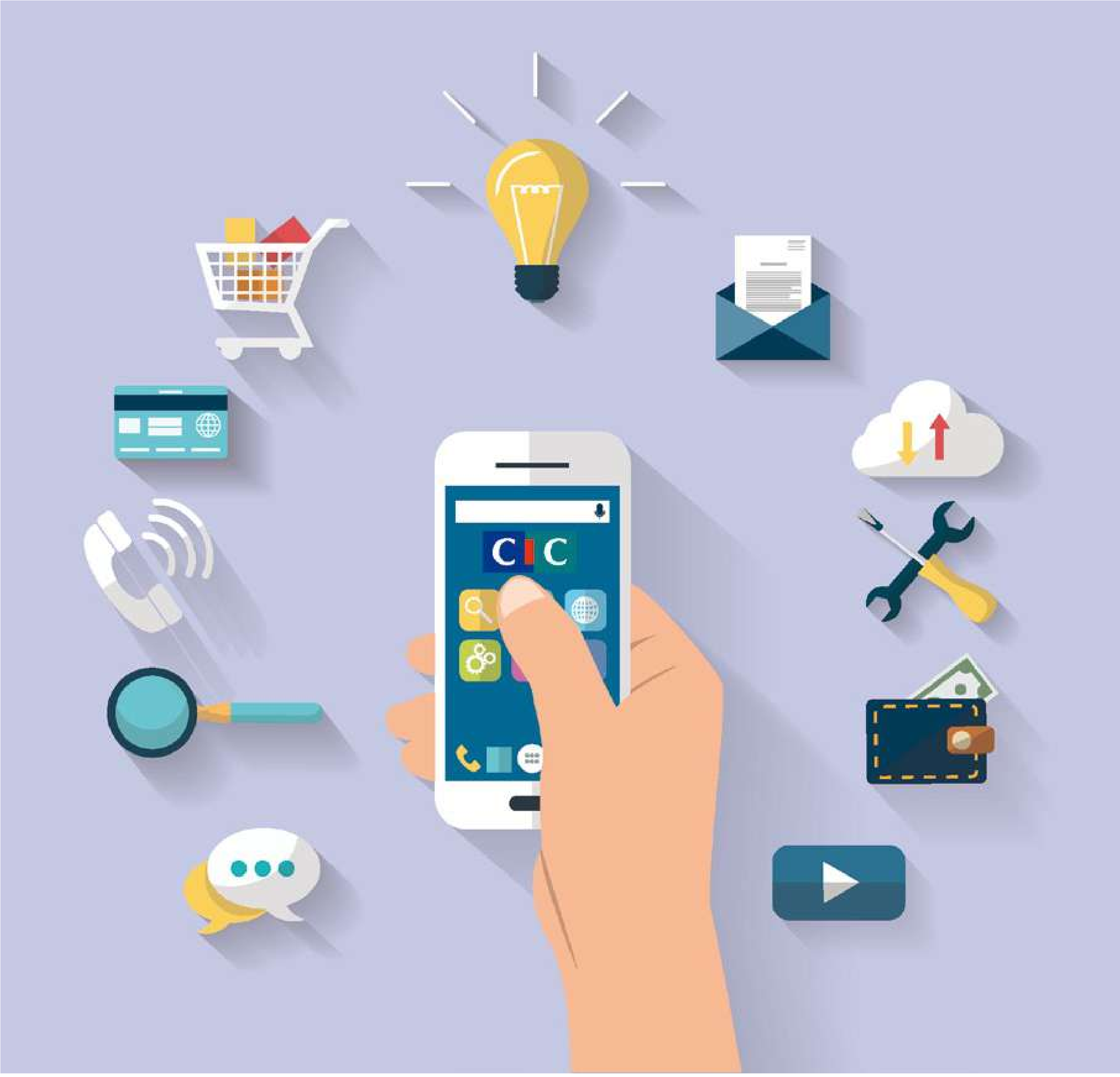


REGISTRATION DOCUMENT & ANNUAL FINANCIAL REPORT

2017

Construisons dans un monde qui bouge.

Building the future in a changing world

Chairman's statement

Innovative solutions to serve business owners and innovators

In 2017, the CIC group performed well in an environment marked by technological advances, the development of digital technology, the emergence of new players and a growing number of neo-banks. In this highly competitive environment, the CIC group was able to adapt to new behaviors by offering all its customers – retail customers, associations, self-employed professionals and corporate customers – innovative services in line with their needs and new trends.

The CIC group is a multi-channel bank that puts the customer at the center of the banking relationship. Its customer base includes 133,229 businesses (+1.9%) – one of every three companies is a customer – and innovators in all sectors. With nearly 2,000 branches, it focuses on building personal relationships while also offering a full range of online banking services. Through cutting-edge technology, it places customer relations – both face-to-face and online – at the heart of its strategy. An example of this vitality and closeness to the customer is the CIC Mobile account, which offers a comprehensive solution that combines a bank account, a mobile phone plan and access to a dedicated adviser.

This strong sales activity is reflected in the results. With over 5 million customers (+1.9%) and €1.288 billion in net income, the CIC group posted strong growth in all its businesses: net loans increased by 5.1% to €172.0 billion, deposits were up 4.6% to €144.1 billion, remote banking rose by 10.6%, and the number of insurance policies and theft protection contracts grew by 6.4% and 8%, respectively.

CIC attributes these results to the ever-growing commitment and professionalism of its employees. By building a relationship of trust with their customers, offering them personalized products and services and receiving regular training, they have learned how to turn these changes in today's world into opportunities.

CIC's balance sheet is made stronger each year thanks to the financial soundness of its parent company, the Crédit Mutuel group, a powerful bankinsurer with a European reach that has controlled it almost entirely since August 2017 following its delisting.

Founded in 1859, the CIC group has served the economy throughout the years by acting as a focal point for local and regional initiatives and constantly meeting new challenges, such as changes in business activities and regulations, growth, employment, etc. Today, it combines a personal and online approach to offer innovative solutions that meet the needs and goals of all customers.

Nicolas Théry

CONTENTS

A leading bank both in France and around the world, the CIC group promotes a universal banking model that combines businesses covering all areas of finance and insurance, financial solidity and a long-term growth strategy.

An online bank within reach of its customers, CIC's business model focuses on service quality and responsiveness. Flexible tools and adaptable products and services combined with the proximity of the networks allow CIC to offer the fast service that customers expect, regardless of their location.

Through its commitment to the economy and society, and with a strong corporate governance system, CIC acts as a responsible bank in a rapidly changing world.

High entrepreneurial standards with operations built around five businesses:
- retail banking
- financing activities,
- capital markets activities,
- private banking,
- private equity.

CIC, the holding company and network bank serving the Greater Paris region, comprises five regional banks and specialist entities covering all areas of finance and insurance both in France and abroad.

5,043,856 customers*, including:

4,079,892 individuals

112,966 associations

717,769 self-employed professionals

133,229 corporates

19,898 employees**

1,941 branches in France

4 foreign branches

34 foreign representation offices

17 foreign private banking offices

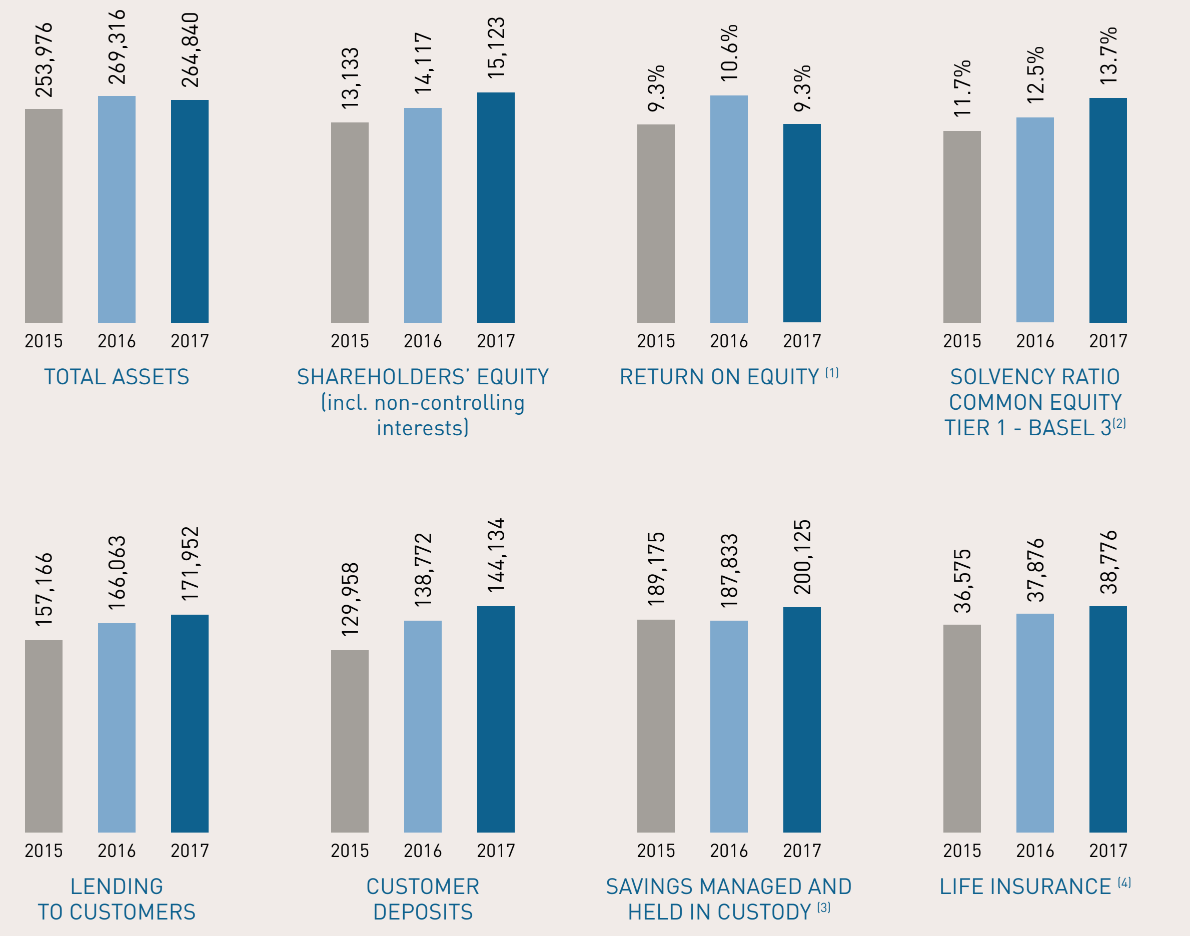
Figures as of December 31, 2017.
* Banking network.
** Full-time equivalent.

KEY CONSOLIDATED FIGURES

Capital in € millions

	2017	2016	2015
Net banking income	4,991	4,985	4,782
Operating income after provisions	1,685	1,729	1,570
Net income attributable to the group	1,275	1,352	1,111
Cost/income ratio[1]	62.2%	61.6%	62.8%

Overheads as a percentage of net banking income.



(1) Net income attributable to the company as a percentage of opening equity less dividends paid.
(2) 2017: Excluding 2017 net income and dividends (€330 million).
(3) Managed savings (life insurance, employee savings plans and UCITS) and customers' securities in custody allocated to operational activities.
(4) Amounts outstanding at the end of the month.

Source: consolidated financial statements.

SIMPLIFIED ORGANIZATION CHART

The percentages indicate the portion of the entity controlled by CIC as defined under Article L.233-3 of the French Commercial Code (*Code de Commerce*).
Crédit Mutuel also holds shares in companies not controlled by CIC (i.e. in which ownership is less than 50%).
They are therefore controlled by the Crédit Mutuel group in accordance with the terms of the same article of the French Commercial Code.

CIC

BANKING NETWORK	100% CIC Nord Ouest	100% CIC Ouest	100% CIC Sud Ouest	100% CIC Est	100% CIC Lyonnaise de Banque
PRIVATE BANKING	100% Banque Transatlantique	100% Banque CIC Suisse	100% Banque de Luxembourg		
PRIVATE EQUITY	100% CM-CIC Investissement				
SPECIALIZED BUSINESSES	23.5% CM-CIC Asset Management	99.9% CM-CIC Épargne Salariale	99.2% CM-CIC Bail		
	54.1% CM-CIC Lease	95.5% CM-CIC Factor	100% CM-CIC Aidexport		
INSURANCE	20.5% Groupe des Assurances du Crédit Mutuel				
SHARED SERVICE COMPANIES	12.5% Euro Information	No capital GIE CM-CIC Titres	No capital GIE CM-CIC Services		

CIC comprises:

- CIC (Crédit Industriel et Commercial), the holding company and head of the bank network, which also acts as the regional bank for the Greater Paris region and through which investment, financing and capital markets activities are carried out;
- five regional banks, each of which serves a clearly defined region;
- specialist entities and service companies serving the whole group.

Crédit Mutuel associated companies by business:

SPECIALIZED BUSINESSES
CM-CIC Asset Management: 76.5%
CM-CIC Bail: 0.8%
CM-CIC Lease: 45.9%
CM-CIC Factor: 4.5%

INSURANCE
Groupe des Assurances du Crédit Mutuel: 79.5%

SHARED SERVICE COMPANIES
Euro Information: 87.5%

Construisons dans un monde qui bouge.
Building the future in a changing world

WORKING

TO... BUILD THE FUTURE TOGETHER

1 PRESENTATION OF CIC

BUSINESS LINES

RETAIL BANKING[1]

Retail banking continued to grow in 2017. With net banking income of €3.588 billion, operating expenses of €2.296 billion and net additions to/reversals from provisions for loan losses of €189 million, retail banking posted income before tax of €1.231 billion.

Retail banking: key figures (€ millions)	2017	2016	Change 2017/2016
Net banking income	3,588	3,500	2.5%
General operating expenses	(2,296)	(2,272)	1.1%
Operating income before provisions	1,292	1,228	5.2%
Net provision allocations/reversals for loan losses	(189)	(164)	15.2%
Income before tax	1,231	1,204	2.2%
Net income attributable to the group	861	826	4.2%

Source: consolidated financial statements.

Retail banking, CIC's core business, continued to grow in 2017 and today has 5,043,856 customers.

The number of customers in the banking network, which consists of 1,941 points of sale, increased by 91,804 or 1.9%.

The network's commitments increased by 5.2% as a result of more than €34 billion in new lending, an increase of 9.4%. New investment loans rose by 9.5%, new consumer loans by 0.7% and new home loans by 14.5%.

Customer savings ended the year up by 4.2% thanks to growth in passbook accounts (+8.8%), home savings accounts (+8.0%) and customer deposits (+21.0%).

Life insurance outstandings increased by 2.5 %, with a 5.8 % rise in unit-linked life insurance.

Service activities associated with electronic payment systems showed strong growth:

- number of cards in circulation up by 3.7% including high value added cards for individuals up by 5.9%;
- number of active merchant payment terminals up by 3.9 % to 139,197 units;
- flow of card payments with merchants and corporates up by 7.4%.

In property insurance, the total number of policies grew by 10.4%, of which 10.7% were for auto and 7.5% for home.

The number of mobile phone contracts reached 469,891, an increase of 5.0%.

[1] Outstandings are cumulative average outstandings.

Personal banking customers

The retail banking segment, CIC's core business, has **4,079,892 customers** (up 1.4%), an increase of 55,316 customers in one year. Those aged 18 to 25 accounted for the highest rate of growth, at 3.9%.

This increase was mainly supported by a range of high-quality products and services tailored to customers and personalized based on their needs. **Service contracts and remote banking helped drive this strong growth**. The total number of personal contracts reached 1,446,236 (+5.2%) and rose more quickly than the total number of customers (+1.4%). The global personal contract accounted for 53% of personal contracts, the same as in 2016, for an increase of 5.3 %. The adjustable personal contract continued to grow, by 20.9%.

Remote banking, a fast, well-established online platform, continued to grow at a steady pace. In 2017, 68.4% of customers had remote banking subscriptions and the total number of subscriptions rose by 11.5%.

Savings balances increased by more than €1 billion, or 3.3%. Passbook account balances rose by 8.2% to €20.4 billion thanks to Livret A accounts and ordinary passbook accounts, which saw their balances increase by 8.3% (+€462.3 million) and 12.6% (+€976 million), respectively.Home savings balances continued to increase (+7.9%), but at a slower rate than in 2016, for a net change of €700.1 million.

Outflows on term deposits increased, with a reduction of more than €1.1 billion. At the same time, sight deposits continued to increase, by 15.1% or nearly €1.9 billion.

In terms of **savings products**, securities account outstandings grew by 4.7% to €9.6 billion. This increase was mainly driven by direct investments in securities, including €601 million on shares (+12.3%). The number of share savings plans also rose significantly to 130,813 (+5.1%). Life insurance products grew more modestly to €28.9 billion (+2%).

In terms of loans, home loan outstandings increased by 3.1% to €50.8 billion. This increase was driven by growth in traditional loans, given the continued decline in home savings loans (-32.5%).

In all markets, the total amount of real estate loan renegotiations decreased significantly (-37%), signaling a return to a more stable situation in 2017.

The total amount of early repayments of home loans (€7.1 billion) exceeded that of 2016 (€6.1 billion), but was less than in 2015 (€8.4 billion).

Consumer and revolving credit outstandings totaled €4.2 billion, an increase of 5% (€199 million), driven by standby credits (€2.2 billion), which grew by 10.2% (+€200 million).

A NETWORK THAT OFFERS MULTIPLE OPTIONS

Increasingly powerful applications to:

- Simulate and apply for a consumer loan (Applications & Internet)
- Manage your budget (Internet)
- Find the insurance that is right for you with a fully updated dedicated area (Applications)
- Get a quote in a few clicks (3-photo quote) - (Applications)

Increasingly effective services with:

- The launch of the CIC Mobile Account in July 2017, which combines an account, a card, a phone plan and a dedicated adviser.

A service approach that combines banking and mobile phone service and confirms our more than 10-year commitment as a pioneer!

A MULTI-CHANNEL NETWORK, FROM THE WEB TO THE BRANCH

Points of sale

- 1,941 points of sale, including 7 new branches opened in 2017, serving 5,043,856 customers.

ATMs

The six branch networks of the CIC Group (CIC Nord Ouest, CIC Ouest, CIC Sud Ouest, CIC Est, CIC Lyonnaise de Banque and CIC Île de France) have:

- **2,352** ATMs in service and **1,342** dedicated deposit terminals, including 2,064 touch-screen ATMs (56%),
- **102 million** transactions were completed in 2017.

Remote banking

Remote banking subscriptions continue to grow with:

- **2.472** million subscribers in all markets (**+10 %**).
- **454** million remote connections, more than half (241.3 million) of which are now made through apps on smartphones & tablets.

Bank cards

- **2,462,899** bank cards held by individuals. The number of cards in circulation rose by 3.2%, driven mainly by high-end cards (+5.9%).
- Launch (still in test phase) of the evolutive cryptogram card in November 2017.

Mobile telephony

- **469,891** subscribers in all markets.
- +28.5 % for business services.

Self-employed professionals

To respond appropriately to the needs of the various market segments, **2,329 account managers** specialize **in the** management of self-employed professionals. **In 2017, 674,936 self-employed professionals benefited from CIC's expertise**. Thanks to this recognized expertise, CIC acquired **69,299 new self-employed customers** in 2017 (+3.1%).

Backed by a radio advertising campaign, **marketing** aimed at all self-employed professionals was particularly active with high turn-out at a number of trade shows and conferences. Partnerships with self-employed professionals grew. Today, 144 agreements with branded networks attest to the strength of this sector.

Remote online banking, **which plays an important role in the sector,** was in high demand in 2017. Products and services were effectively marketed, with more than 22,052 remote banking contracts added (+7.3%), bringing the total of connected self-employed professionals to 323,364.

Business contracts continued to grow, reaching 210,187 (+12,894 or +6.5%), and electronic payments, thanks to an increase in both the number of active terminals (+3.9%) and the number of transactions carried out (+9.8%), rose by 7.4%.

