instruments classified at levels 2 and 3

Description of risk	Our response
In its proprietary trading and treasury activities and in relation to services provided to its customers, the Group holds financial instruments for trading purposes. These instruments are financial assets or liabilities recognized at fair value in the statement of financial position. Any change in the fair value on the reporting date is recorded in the income statement. We deemed the measurement of complex financial instruments classified in levels 2 and 3 of the fair value hierarchy to involve a major risk of material misstatement in the consolidated financial statements as it requires the use of judgment, in particular as regards: ► The determination of unobservable market inputs for a given instrument and the classification of instruments based on the fair value hierarchy of financial assets and liabilities; ► The use of internal and non-standard valuation models; ► The estimate of the main measurement adjustments in order to take account of risks such as counterparty or liquidity risk; ► The analysis of any valuation differences with counterparties observed in connection with margin calls or the disposal of instruments.	We assessed the processes and controls put in place by the Group to identify and measure complex financial instruments, and in particular: ► The governance of valuation models and value adjustments; ► The reason for and independent validation of the gains or losses recognized on these transactions; ► Controls related to the process of collecting and storing the inputs required to measure complex financial instruments classified in levels 2 and 3. Our audit team included specialists in measuring complex financial instruments. With their assistance, we also: ► Performed counter-valuation tests on a sample of complex financial instruments; ► Analyzed the internal processes for identifying and validating the key value adjustments made to financial instruments and their trends over time. We assessed the methodologies used to determine market reserves and value adjustments, as well as the governance system implemented by the Group to control the adjustments made. For financial instruments measured using internal models and/or unobservable inputs, we analyzed the assumptions, methodologies and models used by BFCM to estimate the main valuations applied. We also assessed the main differences in existing margin calls and losses and/or gains on the disposal of complex financial instruments to assess the appropriateness of those valuations. We analyzed the criteria used in the fair value hierarchy as described in Note 5c, “Fair value hierarchy”, to the consolidated financial statements.

Measurement of complex or classified at level 3 investments held by private equity entities

Description of risk	Our response
Through its private equity subsidiaries, the Group holds equity investments designated at inception as at fair value through profit or loss, as permitted by IAS 39. Instruments classified in this category are recognized at their fair value at inception and on each reporting date, up to the date of their disposal. Changes in fair value are recorded in the income statement under the line item "Net gain/loss on financial instruments at fair value through profit or loss". For financial instruments quoted in an active market, fair value is the quoted market price. For instruments that are not quoted in an active market, the Group estimates fair value using a mark-to-model approach based mainly on unobservable inputs as described in the section on "Financial instruments at fair value through profit or loss – Fair value" in Note 1, "Accounting principles and methods", to the consolidated financial statements. In light of the judgment required to determine fair value and the complexity of the models used, we deemed the measurement of investments in non-consolidated companies to be a key audit matter.	We examined the processes and controls put in place by the Group to measure the value of private equity investments. With the assistance of our specialists, our work consisted primarily in analyzing the methods and unobservable inputs used by the Group. With the assistance of our specialists, our work also involved assessing whether the estimated values determined by the Group are based on a documented measurement method and, depending on the investment: ► Analyzing the measurement methods used by the Group for investments measured using a mark-to-model approach and based on unobservable inputs; ► Analyzing the valuations applied by the Group for investments measured on the basis of valuation multiples; ► Analyzing the valuations applied by the Group for investments measured on the basis of valuation multiples and discounted net assets; ► Verifying that the valuations applied by management are comparable to prices observed in recent transactions for investments measured on the basis of transaction prices.

Verification of the information pertaining to the Group presented in the management report

As required by law and in accordance with professional standards applicable in France, we have also verified the information pertaining to the Group presented in the management report of the Board of Directors.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Report on other legal and regulatory requirements

- *Appointment of the Statutory Auditors*

We were appointed Statutory Auditors of BFCM by the Shareholders' Meetings held on May 11, 2016 for PricewaterhouseCoopers France and on September 29, 1992 for ERNST & YOUNG et Autres.

At December 31, 2017, PricewaterhouseCoopers France and Ernst & Young et Autres were in the second year and the twenty-sixth year of total uninterrupted engagement, respectively.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for preparing consolidated financial statements presenting a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for implementing the internal control procedures it deems necessary for the preparation of consolidated financial statements free of material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it expects to liquidate the company or to cease operations.

The Crédit Mutuel CM11 Group Audit and Financial Statements Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems, as well as, where applicable, any internal audit systems, relating to accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements

- *Objective and audit approach*

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in article L. 823-10-1 of the French Commercial Code, our audit does not include assurance on the viability or quality of management of the company.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditors exercise professional judgment throughout the audit.

They also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the related disclosures in the notes to the consolidated financial statements.

- Assess the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the company to cease to continue as a going concern. If the Statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion.

- Evaluate the overall presentation of the consolidated financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. The Statutory Auditors are responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed thereon.

Report to the Crédit Mutuel CM11 Group Audit and Financial Statements Committee

We submit a report to the Crédit Mutuel CM11 Group Audit and Financial Statements Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report any significant deficiencies in internal control that we have identified regarding the accounting and financial reporting procedures.

Our report to the Crédit Mutuel CM11 Group Audit and Financial Statements Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements and which constitute the key audit matters that we are required to describe in this report.

We also provide the Crédit Mutuel CM11 Group Audit and Financial Statements Committee with the declaration provided for in article 6 of Regulation (EU) No 537/2014, confirming our independence within the meaning of the rules applicable in France, as defined in particular in articles L.822-10 to L.822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss any risks to our independence and the related safeguard measures with the Crédit Mutuel CM11 Group Audit and Financial Statements Committee.

Neuilly-sur-Seine and Paris La Défense, April 13, 2018

The Statutory Auditors
French original signed by

PricewaterhouseCoopers France

Jacques Lévi

ERNST & YOUNG et Autres

Hassan Baaj

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

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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, 2017 showed total assets of €183.6 billion, down by 0.2% compared with the previous year.

On the liabilities side, amounts due to credit institutions totaled €66.8 billion and consisted mainly of term borrowings from other Group entities, sight accounts (€21.7 billion) and securities sold under repurchase agreements as part of the TLTRO (€10 billion). Long-term borrowings from other Group entities stood at €30 billion, the majority of which came from CIC and its Regional Banks (€6.9 billion) and CM-CIC Home Loan SFH (€22.0 billion).

Amounts due to customers totaled €16.0 billion. This item consists mainly of demand deposits (€3.1 billion) and term accounts and loans of financial customers (€11.5 billion).

Securities liabilities totaled €78.5 billion and consisted mainly of interbank securities (€6.9 billion), negotiable debt securities (€33.5 billion), bonds and money-market EMTNs (€38.1 billion).

The fund for general banking risks amounting to €61.6 million and the deeply subordinated notes totaling €1.7 billion remained stable.

Total shareholders' equity and similar items amounted to €10.8 billion (including the 2017 net loss of €162.4 million) compared with €11.1 billion at the end of 2016.

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 €103.1 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 €29.1 billion. BFCM's term refinancing activity also extends to Banque Européenne de Crédit Mutuel (€4.3 billion), the CIC Group and its leasing and factoring subsidiaries (€48.2 billion), the Cofidis Group (€9.3 billion), the Factofrance Group (€3.8 billion and other subsidiaries (€1.8 billion). BFCM also refinances other Crédit Mutuel groups in the amount of €2.1 billion.

Loans and receivables due from customers totaled €2.2 billion. This amount corresponds to credit facilities, mainly targeting large corporates, as well as the refinancing of special purpose acquisition entities for BFCM's long-term equity investments.

Available-for-sale, held-to-maturity and, on an ancillary basis, trading securities constitute the other uses of treasury funds and totaled €32.5 billion.

Investments in subsidiaries and associates, which totaled €15.9 billion, consisted mainly of investments in Targobank Germany (€5.7 billion), CIC (€4.1 billion), Factofrance (€1.5 billion), Groupe des Assurances du Crédit Mutuel (€1.0 billion) and the Cofidis Group (€1.3 billion). Investments in non-consolidated companies stood at €1.3 billion. This item is made up primarily of interests in Banque Marocaine du Commerce Extérieur and Banque de Tunisie.

In addition, 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.

Articles L. 441-6-1 and D. 441-4 of the French Commercial Code require companies to provide specific information on the due dates of amounts due to suppliers and from customers.

In accordance with paragraph 8 of Article L. 441-6-1 of the French Commercial Code, the due dates of amounts due to suppliers and from customers of our company do not exceed 45 days end of month or 30 days from the invoice issue date.

Invoices received and issued not paid at the closing date of the year which are overdue: the sums in question are zero or immaterial given BFCM's revenue.

Invoices received and issued for which payment was late during the year (Article D. 441-4 § II): there were no significant transactions for which payment was late in 2017.

Five years financial summary

The figures included in the following tables are expressed in euros.

	2013	2014	2015	2016	2017
1. Capital at the reporting date					
a) Capital stock	1,329,256,700.00	1,573,379,650.00	1,688,529,500.00	1,688,529,500.00	1,688,529,500.00
b) Number of common shares outstanding	26,585,134	31,467,593	33,770,590 (a)	33,770,590	33,770,590
c) Par value of shares	€50	€50	€50	€50	€50
d) Number of preferred shares (no voting rights) outstanding	0	0	0	0	0
2. Results of operations					
a) Net banking income, income from securities investments and other income	383,360,600.79	358,072,278.38	505,953,887.37	466,909,335.69	593,256,096.24
b) Income before tax, profit-sharing, depreciation, amortization and provisions	220,719,959.14	379,019,568.48	410,762,894.39	903,621,214.10	451,465,440.48
c) Corporate income tax	-34,921,389.62 (b)	-44,913,762.15	-35,214,634.44	250,799.70	-476,290.93
d) Profit sharing	91,347.06	80,817.13	65,752.38	97,960.46	130,512.29
e) Income after tax, profit-sharing, depreciation, amortization and provisions	311,481,573.22	371,064,805.48	342,644,532.10	269,287,297.83	-162,400,325.59
f) Earnings distributed	130,116,946.54	130,590,510.95	140,147,948.50	130,016,771.50	0.00
3. Earnings per share					
a) Earnings after tax and profit-sharing, but before depreciation, amortization and provisions	9.61	13.47	13.20	26.75	13.38
b) Earnings after tax, profit-sharing, depreciation, amortization and provisions	11.72	11.79	10.15	7.97	-4.81
c) Dividend per share	4.90	4.15	4.15	3.85	2.40
d) Dividend allocated to the new share issued in connection with the capital increase	2.04	-	-	-	-
4. Employees					
a) Average number of employees for the year	27	27	24	32	68
b) Payroll expense	5,641,794.04	5,711,747.91	5,325,581.38	6,111,275.25	8,148,624.87
c) Employee benefits (social security, benefit plans)	2,381,796.54	2,403,577.71	2,256,273.16	2,672,813.48	3,665,236.87

(a) : 33,770,590 shares carrying dividend rights for the full year following the capital increase on July 31, 2015.

(b) : 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.

VI.1.2 - Income statement

Interest and similar income totaled €4.7 billion (including €4.1 billion from transactions with credit institutions) while interest and similar expense came to €4.9 billion (€3.2 billion related to interest payable to credit institutions and €1.4 billion to interest on securities issued) for a net interest margin of -€160.1 million, comparable to that of 2016 (-€161.0 million).

Income from variable-income securities (equities) of €558.1 million was mainly composed of dividends received from BFCM subsidiaries (€546.1 million).

The positive impact of €17.9 million on trading securities is primarily due to foreign exchange gains (€10.1 million) and net reversals of provisions for the bond portfolio hedged by swaps (€7.8 million).

Gains on available-for-sale securities (€173.2 million) consisted mainly of reversals (net of allocations) of provisions for impairment losses (€24.6 million) and gains (net of expenses) on disposals of securities (€148.6 million).

After recognition of commissions and other operating items, net banking income came to €593.3 million compared with €466.9 million in 2016.

General operating expenses increased by €9.4 million to €71.4 million.

In 2017, cost of risks includes provisions for losses on non-performing loans totaled €305 million following the decision to guarantee the credit commitments undertaken by Banque Européenne de Crédit Mutuel (BECM).

The balance of gains and losses on non-current assets of -€262.8 million consisted of:

- the €248.7 million net capital loss (after reversal of provisions) on the Banco Popular Español shares following its sale to Santander in June at the decision of the ECB's Single Resolution Board;
- merger premiums following the transfer of all the assets of affiliates;
- realized and unrealized capital gains and losses on our investments in non-consolidated companies. We adjusted the valuations of our investments in Targobank Spain and Banque Marocaine du Commerce Extérieur.

An amount of €12,261, corresponding to non-deductible rents and depreciation on company vehicles, was reintegrated into taxable income at the standard rate under ordinary French law.

Corporate income tax (€119.5 million) mainly consisted of a provision for fiscal risk related to a tax adjustment for one of our foreign subsidiaries.

VI.1.3 - Proposals of the Board of Directors to the Shareholders' Meeting

In 2017, several non-recurring events had a negative impact on the activities and accounts of BFCM, which posted a loss of €162.4 million.

The appropriation of income proposed to the Shareholders' Meeting concerned the following amounts:

2017 net profit (loss):	-€162,400,325.59
Retained earnings:	+€69,711.34
Total:	-€162,330,614.25

We propose that you appropriate this amount as a deduction from the optional reserve.

Moreover, in line with the proposal made at the Board of Directors' meeting in November 2017, we propose the payment of a dividend of €81,049,416 (i.e. a unit amount per share of €2.40) through a deduction from the optional reserve.

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:

	2014	**2015**	**2016**
Amount in €	4.15	4.1	3.8
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's financial statements

VI.2.1 - Annual financial statements

ASSETS
BFCM

€	Dec. 31, 2017	Dec. 31, 2016	Notes
cash, central banks, post office banks	25,541,241,816.06	20,276,853,287.38	
government securities and equivalent	8,368,363,847.34	9,413,012,107.98	2.8, 2.15
loans and receivables due from credit institutions	103,052,945,168.49	104,537,642,842.01	2.2, 2.3
loans and receivables due from customers	2,206,838,969.28	4,954,981,477.94	2.3, 2.4
bonds and other fixed-income securities	24,142,304,486.12	24,169,014,857.73	2.3, 2.15
equities and other variable-income securities	29,324,394.50	474,973,450.66	2.8, 2.15
long-term equity investments and securities	1,290,217,384.94	1,800,380,527.74	2.17
investments in subsidiaries and associates	15,944,797,861.68	13,980,663,409.63	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	6,791,954.56	6,756,605.81	2.0
subscribed capital unpaid	0.00	0.00	
treasury stock	0.00	0.00	
other assets	1,557,008,373.77	2,053,171,692.99	2.24
accruals	1,405,041,531.84	2,263,483,984.52	2.25
total assets	**183,552,875,929.58**	**183,938,934,385.39**	

OFF BALANCE SHEET
BFCM

€	Dec. 31, 2017	Dec. 31, 2016	Notes
commitments given			
financing commitments	3,768,860,958.83	4,065,774,808.57	3.0
guarantee commitments	3,138,826,688.03	3,640,460,331.81	3.1
securities commitments	0.00	0.00	

LIABILITIES
BFCM

€	Dec. 31, 2017	Dec. 31, 2016	Notes
central banks, post office banks	0.00	0.00	
due to credit institutions	66,754,024,882.42	66,325,328,015.14	2.2, 2.3
due to customers	15,972,899,231.43	19,185,413,603.73	2.3
debt securities	78,514,663,864.31	76,526,668,488.53	2.3
other liabilities	2,733,943,464.76	3,539,666,936.55	2.24
accruals	811,184,073.60	892,964,878.58	2.25
provisions for risks and charges	697,064,471.19	119,802,974.48	2.27
subordinated debt	8,987,709,902.31	7,975,286,351.73	2.7
fund for general banking risk (fgbr)	61,552,244.43	61,552,244.43	2.20
shareholders' equity excluding fgbr	9,019,833,795.13	9,312,250,892.22	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	2,984,789,985.51	2,844,789,985.51	2.20
revaluation reserves	0.00	0.00	
regul. provisions and investment subsidies	0.00	0.00	2.20
unappropriated retained earnings	69,711.34	799,185.01	2.20
net income for the year	-162,400,325.59	269,287,297.83	2.20
total liabilities and shareholders' equity	**183,552,875,929.58**	**183,938,934,385.39**	

OFF BALANCE SHEET
BFCM

€	Dec. 31, 2017	Dec. 31, 2016	Notes
commitments received			
financing commitments	18,012,054,725.78	17,404,892,086.31	3.0
guarantee commitments	29,376,014.88	2,369,225.25	3.1
securities commitments	0.00	51,484,243.97	

INCOME STATEMENT
BFCM

€	Dec. 31, 2017	Dec. 31, 2016	Notes
+ interest and similar income	4,735,343,953.50	4,832,165,273.96	4.1
- interest and similar expense	-4,895,425,064.71	-4,993,177,118.69	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	558,088,251.66	828,146,737.76	4.2
+ fee and commission income	79,149,018.76	50,268,048.41	4.3
- fee and commission expenses	-73,714,411.35	-49,279,097.19	4.3
+/- gains (losses) on trading securities transactions	17,894,676.21	4,617,540.85	4.4
+/- gains (losses) on available-for-sale securities transactions	173,176,825.28	16,518,828.28	4.5
+ other operating income	2,187,591.65	648,457.04	4.6
- other operating expenses	-3,444,744.76	-222,999,334.73	4.6
Net banking income	**593,256,096.24**	**466,909,335.69**	
- general operating expenses	-71,395,927.23	-61,976,674.75	4.7
- depreciation, amortization and impairment of non-current assets	-7,841.60	-12,929.33	
Gross operating income	**521,852,327.41**	**404,919,731.61**	
+/- cost of risk	-304,948,715.00	0.00	4.8
Operating income	**216,903,612.41**	**404,919,731.61**	
+/- gains (losses) on non-current assets	-262,784,843.40	-134,702,027.55	4.9
Net income before tax	**-45,881,230.99**	**270,217,704.06**	
+/- non-recurring income (loss)	3,004,614.47	-704,867.53	4.10
- corporate income tax	-119,523,709.07	-250,799.70	4.11
+/- net allocations to/releases from fgbr and regulated prov.	0.00	25,261.00	
Net income	**-162,400,325.59**	**269,287,297.83**	

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 on the basis of 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 commissions received on the occasion of the granting of a loan and those paid to the business introducers on credits are progressively reported to the result according to a method which amounts to assimilating them to interest. This staggering is recognized in net interest income in the income statement. On the balance sheet, the commissions received and the incremental transaction costs that are spread are included in the outstanding of the concerned loan.

The preparation of the financial statements may require the use of assumptions and estimates that have a material impact on income and expenses and of assets and liabilities in the statement of financial position and notes to the financial statements. In that case, management uses its judgment and experience to apply readily available information at the time of preparation of the financial statements in order to arrive at the necessary estimates.

Such is the case in particular for:

- the fair value of financial instruments not quoted on an active market;
- pension plans and other future employee benefits;
- the measurement of investments in non-consolidated companies;
- provisions for risks and charges.

1.2 Loans to customers

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 and similar 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." The bank has defined internal rules for automatic downgrades, which presume the irrecoverable nature of the receivable once it has been classified as non-performing for more than one year, unless the existence and validity of guarantees covering all the risks can be formally demonstrated. The recognition of interest on the receivable ceases once the loan has been classified as an "irrecoverable non-performing loan."

In accordance with the regulatory framework, it is no longer possible to reclassify a non-performing loan or loan in litigation so long as the criteria justifying the automatic and regulatory downgrade are met; once a regulatory downgrade criterion or other risk no longer exists for the family group, loans are reclassified as performing.

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 that case, the waiver of claims to the principal or interest, outstanding or accrued, as well as future interest differences, are immediately recognized through loss, then gradually reintegrated as the loan is paid down. The number of loans involved and amounts at stake are limited, and the calculation of a discount would not have a material impact on the financial statements for the year.

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 a year) 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 a year 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 by instrument code for unrealized capital losses on available-for-sale securities, adjusted for any impairment charges and net releases of differences described above; available-for-sale securities are measured based on the average price of the various exchanges on which they are listed.

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 (short- and medium-term) 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 actuarially 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, without however 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 an agreed-upon price and date at the time the agreement is entered into. From an accounting standpoint, the securities given through a repurchase agreement continue to be recognized on their original line item and measured based on the rules of the portfolio in which they are classified. Meanwhile, the liability representing the amount deposited is recorded under liabilities. The receivable representing a repurchase agreement on securities received is recognized under assets.

Securities loans are consumer loans subject to the provisions of the French Civil Code, under which the borrower irrevocably commits to returning the borrowed securities at the end of the loan period. These loans are generally secured through a cash payment, which is held by the lender in the event of a default by the borrower. In that case, the transaction is likened to a sale and repurchase agreement and recorded as such for accounting purposes.

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 given the objectives of the investment, 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 balance sheet commitments are converted using the market rate at the reporting date, with the exception of items denominated in currencies participating in the single European currency, for which the official conversion rates were retained.

Property and equipment are recognized at cost. Financial assets are translated using the rate at the end of the reporting period (see comments in the previous notes).

Income and expenses denominated in foreign currencies are recognized on the income statement using the exchange rate on the last day of the month in which they were received or paid; accrued expenses and income not yet paid on the reporting date are translated using the exchange rate on the closing date.

Unrealized and definitive gains and losses through currency translation are recognized at the end of each reporting period.

1.8 Swaps

Pursuant to Article 2522-1 of ANC standard 2014-07, the bank may need to create three separate swaps portfolios depending on whether swaps have as their purpose (a) to maintain open and separate positions, (b) to hedge interest-rate risk for a separate element or a set of similar elements, or (d) to enable the specialized management of a trading portfolio. The bank has no category (c) swaps portfolio, i.e. for the purpose of hedging overall interest rate risk.

In these conditions, transfers from one portfolio to the other are possible only as follows:

- Portfolio (a) to portfolio (b)
- Portfolio (b) to portfolio (a) or (d)
- Portfolio (d) to portfolio (b).

Contracts are recognized at nominal value on the off balance sheet.

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 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 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 mortality, 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 take retirement on their own initiative upon reaching age 62.

1.10 Fund for general banking risks

Defined by point 9 of Article 1121-3 of ANC standard 2014-07, this fund is the amount that the bank decides to allocate to general banking risks, which include its global interest rate and counterparty risk exposure.

The amounts allocated to this fund total €61.6 million, with no changes to this item recorded during the year.

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 balance sheet 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,
- 1,367 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 18 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 board's college on February 28, 2013.

The amount of the tax credit, not taxable, is credited to a sub-account in payroll costs.

1.14 Consolidation

The company is fully integrated within the consolidation scope of the Crédit Mutuel CM11 Group, which is itself part of the consolidation scope of the Confédération Nationale du Crédit Mutuel.

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 and amended by Law 2016-1691 of December 9, 2016.

1.16 Commissions

Commissions are recorded according to the receipt criteria, with the exception of those relating to financial transactions that are at the close of the issue or billing. Commissions include bank operating income for services provided to third parties.

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, 2016	Additions	Disposals	Transfers or repayments	Gross amount as of Dec 31, 2017
financial assets	32,559,815	5,425,241	2,063,977	(1,661,811)	34,259,268
property and equipment	8,243	43			8,286
intangible assets	8,000				8,000
TOTAL	32,576,058	5,425,284	2,063,977	(1,661,811)	34,275,554

2.1 Depreciation, amortization and impairment of non-current assets

Depreciation and amortization

	Accum. deprec. & amortiz. as of Dec 31, 2016	Expenses	Reversals	Accum. deprec. & amortiz. as of Dec 31, 2017
financial assets				
property and equipment	1,486	8		1,494
intangible assets				
TOTAL	1,486	8		1,494

Impairment

	Impairment provisions as of Dec 31, 2016	Losses	Reversals	Impairment provisions as of Dec 31, 2017
financial assets	909,147	444,536	383,016	970,667
property and equipment				
intangible assets				
TOTAL	909,147	444,536	383,016	970,667

2.2 Allocation of receivables and amounts due from credit institutions

A) Receivables due from credit institutions

	2017		2016	
	Demand	Term	Demand	Term
Current accounts	843,692		2,368,458	
Loans, assets received under repurchase agreements		98,802,197	47,434	99,805,784
Securities received under repurchase agreements		576,280		64,000
Unallocated assets				
Accrued interests		215,625	2	244,814
Non-performing loans				
(Impairment provisions)				
Total	843,692	99,594,102	2,415,894	100,114,598
Total receivables due from credit institutions	103,052,945		104,537,643	
of which non-voting loan stock				
of which subordinated notes		*2,615,151*		*2,007,151*

B) Debts owed to credit institutions

	2017		2016	
	Demand	Term	Demand	Term
Current accounts	17,625,331		18,444,451	
Borrowings	1,495,277	33,844,910	776,860	34,220,319
Resale agreements		9,994,000		9,654,000
Securities gived under repurchase agreements		927,880		600,000
Unallocated assets				
Accrued interest	929	290,636	460	323,402
Other sums due	2,575,062		2,305,836	
Total	21,696,599	45,057,426	21,527,607	44,797,721
Total Debts owed to credit institutions	66,754,025		66,325,328	

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	843,682				10	843,692
Term	13,953,908	10,012,791	54,613,413	23,413,516	215,625	102,209,253
loans and receivables due from customers						
Commercial loans	217,661					217,661
Other customer loans	373,036	462,604	475,394	351,312	(934)	1,661,412
Overdrawn current accounts	327,526				240	327,766
bonds and other fixed-income securities	608,233	9,670,982	11,557,378	2,224,421	81,290	24,142,304
of which trading securities						
TOTAL	16,324,046	20,146,377	66,646,185	25,989,249	296,231	129,402,088

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	21,695,670				929	21,696,599
Term	4,503,502	5,156,858	25,881,667	9,224,763	290,636	45,057,426
due to customers						
Regulated savings accounts						
Demand						
Term						
Other liabilities						
Demand	3,149,063					3,149,063
Term	1,319,026	5,001,032	6,500,000		3,778	12,823,836
debt securities						
Interbank instruments and trading instruments	14,008,470	18,999,583	5,695,919	1,515,183	162,581	40,381,736
Bonds	3,535,691	1,552,819	21,372,741	11,363,703	307,974	38,132,928
Other securities						
subordinated debt		1,000,000	1,000,000	6,900,000	87,710	8,987,710
TOTAL	48,211,422	31,710,292	60,450,327	29,003,649	853,608	170,229,298

2.4 Allocation of loans and receivables due from customers

Excluding accrued interest of €-694 thousand from gross receivables

	2017			2016		
	Gross amount	of which non-performing losses	Impairment provisions	Gross amount	of which non-performing losses	Impairment provisions
By major types of counterparties						
. Companies	2,207,470			4,920,532		
. Sole traders						
. Individuals				10		
. Governments	63			193		
. Non-profit institutions						
TOTAL	2,207,533			4,920,735		
By business sector						
. Farming and mining						
. Retail and wholesale	252,761			230,646		
. Industries						
. Business services and holding companies	505,364			268,247		
. Services to individuals						
. Financial services	1,186,235			3,971,576		
. Real estate services	172,764			177,898		
. Transportation and communication	72,288			261,192		
. Unallocated and other	18,121			11,176		
TOTAL	2,207,533			4,920,735		
By geographic region						
. France	1,958,795			1,997,969		
. Europe, excluding France	248,738			2,922,766		
. Rest of the world						
TOTAL	2,207,533			4,920,735		

There are no doubtful or compromised receivables and no restructured receivables inside the receivables

2.5 Amount of commitments in respect of fully consolidated subsidiaries and other long-term equity investments

Assets

	2017	2016
loans and receivables due from credit institutions		
Demand	235,407	1,729,261
Term	67,431,018	65,735,874
loans and receivables due from customers		
Commercial loans		
Other customer loans	777,157	3,324,811
Overdrawn current accounts		
bonds and other fixed-income securities	16,223,104	15,970,697
subordinated receivables	2,679,527	2,788,552
TOTAL	87,346,213	89,549,195

Liabilities

	2017	2016
due to credit institutions		
Demand	8,260,466	9,809,509
Term	29,152,932	29,508,328
due to customers		
Regulated savings accounts		
Demand		
Term		
Other liabilities		
Demand	143,533	146,955
Term	10,000,843	12,851,000
debt securities		
Retail certificates of deposit		
Interbank instruments and trading instruments	878,582	892,532
Bonds	3,448,494	4,487,996
Other debt securities		
subordinated debt	834,563	833,048
TOTAL	52,719,413	58,529,368

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

	2017		2016	
	Subordinated amount	of which non-voting loan stock	Subordinated amount	of which non-voting loan stock
loans and receivables due from credit institutions				
Term	2,324,151		1,716,151	
Perpetual	291,000		291,000	
loans and receivables due from customers				
Other customer loans	159,950	159,950	859,950	700,000
bonds and other fixed-income securities	127,293	127,293	127,293	127,293
Total	2,902,394	287,243	2,994,394	827,293

2.7 Subordinated debt

2017			2016		
	amount	maturity		amount	maturity
sub. note 1	1,000,000	12/6/2018	sub. note 1	1,000,000	12/6/2018
sub. note 2	1,000,000	10/22/2020	sub. note 2	1,000,000	10/22/2020
sub. note 3	1,000,000	5/21/2024	sub. note 3	1,000,000	5/21/2024
sub. note 4	1,000,000	9/11/2025	sub. note 4	1,000,000	9/11/2025
sub. note 5	1,000,000	3/24/2026	sub. note 5	1,000,000	3/24/2026
sub. note 6	700,000	11/4/2026	sub. note 6	700,000	11/4/2026
sub. note 7	500,000	3/31/2027	sub. note 7		
sub. note 8	500,000	11/15/2027	sub. note 8		
sub. loan	500,000	perpetual	sub. loan	500,000	perpetual
deeply sub. note	1,700,000	perpetual	deeply sub. note	1,700,000	perpetual
	8,900,000			7,900,000	
	87,710	accrued interest		75,286	accrued interest

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.

2.8 Securities investments: breakdown between trading, available-for-sale and held-to-maturity

	2017			2016		
	Trading	Available for sale	Held to maturity	Trading	Available for sale	Held to maturity
government securities and equivalent		8,368,364			9,412,508	504
bonds and other fixed-income securities		8,075,816	16,066,488	10,800	8,274,620	15,883,595
equities and other variable-income securities		29,324			474,973	
TOTAL		16,473,504	16,066,488	10,800	18,162,101	15,884,099

There are no transaction securities 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, 2017	Amount outstanding as of Dec 31, 2017	Unrealized loss (impairment) if there was no reclassification	Amount of recovery if there was no reclassification
available for sale securities	1,318,640	1,318,640			
TOTAL	1,318,640	1,318,640			

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, 2017.

2.10 Securities investments: differences between the acquisition price and the redemption price of available-for-sale securities and held-to-maturity securities

Unamortized net discount / premiums

security type	2017		2016	
	discount	premium	discount	premium
available-for-sale securities				
bond market	4,446	120,938	2,736	102,474
money market		134		2,338
held-to-maturity securities				
bond market			1	
money market		1,089		2

2.11 Securities investments: unrealized gains and losses

	2017	2016
Amount of unrealized gains on available-for-sale securities:	1,038,355	1,087,879
Amount of unrealized losses on impaired available-for-sale securities:	29,980	56,161
Amount of unrealized losses on held-to-maturity securities:		119
Amount of unrealized gains on held-to-maturity securities:	19,321	26,726

2.12 Securities investments: amount of receivables related to loaned securities

	2017	2016
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

	2017		2016	
	assets	liabilities	assets	liabilities
loans and receivables due from credit institutions				
demand				
term	576,280		64,000	
loans and receivables due from customers				
other customer loans				
due to credit institutions				
demand				
term		927,880		600,000
due to customers				
other liabilities				
demand				
term				
Total	576,280	927,880	64,000	600,000

Assets sold under repurchase agreements at December 31, 2017 include debt securitization funds for €404 million and government bonds for €172,280,000.