With a focus on developing this market, CIC recorded 4.8% growth in **loans outstanding** thanks in particular to the loans made available in 2017, which totaled €7.531 billion at year end. New investment loans reached €3.380 billion (+5.7% over a year), while new equipment leasing loans also rose by 5.2% to €494 million.The €3.344 billion in new home loans made available to self-employed professionals represented 22 % of the CIC network's total new lending.

Action in support of entrepreneurs led to the issuance of 6,058 loans benefiting from a Bpifrance guarantee as part of the business creation initiative.

Lastly, total savings also increased significantly in 2017 (+7.3%) to €27.5 billion. In terms of employee savings, 5,046 new contracts were signed, bringing the overall amount to 30,453, a sign of strong activity in the sector.

Insurance in the self-employed professionals market also had a strong showing.

Self-employed professionals accounted for €4.857 billion (13.7 %) of total life insurance business.

The purchase of 2,940 individual health insurance policies and 19,414 personal protection insurance policies brought the total number of policies outstanding to 14,614 (+4 %) and 83,820 (+9.7 %), respectively.

In terms of group health and personal protection insurance policies, account managers for self-employed professionals were responsible for the signing of 6,836 new policies in 2017.

A total of 2,195 Madelin plans (pension savings plans providing a retirement annuity) were sold.

Agriculture

As of December 31, 2017, **99 account managers who specialize** in the management of farming customers catered to the needs of the various market segments, including grain farmers, breeders and wine growers. With **a dedicated range of products and services**, CIC acquired 3,493 new customers in 2017, bringing the number of these customers to 40,208.

New loans in the amount of €575 million were made available, an increase of 15%. Commitments in the agriculture market therefore totaled €2.755 billion, up 8.2% compared to December 31, 2016.

Savings rose by 16.9% to €1.703 billion thanks in particular to the increase in life insurance products, which grew by 19.9% to €429 million, and in customer deposits, which grew by 30.6% to €540 million.

As part of the development of the CIC-APPRO financing product, 83 agreements were signed for the CIC group with supplier organizations in the farming sector (agri-businesses and farmers' cooperatives).

Associations

Thanks to a **comprehensive range of banking products** and support for its customers, CIC is gradually gaining ground in this market. The excellent results posted in 2017 confirm this analysis. The number of customers that are associations, foundations, works councils and other non-profit organizations rose by 11.4% to 112,966.

At the end of December 2017, outstanding loans, in terms of capital management, increased significantly by 8% to €907 million. Total savings rose by 7.4% and now stand at €8.2 billion.

Finally, the solidarity-based savings products offered by CIC to its customers were again well-received by many customers, which benefits the partner associations.

Corporates

CIC, a longtime partner of corporate customers and an online and decidedly human-centered bank, relies on **account managers who specialize** in this market to acquire new customers. The added value of these account managers and the expertise of these business specialists are the driving forces of the group's business development and one of the reasons for its success.

Account managers have access to a powerful remote banking system that offers all the tools related to digital technology and solutions that simplify the company's administrative processes.

The innovative capacity and expertise of the business centers are prerequisites for responding to the needs of corporate customers. Thanks to the account managers' skills, simplification of processes via remote banking, technological innovations and the expertise of the business centers, 11,419 corporates joined CIC in 2017.

In terms of **financing** and despite the end of the additional depreciation rule at the end of the first quarter of 2017, improved economic conditions and still-low key interest rates drove the demand for loans and helped boost growth.

New medium- and long-term lending continued to rise in 2017, resulting in an 11.8% increase in outstandings.

Lease financing grew steadily in both equipment leasing and real estate leasing, with an increase in volumes of 5.6% and 2.3%, respectively.

Short-term financing, through the factoring and Dailly receivables securitization solutions, grew with an overall increase in outstandings of 6%. Overall, the corporate network's commitments increased by 6.7%.

To meet companies' needs in terms of security, liquidity, transparency and performance, CIC maintains a stringent policy regarding **cash surplus management and financial investments**. Liquidity is still high but is held in accounts for shorter periods, which has partly fueled the increase in working capital requirements resulting from the growth in companies' business activity.

This led to a smaller increase in total savings than in previous years, up 1.7% thanks mainly to the growth in current accounts in credit.

A major growth driver for the group, **security** is a requirement to protect against fraud. That is why, in 2017, many of CIC's customers chose to authenticate their transactions using the Safetrans solution. This highly effective solution offers companies enhanced traceability with regard to cash movements (inflows and outflows) and the person authorized to approve the transactions.

In addition, CIC continues to focus on the development of electronic payments thanks to its Monetico Paiement online payment platform, which increases sales.

With the help of the group's branch network and 34 representative offices worldwide, Aidexport offers companies tailor-made solutions to support their **international** business. To help companies expand their operations in foreign markets and secure their transactions, the international business center focuses on performance and quality.All financing solutions for import and export activities are offered to companies by the group's experts and local specialists.

To allow the networks in Europe to better complement each other, CIC now offers the same ranges of services through its subsidiaries in Germany and Spain.

In the area of **social engineering**, CIC now offers managers more ways in which to actively involve their employees in their company's development, while helping them manage employment-related costs (incentive plans, profit-sharing, employee savings plan).

In 2017, employee savings solutions attracted more than 2,508 new corporate customers and payments on existing contracts increased.

Since the implementation of the national inter-branch agreement, more and more companies are convinced of the quality of group health insurance policies. The Avance Santé card, a key element of CIC's offering which lets employees avoid paying healthcare costs in advance, was popular among our customers.

The rollout of the Monetico Resto solution for managing meal vouchers illustrates the paperless payment process prevalent in every area.

Retail banking support services

CIC markets the insurance product lines designed and managed by Groupe des Assurances du Crédit Mutuel (GACM), whose overall portfolio consisted of 29.6 million policies at December 31, 2017. GACM's premium income in 2017 was €10.073 billion, €3.396 billion of which was generated in the CIC network.

2017 was a new record year for property insurance. In addition, sales of personal protection insurance were very strong, bolstered by the new accident insurance product (Assurance Accident de la Vie) launched in April and the new Picaso sales support tool.

In life insurance, gross premium income was down 12.6%, but the unit-linked policies segment doubled from 12.7% in 2016 to 25.9% in 2017. These results were the consequence of the various measures taken since 2016 to limit premium income in euros in favor of unit-linked policies.

Total commissions paid amounted to €1.307 billion, up 6.5%, including €367 million paid to CIC.

Property

The auto insurance product line launched in 2015 continued to perform well. Sales grew by 3.7% overall and by 6.0% at CIC and, together with low cancellation rates, led to further growth in the auto policy portfolio. The increase included more than 50,000 new policies in the CIC network.

The home insurance segment, which benefited from the introduction of a revised version of Corail 4.14 and the launch of the new product line for non-occupant owners, posted the highest ever number of new policies, enabling the group's portfolio to grow by 7.2% to 2,678,593 policies.

The year was marked by a number of events caused by natural factors (storm, hail, flood, drought, etc.) which resulted in more than 17,000 claims for GACM. The most significant event was hurricane Irma in September in the West Indies, the cost of which, however, was limited to €7.7 million after reinsurance.

Personal insurance

In 2017, personal protection insurance was marked by several promotional campaigns and advantages related to the introduction of the new accident insurance product. Over 115,000 policies were sold (+23.6%) and the personal protection portfolio (excluding bank personal protection) increased by 4.0% with 2,477,305 policies at year-end.

Life insurance

The strategy of shifting toward premium income from unit-linked (UL) policies and limiting premium income in euros explains the 12.6% decrease in GACM's gross premium income in life insurance, which totaled €5.486 billion. At €1.421 billion (+78%), the unit-linked portion was 25.9% and is now in line with that of the market (27.9%).

GACM's net premium income stood at €212 million (-83%). This breaks down into outflows in euros of €863 million offset by premium income from unit-linked policies of €1.075 billion.

CIC's gross premium income was €2.293 billion (-17.2%), including 31.2% from unit-linked policies. Net premium income was negative at -€211 million.

Net rates of return on policies and funds in euros ranged from 1.40% (Livret Assurance) to 1.75% (Plan Assurance Vie Privilège) excluding the remuneration bonus.

Insurance for self-employed professionals and corporates

Insurance for self-employed professionals continued to grow at a steady pace, reflecting the network's successful efforts to capture this market in both casualty insurance and group health insurance.

Further improvements were made to multi-risk insurance for self-employed professionals to make its distribution in the branch networks even easier.

Online insurance services

Filbanque subscribers have access to their policies in a dedicated area of the website that offers fully personalized service in conjunction with the branches. It is now possible to obtain auto insurance quotes (3-photo quote) on a smartphone and quotes for home and personal protection insurance online. Online subscription, whether on a smartphone or over the Internet, will be available in the next few months.

Filbanque subscribers can also make payments and complete arbitrage transactions on their life insurance policies. Using a smartphone and online, subscribers can also view their policies, coverage and emergency phone numbers and access various functions, such as filing an auto or home insurance claim or applying for health insurance reimbursements.

In borrowers' insurance, e-acceptation allows policyholders to complete acceptance procedures quickly and easily.

Dedicated spaces are also open to employees of companies that have taken out group health insurance policies or pension savings plans.

Key figures for 2017

Revenue (in € millions)	**Groupe des Assurances du Crédit Mutuel**	**2017 / 2016**	**Of which: CIC**	**2017 / 2016**
Property	1,849.7	5.6%	398.4	9.9%
Personal insurance	2,729.9	4.8%	704.2	5.9%
Life insurance	5,493.0	-12.6%	2,293.4	-17.2%
Total insurance revenue	**10,072.7**	**-5.4%**	**3,396.0**	**-10.6%**
Number of policies				
Property	12,843,325	3.6%	3,652,282	4.7%
Of which: Auto	*3,156,649*	*13.3%*	*568,841*	*10.0%*
Of which: Home	*2,678,593*	*7.2%*	*652,147*	*6.7%*
Personal insurance	13,247,117	3.9%	3,776,160	2.7%
Of which: Personal accident and injury (excl. bank personal protection)	*2,477,305*	*4.0%*	*699,032*	*3.3%*
Of which: Loan guarantee insurance	*5,964,321*	*5.3%*	*1,498,272*	*2.5%*
Life insurance	3,521,012	1.8%	904,769	3.0%
TOTAL	**29,611,454**	**3.5%**	**8,333,211**	**3.6%**

Investment funds

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 December 31, 2017[1]. CM-CIC AM continued to grow in 2017 in an environment that varied depending on the asset classes sold by all its distribution networks (Crédit Mutuel CM11, CIC, CM Laco, CMO, CMAG, Targobank, BECM, internal and external private banks, institutional and corporate customers, etc.).

At December 31, 2017, CM-CIC AM had €63 billion in assets under management, which represents a 7.46% market share among *asset managers* that are subsidiaries of banks[1]. 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 investment company, rose by nearly 13% to €11.7 billion. Its activity generated more than €100 million in net banking income for the group in 2017 and more than €80 million in commission payments to the distribution networks.

The total amount of commissions paid by CM-CIC AM to the group's entities was nearly €195 million (+12.1% compared to 2016)[2].

In 2017, CM-CIC AM's bond management and sales departments broke new ground with the creation of a "green bonds" fund called CM-CIC Green Bonds. This fund allows investments in bonds selected based on strict guidelines that incorporate the expertise of an independent body. It therefore complies with the standards of the TEEC[3] government label. The aim is to support companies that invest in projects with an environmental benefit in order to provide a tailored solution to financing the energy and environmental transition.

As for 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 excluding FCPE company mutual funds increased to nearly €7.6 billion. The CM-CIC Europe Growth fund performed particularly well, posting an increase in assets of more than €391 million, which brought total assets to nearly €1 billion (€992 million). In 2017, the range of thematic funds was enhanced with the creation of CM-CIC Entrepreneurs Europe and the International CM-CIC Global Dividend fund.

Given the growing success of diversified management and the recognized expertise of highly-acclaimed asset managers (see box below), a unit dedicated to this asset class has been set up, with balanced and flexible multi-management, on the one hand, and employee savings, on the other. To address the major issue of transferring the ACM euro funds to unit-linked policies, the Flexigestion Patrimoine flexible fund was authorized in the UL packs product line with the creation of Pack Flexi 50. The fund's assets tripled with an intake of nearly €600 million, for total assets of €772 million at December 31. CM-CIC AM's flexible range also passed the mark of €1.25 billion in managed assets.

In addition, several successive formula-based fund campaigns were launched, generating a total inflow of €650 million, in light of maturities[4] of more than €250 million. In 2017, CM-CIC Asset Management endeavored to help the networks plan for the future and take advantage of opportunities. A "cushion" fund (CM-CIC Protective 85) was therefore created for both retail and institutional clients investing in life insurance.

A total of €2.3 billion was collected through invitations to tender in 2017. CM-CIC AM is the single point of entry for the

In 2017, the quality of CM-CIC AM's management was recognized

European Funds Trophy, CM-CIC Asset Management

Best French asset management company in the 101-200 rated fund category[5].

Range of diversified funds recognized for the second straight year

"Le Revenu" Trophée d'Or
Best range of three-year diversified funds[6].

Corbeilles "Mieux Vivre Votre Argent"
Best range of five-year diversified funds[7].

Bond range recognized

"Le Revenu" Trophée d'Or
Best range of three-year international bond funds[6].

Equity and diversified funds recognized

For the third consecutive year, the **"Performance" Labels** were awarded to Europe Growth and CM-CIC Dynamique International[8].

(1) Source: Six Financial Information France.
(2) Net profit + compensation paid to the CM and CIC networks.
(3) TEEC: Energy and Environmental Transition for Climate.
(4) Amount of redemptions at fund maturity.
(5) Performance at December 31, 2016.
Source Eurofonds and Fundclass.
(6) Performance at March 31, 2017.
Source Morningstar. Network banks category)
(7) Performance at June 30, 2017.
Source Six Financial Information France. Network banks category.
(8) Five-year performance at December 31, 2016.
Source: six Financial Information France.

group in terms of invitations to tender for third-party asset management. It works closely with all the group's 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.

The year was marked by preparation for the implementation of the MIF 2 regulation on January 3, 2018.

CM-CIC AM also 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 at more than €86 billion.

Lastly, in an increasingly stringent regulatory environment and to transform these restrictions into opportunities, the asset management company's main objective is to continuously adapt, with agility, expertise, simplicity and proximity of the networks as its challenges for 2018.

Employee savings management

CM-CIC Epargne Salariale, the core of this business line for CIC and Crédit Mutuel, represented at year-end 2017:
- €8.1957 billion in assets under management (+5%);
- 86,712 corporate customers (+6.9 %);
- 1,296,840 employees' savings under management (down 2.9%).

Net inflows (+€132.3 million) and asset valuations (+€514.3 million) are behind the change in assets under management.
The recovery in 2016 continued in 2017:
- 2017 inflows rose by 12.4% compared to that of 2016, i.e. €1.224 billion, a record high,
- sales of contracts were up 7.9%, with 12,751 new contracts,
- payments on new contracts totaled €169.4 million, up 30%.

Outflows amounted to €1.092 billion. The 12.6% increase was partly due to the loss of a large account and profit-taking on FCPE company mutual funds invested in shares of the company.

Total operating income was €56.7 million (up 9.8%) as a result of the application of new pricing and the increase in the number of customers and assets under management.

The overall profitability of the activity[1] was €35.6 million, with net profit of €4.7 million (up 28.7%).

The total amount of commissions paid to the network was €30.9 million (+9.5%).
The year was marked by a large number of training courses and on-the-ground network support.

Valuable Internet tools were made available (simulators, display of capital gains/losses, etc.) and further substantial investments were made in UX Design to keep the user at the center of the online process.

Lastly, CM-CIC Épargne Salariale took part in discussions aimed at expanding its partnership with Edenred regarding Monetico Resto.

Financing and management of receivables

A subsidiary of the Crédit Mutuel CM11 group, CM-CIC Factor specializes in receivables and payables management and financing. It offers short-term financing to corporates in France and abroad, with a range of factoring and assigned business receivables management solutions.

In 2017, the transaction volume[2] grew by approximately 1%, thanks mainly to the factoring business. Gross net banking income was €128 million (up 3%) as a result of the increase in management fees (+1%) and the sharp decrease in refinancing costs that resulted from the decrease in market indexing rates and the favorable refinancing conditions generated by the group.

Overall economic profitability[3] stood at €49 million (up 17%). It includes large IT investments currently underway (+15%), even though they have been pooled with the factoring business (*including the Factofrance and Cofacrédit entities as well*).

Net income after payments to the networks and corporation tax amounted to €7.8 million (up 83%).

In total, in the factoring and receivables management market, CM-CIC Factor has:
- €34.2 billion in receivables purchased,
- an average of €3.9 billion in financed receivables[4], up 3%,
- nearly 10,700 active customers.

As a result of growth in business with the networks, it paid €35.3 million in new business and risk commissions.

Real estate leasing

During the year under review, CM-CIC Lease recorded 303 new financing agreements, which represents a 5% increase in the number of new real estate leasing transactions over the previous year. These agreements covered financing provided alone or through pools in the amount of €617 million, down slightly by 2%. This new business brings the total volume of real estate leases to approximately €4.6 billion, an increase of 2.5%.

Activity was well-balanced with a stable average lease amount and coverage throughout the country, and diversified in terms of types of buildings. As in the previous year, logistics sites accounted for the highest proportion of project finance (25.2% of new business), despite a relative decrease (-3.3% points). Commercial properties of all types increased slightly (22.2% of new business, +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.

(1) Net profit + compensation paid to the CM and CIC networks.
(2) Amount of assigned or purchased receivables.
(3) Income/(loss) before non-recurring items and corporation tax and before commissions paid to the networks.
(4) Average annual amount of assigned or purchased receivables excluding reserves and guarantees.

The breakdown of new business, which was somewhat similar over the last three years, is helping to gradually balance out the main lease volumes by type of building. Logistics sites and warehouses accounted for 20.8% of outstanding volumes, up slightly by 0.7 points, commercial properties 23.4% (-0.3 points) and industrial sites 21.2% (-0.5 points).

The remaining existing leases covered a range of sectors: office buildings (15.3%), healthcare facilities (8%), hotels (9.2%) and other properties (2.1%).

Net interest income from customers rose by 4.5% in 2017. General operating expenses rose overall by 1.7% due to the development of an application that allows the networks to offer real estate lease financing. Commissions paid to the Crédit Mutuel CM11 Group networks totaled €21.2 million, up 5.3 %. Net provision allocations/reversals for loan losses remained low and net income grew significantly to €14.4 million.

Equipment leasing

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 €4.161 billion, up 0.6% over 2016. Excluding specific markets, it increased by 3.6%. Nearly 113,000 leases were arranged to meet the investment needs of companies, self-employed and independent professionals and individuals.

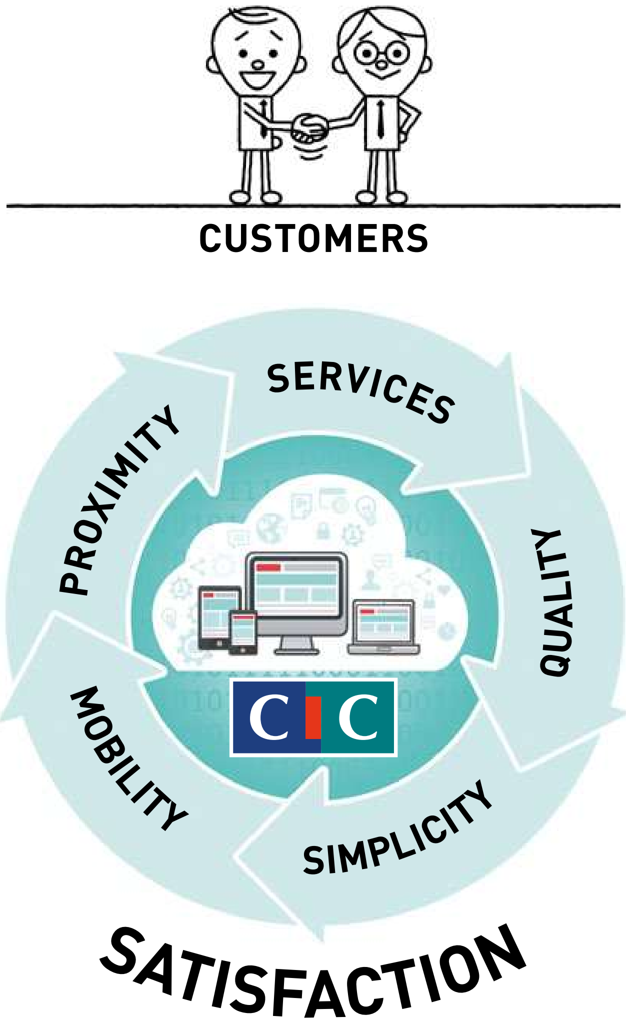
In France, the Crédit Mutuel and CIC networks alone recorded a 2.8% increase in new business, mainly as a result of capital equipment financing for business customers (microenterprises, SMEs and individual business owners) and car loans for individuals. International business at our Benelux and German subsidiaries and our branch in Spain accounted for 23% of total activity.

The increase in existing leases, which reached €7.663 billion (+€469 million) and the diversification of our products and services allowed us to keep profitability high. The financial margin reached €158 million and commissions paid to the networks totaled €96.1[1] million.

Net income after tax totaled €18.3 million.

The year 2017 was marked by:
- continued growth in all our markets, particularly among retail customers;
- the increase in auto lease financing with related services;
- diversification of our products and services;
- growth in our international activities;
- complementarity and the creation of operational and commercial synergies with CM-CIC Leasing Solutions.

(1) Before spreading new business commissions over time.



More advice

CORPORATE BANKING

In 2017, net banking income from corporate banking totaled €354 million and income before tax was €229 million. The bank mobilized all its specialized teams and the various branches for its major customers to whom it provides customized long-term support, with a full range of services.

Financing activities: key figures (€ millions)	2017	2016	Change 2017/2016	2016 restated*	Change 2017/2016*
Net banking income	354	353	0.3%	372	-4.8%
General operating expenses	(106)	(105)	1.0%	(104)	1.9%
Operating income before provisions	248	248	0.0%	268	-7.5%
Net provision allocations/reversals for loan losses	(19)	(22)	-13.6%	(22)	-13.6%
Income before tax	229	226	1.3%	246	-6.9%
Net income attributable to the group	163	143	14.0%	156	4.5%

* Excluding banking subsidiary activity.
Source: consolidated financial statements.

Large corporates and institutional investors

In an economic environment marked by renewed growth and recovery in investment in the euro zone, the total amount of commitments of the large accounts division increased in 2017. After refocusing activities on *corporate* and institutional customers and excluding the activity of the group's subsidiaries at the beginning of the second half, overall exposure (excluding guarantees received) rose by 3.3% from €17.6 billion to €18.1 billion. On-balance sheet outstandings increased significantly: by 10 % (€4.2 billion compared to €3.8 billion at end-2016). Off-balance sheet guarantees (sureties and risk participations) decreased to €3.9 billion compared to €4.1 billion a year earlier. Off-balance sheet financing – undrawn committed lines – rose by 5.7% (€9.7 billion compared to €9.2 billion).

In an environment of disintermediation, sales development initiatives were geared towards 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 provision allocations/reversals for loan losses were contained for the year. At the end of 2017, deposits stood at €5.9 billion, including €4.4 billion in sight deposits (compared to €3.7 billion a year earlier). Added to that were €5.3 billion in money market funds (versus €7.2 billion a year earlier), excluding UCITS not in custody (€10.0 billion).

Training of corporate account managers continued during the year, particularly in the area of regulations and compliance. The IT projects aimed at improving the business monitoring and profitability measurement tools by counterparty continued in an effort to oversee and coordinate the sales activity more effectively. An "AMOA[(1)]" team tasked with integrating specific tools into the information system was created in the fourth quarter to meet the specific needs of large accounts. In terms of payments, a major growth area for the group, discussions aimed at improving and optimizing processing and monitoring were undertaken (electronic payment acceptance, etc.).

At December 31, 2017, net banking income was €85 million in an environment of negative interest rates. This amount does not include the financial contribution of transactions passed to the group's other operating entities (*cross-selling*), for which the large accounts division remains an important referrer.

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 operating returns 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 operating income before provisions (€131.4 million) excluding tax credits remained at record high levels. Total net provision allocations/reversals for loan losses were very low (€16.6 million versus €30.2 million in 2016) as a result of reversals on acquisition financing which offset the additional provisions set up for the still hard-hit shipping sector. Net provision allocations/reversals for loan losses on project finance were zero since new provisions were in the same amount as the reversal on a project for which a provision was set up in 2016.
By adding the tax credits at the level of net banking income and CM-CIC Private Debt's contribution, the business line's net income before tax was up significantly compared to 2016 (€155 million versus €132.2 million).

At December 31, 2017, total commitments (€12.1 billion) were down slightly from 2016 (€12.7 billion), with the strong sales activity offset by a negative foreign-exchange effect (depreciation of the US dollar against the euro).
Development of the third-party management business via our CM-CIC Private Debt subsidiary[(2)] continued in 2017 with the opening of the new CM-CIC Private Debt London branch, the launch in 2017 of a senior debt fund for European large cap financing and an infrastructure financing fund managed under a mandate which will benefit from the stream of business of CIC's project finance team. The CIC Mezzanine 4 and CIC Debt Fund 2 funds launched in 2016 were released on a wide scale in 2017. CM-CIC Private Debt now has €2 billion under management.

Financing of acquisitions

The group supports its customers' business transfer, external growth and development projects by offering its expertise and know-how in structuring appropriate financing for each type of transaction.

On the commercial side, business was strong, especially in the *small- and mid-cap* sector. New business was undertaken with particular attention being paid to risk/reward ratios. This conservative approach is reflected in a high-quality portfolio with a lower risk profile.
In a market characterized by an influx of cash, lower margins and pressure on structures were felt both in France and in the bank's overseas branches.

Asset finance and securitization

New business remained satisfactory in 2017 with the completion of 38 new projects (nine in Paris and 29 in the foreign business centers in New York, Singapore and Hong Kong), despite an unfavorable environment in some business sectors, including shipping, offshore oil against a backdrop of persistently low crude oil prices and gas transport.
Only six shipping transactions and three transactions in the energy sector –one *offshore* and two gas transport (financing of gas tankers) transactions – were completed during the previous year. The aviation sector was therefore again the main contributor to business in 2017 with 27 projects completed (74% of new business in US dollars).
The policy of prudent investment and support for our longtime customers continued.
The activity of the various *desks* was more balanced in 2017 with new aviation business more evenly spread out geographically. The Asia division (Singapore and Hong Kong) was the main hub for new business (42% of total new business in US dollars) thanks in particular to the six shipping operations completed this year by the business line.
The optimized financing operations in Paris again contributed significantly to the division's income.
In addition, there are plans to relaunch the receivables securitization activity in 2018.

Project finance

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 and 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 2016 [(3)] compared to the same period in 2016.
The business line enhanced and internationalized its expertise in the electricity and infrastructures sector. More than half the projects were in the renewable energies sector, with 11 in the wind sector and five in the solar sector (12 in France, three in North America and one in Australia). There were also several infrastructure projects, including waste treatment in Spain, road infrastructures in Australia, rail infrastructures in France, the United Kingdom and Australia, a heating network in Sweden and high-speed networks in France. In the area of natural resources, there was also an LNG project[(4)] in the United States.

(1) Project management assistance.
(2) Subsidiary not consolidated for accounting purposes.
(3) Source: Global Project Finance Review.
(4) Liquefied Natural Gas.

The breakdown of new business in 2017 by business sector was as follows: electricity 57.2%, infrastructure 37.5%, natural resources 4% and telecom 1.3%.

The breakdown of new business in 2017 by geographic area was as follows: Europe 64%, Asia-Oceania 25% and America 11%.
New business in 2017 further increased the dominant share of the electricity sector, which accounted for nearly 46% of project approvals at end-2017, followed by infrastructures (36%), natural resources (12%) and telecom (6%).
The geographic breakdown of existing projects shows the extent to which they are concentrated in Europe (62.4%) followed by Asia Pacific (16.3%), North America (12.6%) and the Middle East/Africa region (8.3%).
CIC acted as an arranger or co-arranger in more than half the projects, mainly in France but also outside Europe with two arrangements in Australia.

International

Exports and international development are key stages of our customers' growth. CIC's mission is to support, advise and finance companies expanding their businesses internationally.

Its focus is on:
- responding to the changing needs of customers by developing a product range and an appropriate level of service, particularly in the area of payment solutions;
- providing assistance and advice: multi-market targeting, partner selection, assistance with setting up commercial or industrial operations. These services are provided by Aidexport, a subsidiary specializing in consulting;
- offering products and services to secure and finance international trade transactions: documentary letters of credit, international guarantees, payment processing and foreign exchange risk management, transaction and working capital requirement financing.

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.
Managed by a single ISO 9001-certified business center, processing of international transactions is handled by five regional divisions to provide services close to home in tandem with the corporate banking branches.
In addition to our group's networks in Germany, Spain and Switzerland, support for customers abroad is underpinned by strategic partnerships with Desjardins in Canada, the Bank of East Asia in China and Banque Marocaine du Commerce Extérieur and Banque de Tunisie in North Africa.
CIC also offers its investment customers a service that analyzes the credit risk of major French and international bond issuers and the main economic sectors at the European and global level.

Foreign branches and representative offices around the world

Representative offices

In addition to its foreign branches, CIC also has a network of 34 representative offices around the world,
which place their expertise and their knowledge of regional markets at the disposal of the group's customers and specialized business lines, thereby contributing to the development of its international activities. Their main areas of activity are as follows:
- assisting the group's customers with their development projects,
- maintaining meaningful relations with local banks,
- responding to requests from the group's other businesses and acting on their behalf.

London

The main missions of the London branch are the provision of financing to UK subsidiaries of French groups, specialized financing, advisory services to businesses wishing to enter the UK market, and obtaining refinancing for the group.
In 2017, the British economy showed mixed signals, with a slowdown in economic growth that had no impact on the unemployment rate. The branch's focus is on developing *cross-selling* substantially with numerous group entities.
In 2017, its net income[4] amounted to €17 million.

New York

2017 was marked by strong financial and operational performance driven by:
- good coordination with the group's large accounts teams;
- effective synergies with many of the group's entities;
- a strong year in terms of specialized financing;
- active and prudent management of commitments and the positive contribution of capital markets activities.

The economic environment remained favorable, liquidity continued to be abundant and refinancing put pressure on margins.
The branch's net income[4] in 2017 was €37 million.

Singapore, Hong Kong and Sydney

All the activities carried out by the Asia-Pacific branches grew significantly in 2017:
- there was greater business diversification in the areas of corporate and specialized financing in a still competitive market;
- capital markets activities were helped by all the product lines: foreign exchange, *money market*, sales activity;
- projects and initiatives were launched with the creation of a sales team in Hong Kong to expand business in northern Asia;
- the *French Desk*, responsible for relations with the group's customers, boosted its contribution.

The net income[4] of the branches in 2017 was €44 million.

(4) Contribution to CIC's consolidated net income.

CAPITAL MARKETS ACTIVITIES AND GROUP TREASURY

In 2017, capital markets activities generated net banking income of €383 million. Income before tax was €179 million.

Thanks to CM-CIC Market Solutions, which handles market sales activities, the capital markets offering has now been expanded and improved.

Capital markets activities: key figures (€ millions)	2017	2016	Change 2017/2016	2016 restated*	Change 2017/2016*
Net banking income	383	397	-3.5%	412	-7.0%
General operating expenses	(212)	(202)	5.0%	(195)	8.7%
Operating income before provisions	171	195	-12.3%	217	-21.2%
Net provision allocations/reversals for loan losses	8	3	N/A	3	N/A
Income before tax	179	198	-9.6%	220	-18.6%
Net income attributable to the group	105	126	-16.7%	142	-26.1%

* Excluding banking subsidiaries activity.
Source: consolidated financial statements.

Capital markets activities

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

The group cash management activity covers the entire Crédit Mutuel CM11 group, including CIC. As this activity entails banks' balance sheet management, its results are included in those of the group's other activities or 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.

CM-CIC Market Solutions

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

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 foreign exchange, interest rate and commodity risk; listed stocks, bonds, derivatives; marketing of funds and structured products);
- **Primary market solutions** (primary bond, primary equity, issuer services, financial communication);
- **Investment solutions** (structured EMTNs, Cigogne mutual fund);
- **Custodian solutions** (securities account-keeping, mutual fund custodian);
- **Overall research** (economic and strategic research, equity research, credit research).

The services provided by **secondary market solutions** range from advice to execution and cover a broad range of instruments: interest rate hedging, foreign exchange hedging, commodity risk hedging, bonds, equities, ETFs and derivatives. The French sales teams are based in Paris and the main regional cities. They serve customers of the networks. These activities are also marketed to international customers, where applicable *via* local entities. Business was strong in terms of currency options. Interest rate hedging, however, decreased significantly. The number of active commodity risk hedging customers increased. The equities activities saw an upturn despite a net wait-and-see position in December as a result of MIF2.

Primary market solutions is the group's business center for financial transactions. It relies on the expertise of CM-CIC Investissement's capital structuring teams and Specialized Financing. This department benefits from the commercial proximity offered by the corporate account managers in the group's networks. 2017 saw the rollout of the "Focus GE-GME" sales structure. Its goal is to establish:

- the most comprehensive sales relationship possible with a "core target" of the group's corporate customers and/or associated companies;
- a capital structuring advisory position.

In 2017, the primary bond team took part in 36 bond issues. The year was marked by a sharp upturn in the primary equity activity (two IPOs, seven capital increases, three public offerings, including one as adviser to the target company, and one equity block trade).

The department also provides issuer services (financial communication, liquidity contracts and buybacks of shares, financial secretarial and securities services) for more than 150 listed and unlisted companies.

Investment solutions offers an original and proven range of investment products as a direct result of their expertise in "fixed income/equities/credit" investment. Cigogne Management SA posted an exceptional level of activity, thanks in particular to substantial total inflows: €1.2 billion for a 65% increase in assets under management from €1.9 billion to €3.1 billion. This intake included a large number of subscriptions by network customers in the Stork Fund and in UCITS funds (particularly M&A).

For "Investment Solutions", business again increased significantly in 2017. The outstanding volume of EMTNs increased from €3.9 billion to €4.5 billion (€3.9 billion in CIC EMTNs and €0.6 billion in *Stork Acceptance* EMTNs).

Custodian solutions covers two main activities:

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

The highlights of 2017 were:

- strong sales growth and a favorable market context, which explains the 19% increase in total outstandings;
- the launch of new service offerings: securities-backed lines of credit, "*buy-side*" table and "*Research Buy Side*", platform designed to pool the purchasing power of external registered asset management companies and the group's asset management companies in order to obtain negotiating power that allows registered management companies to access the research they need under MIF2 at the best price. The "*buy-side table*" will serve registered management companies.

The custodian solutions business serves more than 130 asset management companies, administers more than 29,000 personal investor accounts and acts as custodian for more than 300 mutual funds, representing over €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 commodities research. Overall research is one of the services offered to corporates and professional investors for both risk hedging (foreign exchange, interest rate, commodity) and investment and consulting activities. The increasingly important role played by the financial markets in corporate financing requires the delivery of practical market intelligence based on independent and "committed" research.

In 2017, equity research extended the number of companies analyzed as part of the rollout of "Focus GE-GME". Research on French securities is in line with the research on European securities developed within the ESN partnership. CM-CIC Market Solutions is a founding member of ESN LLP, a multi-local network of intermediaries 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.

Group Treasury[1]

For most of 2017, the Crédit Mutuel CM11 Group was able to take advantage of particularly favorable refinancing conditions 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 at end-December 2017, virtually the same as the previous year (€132.8 billion) and the short-term/medium-to-long-term portion stood at 36%/64%.
Short-term (ST) 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.
Medium- and long-term (MLT) funding totaled €85.0 billion at the end of 2017 (including the 2016 TLTRO[2] drawdowns) compared to €84.0 billion at the end of 2016.

Throughout 2017, €15.177 billion was raised, including €9.681 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 EMTNs:
  - €1.25 billion over 5 years issued in January
  - €1.25 billion over 10 years issued in May
- €1.040 billion (equivalent) in Swiss francs and pounds sterling:
  - 640 million Swiss francs issued over 8 and 10 years in February, June and October
  - 400 million pounds sterling issued over 3 years in June
- €3.141 billion (equivalent) raised through U.S. Rule 144A and Samurai issues:
  - USD 2.5 billion over 3 and 5 years issued in July
  - JPY 127.1 billion over 5, 7 and 10 years issued in October
- €1.0 billion as Tier 2 subordinated debt:
  - €500 million over 10 years issued in March
  - €500 million over 10 years issued in November
- €2.0 billion issued in the form of housing bonds by Crédit Mutuel-CIC Home Loan SFH:
  - €750 million over 8 years issued in February
  - €1.250 billion over 10 years issued in September

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

- the LCR was 130.8%;
- the HQLA[3] held by the central treasury totaled €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.

In 2017, we completed the second drawdown on the SME/ISE 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" (European Commission) are also being reviewed.

Fixed income/equities/ credit investment

The teams make investments within a well-defined framework of limits. This mainly concerns the purchase and sale of financial securities acquired with the intention of holding them over the long term, and transactions involving the financial instruments linked to them.

In 2017, the financial markets evolved:
- against the backdrop of elections in Europe;
- with 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. The results of these capital markets activities in France and New York are in line with budget forecasts. The goal is to achieve positive performance while limiting the volatility of the financial results from these activities and to focus on developing sales.

Alternative investment products, created by investment business line experts and offered to customers, were of good quality. Stork, the main alternative investment fund, outperformed comparable indices with extremely low volatility. Total outstandings sold rose by 6%.

(1) These comments and information relate to the activity of the central treasury department of the Crédit Mutuel CM11 group, excluding Targobank Germany and Spain and CIC's subsidiaries and branches outside France. These entities are obviously monitored by the group's finance department and risk department and their requirements are included in BFCM's refinancing plan.

(2) *Targeted Long-Term Refinancing Operations.*

(3) *High-Quality Liquid Assets.*

PRIVATE BANKING

In 2017, the commercial performance of private banking remained strong. The overall results improved against the backdrop of a strong stock market but low interest rates that adversely affected bank deposits.

Private banking key figures (€ millions)	2017	2016	Change 2017/2016	2016 restated*	Change 2017/2016*
Net banking income	509	512	-0.6%	479	6.3%
General operating expenses	(354)	(367)	-3.5%	(333)	6.3%
Operating income before provisions	155	145	6.9%	146	6.2%
Net provision allocations/reversals for loan losses	(5)	(3)	N/A	(3)	N/A
Income before tax	154	149	3.4%	150	2.7%
Net income attributable to the group	141	95	48.4%	95	48.4%

* Restatement of the Singapore and Hong Kong private banking activity sold in 2017. Source: consolidated financial statements.

Internationally, the group has private banking entities in high growth potential regions 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 nearly 1,900 employees, CIC Private Banking's contribution to CIC's 2017 income before tax[1] was €250 million, an increase of 2.3% compared to 2016.

The private banking activities in Singapore and Hong Kong were sold in early December, resulting in positive operating income for the year and a capital gain on disposal 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.

FRANCE

Two key players operate here:

- **CIC Banque Privée**, which is integrated with the CIC network and mainly targets senior executives;
- **Banque Transatlantique**, whose tailor-made services, aimed mainly at French nationals living abroad, include private banking and *stock options*.

(1) Including CIC Banque Privée included in the CIC group's banking network and the private banking activity in Singapore and Hong Kong before it was sold.

CIC Banque Privée

With 390 employees in nearly 50 cities in France, CIC Private Banking assists high net worth families and executives at key stages in the life of their business: broadening their capital base, growth by acquisition and family transfers.