2.14 Securities investments: allocation of bonds and other fixed-income securities by issuer

	2017			**2016**		
	issuer		accrued interests	issuer		accrued interests
	Government agencies	Other		Government agencies	Other	
government securities, bonds and other fixed-income securities	11,238,016	21,130,453	142,199	12,081,561	21,338,025	162,441

2.15 Securities investments: breakdown between listed and unlisted

	2017			**2016**		
	Amount of listed securities	Amount of unlisted securities	accrued interests	Amount of listed securities	Amount of unlisted securities	accrued interests
government securities and equivalent	7,937,322	370,134	60,908	6,556,415	2,800,297	56,300
bonds and other fixed-income securities	22,144,925	1,916,089	81,291	22,397,745	1,665,127	106,143
equities and other variable-income securities	396	28,928		445,030	29,944	
TOTAL	30,082,643	2,315,151	142,199	29,399,190	4,495,368	162,443

2.16 Securities investments: information on UCITS

	2017			2016		
	french UCITS	foreign UCITS	total	french UCITS	foreign UCITS	total
variable income securities: UCITS	197	4,982	5,179	2,061	3,547	5,608

	2017			2016		
	accumulation UCITS	distribution UCITS	total	accumulation UCITS	distribution UCITS	total
variable income securities: UCITS		5,179	5,179		5,608	5,608

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, 2017	Amount invested in credit institutions as of Dec 31, 2016
available-for-sale and other long-term equity investments	1,000,951	1,597,388
investments in subsidiaries and associates	6,455,223	10,127,354
TOTAL	7,456,174	11,724,742

2.18 Securities investments: information on available-for-sale securities

No available-for-sale securities were held as of December 31, 2017.

2.19 Associates that are unlimited liability corporations

business name	registrated office	legal form
REMA	Strasbourg	partnership
CM-CIC FONCIERE	Strasbourg	partnership

2.20 Breakdown of "Shareholder's equity"

	amount as of Dec 31, 2016	Appropriatio n of earnings	Capital increase and other changes	amount as of Dec 31, 2017
subscribed capital	1,688,530			1,688,530
issue premiums	4,508,845			4,508,845
legal reserve	168,853			168,853
regulatory and contractual reserves	2,666,442	140,000		2,806,442
regulated reserves				
other reserves	9,495			9,495
unappropriated retained earnings	799	(729)		70
net income for the year	269,287	(269,287)	(162,400)	(162,400)
distribution of dividends		130,016	(130,016)	
TOTAL	9,312,251	0	(292,416)	9,019,835
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, 2017	amount as of Dec 31, 2016
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, 2017, these receivables due from customers eligible for refinancing with a central bank stood at €219,009 thousand out of total receivables of €11,251,605 thousand.

2.23 Accrued interest receivable or payable

Assets

	Accrued interest receivable	Accrued interest payable
cash, central banks, post office banks		
government securities and equivalent	60,908	
loans and receivables due from credit institutions		
demand		
term	215,625	
loans and receivables due from customers		
commercial loans		
other customer loans	(934)	
overdrawn current accounts	240	
bonds and other fixed-income securities	81,290	
equities and other variable-income securities		
available-for-sale and other long-term equity invest		
investments in subsidiaries and associates		
TOTAL	375,129	

Liabilities

	Accrued interest receivable	Accrued interest payable
central banks, post office banks		
due to credit institutions		
demand		929
term		290,636
due to customers		
regulated savings accounts		
demand		
term		
other liabilities		
demand		
term		3,778
debt securities		
retail certificates of deposit		162,581
bonds		307,974
other debt securities		
subordinated debt		87,710
TOTAL		853,608

2.24 Other assets and other liabilities

other assets

	amount as of Dec 31, 2017	amount as of Dec 31, 2016
conditional instruments purchased		
settlement accounts on securities transactions	3,138	8,882
sundry debtors	1,553,870	2,044,290
carry back receivables		
other stock and equivalent		
other uses of funds		
TOTAL	1,557,008	2,053,172

other liabilities

	amount as of Dec 31, 2017	amount as of Dec 31, 2016
other debts on securities		
conditional instruments sold		
debts on trading securities		
of which debts on securities borrowed		
settlement accounts on securities transactions	509,193	177,194
payments outstanding on securities not fully paid up		80
sundry creditors	2,224,751	3,362,393
TOTAL	2,733,944	3,539,667

2.25 Accruals

assets

	amount as of Dec 31, 2017	amount as of Dec 31, 2016
headquarters and branch - network		
collections	733	925
other adjustments	877,824	1,864,614
suspense accounts		
potential losses on hedging contracts - forward financial instruments not yet settled		
deferred losses on hedging contracts - forward financial instruments settled	45,721	51,604
deferred expenses	258,388	211,489
prepaid expenses	15,935	14,043
accrued income	90,167	22,408
other accruals	116,274	98,401
TOTAL	1,405,042	2,263,484

liabilities

	amount as of Dec 31, 2017	amount as of Dec 31, 2016
headquarters and branch - network		
accounts unavailable due to collection procedures	542	1,269
other adjustments	5,258	5,331
suspense accounts		
potential gains on hedging contracts - forward financial instruments not yet settled		
deferred gains on hedging contracts - forward financial instruments settled	319,208	291,124
deferred income	49,366	46,670
accrued expenses	333,896	460,542
other accruals	102,914	88,029
TOTAL	811,184	892,965

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 amount originally received and the redemption price of debt represented by a security

	amount as of Dec 31, 2017	amount as of Dec 31, 2016
issuance premium on fixed-income securities	212,351	167,463
redemption premiums on fixed-income securities	5,914	10,130

2.27 Provisions

	amount as of Dec 31, 2017	Additions	Reversals	amount as of Dec 31, 2016	reversal lag
provision for associate-related risks	242,000	(242,000)	84,200	84,200	> 3 years
provision for retirement benefits	1,820	(1,145)	1,200	1,875	< 1 year
provision for swaps	1,053		7,783	8,836	< 1 year
provisions for risks on fixed securities	16,600			16,600	> 3 years
provision for guarantee commitments	312,483	(305,000)	109	7,592	< 3 years
provision for tax and adjustment	122,429	(122,429)			> 1 year
other provisions	679	(679)	700	700	< 1 year
TOTAL	697,064	(671,253)	93,992	119,803	

2.28 Equivalent in euros of assets and liabilities denominated in non-euro zone currencies

assets

	amount as of Dec 31, 2017	amount as of Dec 31, 2016
cash, central banks, post office banks		
government securities and equivalent		
loans and receivables due from credit institutions	13,044,321	14,982,446
loans and receivables due from customers	96,728	62,308
bonds and other fixed-income securities		
equities and other variable-income securities	7,376	9,232
real estate development		
subordinated loans		
available-for-sale and other long-term equity investments	1,063,858	1,420,194
investments in subsidiaries and associates		
intangible assets		
property and equipment		
other assets	189,799	18,381
accruals	254,213	230,907
TOTAL	14,656,295	16,723,468
percentage of total assets	7.98%	9.09%

liabilities

	amount as of Dec 31, 2017	amount as of Dec 31, 2016
central banks, post office banks		
due to credit institutions	3,341,485	4,289,939
due to customers	179,631	405,906
debt securities	24,333,877	22,839,186
other liabilities	103,195	333,814
accruals	80,854	69,626
provisions		
subordinated debt	(202,700)	65,947
TOTAL	27,836,342	28,004,418
percentage of total liabilities	15.17%	15.22%

3. Notes to the off balance sheet item

The figures included in the following tables are expressed in thousands of euros.

3.0 Financing commitments given and received

	2017	2016
financing commitments given		
credit institutions	1,102,066	1,063,828
customers	2,666,795	3,001,947
financing commitments received		
credit institutions	18,012,055	17,404,892
of which Banque de France	*18,012,055*	*17,404,892*
customers		
TOTAL	21,780,916	21,470,667

3.1 Guarantee commitments given and received

	2017	2016
guarantee commitments given		
credit institutions	2,948,503	3,442,466
customers	190,324	197,995
guarantee commitments received		
credit institutions		
customers	29,376	2,369
TOTAL	3,168,203	3,642,830

3.2 Assets pledged as collateral for commitments

	2017	2016
assets pledged for transactions on forward markets		
pensions pledged	165,172	195,520
other assets pledged	28,006,055	27,058,892
of which to Banque de France	28,006,055	27,058,892
TOTAL	28,171,227	27,254,412

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, 2017, this procedure had not been called upon.

3.3 Assets received as collateral

	2017	2016
assets received in pledge for transactions on forward markets	0	0
other assets received	0	0
dont SFEF	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, 2017, assigned receivables totaled €6,729,584 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 €5,674,447 thousand at the same date.

3.4 Forward transactions in foreign currencies not settled as of the end of the exercice

	2017		2016	
	assets	liabilities	assets	liabilities
FORWARD FOREIGN EXCHANGE TRANSACTIONS				
Euros receivable/foreign currencies payable	5,590,354	5,257,917	7,627,681	7,845,024
of which currency swaps	*4,283,318*	*3,966,497*	*5,624,820*	*5,764,576*
Foreign currencies receivable/euros payable	19,569,067	20,006,447	20,787,857	19,422,503
of which currency swaps	*8,533,665*	*8,823,056*	*8,158,422*	*7,341,306*
Foreign currencies receivable/foreign currencies pa	12,642,118	12,419,795	12,514,677	12,748,629
of which currency swaps				

3.5 Other forward transactions not settled as of the end of the exercice

	2017	2016
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	171,355,582	166,104,680
of which interest rate swaps	165,399,925	160,612,636
of which interest rate swaps denominated in foreign currencies	5,855,657	5,492,044
of which purchases of floor	100,000	
of which sales of floor		
Conditional hedging transactions		
of which purchases of swap options		
of which sales of swap options		
of which purchases of caps and floors		
of which sales of caps and floors		
Other firm transactions	300,000	766,980
of which interest rate swaps	300,000	766,980
of which 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		
of which 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		
of which sales of non-deliverable forwards		
Conditional hedging transactions		
of which purchases of options		
of which sales of options		

3.6 Analysis of forward transactions not yet settled by residual maturity

	2017			2016		
	0 - 1 year	1 - 5 years	> 5 years	0 - 1 year	1 - 5 years	> 5 years
foreign currency transactions	26,080,526	7,032,488	4,571,145	31,723,938	5,581,763	2,710,455
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						
Other firm transactions						
of which sales of futures contracts						
otc transactions involving interest-rate instruments						
firm hedging operations	56,044,089	85,459,703	30,151,790	46,156,204	89,157,019	31,558,437
of which interest rate swaps	56,044,089	85,459,703	30,051,790	46,156,204	89,157,019	31,558,437
of which purchases of floor			100,000			
of which sales of floor						
Conditional hedging transactions						
of which purchases of swap options						
of which sales of swap options						
of which purchases of caps and floors						
of which sales of caps and floors						
Other conditional transactions						
otc transactions involving foreign exchange instruments						
Conditional hedging transactions						
of which purchases of foreign exchange options						
of which 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						
of which sales of non-deliverable forwards						
Conditional hedging transactions						
of which purchases of options						
of which sales of options						

3.7 Commitments in respect of fully consolidated subsidiaries and other long-term equity investments

Commitments given

	2017	2016
Financing commitments	670,000	590,000
Guarantee commitments	3,037,717	3,518,652
Foreign exchange commitments	414,213	2,206,498
Commitments on forward financial instruments	37,692,964	49,009,755
TOTAL	41,814,894	55,324,905

Commitments received

	2017	2016
Financing commitments		
Guarantee commitments		
Foreign exchange commitments	414,412	2,214,503
Commitments on forward financial instruments		
TOTAL	414,412	2,214,503

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.

3.8 Fair value of derivative instruments

	2017		2016	
	assets	liabilities	assets	liabilities
Interest rate risk - hedge accounting (macro-micro)				
Conditional or optional instruments				
Firm instruments other than swaps				
Embedded derivatives	17,650	126,418	11,407	172,368
Swaps	2,711,864	1,611,568	3,732,494	1,766,220
Interest rate risks - excluding hedge accounting				
Conditional or optional instruments				
Firm instruments other than swaps				
Embedded derivatives	34,185		32,067	
Swaps	513,944	545,866	911,641	946,024
Foreign exchange risk				
Conditional or optional instruments				
Firm instruments other than swaps				
Swaps	37,265	67,825	34,472	13,627

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. Notes to the income statment

The figures included in the following tables are expressed in thousands of euros.

4.1 Interest income and expense

	income 2017	income 2016
credit institutions	4,108,103	3,997,504
customers	20,336	128,833
bonds and other fixed-income securities	559,821	596,805
subordinated loans	33,333	93,992
other similar income	13,751	15,031
net reversal of (addition to) provisions relating to interest on non-performing loans		
net reversal of (addition to) provisions on other similar income		
TOTAL	4,735,344	4,832,165

	expenses 2017	expenses 2016
credit institutions	3,230,464	3,080,527
customers	110,850	152,476
bonds and other fixed-income securities	1,120,750	1,320,472
subordinated loans	283,720	292,465
other similar income	149,641	147,237
net reversal of (addition to) provisions relating to interest on non-performing loans		
net reversal of (addition to) provisions on other similar income		
TOTAL	4,895,425	4,993,177

4.2 Analysis of income from variable-income securities

	amount as of December 31, 2017	amount as of December 31, 2016
available-for-sale equities and other variable-income securities	11,966	13,716
subsidiaries, associates and other long-term equity investments	546,122	814,431
medium-term available-for-sale securities		
TOTAL	558,088	828,147

4.3 Fees and commissions

	income 2017	income 2016
credit institutions	110	150
customers	2,186	1,903
securities transactions	41	29
foreign exchange transactions	2	10
financial services provided	76,588	47,850
off balance sheet transactions		
other	222	326
reversals from provisions relating to fees and commissions		
TOTAL	79,149	50,268

	expenses 2017	expenses 2016
credit institutions	2,280	2,226
customers	5	5
securities transactions	7,074	6,060
foreign exchange transactions	904	801
financial services provided	62,793	39,903
off balance sheet transactions		
other	658	284
reversals from provisions relating to fees and commissions		
TOTAL	73,714	49,279

4.4 Gains (losses) on trading securities

	amount as of December 31, 2017	amount as of December 31, 2016
trading securities	(35)	(1,538)
foreign exchange	10,134	2,696
forward financial instruments	13	(199)
net impairment reversals (losses)	7,783	3,659
TOTAL	17,895	4,618

4.5 Gains (losses) on available-for-sale and similar securities

	amount as of December 31, 2017	amount as of December 31, 2016
acquisition expenses on available-for-sale securities	(1,076)	0
net gain (loss) on disposals	149,612	49,352
net impairment reversals (losses)	24,641	(32,833)
TOTAL	173,177	16,519

4.6 Other operating income and expenses

	amount as of December 31, 2017	amount as of December 31, 2016
miscellaneous operating income	2,188	648
miscellaneous operating expenses	(3,445)	(222,999)
TOTAL	(1,257)	(222,351)

4.7 General operating expenses

	amount as of December 31, 2017	amount as of December 31, 2016
salaries and wages	8,149	6,111
retirement benefits expense	896	741
other payroll-related expenses	2,769	1,932
profit-sharing and incentive plans	687	472
payroll and similar taxes	1,816	1,281
other taxes and duties	14,975	17,979
external services	37,813	44,417
net additions to/reversals from provisions relating to general operating expenses	2,374	0
other miscellaneous charges	7,853	0
reinvoiced expenses	(5,936)	(10,956)
TOTAL	71,396	61,977

CICE: The competitiveness and employment tax credit, recognized as a credit to payroll costs, amounted to €82,204.91 for fiscal year 2017.
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 €8,832,120.92 in 2017 compared with €5,775,527.65 in 2016. No attendance fees were paid.

Related party transactions:
At its meeting on May 8, 2011, BFCM's Board of Directors had 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 estimated at €1,200,000 (including social security contributions). At December 31, 2017, the provision for the outstanding amount was reversed and the amount due was paid to Mr. Fradin based on a decision taken by the Remuneration Committee on April 5, 2017 following the termination of his duties.
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 €720,000 (including social security contributions). A provision was recognized for the outstanding amount as of December 31, 2017.
Mr. Thery 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 €15,691.32 in 2017.
At its meeting on April 6, 2017, BFCM's Board of Directors approved a severance payment in case of termination of Mr. Baal's term of office as the new CEO, subject to a performance-related condition and representing one year of his compensation as a corporate officer, i.e. a commitment estimated at €1,100,000 (including social security contributions). A provision was recognized for the outstanding amount as of December 31, 2017.
Mr. Baal 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 €9,153.27 in 2017.

In accordance with ANC Regulation 2016-07, the statutory auditors' fees were as follows:

in € thousands, excluding VAT	Pricewaterhouse Coopers France	Ernst&Young et Autres
Certification of the financial statements	188	196
Services other than certification of the financial statements (1)	247	165

(1) These include services provided at the entity's request, such as comfort letters in connection with market transactions and reports and certifications required for regulatory purposes.

4.8 Cost of risk

	amount as of December 31, 2017	amount as of December 31, 2016
additions to provisions for receivables	(305,034)	0
reversals of provisions for receivables	109	8,266
loss on irrecoverable receivables covered by provisions	(24)	(8,266)
TOTAL	(304,949)	0

In 2017, BFCM decided to guarantee the credit commitments of the press companies undertaken by Banque de l'Economie du Crédit Mutuel (BECM). A provision in the amount of €305 million was therefore set up.

4.9 Gains (losses) on non-current assets

	amount as of December 31, 2017	amount as of December 31, 2016
gains (losses) on property and equipment	0	0
gains (losses) on financial assets	(43,465)	470,263
impairment reversals (losses) on non-current assets	(61,520)	(574,365)
reversals from (additions to) provisions for risks and charges	(157,800)	(30,600)
TOTAL	(262,785)	(134,702)

In 2017, BFCM recorded a provision for non-current assets for its Moroccan subsidiary, BMCE, in the amount of €266,691,000 and for its Spanish Targobank SA subsidiary in the amount of €29 million. The provision set up in 2016 for its Spanish BPE subsidiary was reversed in the amount of €377 million following its removal from the portfolio. In addition, all the assets of two companies (Ventadour Investissement and CM Akquisitions) wholly owned by BFCM were transferred in 2017. The "gains on financial assets" item includes two merger premiums in the amount of €201,420,000 for Ventadour Investissement and €387,817,000 for CM Akquisitions.

4.10 Exceptional result

	amount as of December 31, 2017	amount as of December 31, 2016
results of companies of persons	(698)	(750)
other exceptionnal income	3,648	0
provisions / depreciation of provisions on companies of persons	55	45
TOTAL	3,005	(705)

4.11 Breakdown of corporate income tax

	amount as of December 31, 2017	amount as of December 31, 2016
(a) tax on ordinary income	0	0
(b) tax on extraordinary items	0	(251)
(c) tax on previous years	476	0
(a + b + c) income tax for the year	476	(251)
additions to provisions relating to income tax	(120,000)	0
reversals from provisions relating to income tax	0	0
Corporate income tax for the year	(119,524)	(251)

4.12 Other information: Employees

Average workforce (full-time equivalent)	2017	2016
bank technicians	21	6
managerial staff	45	26
TOTAL	66	32

VI.3 - Information on subsidiaries and associated companies

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, 2016	Shareholders' equity other than capital and unappropriated earnings as of Dec 31, 2016	Percentage of capital held as of Dec 31, 2017 in %	Carrying amount of investment held as of Dec 31, 2017		Outstanding loans and advances granted by the Bank as of Dec 31, 2017	Guarantees and securities provided by the Bank as of Dec 31, 2017	Revenues as of Dec 31, 2016	Net income (loss) as of Dec 31, 2016	Net dividends received by the Bank as of Dec 31, 2017	Notes
				gross	net						
1) Subsidiaries (more than 50%-owned)											
MUTUELLES INVESTISSEMENT SA (formely DEVEST 15), Strasbourg	37	-3	100.00	837,000	837,000	2,354	0	0 (3)	-2	0	
CM CIC CAUTION HABITAT SA (formely DEVEST 16), Strasbourg	37	0	100.00	180,037	180,037	0	0	0 (3)	0	0	
CREDIT MUTUEL CIC Home Loan SFH (formely CM CIC COVERED BONDS), SA, Paris	220,000	3,843	100.00	220,000	220,000	4,259,767	0	6,428 (4)	3,622	990	
GROUPE REPUBLICAIN LORRAIN COMUNICATION, SAS, Woippy	1,512	11,274	100.00	94,514	0	11,861	0	61	236	0	
CIC IBERBANCO, SA with Executive Board and Supervisory Board, Paris	25,143	54,920	100.00	84,998	84,998	261,000	0	34,363 (4)	7,432	2,465	
SIM (formely EBRA), SAS, Houdemont	40,038	-193,328	100.00	230,037	58,000	43,423	0	3,476	-14,793	0	
CM CIC IMMOBILIER (formely ATARAXIA), SAS, Orvault	31,760	51,257	100.00	80,986	80,986	5,726	0	4,092	5,423	1,627	
BANQUE EUROPEENNE DU CREDIT MUTUEL, BECM, SAS, Strasbourg	129,573	873,043	96.08	465,755	465,755	4,687,379	2,750,000	331,968 (4)	105,580	41,962	
SOCIETE DU JOURNAL L'EST REPUBLICAIN, SA, Houdemont	2,400	-26,897	95.14	84,138	20,338	5,432	0	86,283	-18,231	0	
CREDIT INDUSTRIEL ET COMMERCIAL, SA, Paris	608,440	12,157,000	93.14	4,061,391	4,061,391	48,299,530	180,158	4,985,000 (4)	1,361,000	248,921	consolidated
COFIDIS PARTICIPATION, SA, Villeuneuve d'Asq	116,062	1,098,961	70.63	1,331,701	1,331,701	10,123,212	0	1,211,225 (4)	186,457	0	consolidated
GROUPE DES ASSURANCES DU CREDIT MUTUEL, SA, Strasbourg	1,118,793	7,673,197	52.81	974,661	974,661	0	0	10,775,249	736,703	133,402	consolidated
SPI (SOCIETE PRESSE INVESTISSEMENT), SA, Houdemont	77,239	900	100.00	75,200	49,000	0	0	0 (3)	-33	0	
FACTOFRANCE SAS, Paris	507,452	712,270	100.00	1,460,802	1,460,802	3,755,146	200,000	126,061	19,993	19,867	
TARGOBANK Deutschland GmbH, Düsseldorf	515,526	1,443,497	100.00	5,696,197	5,696,197	854,573	0	11,857	20,931	58,000	
2) Associates (10% to 50%-owned)											
TARGOBANK in Espagne (formely BANCO POPULAR HIPOTECARIO), Madrid	176,045	154,981	100.00	535,548	270,698	225,334	13,321	62,867 (4)	-143,600	0	
BANQUE DU GROUPE CASINO, SA, Saint Etienne	28,470	71,060	50.00	96,071	55,471	858,929	470,000	106,439 (4)	1,861	0	consolidated
CM CIC LEASE, SA, Paris	64,399	29,760	45.94	47,779	47,779	3,921,465	19,084	30,979 (4)	10,013	4,549	
BANQUE MAROCAINE DU COMMERCE EXTERIEUR, Casablanca	1,794,634 (1)	18,953,226 (1)	26.21	1,132,993	866,301	0	0	12,990,015 (1)	2,834,827	17,893	consolidated
CAISSE DE REFINANCEMENT DE L'HABITAT, SA, Paris	539,995	22,517	20.91	117,278	117,278	0	316,184	2,301 (4)	57	0	
BANQUE DE TUNISIE, Tunis	180,000 (2)	482,577 (2)	34.00	203,974	203,974	0	0	240,900 (2)	98,588	7,369	consolidated
3) Other (less than 10%-owned)											
NONE											

(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.

B. GENERAL INFORMATION ABOUT SUBSIDIARIES, ASSOCIATES AND OTHER LONG-TERM EQUITY INVESTMENTS (Amounts are expressed in thousands of euros)	Capital as of Dec 31, 2016	Shareholders' equity other than capital and unappropriated earnings as of Dec 31, 2016	Percentage of capital held as of Dec 31, 2017 in %	Carrying amount of investment held as of Dec 31, 2017		Outstanding loans and advances granted by the Bank as of Dec 31, 2017	Guarantees and securities provided by the Bank as of Dec 31, 2017	Revenues as of au 31.12.16	Net income (loss) as of Dec 31, 2016	Net dividends received by the Bank as of Dec 31, 2017
				brute	nette					
1) Subsidiaries not included in section A										
a) French subsidiaries (collectively)				79,885	44,029	81,997	0			2,025
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)				17,415	13,340	2,652	0			792
b) Foreign associates (collectively)				3,430	1,930	2,223	0			5,075
3) Other investments not included in section A										
a) Other investments in French companies (collectively)				26,514	25,972	0	0			601
b) Other investments in foreign companies (collectively)				848	848	0	0			0

VI.4 - Statutory Auditors' report on the annual financial statements

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
63, Rue de Villiers
92208 Neuilly-sur-Seine Cedex
French limited liability company (S.A.R.L.) with capital of €86.000

Statutory Auditors
Member of the Versailles
regional institute of accountants

ERNST & YOUNG et Autres
Tour First
TSA 14444
92037 Paris-La Défense Cedex
S.A.S. à capital variable (Simplified stock company with variable capital)
438 476 913 Nanterre Trade and Companies Register

Statutory Auditors
Member of the Versailles
regional institute of accountants

Banque Fédérative du Crédit Mutuel

BFCM

Year ended December 31, 2017

Statutory Auditors' report on the annual financial statements

To the Shareholders' Meeting of BFCM,

Opinion

In compliance with the assignment entrusted to us by your Shareholders' Meeting, we have audited the annual financial statements of BFCM for the year ended December 31, 2017, as appended to this report.

In our opinion, the annual financial statements give a true and fair view of Banque Fédérative du Crédit Mutuel's assets, liabilities and financial position as at December 31, 2015 and of the results of its operations for the year then ended in accordance with French accounting rules and principles.

The above opinion is consistent with the content of our report to the Crédit Mutuel CM11 Group Audit and Accounts Committee.

Basis of the opinion

Audit reference framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our responsibilities pursuant to these standards are indicated in the section of this report entitled "Responsibilities of the statutory auditors regarding the audit of the annual financial statements".

Independence

We have conducted our audit in compliance with the rules regarding independence applicable to us, for the period from January 1, 2017 to the date of issuance of our report and, in particular, we have not provided any of the services prohibited by Article 5, paragraph 1, of (EU) Regulation 537/2014 or by the code of ethics for statutory auditors.

Basis for our assessments - Key points of the audit

Pursuant to Articles L. 823-9 and R. 823-7 of the French Commercial Code regarding the basis for our assessments, we inform you of the key points of the audit related to the risks of material misstatement which, in our professional judgment, were the most significant for the audit of the annual financial statements, as well as our responses to these risks.

These assessments formed part of the audit of the annual financial statements as a whole and enabled us to form our opinion expressed above. We have no opinion regarding elements of these annual financial statements taken separately.

Risks related to valuation of investments in non-consolidated companies

Risk identified	Our response
Investments in non-consolidated companies and related receivables represent one of the most significant balance sheet items. Where applicable, impairment is calculated on the basis of their value in use. As indicated in note 1 to the annual financial statements, and with respect to securities not listed on a regulated market, value in use is estimated based on the value at year-end of the shareholders' equity of the entities in question, their profitability and their business forecasts. Estimating the value in use of these securities requires that management use its judgment when choosing the data to consider based on the investments which may, depending on the case, be historical data (shareholders' equity for certain entities) or forecasted data (profit outlook and economic conditions in the relevant countries). In this context and given the uncertainties inherent to certain data, and particularly the probability that forecasts will be achieved, we considered the correct valuation of investments in non-consolidated companies and related receivables to be a key point of the audit.	To assess the reasonableness of the estimated value in use of investments in non-consolidated companies, our work mainly entailed reviewing the documentation of the values used by management and the appropriate application of the valuation methods to such investments. For valuations based on historical data, our work entailed examining the consistency between the shareholders' equity used and the financial statements of entities subject to an audit or analytical procedures, and reviewing the documentation of any adjustments made to shareholders' equity. For valuations based on forecasted data, our work entailed: reviewing the records of the decisions taken by the group's governance and the documentation substantiating the values in use used; and analyzing, with the help of our experts, the measurement methods and inputs. In addition to assessing the value in use of investments in non-consolidated companies, our work also entailed: assessing the recoverability of the related receivables based on an analysis of the investments in non-consolidated companies; verifying the recognition of a provision for risks in cases where your company is required to bear the losses of a subsidiary with negative shareholders' equity.

Verification of the management report and the other documents sent to shareholders

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

Information provided in the management report and in the other documents sent to shareholders on the company's financial position and the annual financial statements

We have no comments as to the fair presentation of the information provided in the Board of Directors' management report and in the other documents sent to shareholders on the company's financial position and the annual financial statements, or its consistency with the annual financial statements.

Report on corporate governance

We attest to the existence, in the Board of Directors' report on corporate governance, of the information required by Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code.

As regards the information provided in accordance with Article L. 225-37-3 of the French Commercial Code on remuneration and benefits paid to corporate officers and commitments made in their favor, we verified the consistency of this information with the information given in the financial statements or with the data used to prepare the financial statements, and, if applicable, with the information received by the Company from companies that control it or are controlled by it. On the basis of this work, we certify that this information is accurate and fair.

Information resulting from other legal and regulatory requirements

Appointment of the statutory auditors

We were appointed as statutory auditors of BFCM by your shareholders' meeting on May 11, 2016 for PricewaterhouseCoopers France and on September 29, 1992 for Ernst & Young et Autres.

At December 31, 2017, this was the second consecutive year of PricewaterhouseCoopers France's assignment and the 26th year for Ernst & Young et Autres.

Responsibilities of management and those charged with corporate governance regarding the annual financial statements

It is the responsibility of management to prepare annual financial statements that give a true and fair view in accordance with French accounting rules and principles and to implement internal control as it deems necessary for the preparation of annual financial statements that contain no material misstatements, whether such misstatements are the result of fraud or errors.

When preparing the annual financial statements, management must assess the company's ability to continue to operate, present in its financial statements, where applicable, the necessary information regarding the company's continued operation and apply the going concern accounting convention, unless there are plans to liquidate the company or discontinue its business.

The Crédit Mutuel CM11 Group Audit and Accounts Committee must monitor the financial information preparation process and the effectiveness of the internal control, risk management and, where applicable, internal audit systems as regards the procedures related to the preparation and processing of accounting and financial information.

These annual financial statements have been approved by the Board of Directors.

Responsibilities of the statutory auditors regarding the audit of the annual financial statements

Objective and audit approach

Our responsibility is to prepare a report regarding the annual financial statements. Our objective is to obtain reasonable assurance that the annual financial statements, as a whole, contain no material misstatements. Reasonable assurance is a high level of assurance, yet without guaranteeing that an audit conducted in accordance with generally accepted auditing standards always leads to the detection of a material misstatement. Misstatements may result from fraud or errors and are considered material when there is a reasonable expectation that they can, when taken individually or combined, influence the economic decisions made by users of the financial statements on the basis of these financial statements.

As set out in Article L. 823-10-1 of the French Commercial Code, our task of certifying the financial statements does not entail guaranteeing the viability or quality of your company's management.

When conducting an audit in accordance with auditing standards applicable in France, the statutory auditor exercises his/her professional judgment throughout the audit. Moreover, he/she:

identifies and assesses the risk that the annual financial statements contain material misstatements and that such misstatements result from fraud or errors, defines and implements audit procedures to address these risks, and collects information that he/she considers a sufficient and appropriate basis for such opinion. The risk of not detecting a material misstatement resulting from fraud is higher than that of a material misstatement resulting from an error, as fraud may involve collusion, forgery, deliberate omissions, false statements or the override of internal control.

reviews internal control relevant to the audit in order to define appropriate audit procedures under the circumstances, and not to express an opinion on the effectiveness of internal control;

assesses the appropriateness of the accounting methods used and the reasonableness of the accounting estimates made by management, as well as related information provided in the annual financial statements;

assesses the appropriateness of management's application of the going concern accounting convention and, based on the information collected, whether or not significant uncertainty exists regarding events or circumstances likely to call into question the company's ability to continue to operate. This assessment is based on information collected up to the date of his/her report, it being noted however that subsequent circumstances or events could call into question the company's continued operation. If the statutory auditor concludes that significant uncertainty exists, he/she brings the information provided in the annual financial statements regarding such uncertainty to the attention of readers of his/her report or, if such information is not provided or is not relevant, the statutory auditor issues a qualified opinion or a denial of opinion;

assesses the overall presentation of the annual financial statements and determines whether they fairly present the underlying transactions and events.

Report to the Crédit Mutuel CM11 Group Audit and Accounts Committee

We submit a report to the Crédit Mutuel CM11 Group Audit and Accounts Committee which presents the scope of the audit and the work program implemented, as well as the conclusions of our audit. We also inform it, where applicable, of the significant weaknesses of internal control that we have identified as regards the procedures related to the preparation and processing of accounting and financial information.

The information provided in the report to the Crédit Mutuel CM11 Group Audit and Accounts Committee includes the risks of material misstatement which, in our opinion, are the most significant for the audit of the annual financial statements and are therefore the key points of the audit, which it is our duty to describe in this report.

We also submit to the Crédit Mutuel CM11 Group Audit and Accounts Committee the statement referred to in Article 6 of (EU) Regulation 537-2014 confirming our independence, pursuant to the rules applicable in France as set out in Articles L. 822-10 to L. 822-14 of the French Commercial Code and in the code of ethics for statutory auditors. Where applicable, we discuss with the Crédit Mutuel CM11 Group Audit and Accounts Committee the risks regarding our independence and the precautionary measures taken.

Neuilly-sur-Seine and Paris-La Défense, April 13, 2018

The Statutory Auditors

PricewaterhouseCoopers France	ERNST & YOUNG et Autres
Jacques Lévi	Hassan Baaj

VII. CORPORATE SOCIAL RESPONSIBILITY

Crédit Mutuel CM11 Group
Grenelle II Law – Article 225

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Chairman's and Chief Executive Officer's statement

The Crédit Mutuel CM11 Group, a people-focused, socially responsible bank

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.

A major player in banking, insurance, mobile phone and technology services, Crédit Mutuel and its subsidiaries are leading employers in France. By spending more than 6% of its payroll on training and developing tools to apply best practices and reward employees, Crédit Mutuel's policy focuses on optimizing skills while ensuring equal opportunity.

This year was also marked by the signing of agreements forming the common status for Crédit Mutuel and CIC employees. This major step forward took effect on January 1, 2018. It facilitates career opportunities for all employees as well as improvement in the social framework related to family and retirement schemes. This common status strengthens the Group's cohesion, promotes mobility and improves the situation of all employees.

The numerous initiatives undertaken by the Crédit Mutuel CM11 Group and its subsidiaries in 2017 included helping investors finance the energy transition and combat climate change, creating the CM-CIC Green Bonds fund in June 2017 and supporting more than 500 renewable energy financing projects for its business customers, individuals and farmers.

And, as part of its investment strategy, <u>the Group decided to stop financing coal-fired power plants and coal mining operations no matter what country they are in.</u>

The Crédit Mutuel CM11 Group is committed to the environment and society and publishes on its websites its commitments in support of four sector-specific policies: coal-fired power plants, defense, nuclear energy and mining.

The Group has adopted a Sustainable and Responsible Purchasing Charter signed by all of its suppliers to ensure long-term business relations with partners committed to respecting the principles of sustainable development. It also launched "Être éco-citoyen au travail" (Being environmentally responsible at work) to encourage employees to protect their environment.

In the area of consumer credit, the Group has implemented a very strict credit extension policy that includes six specific rules based on respect for values and compliance with rules of professional ethics.

Through its commitments to the economy, society and the environment, and strengthened by its corporate governance model, the Crédit Mutuel CM11 Group acts as a responsible bank for all its customers and members.

Nicolas Théry
Chairman of the Board of Directors
Officer

Daniel Baal
Chief Executive

VII.1 - Foreword

VII.1.1 - Presentation of the scope of consolidation

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.

Operating under the name Crédit Mutuel CM11 Group[1], the mutual banking division (also called the regulatory scope) and the shareholder-owned division (also called BFCM Group) are complementary and interconnected. Not only is the mutual banking division the controlling shareholder of BFCM Group, the Crédit Mutuel 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 Caisse Fédérale de Crédit Mutuel on behalf of the Crédit Mutuel CM11 Group scope. For the CM11 Crédit Mutuel Group scope, Caisse Fédérale de Crédit Mutuel holds the collective license (banking code) for all the affiliated local cooperative banks and is the head of the group comprising Banque Fédérative du Crédit Mutuel and its subsidiaries as defined in Articles L. 233-3 and L. 233-16 of the French Commercial Code.

The Crédit Mutuel CM11 Group includes companies that are individually under an obligation to publish a specific report:

- Cofidis SA
- for the CIC regional banks and the CIC Group, a specific report is published in their 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

[1] *Throughout this document, the word "Group" may be used alone but is understood to mean "Crédit Mutuel CM11 Group"*

In keeping with the Crédit Mutuel CM11 Group's organization, the information relating to the companies in the Technology and Press divisions is reported 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 Crédit Mutuel CM11 Group's companies in the Press and Technology divisions is appended to this report.

Certain entities that were included in the scope used in 2017 do not fall within the consolidation scope:

CM-CIC CAUTION HABITAT

CM-CIC LEASING SOLUTIONS SAS

COFACREDIT

FACTOFRANCE

BANQUE TRANSATLANTIQUE Luxembourg

These entities are presented in the "scope" appendix at the end of the report, and their data will be included starting in fiscal year 2018.

In terms of "individuals" in the workforce, the scope used for collection and consolidation for this report represented 95.6% of the total financial scope.

In general, the entities excluded from the scope are those that consume no energy and have no workforce, in addition to CIC's foreign subsidiaries with the exception of Banque de Luxembourg.

The federations, Caisse Fédérale de Crédit Mutuel 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, the interfederal bank (*caisse interfédérale*), known as 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 CM11 Group's solvency and liquidity as well as the Group's compliance with banking and financial regulations.

On behalf of the local cooperative banks, Caisse Fédérale de Crédit Mutuel therefore performs financial functions such as liquidity management and also provides technical, legal and IT services either directly or through 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 Caisse Fédérale de Crédit Mutuel. The latter, which carries the collective authorization issued by the Prudential Control and Resolution Authority, guarantees the liquidity and solvency of the local cooperative banks.

Since January 1, 2012, the regulatory scope 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 Caisse Fédérale de Crédit Mutuel, 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)
- Crédit Mutuel Anjou – CMA – (Angers).

Each local bank is a member of the federation in its geographic region and each federation retains its autonomy and prerogatives in its territory.

The term Crédit Mutuel Group refers to all six regional groups combined under the protective umbrella of the Confédération Nationale du Crédit Mutuel, the central body:

- Crédit Mutuel CM11 Group
- Crédit Mutuel Arkéa Group
- Crédit Mutuel Antilles-Guyanne regional group
- Crédit Mutuel Maine Anjou Basse-Normandie regional group
- Crédit Mutuel Nord Europe regional group
- Crédit Mutuel Océan regional 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.

This Crédit Mutuel CM11 Group scope corresponds to the consolidated scope of the Crédit Mutuel CM11 Group's annual report/registration document for 2017.

Corporate governance of the Crédit Mutuel CM11 Group

Crédit Mutuel CM11 Group does not have a single deliberative body. Each Crédit Mutuel local cooperative bank appoints a Board of Directors made up of volunteer members elected by shareholding members at a Shareholders' 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 Caisse Fédérale de Crédit Mutuel and its subsidiary, BFCM.

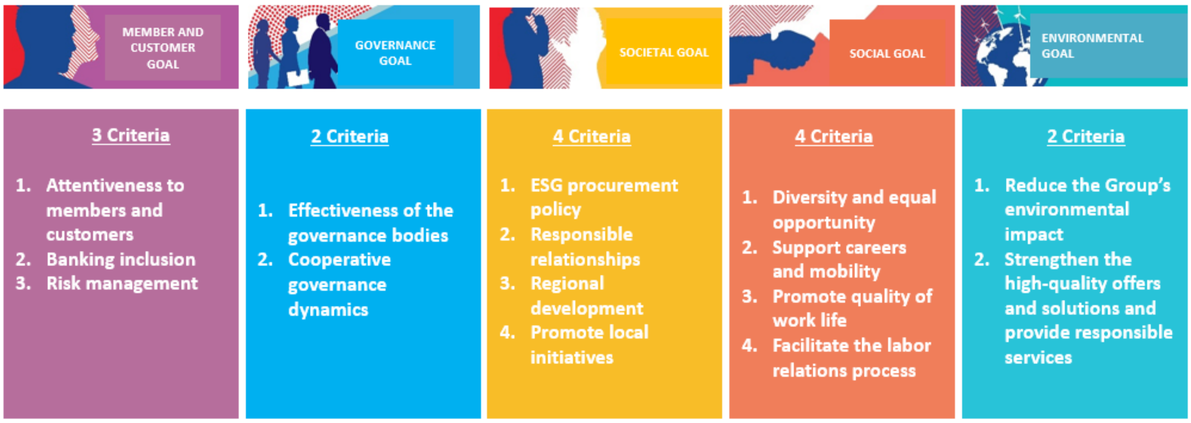
VII.1.2 - Crédit Mutuel CM11 Group's CSR strategy and positioning

The Crédit Mutuel CM11 Group has strong values. Its CSR policy, deliberately renamed Social and Mutualist Responsibility (SMR) in 2016, is in line with its genetic identity, which consists of democracy, proximity, local economic and social development, mutual assistance and solidarity.
The Crédit Mutuel CM11 Group's SMR policy is focused on 5 goals translated into 15 commitments and represented by 64 actions. This strategy supplements the Group's development goals by incorporating social, societal and environmental issues into the activities of each of its entities.
Within the Group, the SMR policy is identified with a label to make sure it is easily recognizable to and adopted by employees. This initiative reflects the commitment to improve communication on SMR issues within the Group. Similarly, for example, an informational document intended for the works councils was rolled out in 2017, as was a specific presentation for the Group's entities.

Social and Mutualist Responsibility label

SMR policy structured around five goals:

- Member and customer goal,
- Governance goal,
- Societal goal,
- Social goal,
- Environmental goal.



The SMR policy serves as a common platform for all Group entities. The Group has therefore implemented a self-assessment questionnaire to allow each entity to measure its commitment to the 64 actions identified and improve the adoption of the policy.
Each entity called a meeting of its management committee in order to comply as transparently as possible with this exercise.
This questionnaire was sent to the 11 federations, the CIC group's 6 regional banks and the Group's 30 subsidiaries.

Highlights of the main actions taken in 2017, broken down by goal, include the following:

Member and customer goal: To help investors finance the energy transition and combat climate change, in June 2017 CM-CIC AM created the CM-CIC Green Bonds fund, which has received the Energy and Ecological Transition for the Climate ("TEEC") label. The new SRI label was also awarded to 16 CM-CIC AM funds representing €1 billion in assets under management.
The Group helped support funding for more than 500 renewable energy financing projects for its business customers, individuals and farmers. This concerns more than 60 projects for large corporates representing outstandings of €1,200 million.

Governance goal: The sector-specific coal-fired power plant, mining, nuclear energy and defense policies that govern the rules for intervention in these sectors have been approved

by the boards of directors of the Group's umbrella entities. The Group’s governing bodies decided to stop financing new coal-fired power plants and coal mining operations no matter what country they are in.
Providing consumer credit is one of the Crédit Mutuel CM11 Group’s key activities. The Group, which is aware of its commitments and wishes to take a very strict credit extension approach, has therefore adopted a “Consumer Credit” policy that includes six specific rules based on respect for values and compliance with rules of professional ethics.

Societal goal: Purchasing goods and/or services is an act of management and is part of the operational implementation of the Group’s strategy. The Group’s “Procurement” policy, implemented at all its entities, incorporates economic and quality criteria, conditions relating to compliance with technical requirements, and ESG (environmental, social and governance) factors. The Group has also adopted a Sustainable and Responsible Purchasing Charter which will have to be signed by all its suppliers to ensure long-term business relations with partners committed to respecting the principles of sustainable development.
At end-2017, Euro-Information obtained ISO 27001 certification, which reflects the soundness of the Group’s information systems. Further proof of the Group’s commitment to ensuring data security was offered this year with the avoidance of two major Wannacry and (not)Petya attacks.

Social goal: In July 2017, the Group signed four agreements finalizing the common status for Crédit Mutuel CM11 Group employees: a single agreement between the employees of CM11 and of CIC, one Group agreement on working hours and one on working time accounts, and an agreement on the implementation of all these measures.
In 2017, all human resources employees (approximately 200 people) received training on combating employment discrimination. At CIC Lyonnaise de Banque, more than 50% of branch managers are women.
Within the Group, the percentage of payroll invested in training is 6% versus an average of 3.5% for French banks and 2.7% for French companies. In 2017, this meant nearly 78% of employees received training, up 6 points from 2016.

Environmental goal : « Etre éco-citoyen au travail ! ». This initiative has been rolled out to all Group employees’ workstations to encourage them to adopt simple and effective practices to protect their environment and help reduce the Group’s energy footprint.

The tool also provides information on all the initiatives: launch of gray recycled paper at the Group’s head offices, use of certified envelopes, adoption of environmentally-friendly checkbooks using FSC Mixed paper, calculation of the carbon footprint of each employee’s printing, etc.

VII.1.3 - Crédit Mutuel CM11 Group’s sector-specific CSR policies

By structuring its SMR strategy around 5 goals translated into 15 commitments, the Crédit Mutuel 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 the CIC group.

Crédit Mutuel Group entities will follow the same procedure for adopting these two new policies, which are 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 factors.

The Group encourages relationships with suppliers and/or service providers that include specific clauses in their contracts to address compliance with the referenced texts on human and labor rights as well as strict adherence to principles relating to corruption in all its forms.

The Crédit Mutuel Group has decided to strengthen this initiative by asking all of its suppliers to sign a sustainable and responsible purchasing charter that reflects the internal commitments in the Procurement policy.

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.

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, anti-money laundering and counter-terrorist financing (AML-CTF).

An implementation matrix consisting of the six Consumer Credit policy rules has been put in place for the relevant entities. The comprehensiveness of this matrix for the relevant entities is approved by their respective board of directors.

The Cofidis Participation and Targobank Germany entities respectively approved the Consumer Credit policy and their implementation matrix in 2017.

This implementation matrix identifies:

- The department in charge of the identified rule,
- The existence of procedures dealing with the rules to be followed,
- The control tool for the identified procedures.

Focus on sector-specific policies:
The Crédit Mutuel Group 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. However, at end-2017, the Group decided to end its involvement in the financing of coal mining operations no matter what country they are in.

► 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 CO_2 capture and storage). However, at end-2017, the Group decided to end its involvement in the financing of new coal-fired power plants no matter what country they are in.

► 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 the know-your-customer (KYC) procedure, tax compliance, etc.).

► It includes a supplement to the policy on "new customer relationships" to clarify relationships with non-resident customers aimed at absolute compliance with local laws and regulations as well as with anti-money laundering and counter-financing of terrorism (AML-CFT) requirements (sensitive country controls, off-shore structure, etc.).

VII.2 - Methodology

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 Consulting is consolidated directly into the Crédit Mutuel CM11 Group for the 2017 data.

The Press division comprises the following entities: Alsacienne De Portage Des DNA; Les Dernières Nouvelles D'Alsace; Est Bourgogne Medias; Groupe Républicain Lorrain Communication (GRLC); Républicain Lorrain – TV news; Républicain Lorrain Communication; Groupe Républicain Lorrain Imprimeries; Groupe Dauphine Media; L'Est Républicain; Groupe Progrès; La Liberté de l'Est; la Tribune; Le Dauphine Libéré; Le Républicain Lorrain; Média portage; Presse Diffusion; Publiprint Province n°1; SAP Alsace; SCI Le progrès Confluence; Société d'Edition l'hebdomadaire du Louhannais et du Jura; Société d'Investissements Médias.

Indicator scope

Unless otherwise specified in the report and in the table below, all indicators are collected and consolidated for the entire reference scope (see appendix).

Area	Indicator	Methodological note
SOC01bis	Total headcount	The data is missing for: - CIC's foreign subsidiaries excluding Banque de Luxembourg
SOC13	Recruitment: Total number of new hires	
SOC19 SOC 20	Number of employees under permanent contracts who left the organization – Number of employees who were dismissed	
SOC38	Number of days of absence	
SOC 46	Payroll invested in training	
SOC 48	Number of employees who took a training course	
SOC50	Training: Total hours of training	
SOC107	Gross payroll costs- permanent contracts (€)	
SOC108	Gross payroll costs- permanent contracts non-managerial (€)	
SOC 109	Gross payroll costs- permanent contracts managerial (€)	
GOUV14	Number of local cooperative banks -	This indicator concerns the 11 Crédit Mutuel federations.
GOUV15	Number of new women directors - local cooperative banks	
GOUV56	Hours of training provided to directors (federation level; CM11)	
SOT27	Amount of community-based microloans (<€3,000) granted	This indicator concerns the 11 Crédit Mutuel federations Targobank Germany
SOT28	SRI assets under management	CM-CIC Asset Management data
SOT28 BASE	Assets under management by the management company	
SOT37	Assets under management (euros) in socially responsible employee savings plans	
SOT40	Number of non-profit organizations that are customers (associations, labor organizations, works councils, etc.)	This indicator concerns: - the 11 Crédit Mutuel federations - CIC's regional banks in France - BECM - Targobank Spain
SOT52	Total budget dedicated to patronage and sponsorship ([1])	This indicator concerns: - Cofidis France and outside France - the 11 Crédit Mutuel federations - CIC excluding foreign subsidiaries - ACM France and outside France

(1) This indicator may include budgets allocated in 2017 but not yet fully disbursed during the year.

The Crédit Mutuel 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 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 added to by a CSR working group set up at the national level, which brings together all the regional federations and the Group's main subsidiaries.

This national working group meets at least six times a year, enabling Crédit Mutuel 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 more particularly for the national coordinators involved in collecting and reporting data at the Crédit Mutuel regional federations and the main subsidiaries and can 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 close to 200 regularly reviewed items that enable the Group to put together the 43 indicators required under Article 225 of the Grenelle 2 law, as well as numerous additional indicators relating to the Group's cooperative activities and democratic governance.

Reference period of data:

The employment, social and governance data relate to the 2017 calendar year (except for the CIC Group, for which the French entities' environmental data (energy and water) sometimes cover the period from December 1, 2016 to November 30, 2017).

Main data collection rules:

Data collection for 2017 was announced in October 2017 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 2017) followed by quantitative data (end-December 2017). The main difference compared with the previous year is that 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 CSR indicators selected are based in particular on:

- Article 225 of the Grenelle 2 law;
- greenhouse gas assessments
- Decree 2011-829 of July 11, 2011,
- the cooperative reporting
- The "energy transition for green growth law" enacted on August 18, 2015,
- The transposition of Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information (Order no. 2017-1180 of July 19, 2017 and Decree no. 2017-1265 of August 9, 2017),
- The Sapin 2 law on anti-corruption adopted on November 8, 2016,
- The "duty of vigilance" law adopted on February 21, 2017.

Governance indicators:

Some of the indicators and comments relate to the cooperative governance of the Group and of the local cooperative bank network. 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 as of 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 to ensure 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. The Group also does not have a major 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 integrated into the Group's information systems, data is collected manually and 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 in Germany and Targobank in 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 data consistency check. In some cases, the published data may be adjusted.

For total energy consumption (**ENV05**), approximately 18% of the published data was extrapolated based on the consumption shown on energy bills. For water consumption (**ENV04**), approximately 44% of the published data was extrapolated based on known consumption.

Thirty-nine 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 fairness, issued by the auditors designated as an independent third party. These indicators mainly concern the entire reference scope, except for certain specific indicators, as detailed in the table below.

Area	Indicator	Indicator code	Unit	2016 amount	2017 amount
Governance (CM11)	Number of new directors - local cooperative banks	GOUV14	Number	986	1,500
	Number of new women directors - local cooperative banks	GOUV15	Number	471	641
	Total number of hours of training provided to directors of local cooperative banks	GOUV56	Number	80,928	102,195
Employment	Number of employees on the payroll	SOC01_BIS	Number	66,376	66,617
	Number of employees: Female management employees under permanent contracts – France	SOC01_F201	Number	8,471	8,937
	Number of employees: Female non-management employees under permanent contracts – France	SOC01_F202	Number	21,099	20,903
	Number of employees: Female management employees under short-term contracts – France	SOC01_F203	Number	53	70
	Number of employees: Female non-management employees under short-term contracts – France	SOC01_F204	Number	1,331	1,238
	Number of employees: Male management employees under permanent contracts – France	SOC01_H211	Number	13,000	13,209
	Number of employees: Male non-management employees under permanent contracts – France	SOC01_H212	Number	10,291	10,162
	Number of employees: Male management employees under short-term contracts – France	SOC01_H213	Number	66	81
	Number of employees: Male non-management employees under short-term contracts – France	SOC01_H214	Number	937	855
	Number of employees: Female employees outside France	SOC01_F205	Number	6,303	6,224
	Of which: Female employees with management responsibility	SOC01_FM205	Number	274	816
	Of which: Female employees without management responsibility	SOC01_FNM205	Number	6,029	5,408
	Number of employees: Male employees outside France	SOC01_H215	Number	4,825	4,938
	Of which: Male employees with management responsibility	SOC01_HM215	Number	514	1,289
	Of which: Male employees without management responsibility	SOC01_HNM215	Number	4,311	3,649
	Total number of new hires	SOC13	Number	15,316	16,643
	Number of employees under permanent contracts who left the organization (including dismissals)	SOC19 SOC20	Number Number	4,030 742	4,184 745
	Number of days of absence	SOC38	Number	622,914(1)	661,250(1)
	Percentage of payroll invested in training	SOC47	€M	4.5%	5.4%

	Number of employees who took a training course	SOC48	Number	47,196	52,714
	Total number of hours dedicated to employee training	SOC50	Number of hours	1,720,388	1,882,311
	Gross average annual compensation (€) - permanent contracts, non-management employees under permanent contracts and management employees under permanent contracts	SOC107 SOC108 SOC109	€M €M €M	2,560.3 1,172.6 1,387.7	2,725 1,238 1,487
Sustainable development	SRI assets under management (€)	SOT28	€Bn	6.1	7.2
	Total assets under management by the management company	SOT28BASE	€Bn	54.6	63
	Assets under management (€) in socially responsible employee savings plans	SOT37	€M	340	424
	Number of non-profit organizations that are customers (associations, labor organizations, works councils, etc.)	SOT40	Number	354,000	372,819
	Total budget dedicated to patronage and sponsorship (€)	SOT52	€	20,800,000(2)	49,396,524
	Number of applications processed - ADIE	SOT16	Number	Amount published in the CNCM report	
	Amount of lines of credit made available - ADIE	SOT 17	€M	Amount published in the CNCM report	
	Number of new microloans financed - France Active	SOT19A	Number	Amount published in the CNCM report	
	Amounts guaranteed – France Active	SOT20A	€M	Amount published in the CNCM report	
	Number of Nacre loans disbursed with an additional loan from the Group	SOT 19B	Number	Amount published in the CNCM report	
	Loan amounts - France Active Nacre	SOT20B	€M	Amount published in the CNCM report	
	Number of additional loans issued - Initiative France	SOT22	Number	Amount published in the CNCM report	
	Amount of additional bank loans issued - Initiative France	SOT 23	€M	Amount published in the CNCM report	
Environment	Total energy consumption (kWh)	ENV05	MWh	480,177	494,032

(1) The data includes only days of absence for illness and accidents.
(2) Excluding CM11 federations

VII.3 - CSR report – 2017

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 conjunction with the elected members. The aim of this reporting is to analyze, for the previous year, the institutional issues of the local cooperative banks. For the entry completed in early 2018 for fiscal year 2017, 1,301 out of 1,354 local cooperative banks responded and approved the questionnaire for a response rate of 96.09%.
- Statistics regarding elected members: offices held, functions, age, 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 data on the training courses taken, including length and attendance. For the federations that do not use this tool, the same data is managed by the General Secretary’s office 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 Shareholders' Meetings, the attendance rate, etc.
- Lastly, some data is taken from the management control information system, such as information regarding the number of members.

VII.3.1.1 - Membership, voluntary membership

The percentage of customer-members of the 11 federations is stable and represents **76.93%** of customers who may become members (individual customers of legal age and legal entities). The year 2017 saw the arrival of **314,338** new members and the departure of **239,798** members (Group Management Control data). These members elect the directors of the various boards of the local cooperative banks at the Shareholders' Meeting.

Indicator code	Indicator name	End-2017 data	End-2016 data
GOUV63	Total number of members	**4,600,864**	**4,548,913**
GOUV62	Number of individual customers of legal age and legal entities	**5,980,634**	**5,923,919**
GOUV65	Percentage of individual customers of legal age and legal entities who are members	**76.93%**	**76.79%**

Admission of new members (source: 2017 cooperative reporting)

When relationships are initiated with new members, **76.07%** of the local cooperative banks routinely present the cooperative difference. To ensure that new members receive this information, **70.01%** of the local cooperative banks make their employees aware of the cooperative difference.

To increase the number of customer-members, **55.02%** of the local cooperative banks take specific actions. Nearly one-tenth of the local cooperative banks (**8.35%**) inform their new members that they will be invited to a special member-only information meeting. In addition, more than one-fourth of the local cooperative banks **(26.96%)** inform their new members that they will be invited to the next Shareholders' Meeting.

VII.3.1.2 - Boards – Democratic control

Composition

	Women	Men
Number of elected members in 2017 - Gender breakdown	**5,210**	**10,020**

	Board of Directors	Supervisory Board
Number of elected members in 2017 - Board of Directors/Supervisory Board breakdown (*)	**10,621**	**4,609**

(*) Concerns only the CMCEE, CMDV, CMIDF, CMM, CMSE and CMSMB federations. Data at 12/31/2017.

In 2017, 1,500 new elected members joined the boards of the local cooperative banks following the elections at the local cooperative banks' Shareholders' Meetings.

At approximately **10 years**, the average length of an appointment to the supervisory boards and the boards of directors has increased slightly.

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 also 59 (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 in 2017	
Farmers	**713**
Tradespeople-merchants-business owners	**1,717**
Managers and high-level white-collar workers	**3,883**
Intermediary professions	**1,778**
Employees	**1,448**
Workers	**355**
Retirees	**4,951**
Other persons not actively employed	**380**

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 number of** meetings of **just the BoD per year**	**Average number of** meetings **of just the SB per year**	**Average number of joint BoD/SB** meetings **per year**
CMA	8	(1)	(1)
CMC	10	3	9
CMCEE	1	3	9

CMDV	4	3	5
CMIDF	7	4	4
CMLACO	8	(1)	(1)
CMM	7	5	1
CMMA	8	(1)	(1)
CMN	9	(1)	(1)
CMSE	3	4	4
CMSMB	1	2	7

(1) These entities do not have supervisory boards.

VII.3.1.3 - Shareholders' Meetings

2016		
Members present and represented at **Shareholders' Meetings**	Total members in the federations	Rate of participation
250,443	**4,554,004**	**5.50%**
2017		
Members present and represented at **Shareholders' Meetings**	Total members in the federations	Rate of participation
254,025	**4,548,917**	**5.58%**

The rate of participation of members remained stable between 2016 and 2017 [**GOUV68**].

Average cost per person present at the SM in 2016	Average cost per person present at the SM in 2017	Change
€46.74	€45.98	-1.66%

The average cost per person present at the 2017 Shareholders' Meetings fell slightly between 2016 and 2017 [**GOUV71**].

Source: post-SM report prepared in mid-2017 on the 2017 SMs.

VII.3.1.4 - Education and training

Development of the membership

When initiating relationships with new customers, is the cooperative difference presented?	**Yes for 1,030 local cooperative banks (76.07%)**
Are documents provided?	**Yes for 755 local cooperative banks (55.76%)**
Have you held a meeting for new members?	**Yes for 235 local cooperative banks (17.36%)**
Have you told them that they will be invited to the SM?	**Yes for 365 local cooperative banks (26.96%)**
Does the BoD approve new memberships of members by name?	**Yes for 899 local cooperative banks (66.40%)**

Training of elected members

Reports of training courses provided at board meetings:	**Yes for 1,212 local cooperative banks (89.51%)**
Training courses met expectations:	**Yes for 1,275 local cooperative banks (94.17%)**
Are suggestions for new training topics sent to the chairman of the elected members committee?	**Yes for 406 local cooperative banks (29.99%)**

VII.3.1.5 - 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**	**Initiatives directed at associations: number of local cooperative banks that allocate a budget**
479,782	255,470	53.25%	1,154 (or 85.23%)

VII.3.1.6 - Commitment to the community

Mutual aid, solidarity

A total of 334 local cooperative banks have launched specific programs to support members in difficulty or precarious situations (24.66%). In 2017, 233 applications were reviewed.

VII.3.1.7 - Ideas and proposals to promote and raise awareness of cooperative banking

The proposals made by the local cooperative banks to promote and raise awareness of cooperative banking include:

- Holding new member meetings to explain what makes us a different type of bank, and to introduce the teams (employees and elected members) and tour the premises.
- Presenting cooperative banking at the outset of each new relationship and in a conversation when a minor turns 18.
- Significantly raising employee and elected member awareness to promote cooperative banking.
- Specifically inviting new members to the Shareholders' Meeting.
- Encouraging staff and elected members who represent Crédit Mutuel to participate actively in various local events.
- Establishing a development and new member commission.

VII.3.2 - Social information

VII.3.2.1 - 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.

Cofidis renewed a partnership agreement with CRESUS (*Chambre Régionale du Surendettement Social*, a regional agency that helps prevent over-indebtedness). Customers who are in financial difficulty are offered ongoing coordinated financial counseling when they make an appointment at one of the 18 CRESUS associations throughout France.

The CRESUS association counselors come from the banking and financial world. This guarantees a certain level of expertise, which is supplemented by internal training on social, legal and psychological support tools for vulnerable populations. The CRESUS associations are united by a code of ethics and thus form a local network dedicated entirely to helping over-indebted households and preventing financial and economic exclusion.

This partnership, which began in mid-February 2012, strengthens the Group's commitment to more effectively support customers even in difficult times.

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 [**SOT048**] – 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: Initiative France, 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.

Programs have been implemented to support people in difficulty.

At CMLACO, a budgeting approach methodology and an educational dual-account system have been set up to prevent over-indebtedness.

Certain entities offer support programs. Some local cooperative banks have access to a budget (Local Initiative Budget) that allows them to help customers and members experiencing hardship due to life events or temporary challenges.

Two Crédit Mutuel CM11 Group companies, CM-CIC Asset Management (Crédit Mutuel and CIC's asset management company) and CM-CIC Epargne Salariale (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 2017, nearly one-third have a voluntary sector board committee. Of all the local cooperative banks, more than 80% regularly support associations customers. The partnerships take numerous forms, such as financial or material support, the presence of employees and/or elected members at events, etc.