Working together with wealth engineers, its 195 private banking managers help senior business executives to identify issues and establish appropriate business and wealth strategies. All the skills of the group, notably in the international field, are mobilized to propose the best solutions.

In 2017, thanks to a large number of disposals of companies and its growing ability to handle large transactions in light of other major players in the field, CIC Private Banking pursued its growth and fund inflows by drawing on its close customer relationships and selecting the best banking and financial offerings in the market.

In 2017, the focus was on raising the quality of value-added services in terms of both offerings and documentation and preparing for the entry into force of the MIF 2 directive.

Customer savings exceeded €23 billion and CIC Private Banking's income before tax for the year, which is included in the results of the CIC regional banks for accounting purposes, was €95 million, stable relative to the previous year.

Banque Transatlantique group

In 2017, assets under management totaled €29.9 billion (up 11%). Loan outstandings rose by 17% to €3.1 billion.
Consolidated net banking income increased by 7% to €146.5 million, income before tax was €55.2 million and net income totaled €34.1 million.
In 2017, the group opened a representative office in San Francisco called TPW LLC (Transatlantique Private Wealth LLC).
Banque Transatlantique is bolstering its position as a key player in its three main businesses: private banking, French nationals living abroad and administration of employee share ownership, *stock option* and bonus share plans.

Banque Transatlantique Paris[1]

Net banking income rose by 4% to €85.8 million with a 10% decrease in net interest income that was more than offset by a 19% increase in commissions and other components of net banking income. Net income totaled €18.8 million.

Banque Transatlantique Belgium [1]

Net banking income was €15.6 million and net income came to €4.8 million. Assets under management totaled €2.5 billion and loans outstanding €316 million.

Banque Transatlantique Luxembourg [1]

Net banking income amounted to €9.3 million and net income was €1.3 million. Assets under management amounted to €1.1 billion and outstanding loans €230 million.

Transatlantique Gestion [1]

Net banking income was €21.9 million and net income was €7.4 million. Assets under management totaled €2.9 billion.

Dubly-Douilhet Gestion [1]

Net banking income was €12.9 million and net income was €4.9 million for €1.2 billion of assets under management.

(1) Data from the contribution to the consolidated financial statements of the Banque Transatlantique group.

INTERNATIONAL CIC PRIVATE BANKING NETWORK

Banque de Luxembourg

Banque de Luxembourg is one of the top banks in Luxembourg's financial market. Its activity is centered around five business lines, namely private banking, asset management, lending, business support and services for asset management professionals. It has continued to grow in Luxembourg, as well as in Belgium where it opened a branch in 2010.

Private banking assets totaled €22.2 billion. It provides an integrated service offering for customers with complex needs, such as substantial and diversified assets and business or private activities in several countries. 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, Banque de Luxembourg assists its customers on matters related to family governance and the development of 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" business[2].

The bank continues to quickly integrate regulatory complexity and takes advantage of advances in information and digital technology. In 2017, its net banking income[3] was €247.4 million (-1.5%) and its net income[3] stood at €63.4 million (+0.5%).

(2) Account keepers-custodians.
(3) Under LUXGAAP.

Banque CIC Suisse

CIC Suisse maintained its status as one of Switzerland's most prosperous banks. With an appropriate size, an extensive product range and a personalized approach, it implements a distinctive strategy for its core target of corporate customers and business owners in Switzerland.

Thanks to the digital solutions made available by the group and tailored to local requirements, it is becoming a multi-channel bank that combines effectiveness, innovation and an individualized approach.

As a result of this strategy and the development of the financial markets, the business volume[4] in Swiss francs increased by 12.3% and the volume of credit transactions[5] rose by 575 million Swiss francs compared to the previous year. At the same time and despite investments in digital technology, operating income after provisions increased by 20% to 24.8 million Swiss francs.

(4) Outstandings made up of customer assets (customer deposits, securities portfolio, fiduciary deposits) and customer loans.
(5) Customer loans outstanding.

PRIVATE EQUITY

As the leading French bank-owned operator, CM-CIC Investissement is the equity financing arm for all the business lines in France with a portfolio of €3 billion in capital invested in more than 430 companies.

Financing activities: key figures (€ millions)	2017	2016	Change 2017/2016
Net banking income	259	195	32.8%
General operating expenses	(47)	(46)	2.2%
Operating income before provisions	212	149	42.3%
Net provision allocations/reversals for loan losses	-	-	-
Income before tax	212	149	42.3%
Net income attributable to the group	213	149	43.0%

Source: consolidated financial statements.

Together with its subsidiaries (CM-CIC Investissement SCR, CM-CIC Innovation, CM-CIC Capital, 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.

2017 saw substantial growth in activity in all the investment businesses and in M&A consulting. The business climate improved in the second half of the year, which led to an increase in corporate investment projects.

The financial markets also performed well in 2017, which allowed many portfolio companies, particularly innovation capital investments, to finance their strong growth on the financial markets.

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

These investments included: Dupont Restauration, La Croissanterie, Phenix Groupe, Index Education, IDEC, Gozoki, Medflex (Technoflex Group), 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 (including €88 million in innovation capital) and included nearly 380 well-diversified investments, a large percentage of which (more than 60%) were in 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 amounted to €205.4 million, after redemptions of €41.3 million by subscribers.

For CM-CIC Conseil, 2017 was a very active year in which it completed 20 consulting assignments. The teams have grown significantly over the past 12 months to keep pace with this growth in activity.

CM-CIC Investissement and its subsidiaries contributed €213.1 million to CIC's consolidated net income (up 43.4 % compared to 2016).

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HISTORY OF CIC

CIC is the oldest retail bank in France.
It developed internationally and in France before adding its insurance business lines to its banking activities.

CIC, France's oldest retail bank

1859. Société Générale de Crédit Industriel et Commercial was created on May 7 by imperial decree of Napoleon III.
1864. CIC took significant stakes in new banks such as Société Lyonnaise.
1895. Opening of the first foreign branch in London.
1896. CIC took part in setting up several banks around the world: Banca Nationala a Romaniei, Banco de Madrid, Banque de Nouvelle Calédonie, Banque de la Réunion and Banque de Madagascar.
1917. The stock of the regional subsidiaries was shown in CIC's balance sheet.

Policy of taking stakes in regional banks

1918-1927. CIC took stakes in the equity of regional banks: Banque Dupont, Banque Scalbert, Crédit Havrais, Crédit de l'Ouest.
1927. Birth of the Groupe des Banques Affiliées (GBA).
1929. Creation of Union des Banques Régionales pour le Crédit Industriel (UBR) which brought together 18 regional and local banks. In the same year CIC founded Société de Secours Mutuels.
1948-1970. Regional banks in expansion phase.
1968. The Suez-Union des Mines group took control of CIC.
1971-1982. The majority of CIC's capital (72%) was held by Compagnie Financière de Suez. During this period the bank opened offices abroad.

From nationalization to privatization

1982. CIC was nationalized, along with the nine regional banks under the Groupe des Banques Affiliées.
1983. The CIC group was restructured: 51% of the regional banks' capital was now held by the parent company.
1984. Restructuring continued with the creation of CIC Union Européenne, International et Cie, and Compagnie Financière de CIC.
1985. Insurance company GAN took a 34% stake in the capital of Compagnie Financière.
1987. 100% of the capital of the regional banks was now held by Compagnie Financière.
1989. GAN's stockholding increased from 34% to 51%.
1990. Merger of Compagnie Financière de CIC and Banque de l'Union Européenne to form Union Européenne de CIC, bank and holding company for the CIC group, holding 100% of the capital of the regional banks.
1991. GAN held 81.92% of the capital of Union Européenne de CIC.
1993. GAN held 92.64% of the capital of Union Européenne de CIC.
1996. The French government (Juppé administration) decided to privatize the CIC group in an over-the-counter procedure which was suspended in December of that same year.
1997. The French government (Jospin administration) resumed the privatization process on the same basis.

Crédit Mutuel acquires CIC

1998. The government announced that Banque Fédérative du Crédit Mutuel (the holding company of Fédération du Crédit Mutuel Centre Est Europe) was now the majority shareholder of Union Européenne de CIC, with 67% of the capital. GAN retained 23% and more than 7% was reserved for employees. The capital was increased from FRF 2,864,359,400 to FRF 3,500,883,600 (€436,668,775 to €533,706,264). Michel Lucas, CEO of Fédération du Crédit Mutuel Centre Est Europe, became Chairman of the executive board of CIC, and Étienne Pflimlin, Chairman of CMCEE, became Chairman of the supervisory board.
1999. The merger of Union Européenne de CIC (the holding company for the group) with CIC Paris (the regional bank for Greater Paris) gave rise to Crédit Industriel et Commercial (CIC), a new structure and name, which was both the head of the bank network and a regional bank.
2000. New organizational structure launched: implementation of a single IT system and a common platform, creation of new points of sale and common business centers for Crédit Mutuel and CIC.
From 2000. International development of the group.
2001. Crédit Mutuel bought GAN's stake (23%).
2004. A significant number of projects were started, including implementation of a single common IT tool for Crédit Mutuel and CIC, a single brand image for CIC in the Greater Paris region and expansion of the network.
2006 - 2008: Consolidation of the regional banks:
- CIC Banque Scalbert Dupont, CIC Banque CIN and CIC Crédit Fécampois merged to form a new entity: CIC Banque BSD-CIN;
- CIC Banque CIO and CIC Banque BRO merged to form a new entity: CIC Banque CIO-BRO.
- CIC Banque SNVB and CIC Banque CIAL merged to form a new entity: Banque CIC Est.
- CIC Lyonnaise de Banque absorbed CIC Bonnasse Lyonnaise de Banque.

2010:
- Banque BSD-CIN changed its name to Banque CIC Nord Ouest;
- Banque CIO-BRO changed its name to Banque CIC Ouest;
- Banque Société Bordelaise changed its name to Banque CIC Sud Ouest.

2011. The combined shareholders' general meeting changed the governance structure from that of a *société anonyme* (French limited liability company) with an executive board and supervisory board to that of a "classic" (single board) société anonyme. Michel Lucas was named Chairman of the Board of Directors and Chief Executive Officer and Alain Fradin became Chief Operating Officer.

2014. On December 11, Nicolas Théry was named Chairman of the Board of Directors, Alain Fradin Chief Executive Officer and Daniel Baal and Philippe Vidal Deputy Chief Operating Officers.
2015. CM-CIC Capital Finance, a CIC subsidiary, became CM-CIC Investissement (capital structuring activities).
2016. As of January 1, following the merger/absorption of CM-CIC Securities, CIC includes the business lines under the name CM-CIC Market Solutions.
2017. On June 6, the Board of Directors approved the simplified tender offer for the shares of CIC proposed by Banque Fédérative du Crédit Mutuel (BFCM) and Mutuelles Investissement, a company whose share capital is owned by BFCM (90%) and by Assurances du Crédit Mutuel Vie (10%). The proposed tender offer concerns all the CIC shares not yet held, directly or indirectly, by BFCM at a price of €390 per share, i.e. 6.86% of CIC's capital. On July 18, the AMF declared that the offer filed on June 8 was compliant.
The tender offer was open from July 20 to August 2. The notice by the AMF of the result of the offer was published on August 7, 2017 and the squeeze-out procedure and delisting took place on August 11, 2017.
Moreover, on June 16, 2017, Crédit Industriel et Commercial announced the start of exclusive discussions with the Crédit Agricole Indosuez Wealth Management group for the sale of its private banking activity in Asia (located in Singapore and Hong Kong). Following approval by the group's works council in July 2017 and the Asian regulators in November 2017, the transaction was finalized on Saturday, December 2, 2017 at 11:59 p.m. (Singapore time).

CAPITAL

Amount and composition of the capital

At December 31, 2017, CIC's capital totaled €608,439,888 and was composed of 38,027,493 fully paid-up shares, each with a par value of €16.
As authorized by the combined shareholders' general meeting of May 26, 1999, the executive board converted the bank's capital to euros through its decision of June 19, 2001. At that time, in accordance with the authorization granted, the par value of each share was changed to €16 from FRF 100, resulting in a capital increase of €26,435,111.72.

In 2003, Banque Fédérative du Crédit Mutuel (BFCM) transferred to CIC 705,000 shares in Fédébail, representing 94% of that company's capital. Consideration for this transfer, which was approved by the extraordinary shareholders' general meeting of May 15, 2003, took the form of the issue and allocation to BFCM of 199,330 new CIC shares with a par value of €16. As a result of this transaction, CIC's capital increased from €560,141,376 to €563,330,656.

As part of the restructuring of the group's capital markets activities, CIC Banque CIAL transferred its capital markets activities to CIC. This transfer was approved by the extraordinary shareholders' meeting of September 7, 2006 and 229,730 CIC shares were issued by means of a capital increase and allocated to CIC Banque CIAL in consideration for the transfer. In accordance with the approval granted under Article 115 of the French Tax Code, these shares were granted free of charge to CIC by CIC Banque CIAL at the end of the year. As a result, CIC then held 229,730 of its own shares.

In 2007, CIC absorbed Crédit Fécampois (10th and 11th resolutions of the combined shareholders' general meeting of May 31, 2007) whose shareholders other than CIC received consideration in the form of CIC shares issued by means of a capital increase, with CIC waiving the right to receive its own shares. 5,850 new shares were issued, corresponding to a capital increase of €93,600. Pursuant to the fourth resolution of the shareholders' combined ordinary and extraordinary general meeting of May 31, 2007, offering the option of receiving payment of the dividend in the form of shares, the share capital was increased by €6,526,912 by the issue of 407,932 new shares.

Pursuant to the fifth resolution of the combined shareholders' general meeting of May 22, 2008 offering the option of receiving payment of the dividend in the form of shares, the share capital was increased by €12,758,128 through the issue of 797,383 new shares. Pursuant to the fourth resolution of the combined shareholders' general meeting of May 12, 2009, offering the option of receiving payment of the dividend in the form of shares, the share capital was increased by €4,291,360 by the issue of 268,210 new shares.

Pursuant to the fourth resolution of the shareholders' ordinary general meeting of May 20, 2010 offering the option to receive payment of the dividend in shares, the share capital was increased by €17,763,552 through the issue of 1,110,222 new shares.

Securities not carrying the right to a stake in equity

None.

Changes in control and changes in capital

The bylaws do not contain any provision that would have the effect of delaying, deferring or preventing a change in control, or that would impose stricter conditions on changes in capital than those provided for by law.

Pursuant to the agreements entered into on September 11, 2001 between CIC, BFCM, GAN, and Groupama, GAN's 23% stake in CIC was acquired by Ventadour Investissement, a wholly-owned BFCM subsidiary.

In accordance with its contractual commitments, each year BFCM acquires the shares sold by current and former employees of CIC who took part in the 1998 privatization. These sales mainly concerned 463,394 CIC shares in July 2003 at the

Changes in capital over the last five fiscal years

	2013 Number of shares	2013 Amount in euros	2014 Number of shares	2014 Amount in euros	2015 Number of shares	2015 Amount in euros
At January 1	38,027,493	606,439,888	38,027,493	606,439,888	38,027,493	606,439,888
Capital increase in cash						
Of which additional paid in capital						
TOTAL CAPITAL AT DECEMBER 31	**38,027,493**	**606,439,888**	**38,027,493**	**606,439,888**	**38,027,493**	**606,439,888**

Distribution of capital at the close of the last three years, in shares and voting rights

	At 12/31/2015				At 12/31/2016			
	Number of shares	%	Voting rights	%	Number of shares	%	Voting rights	%
Banque Fédérative du Crédit Mutuel	27,657,888	72.73	27,657,888	73.19	27,657,888	72.73	27,657,888	73.18
Ventadour Investissement[1]	7,759,983	20.41	7,759,983	20.53	7,759,983	20.41	7,759,983	20.53
Mutuelles Investissement								
Caisse Centrale du Crédit Mutuel	384,436	1.01	384,436	1.02	384,436	1.01	384,436	1.02
Crédit Mutuel Nord Europe	375,289	0.99	375,289	0.99	375,289	0.99	375,289	0.99
Crédit Mutuel Arkéa (Suravenir)	263,585	0.69	263,585	0.7	263,585	0.69	263,585	0.70
Crédit Mutuel Maine-Anjou, Basse Normandie	256,186	0.67	256,186	0.68	256,186	0.67	256,186	0.68
Crédit Mutuel Océan	266,292	0.70	266,292	0.70	266,292	0.70	266,292	0.70
Crédit Mutuel du Centre	219,458	0.58	219,458	0.58	219,458	0.58	219,458	0.58
Crédit Mutuel Loire-Atlantique et Centre Ouest	135,329	0.36	135,329	0.36	135,329	0.36	135,329	0.36
Crédit Mutuel Normandie	26,626	0.07	26,626	0.07	26,626	0.07	26,626	0.07
Public, other shareholders	445,671	1.17	445,882	1.18	451,365	1.19	451,365	1.19
Treasury shares (own shares and shares held under the liquidity agreement)	236,750	0.62		-	231,056	0.60		-
TOTAL	**38,027,493**	**100**	**37,790,954**	**100**	**38,027,493**	**100**	**37,796,437**	**100**

end of the five-year holding period and 66,573 shares in 2013, the last year of BFCM's contractual commitment.

On February 8, 2006, pursuant to the strategic partnership agreement entered into with CIC, Banca Popolare di Milano acquired 352,082 CIC shares from Ventadour Investissement. As a result of the termination of this partnership, Banca Popolare di Milano sold its 352,082 shares to Ventadour Investissement in June 2014.

At December 31, 2013, the "ActiCIC" FCPE company mutual fund no longer held any CIC shares and was being absorbed by a money market fund. The registered shares held directly by employees and former employees represented 0.1% of the capital of CIC at December 31, 2016.
The 231,056 shares held by CIC at December 31, 2016 (of which 229,741 own shares and 1,315 held under the liquidity agreement) are stripped of voting rights but do not have a material impact on the ownership structure or the allocation of voting rights among shareholders as set out above.

The liquidity agreement was terminated and became irrelevant following the above transaction.

Tender offer followed by a share buyback offer

On June 6, 2017, BFCM and Mutuelles Investissement launched a simplified tender offer for the shares of CIC. The proposed price of €390 gave shareholders the opportunity to have immediate liquidity. During the offer period, 2,294,043 CIC shares were tendered, i.e. 6.03% of the capital and as many voting rights.
Following the tender offer, the co-initiators, who held 99.17% of CIC's capital, completed the squeeze-out on August 11, 2017.

2016 Number of shares	2016 Amount in euros	2017 Number of shares	2017 Amount in euros
38,027,493	606,439,888	38,027,493	606,439,888
38,027,493	**606,439,888**	**38,027,493**	**606,439,888**

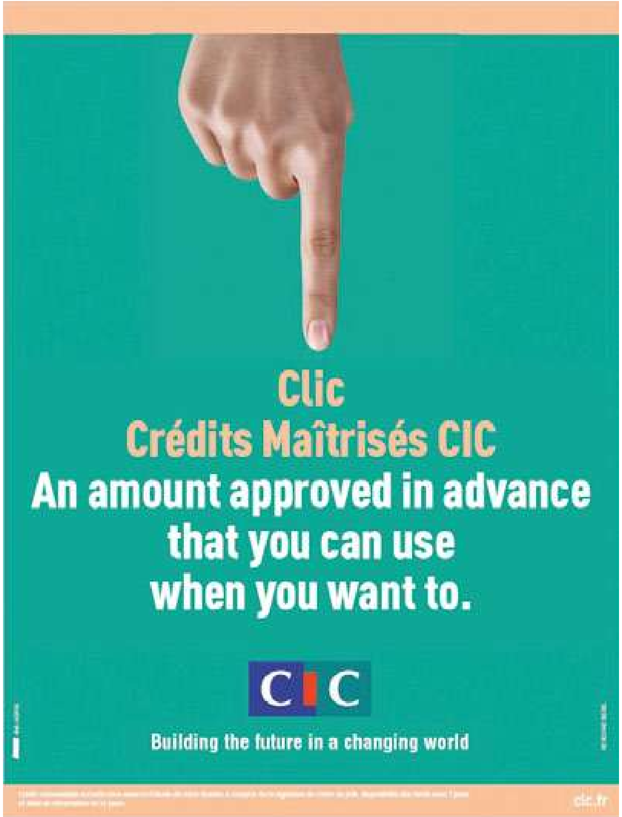
At 12/31/2017			
Number of shares	%	Voting rights	%
35,417,871	93.14	35,417,871	93.71
2,377,911	6.25	2,377,911	6.29
231,711	0.61	-	0.00
38,027,493	**100**	**37,795,782**	**100**

Names of natural or legal persons able to exert control over CIC, either individually, jointly or in concert

At December 31, 2017, BFCM (Banque Fédérative du Crédit Mutuel), a 93%-owned subsidiary of Caisse Fédérale de Crédit Mutuel, directly held 93.14% and Mutuelles Investissement (90%-held by BFCM and 10%-held by ACM VIE MUTUELLE, a fixed-contribution mutual insurance company) held 6.25% of CIC's capital. The remaining 0.61% stake represents treasury shares held by the company which therefore have no voting rights.