Indicator code	Indicator name	End-2017 data	End-2016 data
SOT 01	NUMBER OF CREDIT MUTUEL CM11 GROUP POINTS OF SALE	**4,395**	**4,458**
SOT 26	NUMBER OF LOANS ON PREFERENTIAL TERMS (<€3,000) GRANTED	**24,608 (1)**	**339,255**
SOT27 (1)	AMOUNT OF LOANS ON PREFERENTIAL TERMS (<€3,000) GRANTED	**€37,318,721 (1)**	**€235,667,559**
SOT28	SRI ASSETS UNDER MANAGEMENT AT 12/31	**€7.2 bn**	**€6.1 bn**
SOT33	ASSETS UNDER MANAGEMENT EXCL. CAPITALIZATION OF LIVRETS D'EPARGNE POUR LES AUTRES (SAVINGS ACCOUNT THAT BENEFITS HUMANITARIAN ORGANIZATIONS)	**€41,644,464**	**€51,846,646**
SOT35	AMOUNT FROM SOLIDARITY PRODUCTS PAID TO ASSOCIATIONS	**€249,950**	**NC**
SOT37	ASSETS UNDER MANAGEMENT IN SOCIALLY RESPONSIBLE EMPLOYEE SAVINGS PLANS	**€424,000,000**	**€340,000,000**
SOT 11	AVERAGE AMOUNT OF MICROLOANS GRANTED	**€17,944**	**€16,134**
SOT 13	AMOUNT OF MICROLOANS GRANTED	**€451,041**	**€476,506**
SOT 63	ECO-LOANS - NUMBER OF LOANS GRANTED DURING THE YEAR	**2,672**	**3,496**
SOT 64	ECO-LOANS – AVERAGE AMOUNT OF LOANS GRANTED DURING THE YEAR	**€17,176**	**€18,201**
SOT 65	TOTAL AMOUNT OF INTEREST-FREE ECO-LOANS FOR THE YEAR	**€45,895,349**	**€63,568,530**
SOT 68	AMOUNT OF LOANS FOR RENEWABLE ENERGY GRANTED TO BUSINESS CUSTOMERS AND FARMERS	**€20,971,113**	**NC**
SOT 83	OUTSTANDING CUSTOMER LOANS	**€344,942,000,000**	**NC**
SOT 84	HOME LOANS	**€167,917,000,000**	**NC**
SOT 85	CONSUMER CREDIT	**€34,277,000,000**	**NC**
SOT52	TOTAL BUDGET DEDICATED TO PATRONAGE AND SPONSORSHIP	**€49,300,000 (2)**	**€20,900,000**
SOT 71	OUTSTANDING REGULATED SUBSIDIZED LOANS (PLS - LOANS FOR BUILDING LOW-COST HOUSING, PSLA - HOME RENTAL-OWNERSHIP LOANS)	**€588,400**	**€605,800**

(1) Scope restriction: only CM11
(2) Scope expanded relative to 2016: CM11 + CIC + COFIDIS + ACM

In terms of social and economic impact, two Crédit Mutuel CM11 Group companies, CM-CIC Asset Management (Crédit Mutuel and CIC's asset management company) and CM-CIC Epargne Salariale (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.

VII.3.2.2 - Relations with persons or organizations affected by Crédit Mutuel CM11 Group's activities

Conditions of dialog with these persons or organizations

The Crédit Mutuel CM11 Group has many types of stakeholders, including customers, suppliers, employees, directors, shareholders, associations, etc. Relations with these individuals will be described in detail throughout this report.

A quantitative questionnaire on the entities' impact on stakeholders and the stakeholders' impact on entities was sent to all entities in 2017. The results show that, in most cases, the impact is strong and positive in both directions for customers, suppliers and employees. The impact of suppliers is strong because they are necessary to maintain operations (importance of negotiations). The companies have a strong impact on their employees through their training policy (74.37% of people trained in 2017) and employees provide their companies with operational know-how and high-quality services. Customers have a strong impact on entities as they represent revenue and the entities' impact on customers is strong as they have a duty to provide a service. Entities must therefore know their customers to determine their needs.

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 (E-I).

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 renewal audit was in June 2017 and resulted in re-certification with a change in the 2015 version). 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 2017, 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. The Crédit Mutuel CM11 Group conducts updates 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, subsidiaries, etc. (SOT 57).

Within the federations, a number of sponsoring and patronage initiatives have been undertaken to support sports events (soccer tournament, handball, etc.), cultural activities (music festival, film, wine fair) and charity events.

The Finance Department notes that, within the 11 Crédit Mutuel CM11 federations, a total budget of €24.1 million was allocated in 2017 for partnership, patronage and sponsoring initiatives. 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;
- ACM France: Support for the fight against skin cancer: financing for the "United Against Melanoma" campaign and promotion of the iSkin screening application through:
    1. entry into a patronage agreement between ACM Vie SA and the Gustave Roussy institute, and
    2. the donation of a net annual amount of €400,000, supplemented by a variable annual amount of €1 per download of the iSkin mobile app, up to an annual limit of €100,000;
- BECM: sponsoring initiatives have been put in place, including support for melanoma research in partnership with the dermato-oncology unit of the Gustave Roussy institute in Villejuif. This commitment also involves respect for the mutualist values of solidarity, responsibility, autonomy and initiative, team spirit and compliance with the code of ethics and professional practice;
- CMLACO: Launch of cultural patronage within the head office and targeting employees. Balance maintained between sports and culture, and on a regional basis. New partnership with the Brive festival;
- As well as environmental protection organizations, consumer groups, etc.

Indicator code	Indicator name	End-2017 data	End-2016 data
SOT40	Number of non-profit organizations that are customers (associations, labor organizations, works councils)	**372,819**	**354,000**

VII.3.2.3 - Subcontracting and suppliers

Inclusion in the purchasing and subcontracting policy of social and environmental issues

Purchasing goods and/or services is an act of management and is part of the operational implementation of the Group's strategy. The Group's Procurement policy, implemented at all its entities over the course of 2017, incorporates economic and quality criteria, conditions relating to compliance with technical requirements, and ESG factors. The Group has also adopted a Sustainable and Responsible Purchasing Charter signed by all its suppliers to ensure long-term business relations with partners committed to respecting the principles of sustainable development.

This charter includes commitments to human rights, labor rights, data protection, anti-corruption and the duty of care.

The technical and logistics entities that are in contact with service providers outside the Crédit Mutuel CM11 Group have a streamlined "Sustainable Development"-oriented approach in their relations with suppliers.

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). More than 90% (around 54,000 metric tons in 2017) of the newspaper paper purchased is recycled or certified paper.

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. There is also a repair shop to repair and/or refurbish equipment.

VII.3.2.4 - Fair practices

Measures taken to prevent corruption [GOUV501]

As in 2016, 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 the risks are covered and ensure the consistency of the procedures implemented.

The 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 to France 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.

The Group has also introduced stronger security measures for customer transactions via the Internet. In addition, Euro-Information (EI), the 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. EI 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.

The 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.

The Crédit Mutuel CM11 Group's code of ethics is implemented by every Group entity including CIC.

This reference document brings together the contractual, regulatory and legislative provisions in force regarding ethics.

It outlines the principles to be followed by all employees in carrying on their activities, such as:

- Regulations, procedures and internal standards
- Protection of information (professional secrecy and confidentiality)
- Quality of service required when carrying out customer transactions
- Integrity and probity

Reference is also made to the obligations of employees who hold positions designated as "sensitive," in particular in capital markets, corporate and investment banking, portfolio management and financial analysis, and are thus exposed to conflicts of interest or to confidential or privileged information. As such, they are subject to rules that strictly govern and limit their personal transactions in financial instruments.

The law on transparency, anti-corruption and economic modernization, known as the Sapin 2 law, was passed on November 8, 2016 and entered into force on June 1, 2017. It calls for new anti-corruption measures for companies or for groups with more than 500 employees and whose consolidated revenue exceeds €100 million.

The entire Crédit Mutuel CM11 Group has strengthened its anti-corruption policy to comply with the new legislation. To that end, the following measures and procedures have been or are being introduced (GOUV 501):

- the creation of a code that defines and illustrates the various types of behaviors to be prohibited as they could constitute corruption or influence peddling.
- the implementation of a risk mapping that is updated regularly and intended to identify, analyze and prioritize the company's risks of exposure to corruption, depending largely on the business sectors and geographic regions in which it operates.
- training initiatives for management employees and staff with the highest exposure to corruption and influence-peddling risks.
- a control and internal assessment system for these measures.

At EI, EID and EIP Achats, several initiatives have also been undertaken to combat corruption, in particular through each entity's internal rules; a sector-specific Procurement policy that buyers must follow; and a policy for reporting gifts that have been received, which will be implemented shortly.

Measures taken in favor of consumer health and safety [GOUV502]

At the French ACMs, various measures have been taken in favor of consumer health and safety such as a partnership with the automobile club (ongoing training and point recovery course); the implementation of learning and psychological support as part of the homeowners insurance product that has a school insurance option; assistance in case of hospitalization due to a babysitting accident at home or on the way to school; and the organization of a health-care forum by Assurances du Crédit Mutuel. The Sales Department also rolled out a solution to provide services to deaf and hearing-impaired customers.

The Crédit Mutuel CM11 Group takes into account developments related to the entry into force of the General Data Protection Regulation. *There are a number of objectives: obligation to prove processing compliance; privacy by design; contract compliance; policy on length of retention; notification and consent.* A four-person team was established to oversee the project in 2018 and to meet all these objectives.

Other measures taken to promote human rights

Under the French "corporate duty of vigilance" law (Law no. 2017-399 of March 27, 2017), large companies are required to develop and implement a vigilance plan to prevent serious environmental, personal health and safety, and human rights violations, both in their own operations and those of their sub-contractors or suppliers with which they have a long-term business relationship.
In accordance with the law, this plan will include, at the end of fiscal year 2018, the following five measures:

- a mapping intended to identify, analyze and prioritize risks.
- procedures for regular assessments of the status of subsidiaries, sub-contractors and suppliers with which an established business relationship is maintained, in view of the risk mapping. These procedures cover, for example, the outsourcing of essential services, the collection of documents and information about suppliers, and requests for proposals.
- appropriate actions to mitigate risks and prevent serious violations. A series of such measures has been implemented with regard to customers (project financing, sector-specific policies, socially responsible investment), suppliers (Group Procurement Policy, Supplier Relations Charter, etc.) and employees (numerous preventative procedures and actions).
- a mechanism for whistleblowing and for collecting reports about the existence or occurrence of risks.
- a system for monitoring the measures implemented and for assessing their effectiveness.

VII.3.3 - Employment information

VII.3.3.1 - Employment

Total number of employees

The Crédit Mutuel CM11 Group had 66,617 employees at end-2017, a figure that has remained stable since 2016.

Indicator	Indicator name	End-2017 data	End-2016 data
SOC01 _bis	Workforce (individuals)	**66,617**	**66,376**

Breakdown of employees by gender and age (1)

Indicator code	Indicator	Data at end-2017
SOC88	EMPLOYEES < 25 YEARS	4,140
SOC90	EMPLOYEES 25 TO 29 YEARS	7,182
SOC92	EMPLOYEES 30 TO 34 YEARS	9,211
SOC94	EMPLOYEES 35 TO 39 YEARS	10,346
SOC96	EMPLOYEES 40 TO 44 YEARS	8,881
SOC98	EMPLOYEES 45 TO 49 YEARS	7,747
SOC100	EMPLOYEES 50 TO 54 YEARS	7,709
SOC102	EMPLOYEES 55 TO 59 YEARS	7,920
SOC104	EMPLOYEES 60 YEARS AND OVER	3,481

Indicator code	Indicator	Data at end-2017
SOC89	FEMALE EMPLOYEES < 25 YEARS	2,451
SOC91	FEMALE EMPLOYEES 25 TO 29 YEARS	4,291
SOC93	FEMALE EMPLOYEES 30 TO 34 YEARS	5,693
SOC95	FEMALE EMPLOYEES 35 TO 39 YEARS	6,418
SOC97	FEMALE EMPLOYEES 40 TO 44 YEARS	5,159
SOC99	FEMALE EMPLOYEES 45 TO 49 YEARS	4,264
SOC101	FEMALE EMPLOYEES 50 TO 54 YEARS	4,340
SOC103	FEMALE EMPLOYEES 55 TO 59 YEARS	4,148
SOC105	FEMALE EMPLOYEES 60 YEARS AND OVER	608

(1) Data available for the total workforce of the Crédit Mutuel CM11 Group.

Breakdown of employees by geographic area

Crédit Mutuel CM11 Group employs 55,455 people in mainland France, its primary area of operation, and 11,162 people outside France. [**SOC01-F205**] – [**SOC01-H215**].

New hires

Indicator	Indicator name	End-2017 data	End-2016 data
SOC13	Recruitment: Total number of new hires	**16,643**	**15,316**
SOC15	Women hired	**9,173**	**8,285**
SOC16	Hired under permanent contracts	**6,389**	**4,883**

New hires under permanent contract in banking were mainly young people recruited for the CCM/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. In 2017, the Crédit Mutuel CM11 Group adopted the HR software Talent Soft. This modern and interactive tool encourages discussion and gives employees the option to express their mobility objectives and prepare for appraisal interviews at all times.

To more effectively support employees through intra- or inter-company mobility, the Group's Human Resources Department signed two framework agreements with Muter-Loger and CSE Executive Relocations. While neither the employer nor the employee is under any obligation to use the services of either of these companies, the latter are professionals and, as such, have experience, skills and recognized expertise in professional mobility support services.

In 2017, more than 800 employees were transferred to CCS. The transfers were made because these employees' contracts fell under the collective agreement.

HR's goal is to develop skills and employability, in line with the vision set out in the strategic plan.

Dismissals

Indicator	Indicator name	End-2017 data	End-2016 data
SOC19	Number of employees under permanent contracts who left the organization	**4,184**	**4,096**
SOC20	Number of employees under permanent contracts who were dismissed	**745**	**742**

Salaries, including changes

Indicator	Indicator name	End-2017 data	End-2016 data
SOC73	Gross payroll excluding employers' contributions	**€3,108,700,000**	**€2,641,700,000**
SOC107	Total gross annual compensation - permanent contracts	**€2,725,300,000**	**€2,560,300,000**
SOC108	Total gross annual compensation - permanent contracts, non-managers	**€1,238,200,000**	**€1,172,600,000**
SOC109	Total gross annual compensation - permanent contracts, managers	**€1,487,100,000**	**€1,387,700,000**
SOC80	Total amount of social security contributions paid	**€1,525,200,000**	**€1,489,400,000**

As it does with staffing, the Group avoids sudden fluctuations through sound compensation management. Commissions are not mandatory at most companies.

VII.3.3.2 - Work organization

Organization of working hours

Indicator	Indicator name	End-2017 data (*)	End-2016 data
SOC29	Number of full-time employees (permanent contracts, short-term contracts, incl. full-time parental leave)	**57,809**	**56,397**
SOC30	Number of part-time employees (permanent contracts, short-term contracts and managers with reduced day-defined contract duration)	**8,809**	**9,168**

(*) These data correspond to the Crédit Mutuel CM11 Group scope, excluding CIC's foreign subsidiaries

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

Indicator	Indicator name	End-2017 data	End-2016 data
SOC38	Number of days of absence	**661,250 (1)**	**622,914** (1)
SOC39	Number of days of sick leave	**636,013**	**602,951**
SOC40	Number of days of absence for work accidents	**21,961**	**19,963**
SOC41	Number of days of maternity/paternity leave	**239,194**	**164,666**

(1) The 2017 data includes only days of absence for illness and accidents.

VII.3.3.3 - Industrial relations

Organization of social dialog; staff information, negotiation and consultation procedures

Indicator	Indicator name	End-2017 data	End-2016 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)	**1,313** (1)	**1,398**
SOC79	Number of staff representative information procedures (works council, workplace health and safety committee)	**1,073** (1)	**1,477**

(1) Data do not include CIC

To encourage an open dialogue, HR and the unions entered into an agreement to allow the latter to communicate using an internal application (PIXIS).

The agreement entered into in 2017 covers the following points:

- 4 publications per year per union
- 1 or 2 publications if there is an election
- HR departments have control over the content
- No hyperlinks to the Internet allowed in the messages

Assessment of collective bargaining agreements

In 2017, 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 signed regarding the method for negotiating an agreement to establish a unified collective status for employees covered by the Crédit Mutuel collective agreement and those covered by CIC's unique status. An agreement on implementation of the common status for CM11 companies and CIC was drawn up on July 6, 2017.

An agreement on gender equality was signed on September 20, 2017. With this agreement, management and the unions have strengthened their commitment to complying with the principle of equal treatment for men and women and reiterated that this principle is a fundamental right. The agreement signed covers the following areas:

- guarantee of equal treatment in the recruitment process
- guarantee of the principle of equal pay
- guarantee of the principle of equal career development
- guarantee of a healthy work/life balance.

A Group agreement on working hours at the companies covered by the Group Agreement was signed on July 6, 2017.

Job descriptions are also 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.

The Belgian ACMs implemented new work rules in October 2017.

EIT implemented an agreement on granting special days off for family events.

VII.3.3.4 - 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, the Group decided in October 2013 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 the Group's 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.

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 them to set up a task force made up of external contributors and Group employees with a view to taking long-term preventative measures.

In 2017, building on the agreement signed in 2010 and the actions taken, efforts were made to identify potential stress factors. In particular, meetings were held so Group employees could share ideas, and a questionnaire was sent to 3,000 randomly selected employees. These efforts identified areas of action that address the themes to which the Group is committed to better prevent situations likely to cause stress.

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 the 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

Indicator	Indicator name	End-2017 data	End-2016 data
SOC44	Number of reported workplace accidents with leave of absence	**517** (1)	**476** (1)

(1) This data includes relapses.

Work-related illnesses

Indicator	Indicator name	End-2017 data	End-2016 data
SOC43	Number of work-related illnesses	**18**	**9**

VII.3.3.5 - 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 the Group's 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. These are collective initiatives that accompany the rollout of a new offer, a new technology or a new regulation and that require the development of one or more professional skills.
- 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.

The entities offered various training courses. The Belgian ACMs emphasized the new employee orientation plan and the employee personal development plan. The Spanish ACMs were more focused on training to stay current on legal matters, technical training and knowledge-building training. EI concentrated on training new hires, management, regulations and technology, as well as on language training.

Indicator	Indicator name	End-2017 data	End-2016 data
SOC46	Payroll invested in training (payroll including employers' contributions invested in training)	**€152.6m (1)**	**€120.0m**
SOC47	Percentage of payroll invested in training	**5.4%**	**5.97%**
SOC48	Number of employees who took at least one training course	**52,714**	**47,196**
SOC49	Percentage of employees trained	**78.87%**	**70.92%**

(1) e-Learning training excluding prerequisites for classroom training is not included.

Number of training hours

Indicator	Indicator name	End-2017 data	End-2016 data
SOC50	Total number of hours dedicated to employee training	**1,882,311**	**1,720,388**

VII.3.3.6 - 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.

On International Women's Day, celebrated on March 8 in various ways in many countries, CICM (Centre International du Crédit Mutuel) gave a voice in 2017 to the women who became active as elected members and employees in the international and French networks. CICM highlighted women who are chairs of their local cooperative banks and network employees.

Several entities are focused on closing the pay gap and on ensuring equal career development in accordance with the gender equality charter implemented in 2014.

Measures to promote employment

There were no new Group or division agreements in 2017. 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.

In 2017, the Group’s entities signed a disability charter that included the following commitments:

- Facilitate the recruitment and integration of disabled workers.
- Maintain in their jobs those employees whose disability becomes apparent or changes over the course of their career.
- Give disabled workers access to training under the same conditions as any other employee.
- Promote measures to assist and support disabled workers.
- Conduct internal communications campaigns to educate employees on disability.

Indicator	Indicator name	End-2017 data	End-2016 data
SOC68	Number of disabled workers in the total workforce	**1,614**	**1,017**
SOC71	Percentage of disabled workers in the total workforce	**2.42%**	**1.55%**
SOC72	AGEFIPH or FIPHFP disabled workers contribution (French entities scope)	**€1,040,277.45**	**€711,046.00**

Anti-discrimination policy

Most anti-discrimination actions and policies are covered by the aforementioned agreements.

Steps have been taken to ensure balanced recruitment and to fight discrimination. CMIDF and CMM have formed a partnership with the "Nos quartiers ont du talent" association to sponsor young graduates from disadvantaged neighborhoods.

In 2017, all Human Resources employees (165 people) received anti-discrimination training.

VII.3.3.7 - 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.

The unions may communicate through the Group's intranet in the interest of encouraging an open dialogue. The unions and HR entered into an agreement in 2017 to give the unions the option of producing publications for employees. The unions and management jointly approved and established rules on the frequency of the publications and their content in order to give each union the opportunity to be heard.

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 [SOC56], 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

The Crédit Mutuel Group complies with the ILO's conventions and with French regulations on the abolition of child labor [SOC66]. 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

VII.3.4.1 - 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

Videoconferencing is encouraged as it can significantly reduce travel.

The numbers have increased substantially for most of the federations due to the addition of more videoconferencing equipment, the widespread rollout of the latest version of Skype, improved videoconferencing guidelines, and new uses such as virtual classrooms.

Indicator	Indicator name	End-2017 data	End-2016 data
ENV32	Number of videoconferences	**219,372**	**123,695**
ENV44	Human resources dedicated to CSR (FTE)	**22.48**	**13.51**

Environmental assessment or certification processes

There is currently no Group environmental certification process. In 2018, CCS is planning to launch an environmental certification process that takes consumption reporting aspects into consideration following the switch to new energy suppliers. In 2017, one institution signed a green energy supply contract (the Gâtines site).

Employee training and information on environmental protection

The “être éco-citoyen au travail” universe has been put in place and announced over the intranet; it is now in use at a number of entities. The goal is to raise awareness among employees about environmentally-friendly practices and to identify the various areas where environmental issues can be taken into account, for example by encouraging employees on business trips to take public transport or by promoting the use of recycled paper. Within CMLACO, environmental issues are regularly on the agenda of the SMR commission, which every year proposes initiatives such as a system for waste sorting and collection in the local cooperative bank networks. Awareness-raising initiatives have also been undertaken, such as at CMA where a conference was held for elected members and employees on global warming and sustainable development.

VII.3.4.2 - 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. A waste sorting system has been set up at most of the Group’s sites (waste recycling, computer equipment recycling).

Indicator	Indicator name	End-2017 data	End-2016 data
ENV15	Used paper sent for recycling (waste)	**5,174.9 metric tons**	**5,061.1 metric tons**
ENV16	Number of toner cartridges recycled after use	**79,941**	**65,579**

VII.3.4.3 - 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;
- Printouts are being replaced with electronic documents;
- All CM federations and CIC banks are adopting environmentally responsible checkbooks using FSC mixed paper;
- A procedure has been put in place to accept electronic invoices: all invoices have been electronic since 2015;
- Electronic signatures are gradually being rolled out for contracts;
- Intragroup invoices are being digitized, in particular at CM-CIC Services and Euro-Information;
- 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;
- Furniture is recycled internally;
- Computer equipment is recycled: in 2013, EIS entered into a partnership with a service provider to ensure that various types of products that can still be reused are resold over time.

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 (2017 data):

- Average number of meals served per day: 2,181
- Number of meals served per year: 540,888
- Number of days the cafeteria is open per year: 248

This restaurant has taken numerous steps to combat food waste. The waste sorting system was fine-tuned when the snack bar was opened. Organic waste is reclaimed with the help of a composting company. 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, and various factors such as the weather or any other event likely to reduce the restaurant’s traffic). Leftovers from cooking can be used (for example, fish trimmings are frozen to make soup).

VII.3.4.3.2 - Sustainable use of resources

Water consumption

Indicator	Indicator name	End-2017 data	End-2016 data
ENV04	Water consumption (m3)	**674,881**	**655,927**

Consumption of raw materials

Indicator	Indicator name	End-2017 data	End-2016 data
ENV09	Total paper consumption	**6,001 metric tons** (1)	**9,402 metric tons**
ENV10	Total paper consumption for internal use	**2,659 metric tons**	**2,496 metric tons**
ENV11	Total paper consumption for external use	**4,450 metric tons** (1)	**6,906 metric tons**
ENV15R	Total recycled paper purchased	**828 Metric ton**	**2,496 metric tons**

(1) The reported decline in total paper consumption results from the decision to no longer collect the "Paper consumption for internal and external use, certified paper and recycled paper excluding the Group central purchasing bodies" indicators. These indicators were discontinued due to their lack of materiality and their unreliability from one entity to another.

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. In 2017, software that offered a new way to manage shared print peripherals was rolled out to the network. The aim is to measure the environmental footprint from printing, hold users accountable and limit the number of prints. Gray recycled paper will also be rolled out to the sites in 2018. This is the most environmentally friendly, non-deinked, unbleached paper.

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.

Indicator	Indicator name	End-2017 data	End-2016 data
ENV05	Total energy consumption	**494,032 MWh**	**480,177 MWh**(1)

(1) This data does not include "urban steam distribution system" data.

Measures taken to improve buildings' energy efficiency

In accordance with the RT2012 regulations, construction projects managed by CCS are analyzed with help from specialized engineering firms.

A new building for EIS that complies with the RT2012 standard is under construction.

CCS is also considering a program that would incorporate energy efficiency improvement targets. A centralized technical management tool is being implemented in the head office buildings. This system will make it possible to centralize consumption data and focus improvement efforts on the parts of the infrastructure that need the most attention.

Measures taken to improve the use of renewable energies

At the Group level, no measures to improve the use of renewable energies are planned.

VII.3.4.4 - 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). In accordance with the regulations, these assessments were carried out company by company and were not consolidated at the Group level. The assessments carried out in 2014 showed that the high-emission items are those related to electricity consumption (no. 6, scope 2), direct emissions from stationary combustion sources (no. 1, scope 1), and other indirect greenhouse gas emissions (no. 9, scope 3). From a methodological standpoint, it is currently difficult to estimate the indirect emissions associated with the Group's financing activities (item no. 18, use of products sold). 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 (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 banking 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.

For the Crédit Mutuel CM11 Group, there are three types of financial risks associated with climate change:

- physical risks resulting from natural hazards (100-year flood, storm, hurricane, tornado, typhoon, earthquake) and environmental or accident risks occurring in the wake of a natural hazard (pollution, dam failure, major fire, industrial accident, nuclear disaster);
- transition risks representing the risks arising from the transition to a low-carbon economy and which are sector-specific; and
- reputation risk.

For the ACMs, an ESG policy has been defined that incorporates an analysis of assets held directly. Several questionnaires and processes have been developed to facilitate this analysis and improve the interactions on these topics with the management companies and partners responsible for assets held indirectly. Asset managers have been made aware of the ESG impacts of their investments through the tools that have been developed to help them quickly find ESG information on portfolio companies. An ESG dialogue has been initiated with various partners. Lastly, an ESG committee was established in 2017 that will meet annually with the aim of approving the ACMs’ ESG policies.

Portfolios' ESG risks are generally identified during the Group Risk Department's annual review of the ACMs' portfolios. Tools, questionnaires and processes have also been made available to asset managers in order to limit investments in assets that could pose ESG risks. The most closely monitored ESG risks include:

- investments in companies that violate international standards and conventions;

- investments in companies whose governance practices are not consistent with market practices;

- investments in assets that pose energy transition risks (companies that are heavily dependent on fossil fuels and on coal in particular) or "physical" risks related to climate change (real-estate assets in flood-prone areas, for example).

Any ESG risks that are identified are discussed at the ESG committee meeting on the basis of recommendations by the Group Risk Department.

Apart from the physical impact on its own operations, the other impacts identified are as follows:

- Borrower default risk: at the retail banking and corporate banking (Large Accounts, project financing) levels;
- Asset impairment risk for investment banking, capital markets (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, physical risks have:

- direct consequences: for the bank's assets (real estate, vehicle fleet, etc.);

- implied consequences: for the bank's activities (customers and own account).

Possible types of loss include:

- loss in value of real property or the cost of maintaining its value (cost to rebuild or repair, write-down/loss of inventory, soil decontamination cost);
- human losses (health, safety);
- financial losses (decline in or disruption of business, consultancy fees);
- loss of revenues.

Transition risks result from adjustments made in order to transition to a low-carbon economy, in particular when they are not fully anticipated or arise unexpectedly. These risks relate to the new regulatory requirements.

Within operational risks, transition risks can have consequences such as financial sanctions.

All these climate change-related risks are analyzed to assess the Crédit Mutuel Group's exposure and evaluate their financial impacts. The potential consequences may be reduced through emergency and business continuity plans and mitigation measures (such as diversified and well-planned locations); they are also taken into account in the calculation of capital adequacy requirements in respect of operational 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 0.06% of total gross customer exposures (Crédit Mutuel CM11 Group consolidated scope - Basel calculator) as of December 31, 2017.

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%.

In 2017, the Crédit Mutuel Group carried out its first operational risk mapping for climate risk with the aim of describing climate-related risks, assessing the Group’s exposure to these risks and evaluating their financial consequences. The source data for this cross-functional mapping came mainly from the mappings of real estate and other physical assets, logistics, and information systems.

The Group also backs the development of renewable and alternative energies and, in 2017, supported more than 500 renewable energy financing projects for its business customers, individuals and farmers. This includes more than 60 projects for large corporates representing outstandings of €1,200 million. [**SOT60**]

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-F201; SOC01-F202; SOC01-F203; SOC01-F204; SOC01-F205; SOC01-F205-C; SOC01-F205-NC; SOC01-H211; SOC01-H212; SOC01-H213; SOC01-H214; SOC01-H215; SOC01-H215-C; SOC01-H215-NC
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; SOC41; SOC43; SOC44
I.c)	**INDUSTRIAL RELATIONS**	
I.c) 1	Organization of social dialog; staff information, negotiation and consultation procedures	SOC67; SOC78; SOC79; SOC86
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
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; SOC56; SOC71; SOC72
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	Not applicable
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)	Not applicable
II.b)	**POLLUTION AND WASTE MANAGEMENT**	
II.b) 1.1	Preventative, reduction and repair measures: air	Not applicable
II.b) 1.2	Preventative, reduction and repair measures: water	Not applicable
II.b) 1.3	Preventative, reduction and repair measures: soil	Not applicable
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	Not applicable
II. c)	**CIRCULAR ECONOMY:**	
II. c) i) 1	Measures for preventing, recycling, reusing, other forms of recovering and eliminating waste;	ENV203; ENV204
II. c) i) 2	Initiatives to combat food waste;	SOT410
II. c) ii) 1	Water consumption and supply by reference to local constraints;	ENV04
II. c) ii) 2	Consumption of raw materials and measures taken to improve their efficient use;	ENV09; ENV10; ENV11; ENV15R; ENV39; ENV42
II. c) ii) 3	Consumption of energy, measures taken to improve energy efficiency and use of renewable energy;	ENV205; ENV38; ENV40; ENV05; ENV208
II. c) ii) 4	Land usage;	Not applicable
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	Not applicable
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; SOT10; SOT11; SOT13; SOT20; SOT201; SOT202; SOT22; SOT23; SOT26; SOT27; SOT28; SOT28BASE; SOT33; SOT35; SOT37; SOT49; SOT52; SOT71
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	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	GOUV501
III.d) 2	Measures taken in favor of consumer health and safety	GOUV502
III.e)	**OTHER ACTIONS IN FAVOR OF HUMAN RIGHTS**	**Not applicable**

VII.5 - CSR report - Technology division

VII.5.1 Quantitative data:

Indicator code	Indicator name	Unit	Amount reported in 2017
ENV04	WATER CONSUMPTION	Cubic meter	43,928.78
ENV05	TOTAL ENERGY CONSUMPTION	Kilowatt hour	74,553,544
ENV05_01	URBAN STEAM DISTRIBUTION SYSTEMS	Kilowatt hour	1,496,914
ENV05_01_CO2_X	URBAN STEAM DISTRIBUTION SYSTEMS IN CO2	Tons of CO2	299.38
ENV05_02	URBAN CHILLED WATER DISTRIBUTION SYSTEMS	Kilowatt hour	102,788
ENV05_02_CO2	URBAN CHILLED WATER DISTRIBUTION SYSTEMS IN CO2	Tons of CO2	1.03
ENV06	ELECTRICITY CONSUMPTION	Kilowatt hour	65,593,812
ENV06_CO2	ELECTRICITY CONSUMPTION IN CO2	Tons of CO2	5,378.69
ENV07	GAS CONSUMPTION	Kilowatt hour	6,935,279
ENV07_CO2	GAS CONSUMPTION IN CO2	Tons of CO2	1,622.85
ENV08	FUEL OIL CONSUMPTION	Liter	42,348.07
ENV08_CO2	FUEL OIL CONSUMPTION IN CO2	Tons of CO2	137.63
ENV09	TOTAL PAPER CONSUMPTION	Metric ton	749.88
ENV10	TOTAL PAPER CONSUMPTION FOR INTERNAL USE	Metric ton	45.90
ENV10_CO2	TOTAL PAPER CONSUMPTION FOR INTERNAL USE IN CO2	Tons of CO2	42.18
ENV11	TOTAL PAPER CONSUMPTION FOR EXTERNAL USE	Metric ton	703.98
ENV11_CO2	TOTAL PAPER CONSUMPTION FOR EXTERNAL USE IN CO2	Tons of CO2	646.96
ENV12L	% CERTIFIED PAPER/PURCHASED PAPER	Percentage	63.69

ENV12R	% RECYCLED PAPER/PURCHASED PAPER	Percentage	0.02
ENV13	TONER CARTRIDGE CONSUMPTION	Whole number	3,201
ENV15	USED PAPER SENT FOR RECYCLING (WASTE)	Metric ton	517.56
ENV15L	TOTAL CERTIFIED PAPER PURCHASED	Metric ton	477.61
ENV15R	TOTAL RECYCLED PAPER PURCHASED	Metric ton	0.14
ENV16	TONER CARTRIDGES RECYCLED AFTER USE	Whole number	4,681
ENV18	BUSINESS TRAVEL – PLANE	Kilometer	5,166,845
ENV18_CO2	BUSINESS TRAVEL – PLANE IN CO2	Tons of CO2	661.91
ENV19	BUSINESS TRAVEL – TRAIN	Kilometer	6,431,081
ENV19_CO2	BUSINESS TRAVEL – TRAIN IN CO2	Tons of CO2	38.82
ENV20	ENTITY'S VEHICLE FLEET - NUMBER OF KM ALL VEHICLES	Kilometer	23,198,490
ENV20_ESS_CO2	ENTITY’S VEHICLE FLEET - GASOLINE ENGINE - CO2	Tons of CO2	10.50
ENV20_GAS_CO2	ENTITY’S VEHICLE FLEET - DIESEL ENGINE - CO2	Tons of CO2	2,569.48
ENV21	ENTITY'S VEHICLE FLEET - NUMBER OF LITERS OF GASOLINE CONSUMED	Liter	3,557.00
ENV22	ENTITY'S VEHICLE FLEET - NUMBER OF LITERS OF DIESEL FUEL CONSUMED	Liter	1,399,294
ENV23	BUSINESS TRAVEL – EMPLOYEE CAR	Kilometer	198,000
ENV23_CO2	BUSINESS TRAVEL – EMPLOYEE CAR IN CO2	Tons of CO2	49.70
ENV24	BUSINESS TRAVEL - PUBLIC TRANSPORT - BUS-COACH-SUBWAY-TRAM	Kilometer	81,123

ENV24_CO2	BUSINESS TRAVEL - PUBLIC TRANSPORT - BUS-COACH-SUBWAY-TRAM IN CO2	Tons of CO2	13.55
ENV25	BUSINESS TRAVEL – TAXI AND RENTAL CAR	Kilometer	501,259
ENV25_CO2	BUSINESS TRAVEL – TAXI AND RENTAL CAR IN CO2	Tons of CO2	63.99
ENV31	NUMBER OF VIDEOCONFERENCE SYSTEMS	Whole number	120
ENV32	NUMBER OF VIDEOCONFERENCES	Whole number	85,932
ENV33	TOTAL LENGTH OF VIDEOCONFERENCES	Centesimal hour	102,952.41
ENV34	SCANNED DOCUMENTS (PAPER AVOIDED)	Metric ton	289.76
ENV44	HUMAN RESOURCES DEDICATED TO CSR	Full-Time Equivalent	5.41
GOUV01	TOTAL NUMBER OF MEMBERS ON THE ENTITY'S BOARD OF DIRECTORS (WITHIN THE MEANING OF SHAREHOLDER-OWNED COMPANY)	Whole number	68
GOUV02	NUMBER OF WOMEN ON THE ENTITY'S BOARD OF DIRECTORS (WITHIN THE MEANING OF SHAREHOLDER-OWNED COMPANY)	Whole number	10
GOUV09_02	SUBSIDIARIES: NUMBER OF MEMBERS OF BOARDS OF DIRECTORS OR SUPERVISORY BOARDS < 40 YEARS	Whole number	0
GOUV09_03	SUBSIDIARIES: NUMBER OF MEMBERS OF BOARDS OF DIRECTORS OR SUPERVISORY BOARDS 40 TO 49 YEARS	Whole number	6
GOUV09_04	SUBSIDIARIES: NUMBER OF MEMBERS OF BOARDS OF DIRECTORS OR SUPERVISORY BOARDS 50 TO 59 YEARS	Whole number	28
GOUV09_05	SUBSIDIARIES: NUMBER OF MEMBERS OF BOARDS OF DIRECTORS OR SUPERVISORY BOARDS >= 60 YEARS	Whole number	28
GOUV23	SUBSIDIARY - AVERAGE AGE OF DIRECTORS	Whole number	56

SOC01	TOTAL FTE EMPLOYEES	Full-Time Equivalent	4,252
SOC01_BIS	NUMBER OF EMPLOYEES AT YEAR-END	Private individual	4,286
SOC01_FM205	FEMALE MANAGEMENT EMPLOYEES OUTSIDE FRANCE	Private individual	0
SOC01_FNM205	FEMALE NON-MANAGEMENT EMPLOYEES OUTSIDE FRANCE	Private individual	0
SOC01_F201	FEMALE MANAGEMENT EMPLOYEES UNDER PERMANENT CONTRACTS IN FRANCE	Private individual	721
SOC01_F202	FEMALE NON-MANAGEMENT EMPLOYEES UNDER PERMANENT CONTRACTS IN FRANCE	Private individual	278
SOC01_F203	FEMALE MANAGEMENT EMPLOYEES UNDER SHORT-TERM CONTRACTS IN FRANCE	Private individual	5
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_HM215	MALE MANAGEMENT EMPLOYEES OUTSIDE FRANCE	Private individual	3
SOC01_HNM215	MALE NON-MANAGEMENT EMPLOYEES OUTSIDE FRANCE	Private individual	0
SOC01_H211	MALE MANAGEMENT EMPLOYEES UNDER PERMANENT CONTRACTS IN FRANCE	Private individual	2,255
SOC01_H212	MALE NON-MANAGEMENT EMPLOYEES UNDER PERMANENT CONTRACTS IN FRANCE	Private individual	923
SOC01_H213	MALE MANAGEMENT EMPLOYEES UNDER SHORT-TERM CONTRACTS IN FRANCE	Private individual	7
SOC01_H214	MALE NON-MANAGEMENT EMPLOYEES UNDER SHORT-TERM CONTRACTS IN FRANCE	Private individual	72
SOC01_H215	MALE EMPLOYEES OUTSIDE FRANCE	Private individual	3
SOC02	TOTAL (PERMANENT + SHORT-TERM CONTRACT) EMPLOYEES IN FRANCE (NUMBER OF EMPLOYEES)	Private individual	4,283
SOC03	TOTAL PERMANENT + SHORT-TERM CONTRACT EMPLOYEES OUTSIDE FRANCE	Private individual	3
SOC04	TOTAL MANAGEMENT EMPLOYEES - PERMANENT AND SHORT-TERM CONTRACTS	Private individual	2,988
SOC05	TOTAL NON-MANAGEMENT EMPLOYEES - PERMANENT AND SHORT-TERM CONTRACTS	Private individual	1,295
SOC07	NUMBER OF FEMALE EMPLOYEES	Private individual	1,026
SOC08	EMPLOYEES UNDER PERMANENT CONTRACTS	Private individual	4,177

SOC08_NCADRE	NON-MANAGEMENT EMPLOYEES UNDER PERMANENT CONTRACTS	Whole number	1,201
SOC08BIS	FEMALE EMPLOYEES UNDER PERMANENT CONTRACTS	Whole number	999
SOC09	EMPLOYEES UNDER SHORT-TERM CONTRACTS	Private individual	106
SOC100	EMPLOYEES 50 TO 54 YEARS	Private individual	460
SOC101	WOMEN 50 TO 54 YEARS	Private individual	132
SOC102	EMPLOYEES 55 TO 59 YEARS	Private individual	388
SOC103	WOMEN 55 TO 59 YEARS	Private individual	94
SOC104	EMPLOYEES 60 YEARS AND OVER	Private individual	120
SOC105	WOMEN 60 YEARS AND OVER	Private individual	24
SOC107	TOTAL GROSS ANNUAL COMPENSATION (€) - PERMANENT CONTRACTS	Euro	180,297,709
SOC108	TOTAL GROSS ANNUAL COMPENSATION (€) - NON-MANAGERS PERMANENT CONTRACTS	Euro	37,152,611
SOC109	TOTAL GROSS ANNUAL COMPENSATION (€) - MANAGERS PERMANENT CONTRACTS	Euro	143,145,098
SOC12	% OF EMPLOYEES UNDER PERMANENT CONTRACTS	Percentage	97.46
SOC13	TOTAL NUMBER OF NEW HIRES	Private individual	644
SOC14	MEN HIRED	Private individual	485
SOC15	WOMEN HIRED	Private individual	159
SOC16	HIRED UNDER PERMANENT CONTRACTS	Private individual	484
SOC17	HIRED UNDER SHORT-TERM CONTRACTS	Private individual	160
SOC19	NUMBER OF EMPLOYEES UNDER PERMANENT CONTRACTS WHO LEFT THE ORGANIZATION	Private individual	203
SOC20	NUMBER OF EMPLOYEES UNDER PERMANENT CONTRACTS WHO WERE DISMISSED FROM THE ORGANIZATION	Private individual	13
SOC25	USE OF SUBCONTRACTING VIA TEMPORARY WORKERS IN HOURS	Centesimal hour	99,095
SOC26	USE OF SUBCONTRACTING VIA TEMPORARY WORKERS IN FTE	Full-Time Equivalent	54.44

SOC27	TURNOVER (RESIGNATIONS + DISMISSALS + END OF TRIAL PERIOD + CONTRACTUAL TERMINATION)/(NUMBER OF EMPLOYEES)	Percentage	3.04
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	4,128
SOC30	NUMBER OF PART-TIME EMPLOYEES UNDER PERMANENT AND SHORT-TERM CONTRACTS AND MANAGERS WITH REDUCED DAY-DEFINED CONTRACT DURATION	Private individual	158
SOC31	% OF FULL-TIME EMPLOYEES	Percentage	96
SOC32	% OF PART-TIME EMPLOYEES	Percentage	4
SOC36	NUMBER OF OVERTIME HOURS WORKED	Centesimal hour	54,872
SOC38	NUMBER OF DAYS OF ABSENCE	Days worked	29,651
SOC39	NUMBER OF DAYS OF SICK LEAVE	Days worked	28,677
SOC40	NUMBER OF DAYS OF ABSENCE FOR WORK ACCIDENTS	Days worked	974
SOC41	NUMBER OF DAYS OF MATERNITY/PATERNITY LEAVE	Days worked	7,041
SOC43	NUMBER OF WORK-RELATED ILLNESSES	Whole number	0
SOC44	NUMBER OF REPORTED WORKPLACE ACCIDENTS, WITH SICK LEAVE	Whole number	49
SOC46	PAYROLL INVESTED IN TRAINING (€)	Euro	10,787,201.51
SOC47	% OF PAYROLL COSTS INVESTED IN TRAINING	Percentage	5.91
SOC48	NUMBER OF EMPLOYEES HAVING TAKEN AT LEAST ONE TRAINING COURSE	Whole number	3,537
SOC49	% OF EMPLOYEES TRAINED	Percentage	82.52

SOC50	NUMBER OF HOURS DEDICATED TO EMPLOYEE TRAINING	Centesimal hour	115,953
SOC51	AVERAGE NUMBER OF TRAINING DAYS PER EMPLOYEE TRAINED	Days worked	5
SOC52	NUMBER OF WORK-STUDY TRAINING COURSES	Whole number	55
SOC53	NUMBER OF WORK-STUDY TRAINING COURSES WITH PROFESSIONAL TRAINING CONTRACT	Whole number	27
SOC54	NUMBER OF WORK-STUDY TRAINING COURSES WITH APPRENTICESHIP CONTRACT	Whole number	28
SOC55	AMOUNT OF APPRENTICESHIP TAX PAID	Euro	1,416,355.50
SOC57	NUMBER OF PEOPLE ON MANAGEMENT COMMITTEES	Whole number	47
SOC58	NUMBER OF WOMEN ON MANAGEMENT COMMITTEES	Whole number	6
SOC59	NUMBER OF MANAGERS WHO ARE WOMEN	Whole number	726
SOC60	% OF MANAGERIAL STAFF WHO ARE WOMEN	Percentage	24
SOC61	NUMBER OF MANAGERS PROMOTED TO HIGHER POSITIONS DURING THE YEAR	Private individual	392
SOC62	NUMBER OF WOMEN MANAGERS PROMOTED	Whole number	84
SOC63	% OF WOMEN MANAGERS PROMOTED	Percentage	21.43
SOC67	NUMBER OF CONVICTIONS FOR INTERFERENCE WITH THE PROPER FUNCTIONING OF THE WORKS COMMITTEE (IN FRANCE)	Whole number	0
SOC68	NUMBER OF DISABLED WORKERS IN THE TOTAL WORKFORCE	Whole number	83
SOC71	% OF DISABLED WORKERS IN THE TOTAL WORKFORCE	Percentage	1.94
SOC72	AGEFIPH OR FIPHFP DISABLED WORKERS CONTRIBUTION (6%)	Euro	838,675

SOC73	GROSS PAYROLL EXCLUDING EMPLOYERS' CONTRIBUTIONS (€)	Euro	182,646,648
SOC74	AVERAGE ANNUAL SALARY - PERMANENT CONTRACTS ALL STATUSES	Euro	43,164.40
SOC75	AVERAGE ANNUAL SALARY - PERMANENT CONTRACTS NON-MANAGEMENT ALL STATUSES	Euro	30,934.73
SOC76	AVERAGE ANNUAL SALARY - PERMANENT CONTRACTS MANAGEMENT ALL STATUSES	Euro	48,099.83
SOC78	NUMBER OF CONSULTATIONS OF STAFF REPRESENTATIVES (WORKS COUNCIL, WORKPLACE HEALTH AND SAFETY COMMITTEE, EMPLOYEE REPRESENTATIVES)	Whole number	298
SOC79	NUMBER OF STAFF REPRESENTATIVE INFORMATION PROCEDURES (WORKS COUNCIL, WORKPLACE HEALTH AND SAFETY COMMITTEE)	Whole number	188
SOC80	TOTAL AMOUNT OF SOCIAL SECURITY CONTRIBUTIONS PAID	Euro	101,837,657
SOC81	TOTAL AMOUNT OF BONUSES (INCENTIVE BONUSES + PROFIT-SHARING) (€ EXCLUDING EMPLOYERS' CONTRIBUTIONS)	Euro	21,725,816
SOC82	NUMBER OF EMPLOYEES WHO RECEIVED AN INCENTIVE BONUS/PROFIT-SHARING	Whole number	4,102
SOC85	BENEFIT PLANS/WORKS COUNCIL - CONTRIBUTION TO FINANCING THE WORKS COUNCIL (€)	Euro	2,209,989
SOC86	CONTRIBUTION TO FINANCING THE WORKS COUNCIL AS % OF GROSS PAYROLL	Percentage	1
SOC88	EMPLOYEES < 25 YEARS	Private individual	178
SOC89	WOMEN < 25 YEARS	Private individual	38
SOC90	EMPLOYEES 25 TO 29 YEARS	Private individual	433
SOC91	WOMEN 25 TO 29 YEARS	Private individual	96
SOC92	EMPLOYEES 30 TO 34 YEARS	Private individual	715
SOC93	WOMEN 30 TO 34 YEARS	Private individual	163
SOC94	EMPLOYEES 35 TO 39 YEARS	Private individual	657

SOC95	WOMEN 35 TO 39 YEARS	Private individual	149
SOC96	EMPLOYEES 40 TO 44 YEARS	Private individual	752
SOC97	WOMEN 40 TO 44 YEARS	Private individual	196
SOC98	EMPLOYEES 45 TO 49 YEARS	Private individual	583
SOC99	OF WHICH, WOMEN 45 TO 49 YEARS	Private individual	134

VII.5.2 Specific report for the Technology division

As in 2017, this document covers various entities that work in IT. The scope has not changed and the main entities 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 (EIS)** which installs, maintains and replaces IT equipment (workstations, ATMs, telephones, etc.).

The only change was the Sicorfe Maintenance/Euro-Information Services merger, which gave EIS full coverage of the country.
These entities, which may have different legal forms, are all controlled by the Crédit Mutuel Group. They therefore apply the Group rules and procedures, particularly with regard to social and ethical issues and environmental responsibility.

VII.5.2.1 Procurement

As a reminder, the suppliers procedure is one of the ISO 9001-certified quality processes monitored and audited by AFAQ (the last renewal audit was in June 2017 and resulted in re-certification with a change in the 2015 version of the standard). 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 2017, 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. As such, Euro-Information conducts updates 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). The Crédit Mutuel CM11 Group continues to roll out increasingly energy-efficient equipment. This concerns approximately one-fifth of its equipment each year, enabling it to reduce its overall energy consumption.

In addition, a sector-specific procurement policy has been drafted for the Group. It was implemented in 2017 and makes it easier to understand CSR practices concerning procurement. Euro-Information has factored this sector-specific procurement policy into its procedures. The Euro-Information supplier monitoring committee, which is already responsible for obtaining the CSR policies implemented by essential and sensitive suppliers, will regularly verify the soundness of these Procurement policy procedures.

VII.5.2.2 Hardware circuit

Euro-Information Services (EIS) installs and maintains computer equipment and provides the associated logistics services on behalf of Euro-Information.

In 2017, more than 12,000 person-days were spent replacing end-of-life products (printers, desktop computers, laptop computers, uninterruptible power supplies, ATMs, electronic payment terminals, etc.).

Nearly 128,900 defective products were worked on by the repair shop, 42,423 uninstalled products were refurbished and 33,367 were sent to our equipment broker in 2017.

In 2017, EIS continued its 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 19,600 compared to 2011. In addition, the decline in the percentage of recurrences for the ATM scope has reduced the number of service calls by 3,700 relative to 2010.

The broker activity continues to increase and allows the destruction of equipment to be kept at a minimum.

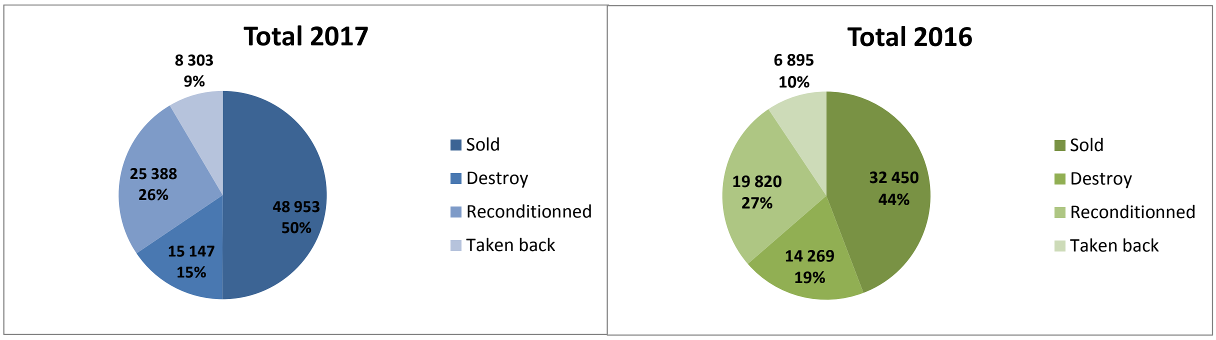
As a reminder, to monitor this activity and its growth, statistics were compiled in 2015 to keep track of what happens to equipment after a service call based on its situation at a given time. Equipment that is no longer being used is in one of the following four states:

- 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. A comparison can therefore be made over the last four years, or even what will happen after two, three or four years, and analyses can thus be performed by federation or product family.

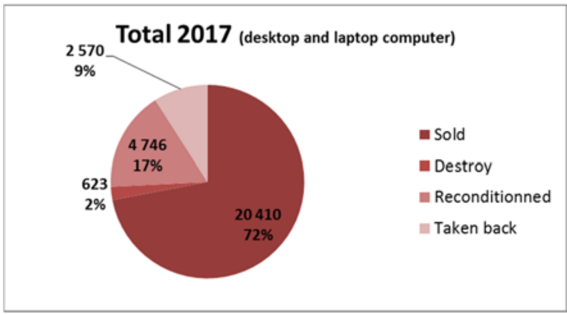
Below are the results:

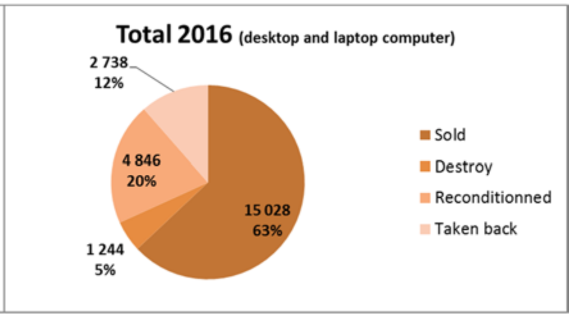


As was observed last year, the overall process is improving. For the 2016 equipment stock, 44% of items had already been resold to the broker (compared with 22% in 2014) after one year, with the resale rate reaching 50%.

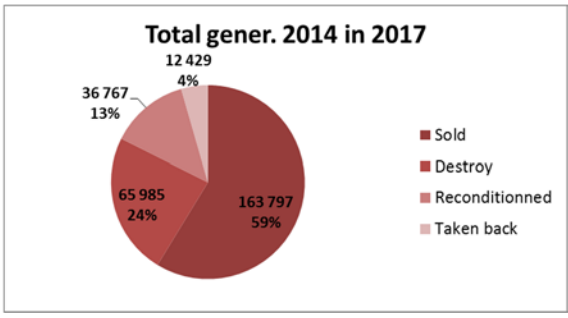
The “refurbished” and “pickup” segments were stable, meaning an improvement in the “destroyed” segment (which decreased from 19% to 14%).

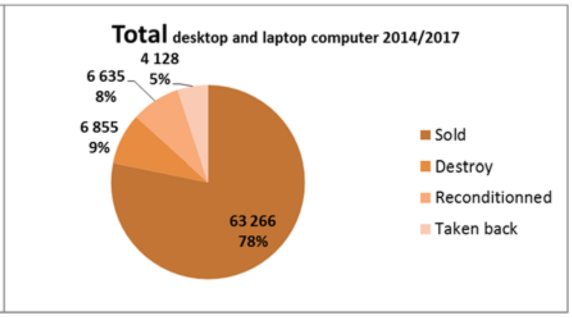
As in 2016, the trend is the same for the main product families with different values. For the “desktop and laptop computers” category, after one year the broker rate was 72% instead of 63% (35% in 2014), with the “pickup” state decreasing from 12% to 9% (38% in 2014). Only 2% of this family was destroyed:





The extensive historical data is also starting to show what happens to the equipment since it is now possible to view all items from 2014 to the end of 2017, i.e., four years later. Out of a total of more than 650,000 items, approximately 42% have already been replaced; 59% have been resold to brokers; 24% destroyed; and 13% refurbished. These figures are even stronger for “desktop and laptop computers,” essential tools for the Group's employees, of which 73% were replaced during the period with 78% sold to the broker, 8% refurbished and therefore only 9% destroyed.





VII.5.2.3 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 its defenses.

All measures are therefore taken to secure the information systems.

An information security management system (ISMS), based on ISO 27001, was implemented in 2016 at all production sites, enabling Euro-Information to obtain ISO 27001 certification in November 2017.

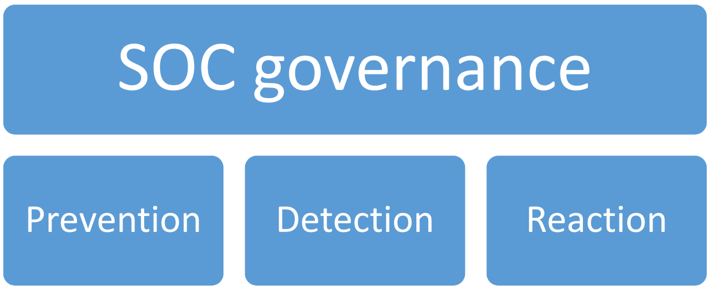
The basic principles continue to be:

- 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

Security is supervised through the Security Operations Center (SOC):

- its duties focus on three types of activities:
    - prevention: monitoring, management of security patches, vulnerability and/or compliance scans,
    - detection: security events (SIEM), intrusion tests, reporting and controls,
    - reaction: incident response, crisis management.

- these activities are supplemented by an overall governance framework for the topics covered, mainly to ensure compliance with the security policies and the standards to be met, as well as applicable laws and regulations.



- Security operates on the principles of the SOD (segregation of duties) concept in accordance with legal and regulatory requirements (SOX, Basel II, ISO 27000, COBIT, ITIL, ISACA, CRBF 97-02, etc.) and based on the matching of three elements: Person, Authorization, Moment.

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 2017 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.

- The intrusion tests performed each year confirm the robustness of the infrastructure, the quality of the applications and the need for the IT teams to maintain a high level of expertise in order to defend against constantly changing threats.
- the target of the project to expand the Lille data center is to implement 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 customers quality of execution of this solution on our IT infrastructure for storing, processing and transmitting payment card data.

A project is underway to expand the PCI-DSS scope to other areas with certification targeted for 2018.

VII.5.2.4 Strongly involved in past and future concrete actions

Euro-Information subsidiaries are involved in numerous initiatives with a direct impact on the Group's environmental approach. The main ones are:

- *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 is expanding 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 make it possible 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.

  Skype for Business has been rolled out since 2016 and has replaced Lync 2013. The videoconference rooms have been switched over to Polycom equipment. The following have now been implemented:

  - Virtual training classes
  - Video-conferences with the head offices to provide the necessary expertise on certain topics
  - Virtual customer meetings (managed through remote banking)

  The use of Skype for Business was expanded in the first quarter of 2017 and more videoconference rooms were added (increasing from about 500 to nearly 700 at end-2017).

  For example, the start-up of virtual classes made it possible to hold 2,600 training courses with more than 25,000 participants.

  More than 8,000 speakerphones and 4,200 cameras were installed this year. As a result of this rollout, 99% of the local cooperative banks/branches are equipped with speakerphones, which represents 31% of their users (the target of improving from 1 in 8 to 1 in 4 in 2017 was met). The penetration rate for cameras is 90% of local cooperative banks/branches (21% of users).

- *Reduction of paper consumption:*

  Paper reduction projects included 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 19,000 tablets have now been installed in the Group's local cooperative banks/branches. The use of electronic signatures increased sharply in 2017. There were more than 1.6 million such signatures in the last six months in the local cooperative banks/branches, which is estimated to have saved more than 24 million pieces of paper.

  This is due to a combination of factors: the higher tablet penetration rate, new uses for electronic signatures (consumer credit origination, mobile telephony subscriptions, homeowners insurance, bank card issuances and cancelations, home savings contracts, etc.) and a significant effort on the part of all stakeholders (managers and customer relationship managers, supported by the Organization and Sales departments).

  Electronic signatures have also been rolled out through the customer's online bank: after the customer relationship manager (CRM) processes the customer's request, hard copies no longer go back and forth between the CRM and the customer.

  Lastly, fully online application processes (on smartphones or the web) also incorporate this new signing method: the customer signs as part of an online loan application, for example.

  This rollout also has an impact on energy consumption (Scope 3) as paper documents no longer have to be moved anywhere to be digitized. These solutions will also be implemented to enable contracts to be signed with business customers in 2018.

  It is also worth noting the project to digitize bank teller transaction documents. The first phase covering cash withdrawals was tested at one pilot branch. An assessment must be completed before determining whether to continue to digitize other teller transaction documents (payments, fund transfers, etc.) and setting deadlines for development and user access. This is a worthwhile project as teller transaction documents are still primarily in hard copy form (except for certain fund transfers, which have already been switched to electronic document management) and volumes are high in certain regions where tellers still handle cash.

  Group-wide adoption of electronic pay slips is now virtually complete. Currently 93% of the Group's employees receive their pay slips electronically (the rate is the same in the Euro-Information subsidiaries).

  The percentage of the Group's internal use only documents still in hard copy format stood at 0.82% at the end of September 2017.

  The supplier rules were also digitized this year.

- *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. This tool raises users' awareness of and holds them accountable for the environmental and economic impacts of their printing by telling them how much they consume.

Pilots began at the end of 2016. The gradual rollout began in mid-2017 and will be completed in 2018. The statistical tools in development will be used to accurately assess the savings achieved through duplex printing and also identify the work that remains to be done.

- *Unbleached recycled paper:*

  The commitment to using unbleached recycled paper is consistent with the Crédit Mutuel CM11 Group's Corporate Social Responsibility (CSR) policy. The scope will initially be limited to the head offices but could subsequently be expanded to the network. The objective is to approve a new type of paper while incorporating technical and operational constraints and also taking cost into consideration. This approval is in the final stages and rollout is expected in early 2018.

- *Personal data protection project:*

  A project is underway, in the context of the new European General Data Protection Regulation (GDPR), to achieve full compliance with the regulatory requirements for all Group entity scopes by May 2018. The aim is to better protect the personal data of customers, prospective customers and employees and to increase their control over their own data. With this new regulation come new obligations and requirements regarding the collection, recording and storage of personal data. This involves, for example, expanding the existing opt-in/opt-out concepts and emphasizing the expectations of traceability and the storage/deletion of stored data for customers, members and prospective customers (right to be forgotten).

- *Mobility project:*

  The Mobility project meant the Group did not have to make a large number of cell phones available for certification. Due to the widespread development of apps, Euro-Information adopted a tool that allows it to certify its new developments without having to use different types of smartphones for tests with all the teams.

- *Optimization of energy efficiency in the real estate approach:*

  Euro-Information is also incorporating an energy-savings approach into its real estate projects as all employees of Euro-Information Développements based in Strasbourg and the surrounding area will work together under one roof in the "Wacken 2" building by 2019/2020. This building is under construction and is being built in accordance with all the new energy standards with the target of BEPOS certification, meaning it will be 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), which was finalized in June 2017. For example, 34 new employees signed the charter committing to not use their car as their primary means of transport (80% public transport).

  Examples of initiatives include the creation of additional onsite bicycle parking and the installation of electric bicycle charging stations.

  Also worth mentioning in conjunction with the company travel plans is the Optimix project, which seeks to develop a version of this software (developed by Nicomak for the Strasbourg Eurometropolis) that is customized to the Group's needs so it can run on our intranet and interface with employee data. Employees will thus be able to generate their own mobility document, which provides various commuting options, and a map of their most suitable potential carpoolers. This solution is now operational and should be rolled out in 2018.

- *Change in the CSR reporting tool:*

  Change in the management of the reporting scope and continued automation of the data integration interfaces.

- *Solidarity following Hurricanes Irma and Maria:*

  To facilitate assistance for the Antilles and given the extent of the damage, Euro-Information's contribution to the Group-wide initiative was to roll out (in record time) an application to collect donations and deliver them locally. Members and customers who logged on to their personal area on www.creditmutuel.fr or www.cic.fr were thus able to make donations.

- *Raising employee awareness:*

  As part of a Group initiative, the "Etre eco-citoyen au travail" web portal was rolled out to all personnel in the technical subsidiaries. It is used both to communicate on CSR initiatives and regulations and to raise employees' awareness of simple, everyday practices.