BFCM's business covers the following main areas:

- as the company that acts as the holding company of the Crédit Mutuel-CM11 group, it holds the equity interests in banking and finance, insurance, real estate and technology;
- financial management, treasury and refinancing services for the group;



- lending, financial structuring, cash management and trading room for a customer base of major corporates and institutional investors;
- securities custody services.

At December 31, 2017, with total consolidated assets of €619.2 billion, the Crédit Mutuel CM11 group had €561.3 billion in savings in custody or under management, of which €288.5 billion in deposits, €191.3 billion in bank savings products and €81.5 billion in insurance savings products. Total lending stood at €344.9 billion.

Its shareholders' equity amounted to €41 billion and its Common Equity Tier 1 ratio without transitional measures was 16.5%.

As far as measures to prevent abusive control are concerned, we would point out that all transactions between BFCM and CIC are conducted under market conditions.

The Chairman of the Board of Directors of CIC is also Chairman of the Board of Directors of BFCM, and the Chief Executive Officer of CIC is also Chief Executive Officer of BFCM.

BFCM has a seat on the Board of Directors of CIC, which currently consists of six directors appointed by the shareholders' general meeting and two directors elected by employees.

MARKET FOR THE COMPANY'S STOCK

SHARES

CIC's shares were listed on the Paris Stock Exchange from June 18, 1998 to August 11, 2017, when they were delisted in the wake of a tender offer followed by a squeeze-out. Since that date, all shares must therefore be registered shares.

The liquidity agreement signed with Rothschild & Cie Banque ended when the shares were delisted. CIC itself holds 1,970 shares under that agreement. Since these shares will not be canceled, they are recognized as "treasury shares".

Market data – CIC shares[1]

	Number of shares traded	Monthly volumes € millions	Highest & lowest prices	
			Low €	High
January 2016	7,395	1.302	169.00	183.75
February 2016	9,675	1.604	152.70	174.60
March 2016	9,939	1.736	170.50	178.50
April 2016	4,179	0.727	171.75	175.75
May 2016	15,304	2.654	168.00	175.25
June 2016	10,767	1.762	145.70	171.50
July 2016	3,286	0.525	156.75	163.50
August 2016	4,082	0.655	157.65	164.00
September 2016	7,190	1.126	151.00	160.90
October 2016	6,870	1.081	151.40	162.80
November 2016	14,529	2.397	154.50	172.05
December 2016	13,487	2.324	168.50	176.00
January 2017	19,883	3.424	169.70	175.00
February 2017	9,536	1.687	171.00	183.60
March 2017	16,423	2.952	175.55	185.50
April 2017	22,434	4.373	185.40	203.80
May 2017	20,823	4.568	199.50	238.00
June 2017	77,440	29.606	217.00	390.00
July 2017	183,346	71.494	388.90	391.00
August 2017	5,070	1.979	390.00	397.40

(1) Euronext and platforms data 2017 data until August 2, 2017, last share listing date.

SHARE PERFORMANCE

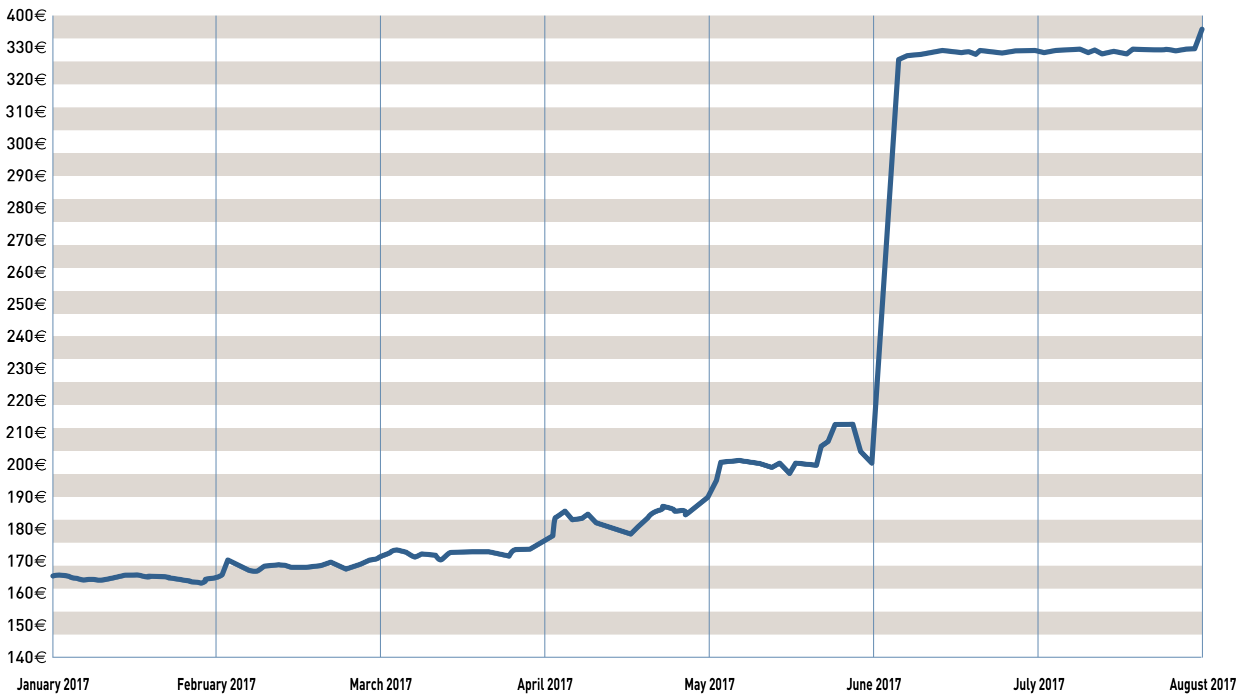
From the beginning of the year until June 5, the day on which the listing of CIC shares was suspended and the day before the announcement of the simplified tender offer by BFCM and Mutuelles Investissement, the share price generally increased, up from €173.05 on January 2, 2017 to €219.00 on June 2, 2017 (+26.6%). The lowest closing price was recorded on January 30 at €170.10.

After the share was relisted on June 7, the price rose quickly, reaching a closing price of €390.00 on June 15, and fluctuated very little thereafter.

The listing was suspended on August 3, which continued until the squeeze-out on August 11, the day on which CIC's shares were delisted from the Euronext Paris stock exchange.

Between January 2 and August 2, 2017, 354,955 shares were traded on Euronext Paris for an amount of €120.08 million, all platforms combined.

CIC SHARE PRICE 2017



DIVIDENDS AND DIVIDEND POLICY

Outstanding shares and securities

	2013	2014	2015	2016	2017
Number of shares	38,027,493	38,027,493	38,027,493	38,027,493	38,027,493
Net dividend on shares (in €)	7	8	8.5	9	25
TOTAL DIVIDEND PAYOUT (IN € MILLIONS)	**266**	**304**	**323**	**342**	**951**
Consolidated net income attributable to the group (in € millions)	845	1116	1,111	1,352	1,275
Payout ratio	32%	27%	29%	25%	75%

The share capital is divided into 38,027,493 shares, including 231,711 treasury shares. The dividend allocated to treasury shares is recognized directly under "retained earnings".

Non-voting loan stock

The non-voting loan stock issued in 1985 by Compagnie Financière de Crédit Industriel et Commercial, which has since become Crédit Industriel et Commercial, entitles holders to an annual coupon made up of fixed and variable components.
This coupon, payable on May 28 of each year, cannot be less than 85% or more than 130% of the average (TAM + TMO /2), where TAM is the annual monetary reference rate and TMO is the fixed-rate bond index.

- The fixed-rate bond index (TMO) is the arithmetic mean of the monthly average yields on the settlement dates for subscriptions of government-guaranteed bonds and equivalents. It is established by France's National Institute of Statistics and Economic Studies (INSEE) for the period from April 1 to March 31 prior to each maturity date.
- The annual monetary reference rate (TAM) is the compound yield that would be earned on a monthly investment reinvested at the end of each month at the average monthly money market rate during the twelve months up to but not including March.

Since January 1, 1999, this rate has been calculated by compounding the EONIA (Euro Overnight Index Average) instead of the average monthly money market rate.

The fixed component of the coupon is 40% of the annual monetary reference rate (TAM), as defined above. The variable component is 43% of this same annual monetary reference rate (TAM), multiplied by the "participation ratio" (PR).
The participation ratio used to calculate the variable component of the coupon due in May 2018 – PR 2018 – is equal to:

$$\text{PR 2017} \times \frac{\text{2017 income as defined in the issue contract 2016}}{\text{income as defined in the issue contract}}$$

The contract stipulates that consolidated income is adjusted for changes in shareholders' equity, CIC's scope of consolidation and consolidation methods.
CIC's adjusted net income for 2017, as determined by applying identical accounting procedures and consolidation methods at constant scope, amounted to €1,266,620 billion compared to €1,345,224 billion for 2016.

The PR 2018 is therefore equal to:

$$\frac{\text{PR 2017} \times €1{,}266{,}620 \text{ billion}}{€1{,}345{,}224 \text{ billion}}$$

i.e. 18,751 x 0.94157 = 17.655.

Coupon

The coupon rate calculated from the income shown above, including both the fixed and variable components, came to -2.888%, which is below the floor provided for in the issue contract.

Consequently, under the terms of the issue contract, the coupon rate paid to holders of non-voting loan stock in May 2018 will be 85% of (TAM +TMO)/2.
The coupon rate will be 0.274% on the basis of a TAM of -0.3614% and an average TMO of 1.0058%. This means that the gross coupon due in May 2018 will amount to €0.42 per share with a par value of €152.45.

Coupon payments since 2014 (year paid)

	PR	TAM %	TMO %	Coupon rate %	Gross coupon
2014	13.369	0.1212	2.4758	1.104	€1.68
2015	16.457	0.0414	1.4900	0.651	€0.99
2016	16.373	(0.1612)	1.0875	0.394	€0.60
2017	18.751	(0.3476)	0.7975	0.191	€0.29
2018	17.655	(0.3614)	1.0058	0.274	€0.42

Non-voting loan stock price movements since 2013

	high (€)	low (€)	last price €
2012	150	139.97	148
2014	148	140	147.45
2015	154.90	143.50	154.50
2016	149	119.65	119.65
2017	141	106.20	129.75

On October 18, 1999, CIC non-voting loan stock with a face value of FRF 1,000 was converted into stock with a face value of €152.45.

STATUTORY AUDITORS' REPORT

on the interest payable on non-voting loan stock

Fiscal year ended December 31, 2017

To the holders of CIC non-voting loan stock,

In our capacity as statutory auditors of CIC, and pursuant to Article L. 228-37 of the French Commercial Code, we present below our report on the data used to determine the interest payable on non-voting loan stock.

On April 18, 2018, we prepared our reports on the annual financial statements and the consolidated financial statements for the year ended December 31, 2017.

The data used to calculate the interest payable on non-voting loan stock was determined by the company's management. It is our responsibility to comment on its conformity with the issue agreement and its consistency with CIC's consolidated financial statements.

The data used in the calculations, as disclosed to us, provided for at the time of the issue of non-voting loan stock in May 1985, is as follows:
The annual interest is determined as follows and includes:
- a component equal to 40% of the annual monetary reference rate or "TAM", and
- a component equal to 43% of the TAM multiplied by a participation ratio (PR) which, for the interest due on May 28, 2018, is as follows:

$$\text{PR 2018} = \text{PR 2017} \times \frac{\text{2017 adjusted consolidated net income}}{\text{2016 adjusted consolidated net income}}$$

The issue agreement sets a cap and a floor on interest payments, as follows:
- floor: 85% x (TAM + fixed-rate bond index or "TMO")/2;
- cap: 130% x (TAM + TMO)/2.

The agreement further stipulates that the participation ratio (PR) corresponding to the ratio between the 2017 and the 2016 consolidated net income will be adjusted to take into account changes in equity, group structure or consolidation methods between the two years.

Since 2005, CIC has published its financial statements under IFRS. In accordance with the resolution submitted for your approval, the calculation of interest was based on net income attributable to owners of the company for 2016 and 2017, as determined by applying the same accounting procedures and consolidation methods based on comparable group structure and comparable equity, giving a participation ratio (PR) of 17.655 for 2017 versus 18.751 for 2016.

The interest rate obtained by applying the above formula comes to -2.89% before application of the floor and cap rates, which are 0.27% and 0.42% respectively.

Therefore, in accordance with the provisions of the issue agreement, the gross interest paid in 2018 in respect of 2017 will amount to €0.42 per stock unit.

We carried out the work we considered necessary in view of the professional standards of the French Statutory Auditors' Association (Compagnie nationale des commissaires aux comptes) related to this assignment. These standards require that we carry out the necessary procedures to verify the conformity and consistency of the data used to calculate the interest due on non-voting loan stock with the issue agreement and the audited annual and consolidated financial statements.

We have no matters to report concerning the conformity and consistency of the data used to calculate the interest due on non-voting loan stock.

Paris La Défense and Neuilly-sur-Seine, April 18, 2018

The statutory auditors

KPMG Audit.	PricewaterhouseCoopers Audit	ERNST & YOUNG et Autres
Department of KPMG S.A.	Jacques Lévi	Hassan Baaj
Arnaud Bourdeille		

Construisons dans un monde qui bouge.
Building the future in a changing world

SHARE
THE SAME ENTREPRENEURIAL SPIRIT

TO... DEVELOP OUR PROJECTS

2 CORPORATE GOVERNANCE

REPORT ON CORPORATE GOVERNANCE

Composition of the management bodies at December 31, 2017

Board of directors

Nicolas Théry
Chairman

Banque Fédérative du Crédit Mutuel
represented by Catherine Allonas-Barthe

Éric Charpentier

Maurice Corgini

Jean-François Jouffray

Catherine Millet

Directors elected by employees

William Paillet

Ségolène Denavit

General management

Daniel Baal
Chief executive officer and effective manager

Philippe Vidal
Deputy chief operating officer and effective manager

Claude Koestner
Deputy chief operating officer

René Dangel
Deputy chief operating officer

Statutory auditors

ERNST & YOUNG et Autres

PricewaterhouseCoopers Audit

KPMG S.A.

Works council representatives

Gérard Fubiani

Non-voting members

Luc Chambaud

Guy Cormier

Gérard Cormorèche

Jacques Humbert

Damien Lievens

Lucien Miara

Conditions for preparing and organizing the work of the board of directors

The provisions of Article L.225-37 of the French Commercial Code stipulate that the board of directors must present to the shareholders' general meeting referred to in Article L.225-100 a report on corporate governance appended to the management report referred to in the same article. However, the information concerned may be presented in a specific section of the management report.

This report details the composition of the board and the application of the principle of balanced representation of men and women on the board, the conditions under which it prepares and organizes its work, as well as any limits placed on the powers of the chief executive officer by the board of directors.

Preparing and organizing the work of the board

Composition of the board

The workings of the board of directors are governed by Articles 10 through 16 of the company's bylaws, which do not contain any stipulations over and above the legal provisions.

Crédit Industriel et Commercial (CIC) complies with the regulations in force regarding corporate governance. It does not however follow the recommendations of the AFEP-MEDEF code of corporate governance, which is unsuitable in its case on a number of points given its ownership structure, consisting for 100% of entities belonging to the Crédit Mutuel group, including Banque Fédérative du Crédit Mutuel which holds 93.14% of the capital and Mutuelles Investissement which holds 6.25%, the remaining 0.61% being held in treasury.

In determining the composition of the board of directors, a number of guiding principles are applied.

1°. Incompatibilities and prohibitions: each director, when appointed, signs a statement certifying that he does not infringe any of the banking prohibitions 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 bylaws, whereby the number of directors over the age of 70 may not exceed one third of directors. In order to ensure that uniform and consistent practices are applied throughout the group, it is proposed that, in December 2018, the individual age limit be set at 70 for directors and 75 for non-voting board members. In the case of board members still in office on the date they reach the age limit, their terms of office will expire on the date of the shareholders' general meeting following said date.

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 CIC and has been implemented as CIC has two women and four men on its board. As far as employee board members are concerned, the CIC board has one male and one female member.

5°. Competence and training of directors: CIC attaches great importance to the competence of its directors. A specific director training module has been introduced, at the initiative of the interfederal elected members training commission, the aim of which is to consolidate the knowledge and skills of CIC's directors and non-voting board members as regards the skills required under the regulations since the transposition into French law of the Capital Requirements Directive (CRD IV).
Specific training modules have also been introduced for the members of the regulatory committees. These modules aim to consolidate their skills to enable them to effectively carry out said committees' work.

6°. Composition of the board of directors and independent directors: the joint Guidelines issued by the European Banking Authority (EBA) and the European Securities and Markets Authority (ESMA) dated September 26, 2017 on the assessment of the suitability of members of management bodies and key function holders have set eleven independence criteria applicable as from July 1, 2018 to all credit institutions in the European Union. These criteria will be transposed into French law during the first half of 2018.

7°. Listing of CIC shares and prevention of market abuse In the period during which CIC's shares were listed, members of the board of directors and general management were informed of their obligation to disclose any trading in CIC shares on the stock exchange by them or persons closely linked to them to the AMF (French financial markets authority) and to CIC. No disclosure of this nature was made up to and including the date on which CIC's shares were delisted.

8°. Conflicts of interest at the level of the administrative, management, and supervisory bodies: Due to the directors' volunteer status and the code of ethics and professional conduct in force within the group, there are no potential conflicts of interests as regards the members of the board of directors and the chief executive officer between their obligations vis-à-vis CIC and their private interests.

The work of the board in 2017

The board of directors meets at least three times a year in accordance with a pre-established schedule.

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

The board of directors met six times in 2017. The attendance rate varied between 64% and 93% (averaging 82%).

The board meeting of February 23, 2017 was mainly devoted to examining and approving the company and consolidated financial statements and preparing for the shareholders' ordinary general meeting, which was held on May 24. 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 took note of the reports issued by the regulatory committees. It approved the sector policies relating to the procurement function and to consumer credit. The board approved CM-CIC Marchés' body of rules and renewed the authorization to issue EMTNs for a further one-year period. The board approved the renewal of BFCM's term of office as a director and the appointment of Catherine Allonas Barthe as a director and a new permanent representative of BFCM to replace Jacques Humbert, who was appointed a non-voting board member on May 24, 2017. At this meeting, the board also appointed Michel Lucas as honorary chairman, for a term of office to expire at the shareholders' general meeting on May 24, 2017.

During its meeting on May 24, 2017, the board reviewed the financial statements for the first quarter of 2017. It reviewed the control and monitoring activities and approved the ICAAP report on capital adequacy. It also noted a new operational risk and decided to reclassify the regulated agreement with CRH as an agreement remaining in operation. The board noted the expiry of Monique Leroux's term of office and that Catherine Allonas Barthe, in her capacity as a director, was BFCM's new representative. It appointed Guy Cormier as a non-voting board member. In connection with Alain Fradin's retirement, the board appointed Daniel Baal as CIC's chief executive officer: M. Daniel Baal is responsible for CIC's management in conjunction with Philippe Vidal. At the same meeting, the board noted the appointment of René Dangel and Claude Koestner as deputy chief operating officers of CIC as from June 1, 2017.