VII.6 - CSR report - Press division

VII.6.1 Quantitative data:

Indicator code	Indicator name	Amount reported in 2017	Unit
ENV01P	NEWSPAPER PAPER	58,795.13	Metric ton
ENV02P	OF WHICH, CERTIFIED PAPER	33,544.89	Metric ton
ENV03P	ALUMINUM PRINTING PLATES	366.14	Metric ton
ENV04	WATER CONSUMPTION	30,337.00	Cubic meter
ENV04P	INK FOR NEWSPAPERS AND FORMS	914.16	Metric ton
ENV05	TOTAL ENERGY CONSUMPTION	60,889,680.00	Kilowatt hour
ENV05_01	URBAN STEAM DISTRIBUTION SYSTEMS	191,078.00	Kilowatt hour
ENV05_01_CO2_X	URBAN STEAM DISTRIBUTION SYSTEMS IN CO2	38.22	Tons of CO2
ENV05_02	URBAN CHILLED WATER DISTRIBUTION SYSTEMS	39,917.00	Kilowatt hour
ENV05_02_CO2	URBAN CHILLED WATER DISTRIBUTION SYSTEMS IN CO2	0.40	Tons of CO2
ENV05P	PACKAGING	235.37	Metric ton
ENV06	ELECTRICITY CONSUMPTION	31,936,029.00	Kilowatt hour
ENV06_CO2	ELECTRICITY CONSUMPTION IN CO2	2,618.75	Tons of CO2
ENV06P	WASTE - STARTS & ENDS OF REEL	1,649.01	Metric ton
ENV07	GAS CONSUMPTION	28,429,812.00	Kilowatt hour
ENV07_CO2	GAS CONSUMPTION IN CO2	6,652.58	Tons of CO2
ENV07P	WASTE - SCRAPS FROM ROTARY PRESSES	2,703.44	Metric ton
ENV08	FUEL OIL CONSUMPTION	29,196.85	Liter
ENV08_CO2	FUEL OIL CONSUMPTION IN CO2	94.89	Tons of CO2
ENV08P	WASTE - RETURNED FORMS	6,991.77	Metric ton
ENV09	TOTAL PAPER CONSUMPTION	360.16	Metric ton
ENV09P	WASTE - INSERTS	1,232.98	Metric ton
ENV10	TOTAL PAPER CONSUMPTION FOR INTERNAL USE	127.17	Metric ton
ENV10_CO2	TOTAL PAPER CONSUMPTION FOR INTERNAL USE IN CO2	116.87	Tons of CO2
ENV11	TOTAL PAPER CONSUMPTION FOR EXTERNAL USE	232.99	Metric ton
ENV11_CO2	TOTAL PAPER CONSUMPTION FOR EXTERNAL USE IN CO2	214.11	Tons of CO2
ENV12L	% CERTIFIED PAPER/PURCHASED PAPER	33.02	Percentage
ENV12R	% RECYCLED PAPER/PURCHASED PAPER	51.37	Percentage

ENV13	TONER CARTRIDGE CONSUMPTION	2,538	Whole number
ENV15	USED PAPER SENT FOR RECYCLING (WASTE)	0.10	Metric ton
ENV15L	TOTAL CERTIFIED PAPER PURCHASED	118.94	Metric ton
ENV15R	TOTAL RECYCLED PAPER PURCHASED	185.01	Metric ton
ENV15RP	NEWSPAPER PAPER OF RECYCLED ORIGIN	52,028.12	Metric ton
ENV16	TONER CARTRIDGES RECYCLED AFTER USE	26	Whole number
ENV18	BUSINESS TRAVEL – PLANE	265,101.00	Kilometer
ENV18_CO2	BUSINESS TRAVEL – PLANE IN CO2	83.24	Tons of CO2
ENV19	BUSINESS TRAVEL – TRAIN	586,694.00	Kilometer
ENV19_CO2	BUSINESS TRAVEL – TRAIN IN CO2	2.35	Tons of CO2
ENV20	ENTITY'S VEHICLE FLEET - NUMBER OF KM ALL VEHICLES	21,157,635.00	Kilometer
ENV20_ESS_CO2	ENTITY'S VEHICLE FLEET - GASOLINE ENGINE - CO2	0.61	Tons of CO2
ENV20_GAS_CO2	ENTITY'S VEHICLE FLEET - DIESEL ENGINE - CO2	2,348.09	Tons of CO2
ENV23	BUSINESS TRAVEL – EMPLOYEE CAR	2,577,961.00	Kilometer
ENV23_CO2	BUSINESS TRAVEL – EMPLOYEE CAR IN CO2	647.07	Tons of CO2
ENV25	BUSINESS TRAVEL – TAXI AND RENTAL CAR	38,280.00	Kilometer
ENV25_CO2	BUSINESS TRAVEL – TAXI AND RENTAL CAR IN CO2	9.61	Tons of CO2
ENV29P	TRANSALLIANCE TRANSPORT	47,148.00	Metric ton
ENV30	FUGITIVE EMISSIONS OF REFRIGERANT GASES	218.98	Kilogram
ENV30_CO2	FUGITIVE EMISSIONS OF REFRIGERANT GASES IN CO2	139.26	Tons of CO2
ENV30P	LA POSTE TRANSPORT	1,794.77	Metric ton
ENV31	NUMBER OF VIDEOCONFERENCE SYSTEMS	11	Whole number
ENV32	NUMBER OF VIDEOCONFERENCES	300	Whole number
ENV33	TOTAL LENGTH OF VIDEOCONFERENCES	52.55	Centesimal hour
ENV34	SCANNED DOCUMENTS (PAPER AVOIDED)	75.12	Metric ton
ENV44	HUMAN RESOURCES DEDICATED TO CSR	3.50	Full-Time Equivalent

GOUV01	TOTAL NUMBER OF MEMBERS ON THE ENTITY'S BOARD OF DIRECTORS (WITHIN THE MEANING OF SHAREHOLDER-OWNED COMPANY)	66	Whole number
GOUV02	NUMBER OF WOMEN ON THE ENTITY'S BOARD OF DIRECTORS (WITHIN THE MEANING OF SHAREHOLDER-OWNED COMPANY)	3	Whole number
GOUV09_03	SUBSIDIARIES: NUMBER OF MEMBERS OF BOARDS OF DIRECTORS OR SUPERVISORY BOARDS 40 TO 49 YEARS	7	Whole number
GOUV09_04	SUBSIDIARIES: NUMBER OF MEMBERS OF BOARDS OF DIRECTORS OR SUPERVISORY BOARDS 50 TO 59 YEARS	21	Whole number
GOUV09_05	SUBSIDIARIES: NUMBER OF MEMBERS OF BOARDS OF DIRECTORS OR SUPERVISORY BOARDS >= 60 YEARS	38	Whole number
GOUV23	SUBSIDIARY - AVERAGE AGE OF DIRECTORS	60.3	Whole number
SOC01	TOTAL FTE EMPLOYEES	4,321.00	Full-Time Equivalent
SOC01_BIS	NUMBER OF EMPLOYEES AT YEAR-END	6,603.00	Private individual
SOC01_F201	FEMALE MANAGEMENT EMPLOYEES UNDER PERMANENT CONTRACTS IN FRANCE	945	Private individual
SOC01_F202	FEMALE NON-MANAGEMENT EMPLOYEES UNDER PERMANENT CONTRACTS IN FRANCE	2,057	Private individual
SOC01_F203	FEMALE MANAGEMENT EMPLOYEES UNDER SHORT-TERM CONTRACTS IN FRANCE	530	Private individual
SOC01_F204	FEMALE NON-MANAGEMENT EMPLOYEES UNDER SHORT-TERM CONTRACTS IN FRANCE	95	Private individual
SOC01_H211	MALE MANAGEMENT EMPLOYEES UNDER PERMANENT CONTRACTS IN FRANCE	1,431	Private individual
SOC01_H212	MALE NON-MANAGEMENT EMPLOYEES UNDER PERMANENT CONTRACTS IN FRANCE	1,859	Private individual
SOC01_H213	MALE MANAGEMENT EMPLOYEES UNDER SHORT-TERM CONTRACTS IN FRANCE	590	Private individual
SOC01_H214	MALE NON-MANAGEMENT EMPLOYEES UNDER SHORT-TERM CONTRACTS IN FRANCE	104	Private individual
SOC02	TOTAL (PERMANENT + SHORT-TERM CONTRACT) EMPLOYEES IN	6,603	Private individual

	FRANCE (NUMBER OF EMPLOYEES)		
SOC04	TOTAL MANAGEMENT EMPLOYEES - PERMANENT AND SHORT-TERM CONTRACTS	2,488	Private individual
SOC05	TOTAL NON-MANAGEMENT EMPLOYEES - PERMANENT AND SHORT-TERM CONTRACTS	4,115	Private individual
SOC07	NUMBER OF FEMALE EMPLOYEES	3,150	Private individual
SOC08	EMPLOYEES UNDER PERMANENT CONTRACTS	6,292	Private individual
SOC08_NCADRE	NON-MANAGEMENT EMPLOYEES UNDER PERMANENT CONTRACTS	3,916	Whole number
SOC08BIS	FEMALE EMPLOYEES UNDER PERMANENT CONTRACTS	3,002	Whole number
SOC09	EMPLOYEES UNDER SHORT-TERM CONTRACTS	311	Private individual
SOC100	EMPLOYEES 50 TO 54 YEARS	1,128	Private individual
SOC101	WOMEN 50 TO 54 YEARS	541	Private individual
SOC102	EMPLOYEES 55 TO 59 YEARS	1,311	Private individual
SOC103	WOMEN 55 TO 59 YEARS	655	Private individual
SOC104	EMPLOYEES 60 YEARS AND OVER	1,142	Private individual
SOC105	WOMEN 60 YEARS AND OVER	471	Private individual
SOC107	TOTAL GROSS ANNUAL COMPENSATION (€) - PERMANENT CONTRACTS	192,746,106.99	Euro
SOC108	TOTAL GROSS ANNUAL COMPENSATION (€) - NON-MANAGERS PERMANENT CONTRACTS	63,791,132.95	Euro
SOC109	TOTAL GROSS ANNUAL COMPENSATION (€) - MANAGERS PERMANENT CONTRACTS	128,954,974.04	Euro
SOC12	% OF EMPLOYEES UNDER PERMANENT CONTRACTS	95.29	Percentage
SOC13	TOTAL NUMBER OF NEW HIRES	4,619	Private individual
SOC14	MEN HIRED	2,505	Private individual
SOC15	WOMEN HIRED	2,114	Private individual
SOC16	HIRED UNDER PERMANENT CONTRACTS	430	Private individual
SOC17	HIRED UNDER SHORT-TERM CONTRACTS	4,189	Private individual
SOC19	NUMBER OF EMPLOYEES UNDER PERMANENT CONTRACTS WHO	609	Private individual

	LEFT THE ORGANIZATION		
SOC20	NUMBER OF EMPLOYEES UNDER PERMANENT CONTRACTS WHO WERE DISMISSED FROM THE ORGANIZATION	92	Private individual
SOC27	TURN-OVER (RESIGNATIONS+LAYOFFS+END OF TRIAL PERIOD+CONVENTIONAL BREAKS) / (WORKFORCE in NUMBER OF PHYSICAL PERSONS)	0,00	Percentage
SOC28	PERCENTAGE OF PART-TIME VS. FULL-TIME	84.00	Percentage
SOC29	NUMBER OF FULL-TIME EMPLOYEES UNDER PERMANENT AND SHORT-TERM CONTRACTS (INCL. FULL-TIME PARENTAL LEAVE)	3,583	Private individual
SOC30	NUMBER OF PART-TIME EMPLOYEES UNDER PERMANENT AND SHORT-TERM CONTRACTS AND MANAGERS WITH REDUCED DAY-DEFINED CONTRACT DURATION	3,020	Private individual
SOC31	% OF FULL-TIME EMPLOYEES	54.00	Percentage
SOC32	% OF PART-TIME EMPLOYEES	46.00	Percentage
SOC38	NUMBER OF DAYS OF ABSENCE	95,600	Days worked
SOC39	NUMBER OF DAYS OF SICK LEAVE	89,401	Days worked
SOC40	NUMBER OF DAYS OF ABSENCE FOR WORK ACCIDENTS	6,199	Days worked
SOC41	NUMBER OF DAYS OF MATERNITY/PATERNITY LEAVE	6,121	Days worked
SOC43	NUMBER OF WORK-RELATED ILLNESSES	9	Whole number
SOC44	NUMBER OF REPORTED WORKPLACE ACCIDENTS, WITH SICK LEAVE	119	Whole number
SOC46	PAYROLL INVESTED IN TRAINING (€)	1,612,079	Euro
SOC47	% OF PAYROLL COSTS INVESTED IN TRAINING	0.80	Percentage
SOC48	NUMBER OF EMPLOYEES HAVING TAKEN AT LEAST ONE TRAINING COURSE	2,001	Whole number
SOC49	% OF EMPLOYEES TRAINED	30.30	Percentage
SOC50	NUMBER OF HOURS DEDICATED TO EMPLOYEE TRAINING	30,403.00	Centesimal hour

SOC51	AVERAGE NUMBER OF TRAINING DAYS PER EMPLOYEE TRAINED	2.00	Days worked
SOC52	NUMBER OF WORK-STUDY TRAINING COURSES	99	Whole number
SOC53	NUMBER OF WORK-STUDY TRAINING COURSES WITH PROFESSIONAL TRAINING CONTRACT	92	Whole number
SOC54	NUMBER OF WORK-STUDY TRAINING COURSES WITH APPRENTICESHIP CONTRACT	7	Whole number
SOC55	AMOUNT OF APPRENTICESHIP TAX PAID	1,458,065.94	Euro
SOC59	NUMBER OF MANAGERS WHO ARE WOMEN	998	Whole number
SOC60	% OF MANAGERIAL STAFF WHO ARE WOMEN	40.00	Percentage
SOC61	NUMBER OF MANAGERS PROMOTED TO HIGHER POSITIONS DURING THE YEAR	217	Private individual
SOC62	NUMBER OF WOMEN MANAGERS PROMOTED	101	Whole number
SOC63	% OF WOMEN MANAGERS PROMOTED	46.54	Percentage
SOC68	NUMBER OF DISABLED WORKERS IN THE TOTAL WORKFORCE	234	Whole number
SOC71	% OF DISABLED WORKERS IN THE TOTAL WORKFORCE	3.54	Percentage
SOC72	AGEFIPH OR FIPHFP DISABLED WORKERS CONTRIBUTION (6%)	115,577.45	Euro
SOC73	GROSS PAYROLL EXCLUDING EMPLOYERS' CONTRIBUTIONS (€)	201,762,598.21	Euro
SOC74	AVERAGE ANNUAL SALARY - PERMANENT CONTRACTS ALL STATUSES	30,633.52	Euro
SOC75	AVERAGE ANNUAL SALARY - PERMANENT CONTRACTS NON-MANAGEMENT ALL STATUSES	16,289.87	Euro
SOC76	AVERAGE ANNUAL SALARY - PERMANENT CONTRACTS MANAGEMENT ALL STATUSES	54,273.98	Euro
SOC78	NUMBER OF CONSULTATIONS OF STAFF REPRESENTATIVES (WORKS COUNCIL, WORKPLACE HEALTH AND SAFETY COMMITTEE, EMPLOYEE REPRESENTATIVES)	215	Whole number
SOC79	NUMBER OF STAFF REPRESENTATIVE INFORMATION PROCEDURES (WORKS COUNCIL, WORKPLACE HEALTH AND SAFETY COMMITTEE)	79	Whole number

SOC80	TOTAL AMOUNT OF SOCIAL SECURITY CONTRIBUTIONS PAID	91,246,289.96	Euro
SOC81	TOTAL AMOUNT OF BONUSES (INCENTIVE BONUSES + PROFIT-SHARING) (€ EXCLUDING EMPLOYERS' CONTRIBUTIONS)	23,672.00	Euro
SOC82	NUMBER OF EMPLOYEES WHO RECEIVED AN INCENTIVE BONUS/PROFIT-SHARING	968	Whole number
SOC85	BENEFIT PLANS/WORKS COUNCIL - CONTRIBUTION TO FINANCING THE WORKS COUNCIL (€)	2,539,163.81	Euro
SOC86	CONTRIBUTION TO FINANCING THE WORKS COUNCIL AS % OF GROSS PAYROLL	1.00	Percentage
SOC88	EMPLOYEES < 25 YEARS	83	Private individual
SOC89	WOMEN < 25 YEARS	29	Private individual
SOC90	EMPLOYEES 25 TO 29 YEARS	179	Private individual
SOC91	WOMEN 25 TO 29 YEARS	87	Private individual
SOC92	EMPLOYEES 30 TO 34 YEARS	332	Private individual
SOC93	WOMEN 30 TO 34 YEARS	175	Private individual
SOC94	EMPLOYEES 35 TO 39 YEARS	521	Private individual
SOC95	WOMEN 35 TO 39 YEARS	262	Private individual
SOC96	EMPLOYEES 40 TO 44 YEARS	637	Private individual
SOC97	WOMEN 40 TO 44 YEARS	318	Private individual
SOC98	EMPLOYEES 45 TO 49 YEARS	959	Private individual
SOC99	OF WHICH, WOMEN 45 TO 49 YEARS	466	Private individual
SUS031_X	% RECYCLED TONER CARTRIDGES PURCHASED	0.00	Percentage

VII.6.2 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 more than 900,000 newspapers a day and nearly 6,600 employees[2].

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 Crédit Mutuel CM11 Group, they continuously strive 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) 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 98%.

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, and reinforced work clothes for joint protection. 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 continued their actions to prevent psychosocial stress (training for managers, stress management courses for staff exposed to difficult customers, etc.) and heighten staff awareness of work-related risks (musculoskeletal disorders, campaign to raise employee awareness of workstation ergonomics (by email or as part of the CARSAT TMS PRO initiative), etc.). Maintaining the infrastructure and equipment involves improving safety (fire extinguisher training, certification, etc.), renovating the premises by installing additional railings after adding certain production equipment, and developing technical solutions to limit employees' exposure to volatile organic compounds.

Several companies have gone one step further and set up a counselling hotline.

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[2] *Including salaried newspapers holders – workforce in number of physical persons as of 12.31.2017*

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 Group's 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)

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

Plans were announced to halt printing of Le Républicain Lorrain at the Woippy site; an employment protection plan is currently being negotiated. The aim is to reabsorb the Press group's excess printing capacity in Lorraine.

Management also announced its plan to close the L'Alsace printing facility in Mulhouse, which still needs to be presented to the staff representative bodies.

Raw materials (ENV207)

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% (around 54,000 metric tons in 2016) of the newspaper paper purchased is recycled or certified 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 Press division entities achieve savings at two levels:

- they save water and electricity by using special plates (Kodak platinum plates).
- 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 (ENV208)

Also with a view to saving energy, most of the newspapers have upgraded or improved their infrastructure to reduce consumption over the last three years.

The main work entailed modernizing the lighting system, such as by installing low-energy LED bulbs, improving the dampening water system to reduce emptying frequency, 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.

L'Est Républicain refurbished its premises to reduce sound propagation.

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 division 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, with the number of initiatives launched increasing from year to year. While initially this waste sorting system only concerned paper, it now covers other goods such as cups and cans.

Environmental programs and commitments (ENV37 – ENV39 – ENV41 – ENV609)

The newspapers now routinely consider environmental criteria when they replace their equipment or modernize their infrastructure. They also devote some of their time to strengthening and managing previously installed automation equipment.

This involves conducting energy audits (APAVE) and making commitments at various levels.

The newspapers are therefore working with suppliers Veolia and Dalkia on processing waste, lowering energy consumption and raising employees' awareness of environmental protection.

A number of entities are also considering implementing company travel plans. L'Alsace, for example, has made two bicycles available to its employees at its Colmar branch and is modifying some employees' hours so they can avoid traffic.

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.

External relations (SOT 57)

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 (women's award) – L'Est Républicain; "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)

The Press division's 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 external relations, the DNA newspaper, for example, has developed a way of determining readers' satisfaction with service quality and the newspaper's content. This consists of online surveys conducted once a year among randomly chosen subscribers.

For 2017, the surveys were as follows:

- A home delivery satisfaction survey among 839 responding subscribers,
- A Monday newspaper satisfaction survey among 672 responding subscribers,
- A DNA newspaper satisfaction survey among 551 responding subscribers,
- A summer newspaper satisfaction survey regarding the specific July and August sections among 350 responding subscribers,
- A home delivery service satisfaction survey following a number of delivery incidents among 142 responding subscribers,
- A newspaper forwarding service satisfaction survey among 603 responding subscribers.

VII.7 - Appendix – List of the entities in the scope

Level	COMPANY
ACM	ACM GIE
	ACM IARD
	ACM RE
	ACM SERVICES
	ACM VIE SA
	AGRUPACIO AMCI D'ASSEGURANCES I REASSEGURANCES
	AGRUPACIO SERVEIS ADMINISTRATIUS
	AGRUPACION PENSIONES, ENTIDAD GESTORA DE FONDOS DE PENSIONES
	AMDIF
	AMGEN SEGUROS GENERALES COMPAÑIA DE SEGUROS Y REASEGUROS
	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
	GACM ESPAÑA
	GROUPE DES ASSURANCES DU CREDIT MUTUEL (GACM)
	ICM LIFE
	MTRL
	PARTNERS
	PROCOURTAGE
	SERENIS ASSURANCES
	VOY MEDIACION
	AMSYR - AGRUPACIO SEGUROS Y REASEGUROS
	ACM VIE MUTUELLE
CIC	BANQUE DE LUXEMBOURG
	BANQUE TRANSATLANTIQUE (BT)
	CIC EST
	CIC LYONNAISE DE BANQUE
	CIC NORD OUEST
	CIC OUEST
	CIC SUD OUEST
	CM-CIC BAIL
	CM-CIC BAIL Spain
	CM-CIC CONSEIL
	CM-CIC EPARGNE SALARIALE
	CM-CIC FACTOR
	CM-CIC INNOVATION
	CM-CIC INVESTISSEMENT
	CM-CIC INVESTISSEMENT SCR
	CM-CIC LEASE
	CREDIT INDUSTRIEL ET COMMERCIAL

	DUBLY-DOUILHET GESTION TRANSATLANTIQUE GESTION CM-CIC CAPITAL
COFIDIS	COFIDIS BELGIUM COFIDIS Spain COFIDIS FRANCE COFIDIS HUNGARY COFIDIS ITALY COFIDIS Portugal COFIDIS CZECH REPUBLIC COFIDIS SA POLAND COFIDIS SA SLOVAKIA CREATIS GEIE SYNERGIE MONABANQ
EI	EI TELECOM EURO INFORMATION PRODUCTION EURO PROTECTION SURVEILLANCE EURO-INFORMATION EURO-INFORMATION DEVELOPPEMENT EURO INFORMATION SERVICES
CM11 FEDERATIONS	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 DRBC DRN DRO

	DRS
	FEDERATION CMA
	FEDERATION CMC
	FEDERATION CMCEE
	FEDERATION CMDV
	FEDERATION CMIDF
	FEDERATION CMLACO
	FEDERATION CMM
	FEDERATION CMMA
	FEDERATION CMN
	FEDERATION CMSE
	FEDERATION CMSMB
CM11 SUBSIDIARIES	BANQUE EUROPEENNE DU CREDIT MUTUEL (BECM)
	BANQUE EUROPEENNE DU CREDIT MUTUEL MONACO
	Banque Fédérative du Crédit Mutuel (BFCM)
	BECM FRANCFORT
	BECM SAINT MARTIN
	CARTES ET CREDITS A LA CONSOMMATION
	CIC IBERBANCO
	CM-CIC ASSET MANAGEMENT
	CM-CIC GESTION
	CM-CIC HOME LOAN SFH
	CM-CIC IMMOBILIER
	CM-CIC SERVICES
	LYF SA
	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 SPAIN
PRESS	AFFICHES D'ALSACE LORRAINE
	ALSACIENNE DE PORTAGE DES DNA
	EST BOURGOGNE MEDIAS
	GROUPEMENT REPUBLICAIN LORRAIN IMPRIMERIES (GRLI)
	GROUPE DAUPHINE MEDIA
	GROUPE PROGRES
	GROUPE REPUBLICAIN LORRAIN COMMUNICATION (GRLC)
	LA LIBERTE DE L'EST
	LA TRIBUNE

LE DAUPHINE LIBERE

LE REPUBLICAIN LORRAIN

LES DERNIERES NOUVELLES D'ALSACE

L'EST REPUBLICAIN

MEDIAPORTAGE

PRESSE DIFFUSION

PUBLIPRINT PROVINCE N°1

REPUBLICAIN LORRAIN - TV NEWS

REPUBLICAIN LORRAIN COMMUNICATION

SAP ALSACE

SCI LE PROGRES CONFLUENCE

SOCIETE D'EDITION DE L'HEBDOMADAIRE DU LOUHANNAIS ET DU JURA (SEHLJ)

SOCIETE D'INVESTISSEMENTS MEDIAS (SIM)

VII.8 - Independent verifier's report on consolidated social, environmental and societal information presented in the management report of Caisse Fédérale de Crédit Mutuel

Caisse Fédérale de Crédit Mutuel

Year ended the 31 12 2017

Independent verifier's report on consolidated social, environmental and societal information presented in the management report

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.

To the shareholders,

In our quality as an independent verifier accredited by the COFRAC[3], under the number n° 3-1050, and as a member of the network of one of the statutory auditors of Caisse Fédérale de Crédit Mutuel, we present our report on the consolidated social, environmental and societal information established for the year ended on the 31 12 2017, presented in chapter VII 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 environmental, social and governance reporting in their versions dated 2017, (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. 822-11-3 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;

Nonetheless, it is not our role to give an opinion on the compliance with other legal dispositions where applicable, in particular those provided for in the Article L. 225-102-4 of the French Commercial Code (vigilance plan) and in the Sapin II law n°2016-1691 of 9 December 2016 (anti-corruption)].

Our verification work mobilized the skills of six people between December 2017 and March 2018 for an estimated duration of 4 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[4].

1. Attestation of presence of CSR Information

Nature and scope of the work

[3] Scope available at www.cofrac.fr

[4] ISAE 3000 – *Assurance engagements other than audits or reviews of historical information*

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.

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, 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 ten interviews with people responsible for the preparation of the CSR Information in the CSR, HR and Finance departments, 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[5]:

- At the level of the consolidated 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.

---

[5] **Social information:**
- *Indicators (quantitative information)*: total registered headcount, recruitments and the number of employees with fixed-term contracts 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 employees trained, number of women among executives;

Environmental and Societal information:
- *Indicators (quantitative information)*: total energy consumption, assets under management using an SRI approach, amount of solidarity-based savings, number of non-profit organisations clients, professional intermediated microcredit.
- *Qualitative information*: protection of clients' personal data, client satisfaction, claims processing, deployment of sector policies in financing activities.

- At the level of the representative selection of entities that we selected[6], 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 38% of total workforce and 32% of total energy consumption on average 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.

Observation

Without qualifying our conclusion above, we draw your attention to the following points:

- Controls during data production and controls at consolidation level, notably those relative to the scope, are not sufficiently carried out. Significant adjustments have been made on social and environmental data.

Paris-La Défense, 12th April, 2018

French original signed by:

Independent Verifier
ERNST & YOUNG et Associés

Partner, Sustainable Development	Partner
Caroline Delerable	Marc Charles

[6] CIC Lyonnaise de Banque, CIC Nord-Ouest, CIC Ouest, CIC Est, CIC Sud-Ouest, Banque de Luxembourg, 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

Banque Fédérative du Crédit Mutuel

Year ended the 31 12 2017

Independent verifier's report on consolidated social, environmental and societal information presented in the management report

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.

To the shareholders,

In our quality as an independent verifier accredited by the COFRAC[7], under the number n° 3-1050, and as a member of the network of one of the statutory auditors of the BFCM, we present our report on the consolidated social, environmental and societal information established for the year ended on the 31 12 2017, presented in chapter VII 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 environmental, social and governance reporting in their versions dated 2017, (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. 822-11-3 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;

Nonetheless, it is not our role to give an opinion on the compliance with other legal dispositions where applicable, in particular those provided for in the Article L. 225-102-4 of the French Commercial Code (vigilance plan) and in the Sapin II law n°2016-1691 of 9 December 2016 (anti-corruption)].

Our verification work mobilized the skills of six people between December 2017 and March 2018 for an estimated duration of 4 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[8].

1. Attestation of presence of CSR Information

[7] Scope available at www.cofrac.fr

[8] ISAE 3000 – *Assurance engagements other than audits or reviews of historical 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.

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, 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 ten interviews with people responsible for the preparation of the CSR Information in the CSR, HR and Finance departments, 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[9]:

- At the level of the consolidated 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.

[9] **Social information:**
- *Indicators (quantitative information)*: total registered headcount, recruitments and the number of employees with fixed-term contracts 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 employees trained, number of women among executives;

Environmental and Societal information:
- *Indicators (quantitative information)*: total energy consumption, assets under management using an SRI approach, amount of solidarity-based savings, number of non-profit organisations clients, professional intermediated microcredit.
- *Qualitative information*: protection of clients' personal data, client satisfaction, claims processing, deployment of sector policies in financing activities.

- At the level of the representative selection of entities that we selected[10], 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 38% of total workforce and 32% of total energy consumption on average 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.

Observation

Without qualifying our conclusion above, we draw your attention to the following points:

- Controls during data production and 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, 2018

French original signed by:

Independent Verifier
ERNST & YOUNG et Associés

Partner, Sustainable Development	Partner
Caroline Delerable	Marc Charles

[10] CIC Lyonnaise de Banque, CIC Nord-Ouest, CIC Ouest, CIC Est, CIC Sud-Ouest, Banque de Luxembourg, Cofidis S.A. and Targobank Deutschland.

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VIII.1 - Shareholders

VIII.1.1 - Distribution of BFCM's capital as of December 31, 2017

Shareholders	% held	number of shares	nominal amount held (€)
Caisse Fédérale de Crédit Mutuel	92.98%	31,401,572	1,570,078,600
CRCM Midi Atlantique	0.07%	24,484	1,224,200
CCM Sud Est (formerly CFCM)	0.18%	61,535	3,076,750
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%	308,716	15,435,800
CRCM Dauphiné Vivarais	0.01%	2,470	123,500
Private individuals	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%	1,040	52,000
CCM Dauphiné Vivarais	0.00%	551	27,550
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	67,000
CCM Midi Atlantique	0.00%	1,172	58,600
CCM Normandie	0.00%	870	43,500
CCM Savoie Mont-Blanc	0.00%	490	24,500
CCM Sud Est	0.02%	5,704	285,200
	100.00%	33,770,590	1,688,529,500

Changes in the distribution of capital during the past three years

In 2017

Caisse Fédérale de Crédit Mutuel sold 20 BFCM shares to two local banks.

CRCM Sud Est sold 10 BFCM shares to a local bank.

CRCM Centre sold 10 BFCM shares to a local bank.

In 2016

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.

In 2015

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.

Individuals or legal entities exercising control over BFCM

Caisse Fédérale du Crédit Mutuel controls 93% of BFCM.

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.

Dependence of BFCM on other Group entities

BFCM's dependence on other Crédit Mutuel-CM11 Group entities is limited to the ownership ties described in the chapter entitled "Presentation of Crédit Mutuel-CM11 Group".

The section entitled "Legal Information – Sundry Information" indicates that no major agreements exist between BFCM and the subsidiaries.

VIII.1.2 - Ordinary Shareholders' Meeting of May 4, 2018

Excerpt of the Board of Directors' report to the Ordinary Shareholders' Meeting of May 4, 2018

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.

Capital markets activity – Refinancing

These comments 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 2017, the Crédit Mutuel-CM11 Group was able to take advantage of particularly favorable refinancing terms on the markets. In addition to international investors' very positive view of our Group, the largely accommodative policy of the European Central Bank (ECB) favored issuers.

All in all, the external funding raised on the markets totaled €132.1 billion as of December 31, 2017, virtually the same as the previous year (€132.8 billion) and the short-term/medium-to-long-term proportion stood at 36%/64%.

The Crédit Mutuel-CM11 Group's liquidity position at the end of December 2017 was very strong:

- the liquidity coverage ratio (LCR) was 131%
- High-quality liquid assets (HQLA) held by the central treasury rose to €65 billion at the end of 2017, more than 75% of which were deposits with the ECB, a sign of particularly prudent management;
- more than 180% of our wholesale funding maturing in 12 months is covered by liquid, ECB-eligible assets held by the Group's treasury.

Medium- and long-term funding totaled €85 billion at the end of 2017 (including the targeted longer-term refinancing operations - TLTRO - drawdowns of 2016) compared to €84 billion at the end of 2016.

€15.2 billion was raised over the year as a whole, including €9.7 billion (63.8%) in the form of public issues and the rest in the form of private placements.

The public issues break down as follows:

- €2.5 billion issued by BFCM in the form of senior EMTN.
- €1.0 billion (equivalent) in Swiss francs and pounds sterling.
- €3.1 billion (equivalent) raised through US Rule 144A and Samurai issues.
- €1.0 billion as Tier 2 subordinated debt.
- €2.0 billion issued in the form of housing bonds by CM-CIC Home Loan SFH.

In 2017, the Group completed the second drawdown on the SME/ISE (intermediate-sized enterprises) lending package offered by the European Investment Bank (EIB) in an amount of €250 million over seven years. Other areas of cooperation such as EIB funding in the renewable energies sector and the SME guarantee packages (InnovFin) resulting from the "Juncker Plan" sponsored by the European Commission are also being reviewed.

Short-term funding totaled €47.2 billion, a significant portion of which is from issues in pounds sterling (27%) and US dollars (8%) in addition to the money market funding raised in euros.

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 the Crédit Mutuel-CM11 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.

The major points concerning the depository in 2017 were identified as follows:

The AMF College meeting of October 31, 2017 approved the BFCM depository performance specifications for the purposes of AMF Instruction 2016-01.

The depository, permanent control and compliance functions stepped up their cooperation in monitoring service providers/delegated providers, particularly in the area of asset safekeeping.

The depository's departments (legal for legal opinions and control for due diligence) continued to work with CM-CIC Titres to monitor relations with foreign sub-depositories.

The depository finalized the work related to determining the unit costs based on the 2016 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 control plan was updated to include changes in regulations and regulatory references.

The coordination of the internal control portals for service providers/delegated providers and the depository control plan was stepped up.

The phasing in of the Order of October 4, 2017 on Securitization Special-Purpose Vehicles, starting with certain provisions on January 3, 2018 and more broadly on January 1, 2019, led to the updating of SSPV control tasks.

Many UCI prospectuses have been revised as a result of changes to UCI classifications, the SFT Regulation or to incorporate policies regarding the remuneration of asset management companies.

At the end of December 2017, Banque Fédérative du Crédit Mutuel was the depository for 916 UCIs with total assets of €75.4 billion. The number of UCIs increased by 4.4%, while assets under management remained steady relative to end-2016. 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 (82.5% in managed assets, 82.7% 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 (15.4% of managed assets).

The UCIs of around 20 management companies not part of the Crédit Mutuel-CM11 Group and for the most part specializing in private equity accounted for 2% of assets held.

Large accounts and structured products

2017 saw a gradual return of growth and an upward trend in investment. Against this background, large French corporations continued their strategy of expansion across all markets. The continuation of the ECB's asset purchase program encouraged abundant liquidity in the markets, leading to very low interest rates. Large Corporates took advantage of this environment to refinance their credit lines on more favorable terms. Commercial activity increased and diversified in this environment, particularly in the primary bond market where the Crédit Mutuel-CM11 Group was involved in a larger number of issues (26 issues in 2017 versus 20 in 2016).

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 Corporates and Institutional Investors market segments.

In the payments area, the Group has strengthened its expertise in European cash management and cross-border electronic payments acquisition, where a number of new IT developments have been initiated to upgrade and enhance processing and management (electronic payment acceptance platform).

Meanwhile, Large Accounts continued to promote the Group's various areas of expertise to its customers, particularly employee benefits management (bond and diversified funds) and leasing, etc.

Commercial development was accompanied by a risk selection policy and the drive for reduced concentration of commitments by means of greater sector diversification.

The training of Large Corporates relationship managers continued during the year, particularly in areas related to regulation and compliance.

In a more favorable economic environment, Large Accounts intend to bolster their presence among large European corporates in 2018, while remaining an important prescriber for the specialized business lines and other operational entities of the Group.

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.

Financial and related sector

Groupe Crédit Industriel et Commercial SA

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 have been drawn up in accordance with IFRS as adopted by the European Union as of December 31, 2017. 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. The standards are available on the European Commission's website at: https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_en#ifrs-financial-statements.

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.

Since January 1, 2017, the Group has applied various amendments adopted by the EU that did not have a material impact on its financial statements. This chiefly concerns the amendment to IAS 12 - Income Taxes, which clarifies the principles for recognizing deferred tax assets in respect of unrealized losses on debt instruments measured at fair value. It states that the recoverability of this temporary difference must be assessed:

- for all of the entity's temporary differences and tax loss carryforwards, whether the holder intends to sell the securities or hold them to maturity,
- taking into account any restrictions on the use of tax losses.

When estimating probable taxable profits of future periods an entity may assume that an asset will be recovered for more than its carrying amount (e.g. due to fair value). It excludes tax deductions resulting from the reversal of deductible temporary differences.

The information on risk management is provided in a specific section of the management report.

Changes in consolidation scope

The changes in scope include:

- the addition of the Hong Kong branch;
- the sale of Cigogne CLO Arbitrage;
- the absorption of CM-CIC Proximité by CM-CIC Investissement SCR;
- the change of name of Diversified Debt Securities SICAV - SIF to Cigogne CLO Arbitrage;
- the change of name of CM-CIC Capital et Participations to CM-CIC Capital.

Information on divested activities

On December 31, 2017, the Singapore and Hong Kong private banking activity was accounted for under IFRS 5 as a divested activity. A transfer agreement with Indosuez Wealth Management was signed in July 2017. The sale was finalized at the beginning of December 2017.

On December 31, 2016, Banque Pasche was also accounted for under IFRS 5 as a divested activity. The sale was completed at the end of the second quarter of 2016.

Analysis of the consolidated statement of financial position

The main changes in the consolidated statement of financial position items were as follows:

Customer deposits totaled €144.1 billion, up 4.6% compared with 2016, thanks to strong growth in current accounts (+13.7%), passbook deposits (+5.9%) and home savings (+7.4%).

Total net outstanding customer loans came to €172 billion, up 5.1% from 2016. Outstanding equipment loans rose by 18.1% to €48.7 billion and home loans by 4.3% to €73.7 billion.

The loan-to-deposit ratio stood at 119.3% as of December 31, 2017 compared with 119.7% a year earlier.

Funds invested and managed in savings products for customers of the operating activities totaled €200.1 billion, up 8.1% compared with December 31, 2016.

Reported shareholders’ equity attributable to owners of the company was €15.058 billion (versus €14.055 billion as of December 31, 2016). Excluding transitional measures, Basel 3 Common Equity Tier 1 capital (CET1) was €12.7 billion, the Common Equity Tier 1 ratio was 13.7% and the overall ratio was 16%. These levels are significantly higher than the European Central Bank's requirements established at the time of the 2018 Supervisory Review and Evaluation Process. The CET1 capital requirement with which the CIC Group must comply was set at 8.13% in 2018 and the requirement related to the overall ratio at 9.75%, plus the conservation buffer of 1.88%, for a total of 11.63%.

The leverage ratio excluding transitional measures was 4.6%.

Analysis of consolidated income statement

	2017 published	2016 published	Change 2017/2016 gross	2016 restated*	Change 2017/2016 at constant
Net banking income	4,991	4,985	0.1%	4,952	0.8%
Operating expenses	(3,103)	(3,071)	1.0%	(3,037)	2.2%
Gross operating income	1,888	1,914	-1.4%	1,915	-1.4%
Net additions to/reversals from	(203)	(185)	9.7%	(185)	9.7%
Net gains/losses on assets and associates	132	148	-10.8%	148	-10.8%
Income before tax	1,817	1,877	-3.2%	1,878	-3.2%
Corporate income tax	(551)	(560)	-1.6%	(560)	-1.6%
Net income (loss) from divested activities	22	44	-50.0%	43	-48.8%
Net income (loss)	1,288	1,361	-5.4%	1,361	-5.4%
Net income attributable to owners of the	1,275	1,352	-5.7%	1,352	-5.7%

**For details of changes at constant scope, refer to the methodology descriptions at the end of this section.*

Net banking income (NBI) grew by 0.8% to €4.991 billion, including €21 million in provisions for the fine related to check image transfer fees. In 2016, net banking income also included €89 million in compensation for the CIC regional banks, Banque Transatlantique and CIC as sub-participants of Banque Fédérative du Crédit Mutuel (BFCM) in VISA Europe in connection with VISA Inc.'s acquisition of that company. After restatement, net banking income grew by 3.1% at constant scope. Net banking income from retail banking accounted for 72% of total NBI.

Operating expenses were up by 2.2%, and included a contribution to the Single Resolution Fund (SRF) that increased by €17 million. The cost/income ratio was 62.2% at December 31, 2017.

Net additions to/reversals from provisions for loan losses increased by €18 million from €185 million to €203 million in one year. Net additions to/reversals from provisions for loan losses on an individual basis fell by €6 million; however, there was a €4 million reversal of collective provisions, compared to €28 million in 2016.

Net additions to/reversals from provisions for customer loan losses as a percentage of gross outstanding loans rose from 0.12% to 0.13% and the overall non-performing loan coverage ratio was 49.9% as of December 31, 2017.

The share of net income of associates, which was €136 million at end-2016, totaled €135 million. In addition, net losses on disposals of non-current assets totaled €3 million compared to net gains of €12 million at end-December 2016.

The result was a pre-tax profit of €1,817 million, a 3.2% decline over the previous year.

The corporate income tax expense was €551 million (compared with €560 million the previous year). In 2017, it included a €79 million corporate surtax.

Given the decrease in net profit on divested activities from €44 million as of December 31, 2016 (sale of Banque Pasche) to €22 million as of December 31, 2017 (sale of the private banking activities in Singapore and Hong Kong), net income fell by 5.4% to €1,288 billion.

Rating

Moody's and Fitch Ratings confirmed their ratings in 2017. Standard & Poor's rating was confirmed in January 2018.

The ratings are as follows:

As of April 4, 2017	Standard & Poor's	Moody's	Fitch Ratings
Short term	A-1	P-1	F1
Long term	A	Aa3	A+
Outlook	Stable	Stable	Stable

Description of the business lines

CIC's business segments reflect its organizational structure (see chart in the registration document).

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 specific structure costs/income that cannot be assigned to other businesses.

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

Retail banking

	2017	2016	Change 2017/2016
Net banking income	3,588	3,500	2.5%
Operating expenses	(2,296)	(2,272)	1.1%
Gross operating income	1,292	1,228	5.2%
Net additions to/reversals from provisions for	(189)	(164)	15.2%
Net gains/losses on assets and associates	128	140	-8.6%
Income before tax	1,231	1,204	2.2%
Net income attributable to owners of the	861	826	4.2%

In one year, customer deposits grew by 4.9% to €112.4 billion as a result of:

- the increase in current accounts with credit balances (+14.7%) which totaled €54.7 billion at end-December 2017;
- passbook accounts (+9.2% to €29.1 billion); and
- home savings (+7.4% to €10.8 billion).

Net outstanding customer loans rose by 5.4% to €135.6 billion, including an increase of 4.4% in home loans and of 8.4% in equipment loans.

Net banking income from retail banking rose by 2.5% to €3,588 million thanks to a 7.4% increase in net fee and commission income, which accounted for 46.1% of net banking income at end-2017, while the net interest margin and other components of NBI fell by 1.3%.

General operating expenses increased by 1.1% to €2.296 billion (€2.272 billion in 2016), including a €6 million increase in the SRF contribution.

Net additions to/reversals from provisions for loan losses rose to €189 million from €164 million in 2016, with a collective provision of €15 million compared to a reversal (income) of €12 million in 2016. Net additions to/reversals from provisions for loan losses on an individual basis were slightly down at €174 million compared with €176 million at the end of 2016.

Income before tax stood at €1.231 billion, up 2.2% compared with €1.204 billion a year earlier.

Banking network

	2017	2016	Change 2017/2016
Net banking income	3,367	3,283	2.6%
Operating expenses	(2,153)	(2,130)	1.1%
Gross operating income	1,214	1,153	5.3%
Net additions to/reversals from provisions for	(181)	(153)	18.3%
Net gains/losses on assets and associates	(5)	4	n/a
Income before tax	1,028	1,004	2.4%
Net income attributable to owners of the	663	654	1.4%

The branch network has 5,043,856 customers (+1.9% from end-December 2016).

Customer deposits totaled €110 billion as of December 31, 2017. They rose by 4.8% thanks to an increase in current accounts (+15.0%), passbook accounts (+9.2%) and home savings (+7.4%).

Net outstanding customer loans grew by 5.1% to €117.5 billion as of December 31, 2017. Equipment loans rose by 8.7 % and home loans by 4.4%.

Savings reached €59.1 billion compared with €56.8 billion at end-December 2016, with an increase in securities held in custody (+13.1%), life insurance products (+2.1%) and employee savings plans (+9.2%).

Insurance continues to grow: The number of property and casualty insurance contracts taken out was 5,095,311 (a 6.4% increase in the portfolio).

Service activities rose by:

- 10.6% in remote banking with 2,472,881 contracts,
- 5.0% in telephone services (469,891 contracts),
- 8.0% in theft protection (98,670 contracts),
- 3.9% in electronic payment terminals (139,197 contracts).

Despite low interest rates, the branch network's net banking income rose by 2.6% to €3.367 billion (compared with €3.283 billion a year earlier), with a 1.0% decrease in the net interest margin and other components of NBI. Total commissions were up by 6.6%.

General operating expenses amounted to €2.153 billion (+1.1% compared with December 31, 2016).

At €181 million, net additions to/reversals from provisions for loan losses rose by €28 million, €27 million of which was due to changes in the collective provision.

Income before tax generated by the branch network grew by 2.4% to €1.028 billion from €1.004 billion in 2016.

Ancillary businesses to retail banking

These activities generated net banking income of €221 million in 2017 compared to €217 million a year earlier, and income before tax of €203 million compared to €200 million as of December 31, 2016.

Almost two-thirds of income before tax consists of the share of income from the Crédit Mutuel-CM11 Group's insurance business (€134 million), which in 2017 bore a charge related to the €28 million corporate surtax.

Corporate banking

	2017	2016	Change 2017/2016	2016 restated*	Change* 2017/201
Net banking income	354	353	0.3%	372	-4.8%
Operating expenses	(106)	(105)	1.0%	(104)	1.9%
Gross operating income	248	248	0.0%	268	-7.5%
Net additions to/reversals from provisions for	(19)	(22)	-13.6%	(22)	-13.6%
Income before tax	229	226	1.3%	246	-6.9%
Corporate income tax	(66)	(83)	-20.5%	(90)	-26.7%
Net income attributable to owners of the	163	143	14.0%	156	4.5%

* Reassignment in 2017 of the bank subsidiaries activity, previously classified under corporate banking, to holding company services

Net corporate banking customer loan outstandings were up by 4.3% to €16.4 billion.

Net banking income totaled €354 million, a 4.8% decline reflecting negative interest rates and a 6% decrease in commission income.

General operating expenses rose by 1.9% to €106 million and included a contribution to the SRF that was €2 million higher than that of the previous year.

Net additions to/reversals from provisions for loan losses stood at €19 million versus €22 million a year earlier, with a net reversal of collective provisions of €19 million compared to €15 million in 2016.

Income before tax stood at €229 million, down 6.9% from December 31, 2016.

Capital markets activities

	2017	2016	Change 2017/2016	2016 restated*	Change** 2017/2016
Net banking income	383	397	-3.5%	412	-7.0%
Operating expenses	(212)	(202)	5.0%	(195)	8.7%
Gross operating income	171	195	-12.3%	217	-21.2%
Net additions to/reversals from provisions for	8	3	Immaterial	3	Immaterial
Income before tax	179	198	-9.6%	220	-18.6%
Net income attributable to owners of the	105	126	-16.7%	142	-26.1%

** After reallocation in 2017 of the Group treasury activity, previously classified under capital markets, to holding company services Please refer to the methodology descriptions.

The capital markets division generated net banking income of €383 million, down 7% from 2016.

Most of the profit on commercial transactions is allocated to the income statement of the entities monitoring the clients, as is the case for the other ancillary network activities.

The 8.7% increase in operating expenses was due in part to a SRF contribution charged to this business line, which was more than €7 million higher than the previous year.

Income before tax amounted to €179 million versus €220 million the previous year.

Private banking

	2017	2016	Change 2017/2016	2016 restated***	Change*** 2017/2016
Net banking income	509	512	-0.6%	479	6.3%
Operating expenses	(354)	(367)	-3.5%	(333)	6.3%
Gross operating income	155	145	6.9%	146	6.2%
Net additions to/reversals from provisions for	(5)	(3)	Immaterial	(3)	Immaterial
Net gains/losses on assets and associates	4	7	Immaterial	7	Immaterial
Income before tax	154	149	3.4%	150	2.7%
Net profit/loss on discontinued activities	22	(22)	n/a	(23)	n/a
Net income attributable to owners of the	141	95	48.4%	95	48.4%

*** Restatement of the Singapore and Hong Kong private banking activity sold in 2017. Please refer to the methodology descriptions.

Private banking deposits were steady at €19 billion (-0.4% compared to December 31, 2016). Outstanding loans totaled €11.6 billion (+2.3%). Customer funds invested in savings products stood at €93.6 billion (+10.2%).

Net banking income was €509 billion, an increase of 6.3%. The net interest margin and other components of net banking income increased by 6.8% and commission income by 5.7%.

General operating expenses totaled €354 million (+6.3%).

Net additions to/reversals of provisions for loan losses totaled €5 million compared to €3 million the previous year.

Income before tax came to €154 million (€150 million in 2016, including a €10 million capital gain on the sale of a building), an increase of 2.7% before taking into account net profit on divested activities as of December 31, 2017, which was €22 million in 2017 (sale of the Singapore and Hong Kong private banking activities). In 2016, the loss on divested activities was €22 million (sale of Banque Pasche).

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. Income before tax of the CIC Private Banking branches was stable at €94.6 million (-0.7%).

Private equity

	2017	2016	Change 2017/2016	2016 restated	Change 2017/2016
Net banking income	259	195	32.8%	195	32.8%
Operating expenses	(47)	(46)	2.2%	(46)	2.2%
Gross operating income	212	149	42.3%	149	42.3%
Income before tax	212	149	42.3%	149	42.3%
Net income attributable to owners of the	213	149	43.0%	149	43.0%

The Group's proprietary invested assets totaled €2.3 billion, including €668 million invested in 2017 by all the entities of the private equity division since the beginning of the year. The portfolio consists of nearly 352 non-fund holdings, the vast majority of which are companies that are customers of the Group's networks. Funds managed for third parties totaled €205 million.

The private equity business performed well in 2017, reporting net banking income of €259 million as of December 31, 2017, compared with €195 million in 2016, and income before tax of €212 million, compared with €149 million a year earlier.

Headquarters and holding company services

	2017	2016	Change 2017/2016	2016 restated****	Change**** 2017/2016
Net banking income	(102)	28	n/a	(6)	n/a
Operating expenses	(88)	(79)	11.4%	(87)	1.1%
Gross operating income	(190)	(51)	n/a	(93)	n/a
Income before tax	(188)	(49)	n/a	(91)	n/a
Net profit/loss on discontinued activities		66	n/a	66	n/a
Net income attributable to owners of the	(208)	13	n/a	(16)	n/a

**** After reallocation of the bank subsidiaries and treasury activities to holding company services. Please refer to the methodology descriptions.

As of December 31, 2017, the net banking income of headquarters and holding company services consisted mainly of:

- €55 million to finance the cost of subordinated securities and Group treasury (-€37 million in 2016);
- €37 million to finance the network development plan (-€45 million in 2016);
- €21 million in provisions for the fine related to check image transfer fees.

The €98 million reduction in net banking income between 2016 restated and 2017 was mainly due to the allocation to 2016 net banking income 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.

General operating expenses rose from €87 million at end-2016 restated to €88 million as of December 31, 2017. Net additions to/reversals for loan losses posted income of €2 million compared with €1 million in 2016.

There was no gain or loss on non-current assets in 2017 compared with a €1 million net gain in 2016.

The result was a pre-tax loss of €188 million compared with a loss of €91 million at end-2016. The tax charge was €20 million after deduction of the surtax of €78.9 million.

Net loss attributable to owners of the company stood at €208 million compared with net income of €13 million in 2016 (after the reclassification of €66 million from the translation reserve due to the sale of Banque Pasche).

Methodology descriptions

1/ Breakdown of 2016 restated net banking income from retail banking.

Due to the restatement of 2016 entries for CM-CIC Bail previously assigned to the "holding company services" activity, the breakdown of the network subsidiaries' net banking income has changed, while the total amount of NBI remains unchanged.

Retail banking	2017	2016	2016 restatements	2016 restated	Change 2017/2016	Change 2017/2016*
Net banking income	3,588	3,500	0	3,500	2.5%	2.5%
Of which net interest margin	*1,859*	*1,913*	*(37)*	*1,876*	*-2.8%*	*-0.9%*
Of which commissions	*1,653*	*1,501*	*38*	*1,539*	*10.1%*	*7.4%*
Of which other components of net banking income	*76*	*86*	*-1*	*85*	*-11.6%*	*-10.6%*

*after restatement

2/ Restated 2016 results

Minor changes were made to segment reporting:

- starting at the beginning of 2017, the Group treasury activity (capital markets) was allocated to the "holding company services" activity;
- starting in the third quarter of 2017, the bank subsidiaries activity (corporate banking) was also allocated to the "holding company services" activity.

Restated results are therefore presented for the corporate banking and capital markets segments.

	2017	2016	Change 2017/2016	2016 restatements	2016 restated*	Change* 2017/2016
Net banking income	354	353	0.3%	(19)	372	-4.8%
Operating expenses	(106)	(105)	1.0%	(1)	(104)	1.9%
Gross operating income	248	248	0.0%	(20)	268	-7.5%
Net additions to/reversals from provisions	(19)	(22)	-13.6%		(22)	-13.6%
Income before tax	229	226	1.3%	(20)	246	-6.9%
Corporate income tax	(66)	(83)	-20.5%	7	(90)	-26.7%
Net income attributable to owners of the	163	143	14.0%	(13)	156	4.5%

* Reallocation in 2017 of the bank subsidiaries activity, previously classified under corporate banking, to holding company services

	2017	2016	Change 2017/2016	2016 restatements	2016 restated**	Change** 2017/201
Net banking income	383	397	-3.5%	(15)	412	-7.0%
Operating expenses	(212)	(202)	5.0%	(7)	(195)	8.7%
Gross operating income	171	195	-12.3%	(22)	217	-21.2%
Net additions to/reversals from provisions	8	3	Immaterial		3	Immaterial
Income before tax	179	198	-9.6%	(22)	220	-18.6%
Corporate income tax	(67)	(67)	0.0%	6	(73)	-8.2%
Net income attributable to owners of the	105	126	-16.7%	(16)	142	-26.1%

** After reallocation in 2017 of the Group treasury activity, previously classified under capital markets, to holding company services

3/ Changes at constant scope are calculated after offsetting, in 2016, the contribution of CIC's private banking activities in Hong Kong and Singapore following the change in the accounting classification method used for these activities at June 30, 2017. In fact, since the announcement of the sale of these activities by CIC to Indosuez Wealth Management, their contribution has been recognized in the financial statements on a line entitled "activities held for sale". The transaction was finalized on Saturday, December 2, 2017.

These items are detailed below under the different intermediary balances:

	2017 published	2016 published	Change 2017/2016 gross	2016 Chg. in scp. to be offset	2016 restated	Change 2017/2016 at constant
Net banking income	4,991	4,985	0.1%	33	4,952	0.8%
Operating expenses	(3,103)	(3,071)	1.0%	-34	(3,037)	2.2%
Gross operating income	1,888	1,914	-1.4%	-1	1,915	-1.4%
Net additions to/reversals from	(203)	(185)	9.7%	0	(185)	9.7%
Net gains/losses on assets and	132	148	-10.8%	0	148	-10.8%
Income before tax	1,817	1,877	-3.2%	-1	1,878	-3.2%
Corporate income tax	(551)	(560)	-1.6%	0	(560)	-1.6%
Net income from divested activities	22	44	-50.0%	1	43	-48.8%
Net income (loss)	1,288	1,361	-5.4%	0	1,361	-5.4%
Net income attributable to owners of	1,275	1,352	-5.7%	0	1,352	-5.7%

And for customer outstandings:

€ millions	2017	2016	2016 Chg. in scp. to be offset	2016 restated	Change 2017/2016 gross	Change 2017/2016 at constant
Loans and receivables due from	171,952	166,063	2,464	163,599	3.5%	5.1%
Due to customers	144,134	138,772	990	137,782	3.9%	4.6%
Funds invested and managed in savings products for customers of the operating activities	200,125	187,833	2,698	185,135	6.5%	8.1%

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

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	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
Hong Kong	
CIC Hong Kong (branch)	Corporate banking
Luxembourg	
Banque de Luxembourg	Private banking
Banque Transatlantique Luxembourg	Private banking
Cigogne Management	Capital markets
United Kingdom	
Banque Transatlantique Londres (branch)	Private banking
CIC Londres (branch)	Corporate banking
Singapore	
CIC Singapour (branch)	Corporate banking, capital markets
Switzerland	
Banque CIC (Switzerland)	Private banking

2017 : Data by country

€million exept Number of employees Country	Net banking income	Profit/loss before tax	Corporate income tax	Other taxes	Government subsidies	Number of employees
Germany	4	3	0	-1		4
Belgium	19	9	-3	-1		40
Spain	1	0	0	0		3
United States	102	69	-33	-9		87
France	4 354	1 564	-485	-721		18 379
Hong-Kong	4	1	0	0		7
Luxembourg	291	101	-15	-24		826
United Kingdom	43	19	-6	-5		62
Singapore	58	25	-4	0		243
Switzerland	115	26	-5	-10		322
Total	**4 991**	**1 817**	**-551**	**-771**		**19 973**

Banque Européenne du Crédit Mutuel

BECM is a network bank serving the Corporate and Real Estate Professionals markets. Its human-scale, largely decentralized structure means it is within easy reach of customers and can provide quick decisions. It operates both in France and Germany

and covers the following markets and areas of activity:

- Small and medium-sized enterprises (SMEs) to large and mid-sized corporates,
- Financing for real estate developers and property 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 tandem with the CIC regional banks and on a subsidiarity basis relative to the CM11 Crédit Mutuel regional banking network, with thresholds for intervention adapted to each region.

BECM offers its business customers advanced technical expertise in investment financing and services to support their strategy Its Relationship Managers provide solid expertise to their clients, combined with the skills offered by the teams of the various Crédit Mutuel-CM11 Group subsidiaries.

For large operators in the real estate market, BECM focuses and synthesizes the Crédit Mutuel-CM11 Group's know-how in coordination with the Group's retail banking networks and real estate subsidiaries.
It acts on the real estate market as a partner of real estate companies and developers.

BECM also works with large German companies, including those with activities in France, and with the German subsidiaries of French groups. It provides its knowledge of the local German markets and provides assistance and know-how to corporate clients. The teams based in Frankfurt, Düsseldorf, Stuttgart, Hamburg and Munich design personalized solutions tailored to the needs of German customers.

BECM has a workforce of 408 people and a network of:

- 38 Corporate branches, seven of which are located in Germany
- 11 Real Estate Developer and Investor branches
- Two Property branches, including one in Germany.

Measured in terms of monthly average capital at end-December 2017 across the BECM scope, balance sheet lending grew by 11.8% to €14 billion. Deposits fell by 5.1% to €12.2 billion. The loans-to-deposits ratio was 114.4% as of December 31, 2017 compared with 97.1% at end-2016.

Net banking income from recurring activities increased by 9.1% to €290.7 million. The financial margin was positively impacted by the increase in customer loan volumes and the decrease in interest rates on deposits.

Gross operating income rose by 11.3% to €199.2 million, with the cost/income ratio remaining at the low level of 31.5%.

Recurring income before tax rose by 1.0% to €158.7 million and included net additions to/reversals from provisions for loan losses representing 0.30% of gross customer loans in terms of annual average capital.

CIC Iberbanco

With 176 employees working at 37 branches in France, CIC Iberbanco attracted more than 9,200 new customers in 2017, thereby increasing its customer portfolio by 8.2% to 53,600.

Deposits rose by 13.3% to €683 million. Outstanding loans grew by 18% to €913 million.

Property and casualty insurance (20% increase in the total number of policies to 45,700 at end-2017) and telephone services (13% increase in the number of subscribers to 6,130 at end-2017) posted very significant growth.

This strong sales growth demonstrates the relevance of the bank's targeted affinity model; net banking income totaled €30.7 million in 2017 and net income stood at €4.5 million.

CIC Iberbanco continued to implement its development plan with the opening of three new branches: Sainte-Geneviève-des-Bois, Le Raincy and Montesson. Three additional branches in Aix-en-Provence, Lyon and Sucy-en-Brie are planned for 2018.

Targobank in Germany

In the retail market, Targobank continued and reemphasized the initiatives undertaken in January 2016 as part of its "Targobank 2020" medium-term plan.

The bank's share in the consumer credit market, which fell by 5% between 2013 and 2015, continued to grow. After increasing by 5% in 2016, it grew by 4% in 2017, confirming the robust momentum that has been built.

The total amount of new lending (excluding vendor credit), which was €2.8 billion in 2015 and had already grown by 24% to €3.4 billion in 2016, increased by a further 18% in 2017, passing the €4 billion mark for the first time.

As a result, outstanding loans were up by more than €1.2 billion from the end of 2016, reaching €13.4 billion as of December 31, 2017.

Growth in loans issued online and by phone was particularly strong: the distance selling channels increased by 47% and now represent one-fourth of new lending.

That said, sales of new loans by the physical channels (branches and mobile advisers) also remained strong, increasing by 8%.

New auto loans sold online and through a network of partner dealers stood at €400 million, a 39% increase over 2016.

Customer deposits also grew by nearly €1.5 billion compared to the end of 2016, reaching €14.6 billion as of December 31, 2017.

Favorable market conditions and the growing success of the "Plus-Depot" offering launched in 2016 contributed to a €787 million increase in financial savings, which totaled €11.3 billion at the end of the year.

Income before tax under IFRS was €451.3 million, up 2.4% compared to pro forma net income for the 2016 financial year.

Pro forma net banking income was up by 1.7%, boosted by the increase in outstanding loans.

Expenses were down by 2.7%, mainly due to the end of depreciation of the EBS information system launched in 2009 and to the productivity gains made by the bank, which helped offset the costs related to higher volumes, inflation and wage increases.

In the corporate market, the range of products designed for business customers was enhanced in mid-October 2017 with the launch of the product line developed for microenterprises and SMEs. Sold by ten branches in a first phase, the line will gradually be rolled out across the network in 2018.

In addition, the transfer to Targobank of GE Capital's German factoring and leasing businesses acquired by the Crédit Mutuel Group in 2016 was finalized in the summer of 2017. These businesses, which had already been managed operationally by the Targobank teams since July 20, 2016, were migrated to the Group's computer systems in the last quarter of 2017.

The sales activity of these businesses benefited from the first concrete synergies with Targobank, particularly in terms of refinancing. New leasing contracts rose by 20% compared to 2016 while new factoring contracts increased by 6%. However, this increase was offset by a decrease in new business generated by the Commerzfactoring teams (-8%), which was affected by the ongoing restructuring at Commerzbank.

Net income from the bank's "corporate" activities totaled €41.3 million before tax (€36.3 million from factoring and €5 million from leasing), despite migration costs estimated at €3.3 million.