The board of directors' meetings on June 6 and June 28, 2017 were called to deal with the Poincaré project, i.e. the simplified public tender offer for the shares of CIC not held directly or indirectly by BFCM, to set up an *ad hoc* committee to be in charge of monitoring the work of the independent expert appointed in connection with this offer and to approve the reports issued in connection with the offer.

On July 27, 2017, the board of directors approved the interim consolidated financial statements of CIC for the first half of 2017, after taking note of the opinion of the audit and accounts committee dated July 26 and hearing the statutory auditors' report. The board was presented with, and approved, the Supervisory Review and Evaluation Process affecting Caisse Fédérale and the Crédit Mutuel CM11 group and the Crédit Mutuel group's general risk appetite framework. As a result of the expiry of Monique Leroux's term of office, the board appointed Catherine Millet as a director of CIC and renewed the terms of office as non-voting board members of Luc Chambaud and Gérard Cormorèche.

At its meeting on November 17, 2017, the board of directors reviewed the third quarter 2017 results and financial position and the budget. The board noted the report of the group audit and accounts committee dated September 13, 2017 and the report of the group risk monitoring committee dated October 18, 2017. It approved the means of payment security policy, the supplier charter which is in line with the sector policy, and the creation of a risk, control and compliance division. The board noted the expiry of the term of office of Caisse Centrale du Crédit Mutuel, represented by Luc Cortot, and of Daniel Leroyer and the appointment of two employee board members, William Paillet and Ségolène Denavit. The board also approved the transfer of the prerogatives of its appointments committee and of its compensation committee to Caisse Fédérale de Crédit Mutuel's regulatory committees, of which it is a member.

Workings of the board
General management operating methods

In accordance with Article L.511-13, paragraph 2, of the French Monetary and Financial Code, the banking regulations require banks to separate the functions of the chairman of the supervisory body and those of the bank's effective managers. A bank must have at least two people who are responsible for its executive management. They will have all the powers conferred on them by the legislation and the banking and financial regulations, governing their actions both within the group and vis-à-vis third parties.

CIC's general management is composed of:
- Daniel Baal, chief executive officer and effective manager,
- Philippe Vidal, deputy chief operating officer and effective manager,
- Claude Koestner, deputy chief operating officer,
- René Dangel, deputy chief operating officer.

The board meetings held on December 11, 2014 and May 24, 2017 did not place any restrictions on the powers of the two effective managers as defined by the law and our bylaws and internal regulations.

Board committees

Background: the board had an appointments committee and a compensation committee until November 17, 2017, on which date it decided to transfer the prerogatives of these two committees to Caisse Fédérale de Crédit Mutuel's regulatory committees, of which the board is a member, with the aim of achieving harmonization and consistency at group level.

The following section therefore deals only with those group committees of which CIC is a member.

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 to assist them with their work. The board receives regular reports on the work of these committees.

Group compensation committee

Following the transposition of the so-called CRD4 directive, particularly Article 88 thereof, and in accordance with Article L.511-89 of the French Monetary and Financial Code, the board of director's meeting on February 27, 2015 created a new internal specialized committee.

The scope of this committee includes:
- all the credit institutions and financing companies,
- the entities in the group consolidated by Caisse Fédérale de Crédit Mutuel (CIB 10278) in its capacity as the parent company of the Crédit Mutuel CM11 consolidated group which, due to their size, internal structure and the nature, scale, complexity and international character of their activity, are included in the scope at the board of directors' discretion.
- with the exception of those entities which, due to their activity, importance or specific features, have a committee set up specifically for them in accordance with the legislation and regulations. Under these circumstances, said committee reports to Caisse Fédérale de Crédit Mutuel's group compensation committee on the work carried out and the information disseminated.

The compensation committee analyzes and monitors the compensation principles and the annual guidelines presented by general management, including, in particular:
- the applicable regulatory developments,
- the level of the budgets allocated to the Material Risk Takers (MRT),
- the procedures for apportioning compensation, allocating it to individuals and paying it,
- the list of compensation amounts exceeding a certain level and the list of all employees identified as material risk takers,
- the compensation of the chief risk officer and the head of compliance.

In carrying out these duties, the compensation committee uses as a basis market practices and all other resources it deems appropriate.
In this context, the compensation committee draws up, on a regular basis and at least once a year, proposals concerning the compensation of the executive body and the corporate officers and an opinion on the group's general policy guidelines concerning compensation and it may issue opinions, proposals or recommendations concerning its terms of reference for consideration by the board of directors.
Moreover, the compensation committee checks with general management to make sure that the risk, control and compliance divisions have been consulted by the human resources department as regards the definition and implementation of the compensation policy.

In addition, the compensation committee takes due note of the annual audit report on the compensation policy and/or the follow-up audit report.

The committee reports on its work, and presents its proposals, to the board of directors. It sets out in its report the opinions and recommendations it deems useful.
It also details in its report all the proposals aimed at improving the effectiveness of the various procedures and the overall system or adapting them to a new situation or to regulatory changes.
With the aim of achieving consistency throughout the group and in the absence of any procedures governing this area, a coordination process covering changes in the compensation paid to the executive management - chief executive officers of the group's entities - was adopted at the board of directors' meeting on February 26, 2016.
As regards the federations' chief executive officers, the federations' chairmen are involved in this process in an advisory capacity.
This system links to the Chairman of Caisse Fédérale de Crédit Mutuel, the general management of Caisse Fédérale de Crédit Mutuel, the group human resources department, the group general secretariat and the group risk division.
The compensation committee gives it opinion on the proposed coordination process. The compensation committee reports to the board of directors.
In this respect, the committee draws on the work carried out by the group human resources department, the group general secretariat and the group risk division. Secretarial services for this committee's meetings are provided by the group general secretariat.

There are five members of this committee, each elected for three years:
- Jacques Humbert, Chairman
- Gérard Bontoux
- Maurice Corgini
- André Gerwig
- Jean-François Jouffray,
- M. François Troillard, employee board member

Group appointments committee

Following the transposition of the so-called CRD4 directive, 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 scope of this committee includes:
- all the credit institutions and financing companies,
- the entities in the group consolidated by Caisse Fédérale de Crédit Mutuel (CIB 10278) in its capacity as the parent company of the Crédit Mutuel CM11 consolidated group which, due to their size, internal structure and the nature, scale, complexity and international character of their activity, are included in the scope at the board of directors' discretion

- with the exception of those entities which, due to their activity, importance or specific features, have a committee set up specifically for them in accordance with the legislation and regulations. Under these circumstances, said committee reports to Caisse Fédérale de Crédit Mutuel group's compensation committee on the work carried out and the information disseminated.

The committee's main responsibilities, as specified in Articles L.511-98 to L.511-101 of the French Monetary and Financial Code, are, in particular to:

- identify and recommend to the board appropriate candidates to serve as directors, non-voting board members, directors that could have the status of effective manager (chief executive officer, chief operating officer, deputy chief operating officer and other executive management 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 that must be dedicated to these functions,
- set a target for gender equality within the board and draw up a policy for achieving said target (both must be published),
- review periodically, and 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,
- assess periodically, and 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 risk management and make recommendations to the board 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 addition, with the aim of achieving consistency throughout the group and in the absence of any procedures governing this area, a coordination and consultation process has been implemented for the appointment and replacement of group entities' executive management and chief executive officers.
Such appointments and replacements are made from amongst a list of executives identified as having followed the career path defined by the group.
As regards the federations' chief executive officers, and following the coordination and consultation process, appointments and replacements will be made by the boards of directors on the recommendation of the federations' chairmen and in accordance with their prerogatives.
This coordination and consultation system will link to the Chairman of Caisse Fédérale de Crédit Mutuel the general management of Caisse Fédérale de Crédit Mutuel, the group

human resources department, the group general secretariat and the group risk division.

The appointments committee is also responsible for issuing an opinion as a result of the coordination and consultation process. Said opinion is then disseminated in the form of an extract from the committee's minutes to the entity concerned for the purpose of the legal decision to make the appointment or replacement by its competent body.
The committee keeps abreast of all market regulations and recommendations concerning governance.
The chairman of the board may, where relevant, consult it on governance issues.
In this respect, the committee draws on the work carried out by the Caisse Fédérale de Crédit Mutuel group general secretariat, in collaboration with the risk division and the human resources department, Secretarial services for this committee's meetings are provided by the Caisse Fédérale de Crédit Mutuel group general secretariat.

There are five members of this committee, each elected for three years:
- Jacques Humbert, Chairman
- Gérard Bontoux
- Maurice Corgini
- André Gerwig
- Jean-François Jouffray.

Group audit and accounts committee

With a view to satisfying the requirements arising from the transposition of European Directive 2006/43/EC concerning the statutory audits of annual company and consolidated financial statements by means of order no. 2008-1278 of December 8, 2008 and Article L.512-1-1 of the French Commercial code, as well as those deriving from regulation 97-02 (which subsequently became the order of November 3, 2014) concerning the internal control of credit institutions and investment undertakings, a group audit and accounts committee was established in June 2009 at the CM5 level, which subsequently became Crédit Mutuel CM11.
The group audit and accounts committee is composed of directors representing the Crédit Mutuel federations that are members of the 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 accounts committee:
- examines the provisional internal control schedule;
- receives the consolidated annual internal control and risk monitoring report as well as the half-yearly internal control report;
- is informed of the conclusions of the main assignments carried out by the periodic control function and of the results of the permanent and compliance controls;
- takes due note of the conclusions of external controls, particularly of any recommendations made by the supervisory authorities;
- is informed of actions carried out to give effect to the main recommendations issued in internal and external control reports;
- is responsible for assessing the effectiveness of the internal control systems;
- is responsible for monitoring the process for preparing financial information;
- 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;
- examines the annual company and consolidated financial statements;
- assesses the manner in which they have been drawn up and satisfies itself as to the appropriateness and consistency of the accounting principles and methods applied.
- 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 accounts committee has unrestricted access to the heads of the various control functions (periodic, permanent, and compliance) as well as to the head of the risk division and the head of the finance department. The group audit and accounts committee may also summon the heads of the operating departments to attend its meetings, depending on the issues to be addressed.

The group audit and accounts 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.

Group risk monitoring committee

This committee has been established at Crédit Mutuel CM11 group level and is composed of members of the deliberative bodies.

The committee's duties and responsibilities are as follows:
- carry out a complete review of the risks to which the Crédit Mutuel CM11 group is exposed. Completeness is reviewed both in terms of the types of risks and in terms of the business activities in which the group's banking and non-banking entities are involved both in France and abroad;
- examine risk exposure in terms of quality, ratings, concentration and impairment of value;

- analyze short- and medium-term liquidity ratios and monitor changes in these ratios, particularly within the framework of the internal liquidity adequacy assessment process (ILAAP);
- examine changes in the main regulatory and operating ratios and especially those related to capital consumption by business line and entity, solvency and leverage ratios and compliance with the amounts allocated by the deliberative bodies, particularly within the framework of the internal capital adequacy assessment process (ICAAP);
- interpret changes in earnings in the context of changes in risks, results and capital consumption, and examine changes in the external ratings;
- assess the quality of all the risks referred to in the order of November 3, 2014 and, in particular, the following risks: credit, market, overall interest rate, intermediation, settlement, liquidity and operational, throughout the scope of the group's entities (in particular the banking and insurance companies' scope);
- assist the deliberative body in its supervision of the application of the policies and strategies in terms of risks by the general management bodies making up the group's executive body. For this purpose, particular attention is given to compliance with the risk indicator limits and any breaches of them;
- advise the deliberative body on risk strategies and tolerance, both current and future. In this context, the committee may propose to the deliberative body changes to the risk management system (addition of or changes to the indicators and/or limits), specific *reports* or comments on a particular file or a 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 crisis management policy, the risk measurement methodologies, the risk-taking policies as well as the crisis management policies including the crisis recovery plans (CRP);
- ensure that there are procedures to ensure compliance with the legal and regulatory obligations and a process to identify and deal with incidents and anomalies;
- ensure that the risk information provided to the committee is adequate in terms of its nature, scope, level of detail, form and frequency;
- propose to general management all the measures that could be necessary concerning the system of warning limits or thresholds for the main counterparties, economic or geographical sectors, as well as the warning limits or thresholds in respect of interest rate, liquidity and market risk.

The group chief risk officer reports on developments concerning the main risks as listed in the order of November 3, 2014 and, in particular, the following risks: credit, market, overall interest rate, intermediation, settlement, liquidity and operational risk. The group chief risk officer informs the monitoring committee of any changes in or breaches of the warning limits and thresholds and comments on regulatory developments and the regulators' inspections. He provides feedback on the group's developments in its French and international markets.

The group risk monitoring committee has 15 members:
- Daniel Schoepf, chairman
- Laurent Benoit
- Gilles Berrée
- Jean-Louis Boisson
- Hubert Chauvin
- Gérard Bontoux
- Hervé Chatanay
- Pierre Hussherr
- Jean-François Jouffray
- Claude Lévêque
- 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 in 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 the above principles, which reflect the values to which the whole Crédit Mutuel CM11 group subscribes, are properly applied.
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 compendium of ethics is held available to all by the group general secretariat.
Regular reminders are issued of the obligation to comply with the rules applicable to persons holding inside information.

Ethics and compliance committee

An ethics and compliance committee was set up on a group-wide basis by the *chambre syndicale* at its meetings on April 13 and 14, 2007, to monitor progress on the implementation of the code of ethics and professional conduct within the management bodies of the group of local cooperative banks affiliated to Caisse Fédérale de Crédit Mutuel.

It has 22 members appointed by the *chambre interfédérale* on the basis of one elected member and one employee representative per group federation:
- 11 elected members, proposed by their home federation's board of directors from among the elected members of this federation attending the chambre interfédérale,

- 11 employee representatives, proposed by their home federation's works council from among the representatives attending the *chambre interfédérale*,

The following are involved in the committee's work in an advisory capacity: the group head of human resources, the group general secretary, the general inspector, the heads of compliance and the federations heads of relations with elected members.

The committee is chaired by an elected member sitting at the chamber, representing the member banks and proposed by the board of directors of Fédération du Crédit Mutuel Centre Est Europe.

Compensation principles and rules for the categories of employees referred to in Article L.511-71 *et seq.* of the French Monetary and Financial Code

The Crédit Mutuel CM11 group, which belongs to its customers and members, has a compensation policy which is designed, above all, to be well thought-out and responsible, and has as its main aim to align the group's interests with those of its employees and to protect the interests of its members and customers. The policy is therefore based on a strict application of the duty to advise.

The Crédit Mutuel CM11 group believes that a company's compensation policy is key to ensuring consistency in its strategy and risk management. Against this backdrop, the Crédit Mutuel CM11 group, which is faithful to its mutualist values, has defined a policy whose principles comply with the regulatory requirements and best practice and which aims to:

- ensure consistency between employees' conduct and the group's long-term objectives, particularly as regards the development of its risk management policies and procedures,
- promote career progression through internal training and foster employees' long-term commitment,
- ensure fair compensation for the work carried out and the retention of talented employees through appropriate compensation, taking into account the competitive environment and their level of seniority, expertise and professional experience,
- respect gender equality with regard to salaries, based on employees' classification, and more generally to strive to prevent all forms of discrimination,
- ensure that equity is regularly strengthened.

The compensation policy is in line with the Crédit Mutuel CM11 group's risk appetite framework, which stipulates that the compensation paid to group employees should not encourage them to take on excessive risk and aims to avoid any conflict of interest.

To this end, the overall compensation policy does not therefore encourage employees to take on risk in excess of the risk level defined by the Crédit Mutuel CM11 group. It is therefore based on the principles of moderation and prudence implemented by the Crédit Mutuel CM11 group, including those specific to material risk takers. Variable compensation is strictly limited to certain business lines and functions and does not constitute an incentive for employees to take risks that would not be in line with the strategies drawn up by general management and the board of directors, particularly in the case of those employees whose activities are likely to have a significant impact on the group's risk exposure.

The board of directors of Caisse Fédérale de Crédit Mutuel has approved the compensation policy of the Crédit Mutuel CM11 group, in particular the overall compensation policy for those employees whose professional activities are likely to have a significant impact on the group's risk profile.

This general policy takes into account the requirements of Article 104 of the order of November 3, 2014, Articles L.511-89 *et seq.* of the French Monetary and Financial Code and Commission Delegated Regulation EU 604/2014 published on March 4, 2014, which sets the qualitative and quantitative criteria for identifying these categories of employees.

The latest version of the note on the compensation policy for risk takers was approved by the board of directors on November 17, 2017.

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 within 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 €73,750,000.

Election to pay fixed compensation with variable compensation strictly limited to certain specialized activities

The Crédit Mutuel CM11 Group has elected to favor fixed compensation, in line with its mutualist values and responsibilities to its customers and members. In drawing up its policy, it takes into account its unwavering concern to promote sustainable development and career progression for its employees.

For the majority of the group's employees, in particular all those working for the networks, the group has elected(1) not to set individual targets for sales to customers that could generate variable compensation.

Generally speaking, the components of additional compensation (benefits in kind, variable compensation, etc.) are well-controlled and concern only certain circumstances specific to a given business line or function that are justified by particular considerations. Accordingly, as is the case with other banking groups, the group generally makes provision for the payment of variable remuneration within the group's specialized businesses: trading room, specialized financing, asset management, private equity, private banking and consumer credit.

A harmonized compensation policy for Crédit Mutuel CM11 group in 2018

In connection with the remuneration policy established at group level, the board of directors of Caisse Fédérale de Crédit Mutuel approved, at its meeting on July 27, 2017, the proposal made to it to include within the group scope, as from the 2018 fiscal year, those entities covered by the Alternative Investment Fund Managers Directive (AIFMD) and the UCITS V Directive as well as those covered by the Solvency II Directive.

It should be noted that Article L511-91 of the French Monetary and Financial Code, created by Article 3 of order no. 2014-158 of February 20, 2014, stipulates that when a credit institution is part of a group regulated by the French Prudential Control and Resolution Authority (*Autorité de Contrôle Prudentiel et de Résolution - ACPR*) on a consolidated basis, the board of directors of said institution may decide that the functions devolved to the regulatory committees (risks, appointments and compensation committees) be exercised by the committee of the credit institution responsible for supervision on a consolidated or sub-consolidated basis.

Within the Crédit Mutuel CM11 group, all the boards of directors of the group entities - regardless of their activities and the applicable regulations, both in France and abroad - delegate to the "parent" committee (Caisse Fédérale de Crédit Mutuel) their jurisdiction over compensation. This therefore includes the regional federations and banks (which "control" the federal bank), the consumer credit activity, the asset management activity and the insurance entities (which are in the accounting consolidated scope), the private equity, services and IT activities, the group's EIGs, the private banking activities and the overseas subsidiaries (including Banque Transatlantique, Banque de Luxembourg, CIC Suisse, Targobank in Germany and Targobank in Spain, which until now had their own compensation committees).

The scope therefore goes beyond the straightforward regulatory monitoring scope applicable to the banking activity.

The boards of directors' delegations of authority come into force as from the beginning of 2018 and the group entities' regulatory committees, with the exception of the Caisse Fédérale de Crédit Mutuel "parent" committee, are abolished. The "parent" committee reports on its work to the Caisse Fédérale de Crédit Mutuel board of directors, as well as to the group entities' boards of directors as regards information concerning them.

On the date on which the 2018 compensation policy was drawn up, the boards of directors of the entities concerned provided for the legal delegations of authority to be formalized at their next meetings.

Process for coordinating changes in the compensation of the group's executive management

With the aim of achieving consistency throughout the group and in the absence of any procedures governing this area, a process for coordinating changes in the compensation of the group's executive management - chief executive officers of the group's entities - was adopted at the board of directors' meeting on February 26, 2016. As regards the federations' chief executive officers, the federations' chairmen are involved in this process in an advisory capacity. This system links to the Chairman of Caisse Fédérale de Crédit Mutuel the executive management of Caisse Fédérale de Crédit Mutuel, the group human resources department, the group risk division and the group general secretariat.

The compensation committee gives it opinion on the proposed coordination process. The compensation committee reports to the board of directors.

(1) Except certain exceptions abroad.

Principles for determining the compensation paid to the corporate officers

GUIDING PRINCIPLES

CIC does not follow the recommendations of the AFEP-MEDEF code, unsuitable in its case on a number of points given its ownership structure, consisting for 100% of entities belonging to the Crédit Mutuel group.

Non-executive corporate officers, i.e. all directors except for the chairman of the board of directors, do not receive either attendance fees or compensation of any kind.

IMPLEMENTATION

The executives concerned are the chairman of the board of directors and the chief executive officer

The chairman of the board of directors' employment contract with BFCM was terminated with effect from November 14, 2014 and that of the chief executive officer has been suspended since June 1, 2017.

The board of directors of CIC, in its meeting of December 11, 2014, decided, based on a proposal by the compensation committee, to grant Nicolas Théry, as compensation for his corporate office of chairman of the board of directors, annual compensation of €250,000. It also decided to establish for Nicolas Théry, with respect to his corporate office of chairman of the board of directors, a termination indemnity equal to one year's compensation as corporate officer. Payment of this indemnity is subject to the achievement of performance objectives relating to the growth of the group's consolidated total equity in accordance with IFRS for the period from January 1, 2015 to the date of termination. This agreement concerning the termination indemnity was submitted for approval to the general meeting of shareholders of CIC on May 27, 2015 together with the statutory auditors' special report.

The board of directors of BFCM, in its meeting of February 26, 2015, decided, based on a proposal by the compensation committee, to maintain Nicolas Théry's present compensation at BFCM (gross annual compensation of €450,000), which will with effect from December 1, 2014 be compensation for the performance of his corporate office as chairman of the board of directors. The board also decided to put in place a specific unemployment insurance policy for corporate officers with effect from December 1, 2014.

In addition, the board of directors set the termination indemnity to be paid to Nicolas Théry at one year of gross salary calculated on the basis of the average of the last twelve months preceding the termination of his office. Payment of this indemnity is subject to the achievement of performance objectives relating to the growth of the group's consolidated total equity in accordance with IFRS for the period from January 1, 2015 to the date of termination. As regards this corporate office, the above indemnity is understood to be without prejudice to that which he might receive in his capacity as an employee pursuant in particular to labor agreements in force in the group. In this regard, note that Nicolas Théry has been employed by the group since September 1, 2009 and that his employment contract was terminated with effect from November 14, 2014. As an employee, Nicolas Théry is subject to the company supplementary pension rules of January 1, 2008. Consequently, the compensation committee proposed that these pension scheme rules be applied to Nicolas Théry's compensation in his capacity as chairman of the board of directors, under the same conditions as all group employees. In connection with the reform of the CM11 supplementary pension scheme, and pursuant to the amendment to the retirement agreement, compensation in the form of gross salary totaling €25,509.78 has been granted to Nicolas Théry since January 1, 2017.

This agreement concerning the termination indemnity and retirement benefits was submitted for approval by the shareholders' general meeting of BFCM on May 13, 2015 together with the statutory auditors' special report.

The board of directors of BFCM, in its meeting of February 26, 2015, noted that Alain Fradin's appointment as chief executive officer did not result in any change in his situation up to that date in his capacity as chief operating officer. Acting on the recommendation of the compensation 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 compensation committee. As an employee, Alain Fradin is subject to the company supplementary pension rules of January 1, 2008. Consequently, the compensation committee proposed that these pension scheme rules be applied to Alain Fradin's compensation in his capacity as chief operating officer of BFCM, under the same conditions as all group employees. It also decided to establish for Alain Fradin a termination indemnity equal to one year of gross salary calculated on the

basis of the average of the last twelve months preceding the termination of his office. Payment of this indemnity is subject to the achievement of performance objectives relating to the growth of the group's consolidated total equity in accordance with IFRS for the period from January 1, 2011 to the date of termination. As regards this corporate office, the above indemnity is understood to be without prejudice to that which he might receive in his capacity as an employee pursuant in particular to labor agreements in force in the group. This agreement concerning the termination indemnity was submitted for approval to the general meeting of shareholders of BFCM on May 10, 2012 together with the statutory auditors' special report.

Given the termination of Alain Fradin's terms of office, at its meeting on April 5, 2017, the compensation committee, in accordance with the board's decision of May 11, 2011, noted that the performance criteria linked to changes in the BFCM group's consolidated earnings had been met. Consequently, at its meeting on April 6, 2017, the BFCM board decided to allocate to Alain Fradin the indemnities approved by the aforementioned board decision of May 11, 2011.

In addition, at its meeting on April 6, 2017, the BFCM board of directors decided, on the recommendation of the compensation committee, to set Daniel Baal's gross annual fixed compensation at €700,000, to which is added compensation in respect of Article 39 relating to the supplementary pension scheme totaling €9,505.68 per year, contributions to the accidental death and disability plan totaling €4,054.68 per year and health care plan totaling €3,475.44 per year, as well as benefits in kind (company car) totaling €3,880.56 per year. It also decided to establish for Daniel Baal a termination indemnity equal to one year of gross salary calculated on the basis of the average of the last twelve months preceding the termination of his office. Payment of this indemnity is subject to the achievement of performance objectives relating to the growth of the group's consolidated total equity in accordance with IFRS for the period from January 1, 2017 to the date of termination. As regards this corporate office, the above indemnity is understood to be without prejudice to that which he might receive in his capacity as an employee pursuant in particular to labor agreements in force in the group. This agreement concerning the termination indemnity was submitted for approval to the general meeting of shareholders of BFCM on May 3, 2017 together with the statutory auditors' special report.

Compensation received by the group's key executives is detailed in the table below.

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

Key group executives did not receive any other specific benefits.

They did not receive any equity securities, warrants or options to purchase BFCM or CIC shares. Furthermore, they are not entitled to attendance fees relating either to their positions in group companies or to those in other companies by reason of their positions in the group.

The group's key executives may also hold assets with, or take out loans with, the group's banks on the same terms as those offered to employees in general. As at December 31, 2017 they had no loans of this kind.

Compensation received by key group executives from January 1 to December 31, 2017

2017 Amounts in euros (a)	Source	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 05.31.2017 CF de CM from 06.01.2017 to 06.30.2018	Crédit Mutuel Crédit Mutuel	1,133,333* 250,268**		2,113 423	3,678 736	1,139,124, 251,427
Daniel Baal CF de CM until 05.31.2017 BFCM as from 06.01.2017	Crédit Mutuel Crédit Mutuel	523,595*** 413,878		1,617 2,264	3,678 2,264	528,890 421,291
2016 Amounts in euros (a)						
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 Amounts in euros (a)						
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) Gross amounts paid by the company during the year.
(b) The variable portion, if any, of the chief executive officer's compensation is determined by the meeting of the CF de CM compensation committee following the shareholders' general meeting called to approve the financial statements for the previous year, in respect of which the variable compensation is paid: the variable portion paid in year y thus relates to fiscal year y-1.
c) Company cars and/or GSC (corporate officers' unemployment benefit insurance).

* Including termination indemnity of €800,000
** Including retirement benefits of €203,212
*** Including holiday pay and time savings accounts.

DELEGATIONS OF AUTHORITY CURRENTLY IN USE

There are no delegations of authority to the board of directors currently in use concerning capital increases.

Mandates and functions exercised by the corporate officers

during the 2017 fiscal year pursuant to Article L.225-102-1
of the French Commercial Code

Board of directors

Nicolas Théry

Born December 22, 1965 in Lille (59)

Business address:
Crédit Industriel et Commercial
6 avenue de Provence - 75009 Paris

	Term of office started	Term of office expires
Chairman of the board of directors of CIC	December 11, 2014	2019

Other positions held

	Term of office started	Term of office expires
Chairman of the board of directors:		
Confédération Nationale du Crédit Mutuel	March 21, 2016	2018
Caisse Centrale de Crédit Mutuel	March 21, 2016	2022
Fédération du Crédit Mutuel Centre Est Europe	January 18, 2016	Unlimited duration
Caisse Fédérale de Crédit Mutuel	November 14, 2014	2019
Banque Fédérative du Crédit Mutuel	November 14, 2014	2020
Assurances du Crédit Mutuel Vie SA	October 14, 2014	2023
Assurances du Crédit Mutuel Vie IARD	October 14, 2014	2023
Assurances du Crédit Mutuel Vie SAM	October 14, 2014	2023
Banque CIC Est	September 13, 2012	2019
Banque CIC Nord Ouest	May 12, 2017	2021
Chairman of the supervisory board:		
Banque Européenne du Crédit Mutuel	November 14, 2014	2019
Groupe des Assurances du Crédit Mutuel	July 27, 2016	2021
Member of the board of directors:		
Caisse de Crédit Mutuel Strasbourg Vosges	March 5, 2014	2019
Permanent representative of Fédération du Crédit Mutuel Centre Est Europe		
Member of the management board:		
Euro-Information	October 23, 2017	2020

Positions held in the past five fiscal years

	Term of office started	Term of office expires
Member of the management board		
Euro Information	May 7, 2014	2017
Chairman-Chief Executive Officer		
Banque CIC Est	September 13, 2012	2016
Chairman of the executive board		
Groupe des Assurances du Crédit Mutuel	June 30, 2015	2016
Member of the board of directors		
Targobank Espagne	November 11, 2011	2016
Confédération Nationale du Crédit Mutuel	March 6, 2013	2016
Permanent representative of BECM, Director		
Fédération du Crédit Mutuel Centre Est Europe	April 5, 2013	2016
Deputy chief operating officer:		
Caisse Fédérale de Crédit Mutuel	July 1, 2011	2014
Banque Fédérative du Crédit Mutuel	July 1, 2011	2014
Groupe des Assurances du Crédit Mutuel	July 1, 2011	2014
Member of the board of directors:		
Banque Publique d'Investissement	February 18, 2013	2014
Permanent representative of GACM on the board of directors of ACM Iard SA	2013	2014
Member of the Supervisory Board:		
Cofidis	October 14, 2011	2015
Cofidis Participations	October 14, 2011	2015

Catherine Allonas Barthe

Born January 18, 1955, Strasbourg (67)

Business address:
ACM
42 rue des Mathurins - 75008 Paris

	Term of office started	Term of office expires
Representative of Banque Fédérative du Crédit Mutuel		
Director	May 24, 2017	2023

Other positions held

	Term of office started	Term of office expires
Chairman:		
Foncière Massena SA	June 17, 2015	2021
Mutuelles Investissement	May 24, 2017	Unlimited duration
Chief executive officer:		
ACM Vie SAM	January 1, 2006	Unlimited duration
Chief operating officer:		
ACM Vie SA	June 30, 2015	Unlimited duration
Member of the executive board - Deputy chief operating officer		
Groupe des Assurances du Crédit Mutuel	June 30, 2015	2021
Manager:		
ACM SCI	June 27, 2012	Unlimited duration
Member of the strategy and investment committee		
Foncière des Régions	January 31, 2011	2018
Permanent representative of ACM Vie SAM, director of GIE ACM	May 7, 2013	2019
Permanent representative of ACM Vie SA :		
director of Valinvest Gestion	2008	2022
director of Serenis Assurances	May 7, 2014	2020
director of Foncière des régions	April 17, 2015	2018
Permanent representative of ADEPI, director of CM-CIC Asset Management	October 26, 2014	2019
Permanent representative of Groupe des ACM SA, director of GACM Espagne	September 10, 2015	Unlimited duration
Permanent representative of Placinvest : membre du conseil de surveillance de CM-CIC Investissement	May 17, 2017	2023

Positions held in the past five fiscal years

	Term of office started	Term of office expires
Member of the board of directors:		
Crédit Industriel et Commercial	May 19, 2011	2017
Permanent representative:		
ACM Vie SAM au Board of directors de Foncière de Paris	2014	2015
Pargestion 2 (Director de CM-CIC Asset Management)	December 11, 2013	2014
ACM Vie SAM (membre du conseil de surveillance de CM-CIC Asset Management)	January 1, 2006	2013

Banque Fédérative du Crédit Mutuel

Headquarters:
34 rue du Wacken
67000 Strasbourg

	Term of office started	Term of office expires
Director	May 19, 2011	2023

Other positions held

Chairman:		
CM-CIC Immobilier	June 5, 2012	2020
Bischenberg	September 30, 2004	2022
Sofedis	June 30, 2016	2020
Member of the board of directors:		
Astree	May 23, 2017	2020
Assurances du Crédit Mutuel Vie SAM	May 13, 2015	2023
Assurances du Crédit Mutuel Vie SA	May 11, 2011	2023
Assurances du Crédit Mutuel Iard SA	May 11, 2011	2023
Banque marocaine du commerce extérieur	December 31, 2008	2020
Banque de Tunisie	May 26, 2009	2018
Batigère	March 22, 1996	2018
Caisse de ReTerm of office ancement de l'Habitat	October 12, 2007	2019
CM-CIC Epargne Salariale	May 21, 2008	2020
CM-CIC SCPI Gestion	January 30, 1990	2020
CM-CIC Home Loan SFH	April 16, 2007	2018
Crédit Mutuel Cartes de Paiements	March 17, 1983	2018
Critel	November 24, 1989	2020
Fédération du Crédit Mutuel Centre Est Europe	September 29, 1992	Unlimited duration
Groupe Sofemo	November 19, 1986	2020
SAEM Mirabelle TV	November 30, 2009	2020
SAEM Locusem	December 16, 2010	2023
SEM Caeb - Bischheim	November 27, 1997	NC
SAEML Caléo - Guebwiller	June 24, 2005	NC
SEM (joint public/private company) for the development of ZAC Forbach Sud (bank Term of office ancing round)	February 24, 1989	NC
SEM Semibi Biesheim	14.11.1984	NC
Sibar	May 27, 1999	NC
Société fermière de la maison de l'Alsace à Paris	January 1, 1977	NC
Ventadour Investissement	May 24, 1991	2018
Member of the Supervisory Board:		
GACM	June 30, 2015	2021
Quadral SAS	March 31, 2015	2018
SAEM Mulhouse Expo	February 16, 2005	2018
Soderec - société d'études et de réalisation pour les équipements collectifs	May 30, 1978	2020
Sepamail	November 28, 2012	2018
STET	December 8, 2004	NC
Member of the management board:		
Euro Information	June 14, 2002	2020
Euro Protection Surveillance	June 27, 1992	2020
Euro TVS	November 27, 1979	2020
Euro Information Direct Service	June 14, 2002	2020
Boréal	January 25, 1991	2020
Non-voting board member:		
CM-CIC Asset Management	November 28, 2016	2022
Safer d'Alsace	May 30, 2006	Unlimited duration
SEM E Puissance 3 - Schiltigheim	March 7, 1991	NC

Positions held in the past five fiscal years

Director:		
Banco Popular Espagne	2010	2017
Société Alsacienne de Publication	June 2, 2004	2016
CM-CICAsset Management	2013	2016
CM-CIC Participations immobilières	September 17, 1981	2012
CM-CIC Aménagements Fonciers	April 23, 1981	2012
Caisse centrale du Crédit mutuel	September 17, 1969	2012
Crédit Mutuel Paiements Electroniques	March 19, 2003	2012
CM-CIC Covered Bonds (now Cm-CiC Home Loan SFH)	April 16, 2007	2011
SEM Action 70	October 1, 1990	2013
Crédit Mutuel Habitat Gestion	March 20, 1990	2014
SEM Destination 70	October 1, 1990	2014
SEM Euro Moselle Développement	March 15, 1991	2014
SEM Nautiland	May 25, 1987	2014
Member of the Supervisory Board:		
Crédit Industriel et Commercial	June 17, 1998	2011
CM-CIC Asset Management	December 31, 2004	2013
Sofedis	November 24, 1994	2016

Éric Charpentier

Born October 6, 1960 in La Flèche (72)

Business address:
Crédit Mutuel Nord Europe
4 place Richebé
59800 Lille

	Term of office started	Term of office expires
Director	May 27, 2015	2021

Other positions held

Chief executive officer of:		
Crédit Mutuel Nord Europe	June 1, 2006	Unlimited duration
Chairman of the board of directors:		
Assurances du Crédit Mutuel Nord Vie	March 17, 2011	2020
Beobank (SA-Belgique)	April 30, 2012	2018
Vice-Chairman of the supervisory board:		
Banque Commerciale du Marché Nord Europe (SA)	May 20, 2005	2023
Nord Europe Assurances (SA)	September 27, 2007	2020
Groupe La Française (SA)	May 29, 2006	2018
Director and chairman of the management committee:		
Crédit Mutuel Nord Europe Belgium (SA-Belgique)	May 10, 2012	2018
Director:		
Confédération Nationale du Crédit mutuel	October 7, 2015	2020
Caisse Centrale du Crédit Mutuel	March 21, 2016	2022
Permanent representative of Caisse Fédérale du Crédit Mutuel Nord Europe :		
Member of the supervisory board of Groupe des Assurances du Crédit mutuel (SA)	June 30, 2015	2021
Member of the management board of Euro Information (SAS)	May 7, 2008	2020

Positions held in the past five fiscal years

Permanent representative of Caisse Fédérale du Crédit Mutuel Nord Europe :		
Member of the board of directors of Caisse Centrale du Crédit Mutuel	November 15, 2006	2016
Chairman of the board of directors:		
BKCP Banque (SA-Belgique) - merger with Beobank	December 11, 2003	2016
Director:		
C.M.P.E.	March 19, 2003	2012
Crédit Mutuel Habitat Gestion	January 13, 1987	2014
Le Chèque Domicile	December 20, 2011	2015

* PR: permanent representative.

Maurice Corgini

Born September 27, 1942, Baume-les-Dames (25

Business address: Fédération du Crédit Mutuel Centre Est Europe 34 rue du Wacken - 67000 Strasbourg	Term of office started	Term of office expires
Director	May 19, 2011	2021

Other positions held

Chairman of the board of directors:		
Union des caisses de Crédit Mutuel du district de Franche Comté Sud	April 20, 1995	2018
Member of the board of directors:		
Caisse de Crédit Mutuel de Baume Valdahon Rougemont	May 10, 1981	2020
Fédération du Crédit Mutuel Centre Est Europe	April 20, 1995	2018
Banque Fédérative du Crédit Mutuel	June 22, 1995	2018
Caisse Agricole Crédit Mutuel	February 20, 2004	2020
Co-Manager:		
Cogit'Hommes Franche-Comté	NC	NC

Positions held in the past five fiscal years

Member of the Supervisory Board:		
Crédit Industriel et Commercial	June 17, 1998	2011
Chairman of the board of directors:		
Caisse de Crédit Mutuel de Baume-Valdahon-Rougemont	May 10, 1981	2012

Jean-François Jouffray

Born June 18, 1948, Jallieu (38)

Business address: Crédit Mutuel Ile-de-France 18 rue de la Rochefoucauld 75439 Paris Cedex 09	Term of office started	Term of office expires
Director	27.02.2014	2021

Other positions held

Chairman of the board of directors:		
Caisse de Crédit Mutuel Paris Champs de Mars	1995	2018
Vice-Chairman:		
Fédération du Crédit Mutuel Île-de-France	1998	2018
Director:		
Compagnie générale maritime et financière	2011	NC
Association des utilisateurs de transport de fret (AUTF)	2013	2019
Caisse Centrale du Crédit Mutuel	March 21, 2016	2020
Non-voting board member:		
Caisse Fédérale de Crédit Mutuel	2004	2020

Positions held in the past five years

Caisse maritime d'allocations familiales	2011	2016

Catherine Millet

Born July 31, 1960, Strasbourg (67)

Business address: CM-CIC Services 34, rue du Wacken - 67000 Strasbourg	Term of office started	Term of office expires
Director	July 27, 2017	2023

Other positions held

Sole director - chief executive officer:		
CM-CIC Services	July 29, 2016	illimité
Member of the Supervisory Board:		
Cofidis Participations	May 12, 2017	2021
Cofidis SA	May 12, 2017	2021
Présidente :		
Filaction	December 1, 2016	2018
Member of the board of directors		
Axxes	2013	NC
Permanent representative:		
Banque Fédérative du Crédit Mutuel (on management board of Euro Information)	2010	2020
Banque Fédérative du Crédit Mutuel (Chairman of Sofedis)	2016	2020
CM-CIC Services (on management board of Euro Informaion Epithète)	2017	2023
Impex Finances (on board of directors of CIC Est)	2012	2023

Positions held in the past five fiscal years

Présidente du comité de direction :		
CM-CIC Centre de Services et de Traitement	2013	2017
Member of the management board:		
Euro Télé Services	2010	2017
Euro Information Développements	2010	2017
Member of the Supervisory Board:		
Euro Information Production	2010	2017
Member of the board of directors:		
Cemcice Servicios Espana (CSE)	2014	2017
Euro Automatic Cash	2014	2017

Members elected by the board of directors

William Paillet

Born April 3, 1958, Paris (75)

Business address: CIC Est 3 rue des Coutures - 77200 Torcy	Term of office started	Term of office expires
Director, representing employees	October 26, 2011	2023

Other positions held

Director, representing employees		
CIC Est (Strasbourg)	24.09.2009	2018

Ségolène Denavit

Born July 27, 1980, Sainte Foy-Lès-Lyon (69)

Business address: CIC Lyonnaise de Banque 80, cours de la Liberté - 69003 Lyon	Term of office started	Term of office expires
Director, representing employees	October 26, 2017	2023

Other positions held

None.