Factoring business earnings were hit by the drop in the net interest margin. However, the leasing business benefited from resale values in excess of the recognized residual values and lower-than-expected payroll costs and net additions to/reversals from provisions for loan losses.

Consolidated income before tax under IFRS from Targobank activities totaled €493 million in 2017.

Targobank in Spain

An all-purpose bank wholly owned by BFCM, Targobank Spain has 132 branches located in Spain's main centers of economic activity and close to 121,000 customers, mainly individuals. Gross customer loans increased significantly to €2.35 billion at end-2017 and customer deposits totaled nearly €2 billion, down 2.8% over one year.

In 2017, BFCM acquired full control of Targobank Spain (from 51% to 100% of the share capital), an operation that included a €150 million capital increase. This change in governance follows the change in management that took place in 2016.

The sales efforts at the branches resulted in an increase in the number of real, active customers and an improvement in data quality. In addition, 2017 was the first transition year in the specialization of the sales network (Retail, Corporates and Large Corporates), the benefits of which are expected in the second half of 2018 once implementation is complete.

The work related to adjusting the provisions in the first half of the year, in line with the previous year's efforts, had a major impact but resulted in a significant improvement in the coverage rate. It was the main reason for the loss during the year, which nevertheless saw an increase in sales activity. The first-half income statement showed a loss of €61 million as of June 30, 2017 (impact of the adjustment of provisions), which stabilized to end the year with a loss of €-67.8 million.

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 11% compared with 2016, with a significant increase both in France and internationally and substantial growth in Spain, Portugal, Italy and Central Europe.

The Cofidis Group’s outstanding customer loans totaled €12.47 billion at the end of 2017.

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 continued to develop in 2017, in particular by accompanying the growth of the Cdiscount banner through sales financing.

CM-CIC Asset Management SA

CM-CIC Asset Management (CM-CIC AM) is the Crédit Mutuel-CM11 Group's asset management specialist and was the fifth largest asset management company in the French market as of December 31, 2017 (source: Six Financial Information France). CM-CIC AM continued to grow in 2017 in an environment that varied depending on the assets sold by its various distribution networks (Crédit Mutuel-CM11, CIC, CM Laco, CMO, CMAG, Targobank, BECM, internal and external private banks, institutions and corporates, etc.).

As of December 31, 2017, CM-CIC AM had €63 billion in assets under management, which represents a 7.46% market share among asset management companies that are subsidiaries of banks. It had €252.3 million in revenue, a sharp increase (9%) over 2016.

In addition to this, the managed assets of its subsidiary, the CM-CIC Gestion portfolio company, rose by nearly 13% to €11.7 billion. Its activities generated more than €100 million in net banking income for the Group in 2017 and more than €80 million in commissions to the distribution networks.

CM-CIC AM paid total commission of nearly €195 million to Group entities (up 13.66% compared to 2016 net income plus fees and commissions paid to the CM and CIC networks).

CM-CIC AM's bond management and sales department focused on innovation in 2017, launching the CM-CIC Green Bonds fund. This fund provides the opportunity to invest in selected bonds based on strict specifications including external expertise from an independent body. As such, it meets the standards of the French government's Energy and Ecological Transition certification (*Transition Energétique et Ecologique pour le Climat* or TEEC). The objective is to support companies that invest in projects with environmental benefits in order to provide a tailored response to financing energy and ecological transition.

In terms of equity mutual funds, CM-CIC Asset Management's performance was in line with the stock market. The relative portion of the equity mutual fund assets has increased to nearly €7.6 billion. The CM-CIC Europe Growth fund stood out in particular, with a rise in assets under management of more than €391 million to nearly €1 billion (€992 million). The range of theme-based funds grew in 2017 with the creation of CM-CIC Entrepreneurs Europe and the International CM-CIC Global Dividend fund.

In the face of the growing success of diversified management and the recognition of the fund managers' award-winning expertise (see inset), a dedicated desk was set up for theme-based funds, covering both profiled, flexible multi-management and employee savings. To address the major issue of transferring the ACM euro funds to unit-linked policies, the flexible fund called Flexigestion Patrimoine was authorized for the "pack UC" discretionary management solution with the creation of Pack Flexi 50. The fund's assets under management tripled as a result, with inflows of nearly €600 million resulting in total assets of €772 million as of December 31 (including €35 million in pack UC assets). CM-CIC AM's flexible range also broke the barrier of €1.250 billion in assets under management.

In addition, several successive formula-based fund campaigns were launched, generating an overall inflow of more than €650 million, compared with maturities of €250 million. In 2017, CM-CIC Asset Management endeavored to help the networks plan for the future and take advantage of opportunities. Accordingly, a so-called "cushion" fund (CM-CIC Protective 85) was created for individuals investing in life insurance as well as institutional investors.

Under invitations to tender, a total of €2.3 billion was collected in 2016. CM-CIC AM is the single point of entry for the Group in terms of invitations to tender for asset management on behalf of third parties and works in full synergy with all Group entities.

In 2017, international development continued with the marketing of the two CM-CIC Protective 90 and CM-CIC Europe Growth funds through Targobank Germany.

Preparations were made during the year for the introduction of MiFID 2 from January 3, 2018.

Lastly, CM-CIC AM continued to develop its role as a mutual fund accounting services provider. Its activity further increased with the valuation of 426 external portfolios for 80 asset management companies out of a total of 1,167 portfolios and total assets valued in excess of €86 billion.

Confronted with a new regulatory environment and in order to turn these constraints into opportunities, the management's priority objective is to adapt, which means that agility, expertise, simplicity and local networks are the challenges of 2018.

Crédit Mutuel-CIC Home Loan SFH:

In 2017, Crédit Mutuel-CIC Home Loan SFH carried out two public issues totaling €2 billion and accounting for around 13% of the Crédit Mutuel-CM11 Group's medium- and long-term refinancing needs:

- €750 million in an eight-year issue (February)
- €1,250 million in a 10-year issue (September).

Apart from a period of tension related to the French elections in the first six months, 2017 was generally a very good year for issuers thanks to the continuation of the highly accommodative policy pursued by the European Central Bank (ECB).

In 2018, our company will continue to make a useful contribution to the Group's market refinancing, probably in a context of monetary policy normalization by the major central banks.

CM-CIC Lease SA:

During the past year, CM-CIC Lease recorded 303 financing agreements - a 5% increase in the number of new real estate leasing arrangements compared to the previous year. These transactions represented sole financing or participation in pools for a total of €617 million, a slight reduction (2%) from 2016. This new business brings total real estate lease outstandings to around €4.5 billion, an increase of 2.5%

The business was well balanced, with the average value per lease remaining steady, and with new leases involving a diverse range of building types across France. As in the previous year, logistics sites accounted for the largest proportion of project financing (25.2% of new business) despite a relative decline (-3.3 points). Commercial properties of all types saw a slight increase (22.2% of new business, up 2.3 points). Investments in office buildings and industrial sites accounted for 15.8% (+0.6 points) and 14.2% (-1.1 points) of new business, respectively.

The fairly similar distribution of new business over the past three years is gradually helping to balance the main existing leases by property type. The proportion of logistics sites and warehouses rose slightly (+0.7 points) to 20.8% of the volume of outstandings, commercial properties accounted for 23.4% (-0.3 points) and industrial sites 21.2% (-0.5 points). The remaining existing leases covered a range of sectors, including office buildings (15.3%), healthcare facilities (8%), hotels (9.2%) and other facilities (2.1%).

Net interest income from customers rose by 4.5% in 2017. The delivery of a real estate lease financing offers app for the Networks which will be gradually rolled out over the coming year and various other developments contributed to the 3% increase in general operating expenses excluding new tax and regulatory charges and international costs. Commissions paid to the Crédit Mutuel-CM11 Group networks totaled €21.2 million, up 5.3%. Net additions to/reversals from provisions for loan losses remained low and net income increased sharply to €14.4 million.

Banque de Luxembourg:

Banque de Luxembourg is a leading bank in the Luxembourg financial marketplace. It concentrates its activity on five business lines, namely private banking, asset management, lending, business support and services for asset management professionals. It continued to develop in Luxembourg, and in Belgium where it opened a branch in 2010.

Private banking assets totaled €22.2 billion. It offers integrated lines of services for customers with 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.) solutions. In addition, the bank assists customers in matters related to family governance or in setting up philanthropic projects.

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.

Banking services for professionals grew in 2017, with a 16.4% increase in total assets to €60.1 billion, including €52.5 billion in net assets for investment funds and €7.6 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 2017, its net banking income was €248.8 million (down 1.0%) and its net income stood at €63.4 million (up 0.4%)

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.

The equipment lease financing market for businesses and professionals continued to grow in 2017. The company financed €849 million worth of equipment over the year, an annual rise of 9%. This growth, which outpaced that of the market, was achieved across most types of equipment. Leasing outstandings continue to grow and while most of them consist of office and computer equipment financing, the share of the building and public works, materials handling and transport markets is growing.

Despite the low interest rate environment, the company has managed to contain the decline in net banking income since the acquisition.

General operating expenses and net additions to/reversals of provisions for loan losses are decreasing. The decline in the latter is driven by a favorable environment but has also benefited from portfolio monitoring measures introduced in previous years.

Net income amounted to more than €36 million in 2017, compared with €6 million in the last five months of 2016. In particular, the company benefited from the recognition of deferred tax of €17 million.

Finally, the process of integration into the Crédit Mutuel Group environment stepped up considerably in 2017 and is expected to be completed in the first half of 2018.

CM-CIC Factor – Factofrance - Cofacrédit

Factoring in France is 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, 2017, the new group represents more than 20% of the French market with:

- approximately €68 billion in purchased receivables (€66.4 billion in 2016, up 2.4%);
- €14 billion in export revenues (€13.3 billion in 2016, up 4.7%);
- gross outstandings at year-end of €11.7 billion (up 14.3% compared with end-December 2016).

The contribution of CM-CIC Factor, Factofrance and Cofacrédit to consolidated net income was €28.2 million.

Insurance sector

Groupe des Assurances du Crédit Mutuel – GACM – SA:

Crédit Mutuel created and developed "*bancassurance*" (banking and insurance services) 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.

The Crédit Mutuel-CM11 Group's insurance business serves 10.7 million holders (+3.5%) of 29.6 million policies.

GACM's total revenue of €10.2 billion reflects the high volume of sales of property and casualty insurance policies and the successful repositioning in life insurance.

The 5.2% decrease in total premium income compared to 2016 obscures the fact that property and casualty insurance premiums rose by 5.2% (€4.6 billion in revenue), a much higher rate than the market.

Gross premium income from life insurance and insurance-based savings products was €5.5 billion, down 12.6% (-1.8% for the market) compared to 2016. This decline resulted from the strategy adopted by GACM to limit inflows in euros given the current environment of persistently low interest rates. The shift toward more unit-linked (UL) policies puts inflows on an even keel with the market. At 25.9% in 2017, i.e. more than double 2016, the share of unit-linked policies is now comparable to the market (27.9%).

Although down significantly, net premium income remained positive.

Premium income from property insurance rose by 5.6% (2.4% for the market) to €1.9 billion as a result of a record number of new policies and a downward trend in cancellation rates. The auto and homeowners portfolios grew by 6.0% and 4.6%, respectively.

The product line aimed at business customers continued to be enhanced and improved in order to help the network offer insurance to a wider customer base. The property insurance and group health insurance portfolios continued to grow at a steady pace, reflecting the network's successful efforts to capture this market.

Premium income from personal insurance was €2.7 billion, up 4.9% (4.5% for the market).

Following the rollout in 2016 of the ANI (Accord National Interprofessionnel - national multi-sector agreement), the individual health insurance portfolio grew by 1.9%. The particularly high cancellation rates in 2016 returned to more typical levels. Nevertheless, in a regulatory and market context that has changed significantly in recent years, a new health strategy is crucial to ensure continued growth in this market. A redesigned offering and a new sales support tool for the network will be introduced in the first half of 2018.

In personal protection insurance, 2017 marked the launch of various sales campaigns and the introduction of a dramatically improved sales tool to support the new accident insurance policy. New business increased by more than 23%, enabling the portfolio to grow by nearly 10%.

This significant growth was achieved without a decrease in underwriting income, which continued to rise, resulting in a significant increase in operating income.

In life insurance, the interest rates offered were stable relative to 2016. The Provision for Dividends to Policyholders, set up in response to persistently low interest rates, received an additional allocation of €0.8 billion in 2017.

The contribution of insurance to the Crédit Mutuel-CM11 Group's results was €742 million, a slight increase of 1.3% compared with 2016. GACM’s net income was €754 million (+1.4%). This income takes into account additional provisions for borrower’s insurance as a result of the annual cancellation that is now possible and the extraordinary corporation tax due for accounts closed as of December 31, 2017.

Commission payments to the distribution networks also rose substantially (+6.5%) to €1.3 billion. Over the last 10 years, the commissions generated by the insurance business have doubled.

Internationally, the Spanish market is GACM’s second largest market and accounted for 4% of insurance premium income (€405 million in premiums written, up 2.8%).

In Belgium, 2017 was marked by the launch of new auto and homeowners products in the Partners network in July 2017. At the end of October, these products were also rolled out at approximately 100 points of sale in the branch network of Beobank, the Belgian subsidiary of Crédit Mutuel Nord Europe (CMNE). At end-December, more than 1,600 policies had already been underwritten in this network.

As of December 31, 2017, GACM’s shareholders’ equity was €10.2 billion, up 5% compared with 2016. 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.

For all the areas of activity, GACM continuously improves its products and services to meet policyholders' growing requirements. Many services are now available on smartphone and online, such as auto and homeowners quotes and insurance claims.

Through a strategy based on the reassertion of its fundamentals, namely long-term customer support, GACM is underscoring the role of insurance as a commitment and a promise. To meet the challenges of the insurance market, offering a unique, high-quality customer experience is essential for attracting and retaining policyholders.

Real estate sector

CM-CIC IMMOBILIER SAS:

The real estate subsidiary is organized around the following activities: CM-CIC Agence Immobilière (AFEDIM) sells new housing units across France. CM-CIC Gestion Immobilière is responsible for managing new housing units purchased by investors. CM-CIC Aménagement Foncier develops and markets building plots. ATARAXIA Promotion builds real estate development programs and CM-CIC Réalisations Immobilières (SOFEDIM) undertakes co-development projects Finally, CM-CIC Participations Immobilières participates in financing rounds related to real estate development transactions.

2017 key figures:

Number of employees: 187 employees (168 in 2016) excluding seconded staff.

Total net housing unit reservations: 10,153 units (9,106 units in 2016):

- CM-CIC Agence Immobilière: 9,904 units (of which, 349 units by Ataraxia Promotion and 104 units by CM-CIC Réalisations Immobilières) (8,804 in 2016), a 13% increase compared with 2016 (+1,100 units),

- Ataraxia Promotion: 518 units (of which, 349 reserved by CM-CIC Agence Immobilière) (403 in 2016)

- CM CIC Réalisations Immobilières: 184 units (of which, 104 reserved by CM-CIC Agence Immobilière) (202 in 2016)

Net building lot reservations: 1,065 lots (versus 1,125 gross lots in 2016)

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 €96.6 million in 2017, 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 of the 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 CM-CIC business centers. In 2017, just over 627,000 man-days were devoted to upgrades and maintenance on the common IT system.

Euro-Information Telecom:

For the telecommunications sector, 2017 saw a continuation of the price war in both mobile and fixed offerings. The expansion of 4G coverage among all operators is encouraging the development of high data plans that include 50 to 100 GB for €20.

In this context, Euro-Information Telecom is pursuing the expansion of its model, which involves mobile service offerings that combine very high data allowances (100 GB) with some of the lowest access prices in the market. This strategy involves 2G/3G/4G sourcing through the three infrastructure operators that guarantee the best access conditions. In 2017, Euro-Information Telecom experienced increased sales across all three segments of the telecoms market: consumers, enterprise and wholesale.

Most of the direct retail distribution is done via the banking network (B2C and B2B) as well as through telecoms wholesalers and online. EIT is also continuing its white label policy with distribution networks (Auchan and also Cdiscount mobile) and is developing indirect selling with PIN operators wanting to provide 4P services to their customers. Finally, EIT distributes its services via a wholesale access offering for large accounts, consumer MVNOs and especially enterprise MVNOs (particularly fixed integrators wanting to develop a convergent mobile offering).

Euro-Information Telecom achieved positive net customer growth of around 100,000 new customers for a total customer base of 1,667,000 as of December 31, 2017, in a market where the churn rate is still very high. It ended 2017 with the highest figures in its history: revenues of €467 million (up 7% vs 2016) and net income of €34 million (up 113% vs 2016).

Despite the tougher competitive, tax and regulatory conditions which dragged significantly on margins, EIT managed to increase its profitability by improving its cost structure, in particular by optimizing its purchasing costs with network operators. At the end of 2017, Euro-Information Telecom maintained and consolidated its position as France's leading MVNO. In addition, EIT, the only full MVNO to be connected to the three main network operators (Orange, SFR and Bouygues Telecom), signed a high-speed fixed access agreement with SFR in 2017. This offering will be gradually rolled out from late 2018 and marks an important step in the operator's development, which is part of a strategy of global fixed and mobile telecoms services.

Euro Protection Surveillance:

EPS continued to expand in 2017 and now has 446,434 subscribers (up 7.6%). EPS thus confirmed its leadership in residential remote surveillance in France with a 31% share of the market (Source: Atlas de la Sécurité 2017/Internal data).

The Lyf Pay electronic wallet

In the electronic wallet sector, the Group approved the merger of its application, Fivory, with that of BNP Paribas, Wa !, to create a new brand called Lyf Pay. This new app, which became available on May 18, was developed with merchants for consumers. Lyf Pay covers an extremely broad set of needs: in-store payments (from small local shops to large retail chains, including a rollout in Auchan hypermarkets in 2017), online shopping, person-to-person payments and even charitable donations. By integrating payment cards, loyalty cards and coupons and displaying news flashes from users' favorite shops alerting them to available special offers and providing information on their expenditure, the Lyf Pay electronic wallet creates a close relationship with the consumers it serves.

The app was downloaded 273,600 times in 2017 and has a total of 156,000 registered users including 50,000 active users per month.

Communications sector

As 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.

Trends and outlook

Building on its strengths and expertise needed to adapt to rapid changes in its businesses and rapidly evolving technologies, in 2018, BFCM focused on combining growth, efficiency and risk management. It owes its success to its strong capacity to innovate, its adaptability, a firm commitment to customer service, regular training of its employees and the strength of its cutting-edge technology: a winning combination that allows it to take both an online and in-person approach to customer relations.

Through its economic performance and commitment to society, BFCM is both a responsible bank dedicated to serving people and a bank ready to meet the challenges of tomorrow.

Resolutions of the Ordinary Shareholders' Meeting of May 4, 2018

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 2017 as presented, which show a net loss of €162,400,325.59.

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.

Second resolution

The Shareholders' Meeting resolves to appropriate the net loss for the year totaling €162,400,325.59, plus the positive retained earnings from the previous year totaling €69,711.34, i.e. a total of €162,330,614.25, which will be deducted from the optional reserve.

The Shareholders' Meeting resolves to distribute a dividend of €81,049,416 (i.e. a unit amount of €2.40 per share) by drawing on the optional reserve.

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:

	2014	**2015**	**2016**
Amount in €	4.15	4.15	3.85
Dividend eligible for the deduction provided for in Article 158 of the French Tax Code (*Code Général des Impôts* – CGI)	Yes	Yes	Yes

Third resolution

The Shareholders' Meeting approves the BFCM consolidated financial statements for the year ended December 31, 2017 as presented by the Board of Directors.

Fourth resolution

Pursuant to Article L. 511-73 of the French Monetary and Financial Code (*Code Monétaire et Financier*) and Articles L. 225-37-2 and L. 225-100 of the French Commercial Code (*Code de Commerce*), 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 corporate officers, effective managers and the categories of employees referred to in Article L. 511-71 of the French Monetary and Financial Code.

Fifth resolution

The Shareholders' Meeting, having read the Board of Directors' report to the Shareholders' Meeting, approves the elements of compensation paid or awarded to Mr. Nicolas Thery, for the previous financial year.

Sixth resolution

The Shareholders' Meeting, having read the Board of Directors' report to the Shareholders' Meeting, approves the principles and criteria used to determine, allocate and award elements of compensation to Mr. Nicolas Thery, for that financial year.

Seventh resolution

The Shareholders' Meeting, having read the Board of Directors' report to the Shareholders' Meeting, approves the elements of compensation paid or awarded to Mr. Alain Fradin, from January 1 to May 31, 2017.

Eighth resolution

The Shareholders' Meeting, having read the Board of Directors' report to the Shareholders' Meeting, approves the elements of compensation paid or awarded to Mr. Daniel Baal, from June 1 to December 31, 2017.

Ninth resolution

The Shareholders' Meeting, having read the Board of Directors' report to the Shareholders' Meeting, approves the principles and criteria used to determine, allocate and award elements of remuneration to Mr. Daniel Baal, for that financial year.

Tenth resolution

The Shareholders' Meeting renews the appointment of Mr. Gérard Bontoux 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 2020 financial statements.

Eleventh resolution

The Shareholders' Meeting renews the appointment of Mr. Maurice Corgini 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 2020 financial statements.

Twelfth resolution

The Shareholders' Meeting renews the appointment of Mr. Jean-Louis Boisson 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 2020 financial statements.

Thirteenth resolution

The Shareholders' Meeting renews the appointment of Mr. Alain Têtedoie 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 2020 financial statements.

Fourteenth resolution

The Shareholders' Meeting renews the appointment of Mr. Jacques Humbert 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 2020 financial statements.

Fifteenth resolution

The Shareholders' Meeting renews the appointment of Mr. Lucien Miara 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 2020 financial statements.

Sixteenth resolution

The Shareholders' Meeting renews the appointment of Mr. Daniel Rocipon 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 2020 financial statements.

Seventeenth resolution

The Shareholders' Meeting renews the appointment of a member of the Board of Directors of Caisse Fédérale du Crédit Mutuel Maine-Anjou – Basse-Normandie represented by its Chairman, Mr. Daniel Leroyer, 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 2020 financial statements.

VIII.2 - Statutory Auditors' report on regulated party agreements and commitments

PricewaterhouseCoopers France
63, rue de Villiers
92208 Neuilly-sur-Seine Cedex
S.A.R.L. au capital de € 86.000

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

ERNST & YOUNG et Autres
Tour First
TSA 14444
92037 Paris-La Défense Cedex
S.A.S. à capital variable
438 476 913 R.C.S. Nanterre

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

Banque Fédérative du Crédit Mutuel

BFCM

Annual General Meeting held to approve the financial statements for the year ended December 31, 2017

Statutory auditors' report
on related party agreements and commitments

To the Shareholders,

In our capacity as statutory auditors of your Company, we hereby present to you our report on related party agreements and commitments.

We are required to inform you, on the basis of the information provided to us, of the terms and conditions of those agreements and commitments indicated to us, or that we may have identified in the performance of our engagement, as well as the reasons justifying why they benefit the Company. We are not required to give our opinion as to whether they are beneficial or appropriate or to ascertain the existence of other agreements and commitments. It is your responsibility, in accordance with Article R. 225-31 of the French Commercial Code *(Code de commerce)*, to assess the relevance of these agreements and commitments prior to their approval.

We are also required, where applicable, to inform you in accordance with Article R. 225-31 of the French Commercial Code *(Code de commerce)* of the continuation of the implementation, during the year ended December 31, 2017, of the agreements and commitments previously approved by the Annual General Meeting.

We performed those procedures which we deemed necessary in compliance with professional guidance issued by the French Institute of Statutory Auditors *(Compagnie nationale des commissaires aux comptes)* relating to this type of engagement. These procedures consisted in verifying the consistency of the information provided to us with the relevant source documents.

Agreements and commitments submitted for approval to the Annual General Meeting

In accordance with Article L. 225-40 of the French Commercial Code *(Code de commerce)*, we have been notified of the following related party agreements and commitments which received prior authorization from your Board of Directors.

With Mr. Daniel Baal, Chief Executive Officer of your company

Nature, purpose and conditions

On April 6, 2017, following a favorable opinion from the Remuneration committee, the Board of Directors decided to appoint Mr. Daniel Baal as Chief Executive Officer and Executive Director, effective June 1st, 2017.

Besides, the Board of Directors' meeting on April 6, 2017 has decided to set a termination indemnity equivalent to one year gross annual salary, subject to achievement of the performance condition set by the Remuneration Committee.

As a corporate officer, Daniel Baal is also covered by a supplementary pension plan for which the contributions paid to the insurance company amounted to €9,143.27 in 2017 and a complementary pension plan under the same conditions applicable to all Group employees for which the contributions paid amounted to €24,282.02 in 2017.

Reasons justifying why the Company benefits from this agreement

Your Board of Directors gave the following reasons:

- The decision of the Board of Directors follows the favorable opinion of the remuneration committee held on April 5, 2017, and who reviewed the remuneration and termination indemnity of Mr. Daniel Baal's terms of office, the paym ent of which remains conditioned a clause to increase consolidated total Group's IFRS own funds for the period fro m January 1, 2017 to term of office;
- The decision of the Board of Directors follows the appointment for Daniel Baal as Chief Executive Officer and who se employment contract will be suspended for the duration of his term of office.

Agreements and commitments previously approved by the Annual General Meeting

In accordance with Article R. 225-30 of the French Commercial Code *(Code de commerce)*, we have been notified that the implementation of the following agreements and commitments, which were approved by the Annual General Meeting in prior years, continued during the year ended December 31, 2017.

With Mr. Nicolas Théry, Chairman of the Board of Directors of your company

Nature, purpose and conditions

The Board of Directors' meeting on February 26, 2015 has decided the authorization of a termination indemnity for Nicolas Théry, calculated based on the average of the last 12 months preceding the end of his term of office. The termination indemnity payment is subject to achievement of a performance relative to the increase of the consolidated total Group's IFRS own funds from the period to January 1, 2015 to the termination of his office. This indemnity above shall be without prejudice to that which he may perceive as employee in application, in particular, of the conventional disposition in force in the Group.

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 €15,691.32 in 2017.

As a corporate officer, Nicolas Théry is also covered by a complementary 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 €26,640.84 in 2017.

With Mr. Alain Fradin, Chief Executive Officer of your company until June 1st, 2017

Nature, purpose and conditions

On May 11, 2011, following a favorable opinion from the Remuneration Committee, the Board of Directors decided to set a termination indemnity equivalent to one year gross salary, based upon the average of the last 12 months preceding the end of his term of office. The termination indemnity payment was subject to the achievement of the following performance: the increase of the consolidated total Group's IFRS own funds by € 800 million per year from the period to May 11, 2011 to the termination of his office, excluding contributions, capital reductions, accounting effects due to the adhesion of new Crédit Mutuel federations after January 1, 2011, also excluding any change in the "recyclable" reserves (changes in the fair value of financial instruments trough shareholder's equity, etc.). Under this term of office, the indemnity above shall be without prejudice to that which he may perceive as employee in application, in particular, of the conventional disposition in force in the Group.

On April 6, 2017, given the end of the term of office of Alain Fradin and the achievement of the aforementioned conditions, the Board of Directors decided to proceed to the payment of the indemnity decided by the Board of Directors' meeting on May 11, 2011, which amounts to € 800.000.

Neuilly-sur-Seine Cedex and Paris-La Défense, 19 avril 2018

The Statutory Auditors
French original signed by

Pricewaterhouse Coopers France	ERNST & YOUNG et Autres
Jacques Lévi	Hassan Baaj

VIII.3 - Sundry 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 Banque Fédérative du Crédit Mutuel may be consulted at the company's registered office at 34 rue du Wacken, 67000 Strasbourg, France. ☏ +33 (0)3 88 14 88 14

VIII.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, Caisse Fédérale de Crédit Mutuel 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 said 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

<u>Shareholding structure:</u>

<u>Conditions for admission of shareholders (extract from Article 10 of BFCM's bylaws)</u>

The only shareholders of the company shall be:

1. Fédération du Crédit Mutuel du Centre Est Europe, Caisse Fédérale de Crédit Mutuel and the "Assurances du Crédit Mutuel - Vie" mutual insurance company;
2. the Crédit Mutuel local cooperative banks 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 banks 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 banks.
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 Caisse Fédérale de Crédit Mutuel.

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

Banque Fédérative du Crédit Mutuel's shares are not quoted or traded on any market.

Dividends

Changes in earnings and dividends:

	2013	**2014**	**2015**	**2016**	**2017**
Number of shares as of December 31	26,585,134	31,467,593	33,770,590	33,770,590	33,770,590
Net income (€ per share)	11.72	11.79	10.15	7.97	-4.81
Gross dividend (€ per share)	4.90	4.15	4.15	3.85	2.40*

*by drawing on the optional reserve

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 the registration document which is not taken from the issuer's audited financial statements

Financial information contained in the registration document which is not taken from the issuer's audited financial statements includes the following points extracted from the following sections:

Presentation of Crédit Mutuel CM11 Group and BFCM Group
Crédit Mutuel-CM11 Group's organization and business lines (I.3)
Financial information about BFCM Group - Risk report
Interbank loans (V.2.3)
Interest-rate risk management (V.2.3)
Risk management – capital markets (V.2.3)

The European solvency ratio (ESR) (V.2.3)
Operational risk (V.2.3)

VIII.3.11 - Date of the latest financial information

The date of BFCM's latest reported financial information is December 31, 2017.

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 22, 2018 of the financial statements for the year ended December 31, 2017. 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

In the case involving check image transfer fees, the French competition authorities appealed the decision of the Paris Court of Appeal of February 2012 canceling the fines levied by it against the banks on September 20, 2010. Following the ruling of April 14, 2015, the Cour de Cassation (highest court of appeal), without reviewing the legal arguments of the banks, reversed the Court of Appeal's decision on procedural grounds, namely that after having rejected the arguments of the competition 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, which delivered its ruling on December 21, 2017, upholding the competition authorities' decision of 2010.

There are no other government, judicial or arbitration proceedings, of which the company is aware, and that could have material impacts on the company's liquidity or solvency.

IX. ADDITIONAL INFORMATION

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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 Crédit Mutuel 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. Alexandre Saada

Deputy Chief Operating Officer of BFCM

Telephone: +33 (0)1 53 48 77 01

E-mail: alexandre.saada@creditmutuel.fr

IX.3 - Person responsible for the Registration Document

Mr. Daniel Baal, 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 618 to 620, 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, Ernst & Young et Autres and PricewaterhouseCoopers France, 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 19, 2018

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 Hassan Baaj, 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 11, 2016.

PRICEWATERHOUSECOOPERS 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.

IX.4.2 - Alternate Statutory Auditors:

Cabinet Picarle & Associés, Jean-Baptiste Deschryver.

IX.5 - Crédit Mutuel 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.

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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, 2016, presented respectively for the Crédit Mutuel CM11 Group on pages 137 to 187, 76 to 136 and 188 to 189 of the Crédit Mutuel CM11 Group's 2016 Registration Document, registered by the AMF on April 28, 2017 under No. D.17-0479.

- The consolidated financial statements and management report and Statutory Auditors' report on the consolidated financial statements as of December 31, 2016, the extract of company financial statements including the management report for the fiscal year ended December 31, 2016, presented respectively for BFCM on pages 284 to 334, 76 to 136, 188 to 189 and 338 to 369 of the Group's 2016 Registration Document, registered by the AMF on April 28, 2017 under No. D.17-0479.

- 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 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.

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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 Interprofession*	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

nel)	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	Risk of loss due to the default of a customer or counterparty.
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	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.

Markets Authority (ESMA)	
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.
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	Adjustment to the price of a financial product that accounts for funding costs. It concerns, in

Valuation Adjustment)	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.
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 offering*	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 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.
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.
TLTRO – Targeted Long Term Refinancing Operations	Targeted Long Term Refinancing Operations are part of the ECB's monetary policy. TLTRO grant long-term loans (four years) to banks to encourage them to increase their lending activities to eurozone businesses and consumers.
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 default)	See EAD.
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.