General management

Daniel Baal

Born December 27, 1957, Strasbourg (67)

Business address: 6, avenue de Provence 75009 Paris	Term of office started	Term of office expires
Chief executive officer:		
Crédit Industriel et Commercial	June 1, 2017	2023
Banque Fédérative du Crédit Mutuel	June 1, 2017	2020
Fédération du Crédit Mutuel Centre Est Europe	June 1, 2017	2021
Caisse Fédérale de Crédit Mutuel	June 1, 2017	2020

Other positions held

Chairman of the board of directors:		
CIC Sud Ouest	May 20, 2016	2022
CIC Ouest	May 11, 2017	2023
Chairman of the supervisory board:		
Cofidis	May 12, 2017	2020
Cofidis Participations	May 12, 2017	2020
Euro Information Production	23.03.2017	2020
Vice-Chairman of the supervisory board:		
Targo Deutschland GmbH	March 30, 2017	2022
Targo Management AG	March 30, 2017	2022
Targobank AG	March 30, 2017	2022
Member of the executive board:		
GACM	May 3, 2017	2022
Member of the board of directors:		
Banque de Luxembourg	March 28, 2017	2023

Positions held in the past five fiscal years

Chairman:		
SAS Les Gâtines	2010	2017
Chairman of the supervisory board:		
CIC Iberbanco		2017
Member of the board of directors:		
Fivory SA	2014	2017
Fivory SAS	2015	2017
Permanent representative of CRCM Île de France :		
conseil de direction d'Euro Information		2017
Permanent representative of CCCM :		
Centre International du Crédit Mutuel		2017

Philippe Vidal

Born August 26, 1954, Millau (12)

Business address: 6, avenue de Provence 75009 Paris	Term of office started	Term of office expires
Deputy chief operating officer:		
Crédit Industriel et Commercial	December 11, 2014	illimité

Other positions held

Chairman of the board of directors:		
Lyonnaise de Banque	December 4, 2013	2018
CM-CIC Factor	January 1, 2014	2018
Banque de Luxembourg	March 30, 2010	2023
Banque CIC Suisse	May 7, 2007	2018
CM-CIC Gestion	February 24, 2006	2019
Fund Market France	January 27, 2004	NC
Chairman of the supervisory board:		
CM-CIC Investissement	September 25, 2012	2023
Member of the board of directors:		
Saint Gobain PAM	March 17, 1994	2019
Batipart Invest	November 22, 2012	2018
Permanent representative of Crédit Industriel et Commercial :		
Director CM-CIC Asset Management	October 29, 2014	2019
Permanent representative of CM-CIC Investissement :		
Director Lanson BCC	September 10, 2013	2019

Positions held in the past five fiscal years

None.

STATUTORY AUDITORS' REPORT

pursuant to Article L.225-235 of the French Commercial Code on the board of directors' report on corporate governance

The observations required by Article L.225-235 of the French Commercial Code are included in the Statutory Auditors' report on the annual Term of office ancial statements on page 312.

STATUTORY AUDITORS' SPECIAL REPORT

on regulated agreements and third-party commitments

Shareholders' general meeting called to approve the financial statements for the year ended December 31, 2017

To the shareholders' general meeting of Crédit Industriel et Commercial - CIC,

In our capacity as statutory auditors of CIC, we hereby report to you on regulated agreements and third-party commitments.

It is our responsibility to report to you, based on the information provided to us, on the characteristics and main terms and conditions of and reasons for the company's interest in the agreements and commitments disclosed to us or identified by us during the audit, without being required to comment on their relevance or substance or to seek to identify any other agreements and commitments. In accordance with the provisions of Article R. 225-31 of the French Commercial Code, it is for you to determine whether these agreements and commitments are appropriate and should be approved.

Furthermore, it is our responsibility, where applicable, to disclose to you the information provided for in Article R. 225-31 of the French Commercial Code related to the performance, during the year under review, of agreements and commitments already approved by the shareholders' general meeting.

We carried out the work we considered necessary in view of the professional standards of the French Statutory Auditors' Association (Compagnie nationale des commissaires aux comptes) related to this assignment. This work entailed verifying that the information provided to us was consistent with the underlying documents.

Agreements and commitments submitted to the shareholders' general meeting for approval

We hereby inform you that we were not advised of any agreements or commitments authorized and concluded during the year under review for submission for approval by the shareholders' general meeting pursuant to Article L. 225-38 of the French Commercial Code.

Agreements and commitments already approved by the shareholders' general meeting

Pursuant to Article R. 225-30 of the French Commercial Code, we have been informed that the following agreements and commitments, already approved by the shareholders' general meeting in previous years, remained in effect during the year under review.

1. With Nicolas Théry, Chairman of the Board of Directors of CIC

Nature and purpose
Termination indemnity for Nicolas Théry.

Terms and conditions

A termination indemnity agreement was submitted to the Board of Directors for approval on December 11, 2014. This agreement concerns the establishment of a termination indemnity for Nicolas Théry, Chairman of the Board of Directors of CIC, as compensation for his appointment as Chairman of your company's Board of Directors.

This indemnity is set at one year of gross salary calculated on the basis of the average of the last 12 months preceding the end of his term of office. Payment of this indemnity will be subject to the achievement of the following performance objective: the Crédit Mutuel CM11 group's consolidated total equity in accordance with IFRS, excluding any capital contributions or reductions, excluding any accounting impacts from Crédit Mutuel federations joining Crédit Mutuel CM11 subsequent to December 31, 2014, and excluding changes in revenue that may be "recycled," will have to have increased on average by at least €1 billion per year during the period from January 1, 2015 to the date of termination.

This agreement was approved with immediate effect by the Board of Directors at its meeting of December 11, 2014.

This agreement had no effect on CIC's income statement for 2017.

2. With Cigogne Fund for the functioning of Cigogne Fund accounts opened by Banque de Luxembourg with Euroclear

Person concerned
Philippe Vidal, Deputy Chief Operating Officer of CIC and Chairman of the Board of Directors of Banque de Luxembourg.

Nature and purpose
Guarantee issued by CIC to Euroclear in respect of the functioning of Cigogne Fund accounts opened by Banque de Luxembourg with Euroclear.

Terms and conditions
Cigogne Fund is a Luxembourg-based fund. Banque de Luxembourg, in its capacity as custodian of Cigogne Fund, opened an account with Euroclear Bank.

At its meeting on December 14, 2006, CIC's Supervisory Board authorized the signing of an agreement with Euroclear with a view to:
- opening a credit line for USD 1 billion in favor of Cigogne Fund;
- granting a guarantee to Euroclear for the same amount, for the functioning of Cigogne Fund accounts opened by Banque de Luxembourg with this sub-custodian.

This agreement had no effect on CIC's income statement for 2017.

Neuilly-sur-Seine and Paris-La Défense, April 18, 2018

The statutory auditors

KPMG Audit	PricewaterhouseCoopers Audit	Ernst & Young et Autres
Arnaud Bourdeille	Jacques Lévi	Hassan Baaj

Construisons dans un monde qui bouge.
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THE BUSINESS
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3 FINANCIAL INFORMATION

CONSOLIDATED FINANCIAL STATEMENTS

EXECUTIVE BOARD'S MANAGEMENT REPORT

2017: a ramp-up in growth across the board

Renewed political visibility helped boost worldwide growth throughout the year,driven mainly by the euro zone and the United States. A new level of growth was reached in 2017, which fueled the upward trend of the equity markets, yet without generating an increase in bond yields. Renewed confidence, coupled with still-favorable financial conditions, encouraged increased investment in the developed countries. At the end of the year, this contributed to the slight resurgence of inflationary pressures, although very slow to materialize, which sets the stage for an ongoing gradual reduction in accommodative monetary policies.

A year marked by political risk

The first half of the year was marked by the elections in the euro zone and by Donald Trump's first steps as leader of the United States. The failure to reform the Obamacare health care system (in March 2017) was a turning point that triggered a fall in interest rates and in the dollar against the main currencies, reversing the trend observed in the wake of Donald Trump's election in November 2016. This currency trend intensified with the absence of incidents during the election season in Europe. The results of the French elections reassured businesses and investors across the globe, which triggered an upturn in European growth and the single currency. Conversely, clouds gathered over the United Kingdom given the lack of visibility related to the Brexit negotiations (as well as Theresa May's setback in the June elections). As a result, activity in Britain slowed, which marks a break from the acceleration in the other regions.

In the third quarter, although geopolitical risk in North Korea did not seriously undermine market confidence, it did – temporarily – encourage capital flight tocertain safe investments (particularly gold and the yen). The Asian indexes were mostly unaffected by this situation thanks to the strong international economic environment.

The end of the year was marked by a busy election season which, however, did not slow down growth. Angela Merkel's failure to win a majority forced her to enter into negotiations with the Liberals and the Greens, and then only with the SPD (socialists) in order to form a coalition capable of governing. Moreover, the situation in Catalonia since the October referendum continued to ease with the narrow separatist victory in the December elections.

Synchronization of growth on a global scale

In the euro zone, the absence of incidents during the various political campaigns contributed to a sharp upturn in growth during the last two quarters. This was the result of domestic factors (increase in consumer spending and recovery in household and corporate investment), in addition to buoyant world trade. Although the ramp-up in growth has already spread to the entire zone, the same is not yet true of inflationary pressures. However, 2017 was marked by an easing of deflationary risks (overall reduction in prices), which led the ECB to make its monetary policy less accommodative. The rapid drop in unemployment began to further intensify wage pressures, which implies a gradual and slow increase in inflation.

In the United States, growth continued to accelerate, moving above the 2% threshold, which boosted US equities but was unable to trigger an increase in sovereign rates or appreciation of the dollar. To regain momentum, the economy relied primarily on strong demand. Households enjoy a favorable environment with an economy at close to full employment. Although wage acceleration is overdue, the possible overheating of the employment market and the desire to avoid the formation of financial bubbles prompted the Fed to continue its monetary tightening despite the slowdown in core inflation through Q3 2017. The central bank therefore ended the year with a total of three increases in key interest rates and is preparing for a change in its leadership with the appointment of a new governor (Jerome Powell) whose approach is similar to that of the current Chair, Janet Yellen.

In China, the government confirmed in mid-October at the Congress of the Communist Party that its priorities were controlling pollution and reducing debt. The policy aimed at achieving more sustainable and lasting growth is therefore on track, and the authorities continue to steer the economy so as to avoid a serious accident. While this approach is reassuring, one of its consequences is a slowdown in economic growth.

Lastly, in terms of commodities, 2017 saw an extension of the oil production cut agreements by OPEC and Russia. This strategy ultimately worked, with the result that the Brent barrel was over $66 at year-end. The speed at which it has increased since mid-June is fueling short-term inflation.

In France, the new government's push for reform has fueled the upturn in growth

The election of Emmanuel Macron, along with a broad majority in the National Assembly, marked a turning point last year. The government tried to stay on the path of reform and, in the second half of the year, household and corporate confidence rose significantly to record high levels. The government confirmed its commitment to reform the employment market and the taxation of capital through the ministerial orders and the Finance Act passed in the fall. Growth continued to climb at a surprising rate and was driven mainly by demand and the increase in investment and consumption This economic environment is conducive to the consolidation of public finances, which is one of the government's top priorities. 2017 was an exceptional year for the French real estate market, where the number of transactions involving new and existing properties increased significantly, triggering a sharp rise in prices.

In conclusion, it is clear that confidence spiked in the developed countries as well as in the emerging countries at the end of the year, which helped to accelerate worldwide growth. In 2018, tax reform in the United States will amplify the ramp-up in activity triggered by the recovery in investment. In the euro zone, the absence of political risk and the favorable outlook suggest a high level of growth in all countries. This economic and financial environment is making the central banks' accommodative monetary policies less and less necessary.

A number of promises were made at the end of 2016 but there was significant uncertainty going into 2017, both in the United States, with the start of Donald Trump's presidency and in Europe, with a full electoral calendar. The progress of negotiations over Brexit, capital outflows in China and the risk of a *hard landing* are ever-present negative indicators. Despite all of this, moderate acceleration in growth remains, however, the most likely scenario.

Business performance and results

Accounting principles

Pursuant to regulation (EC) 1606/2002 on the application of international accounting standards and regulation (EC) 1126/2008 on the adoption of said standards, the consolidated financial statements have been drawn up in accordance with IFRS as adopted by the European Union at December 31, 2017. This IFRS framework includes IAS 1 to 41, IFRS 1 to 8 and 10 to 13 and any SIC and IFRIC interpretations adopted at that date. The entire framework is 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 specified in recommendation no. 2013-04 of the French Accounting Standards Board (*Autorité des normes comptables* – ANC) on IFRS financial statements. They comply with the international accounting standards as adopted by the European Union.

The group has, since January 1, 2017, applied various amendments adopted by the EU, none of which had a material impact on its financial statements. The main amendment was that to IAS 12 - Income Taxes, which clarified the principles governing the recognition of deferred tax assets for unrealized losses related to debt instruments measured at fair value. It specifies that the recoverability of this temporary difference should be assessed:

- in conjunction with all the entity's temporary differences and losses carried forward, whether the holder intends to sell the securities or retain them until maturity;
- taking into account any restrictions on the use of the tax losses.

The estimate of the probable future taxable profits may take into account a recoverable amount of the assets in excess of their carrying amount (e.g. due to their fair value). It excludes tax deductions resulting from the reversal of the deductible temporary differences.

Information on risk management is provided in a specific section of the board of directors' report.

Changes in consolidation scope

The changes during the year were:

- the first-time consolidation of the Hong Kong branch;
- Diversified Debt Securities SICAV - SIF changed its name to Cigogne CLO Arbitrage;
- the disposal of Cigogne CLO Arbitrage;
- the absorption of CM-CIC Proximité by CM-CIC Investissement SCR;
- CM-CIC Capital et Participations changed its name to CM-CIC Capital.

Information on discontinued operations[1]

At December 31, 2017, the Singapore and Hong Kong private banking activity is accounted for under IFRS 5 as a discontinued operation. A transfer agreement with Indosuez Wealth Management was signed in July 2017. The disposal was finalized in early December 2017.
At December 31, 2016, Banque Pasche was also accounted for under IFRS 5 as a discontinued operation. It was sold 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[1]:

- customer bank deposits increased by 4.6% compared to 2016 to €144.1 billion as a result of sustained growth in current accounts (up 13.7%), savings book balances (up 5.9%) and home savings (up 7.4%);
- net outstanding loans to customers totaled €172 billion, a 5.1% increase compared to 2016. Equipment loan outstandings grew by 18.1% to €48.7 billion and home loans by 4.3% to €73.7 billion.
- the net loans/customer deposits ratio was 119.3% at December 31, 2017 compared to 119.7% the previous year;
- savings under management and held in custody in respect of customers of the operating activities reached €200.1 billion, 8.1% higher than at December 31, 2016;
- total equity and reserves attributable to owners of the company were €15.058 billion compared to €14.055 billion at December 31, 2016. Without transitional measures and excluding the 2017 net income and dividends, Basel III Common Equity Tier 1 (CET 1) capital was €12.7 billion, the Common Equity Tier 1 capital adequacy ratio was 13.7% and the total ratio was 16.0%. These levels are significantly higher than the European Central Bank's requirements defined in connection with the *Supervisory Review And Evaluation Process 2018*. The CET 1 capital requirement that the CIC group must comply with was set at 8.13% in 2018 and the total ratio was set at 9.75%, to which must be added the 1.88% conservation buffer, giving a total of 11.63%.

Without transitional measures and excluding the 2017 net income and dividends, the leverage ratio was 4.6%.

(1) Please refer to the methodology notes on pages 71 and 72 below.

Analysis of the consolidated income statement

(in € millions)	2017 reported	2016 reported	Gross 2017/2016 change	2016 restated*	2017/2016 change at constant scope *
Net banking income	4,991	4,985	0.1%	4,952	0.8%
General operating expenses	(3,103)	(3,071)	1.0%	(3,037)	2.2%
Operating income before provisions	1,888	1,914	(1.4%)	1,915	(1.4%)
Net provision allocations/reversals for loan losses	(203)	(185)	9.7%	(185)	9.7%
Net gains/(losses) on disposals of assets & investments in 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 profit/(loss) on discontinued operations	22	44	(50.0%)	43	(48.8%)
Net income	1,288	1,361	(5.4%)	1,361	(5.4%)
Net income attributable to the group	1,275	1,352	(5.7%)	1,352	(5.7%)

* Please refer to the methodology notes at the end of this section for details of the change at constant scope.

Net banking income (NBI) grew by 0.8% to €4.991 billion, including a €21 million provision for the fine in respect of the check image transfer fees. In addition, in 2016 net banking income included compensation of €89 million 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. After adjustments, the increase was 3.1% at constant scope. The retail banking segment's net banking income accounted for 72% of total net banking income.

Operating expenses increased by 2.2% and included a contribution to the SRF (Single Resolution Fund) that increased by €17 million. The cost/income ratio was 62.2% as 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. Individual net additions to/reversals from provisions for loan losses decreased by €6 million but there was a €4 million reversal in collective provisions compared with €28 million in 2016.

Net additions to/reversals from provisions for losses on customer loans as a percentage of gross loan outstandings increased from 0.12% to 0.13% and the overall non-performing loan coverage ratio was 49.9% at December 31, 2017.

The share of 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 with net gains of €12 million at end-December 2016.

As a result, income before tax fell by 3.2% to €1.817 billion.

The corporate income tax expense came to €551 million (compared with €560 million one year earlier). In 2017, it included a €79 million corporate surtax.

Given the decrease in net profit on discontinued operations from €44 million (sale of Banque Pasche) in the year ended December 31, 2016 to €22 million in the year ended December 31, 2017 (sale of Singapore and Hong Kong private banking activities), net income fell by 5.4% to €1.288 billion.

Ratings

In 2017, Moody's and Fitch Ratings confirmed their ratings. The Standard & Poor's rating was confirmed in January 2018.

The ratings are as follows[1]:

April 2017	Standard & Poor's	Moody's	Fitch Ratings
Short term	A-1	P-1	F1
Long term	A	Aa3	A+
Outlook	Stable	Stable	Stable

Business performance

Description of business lines

CIC's business segments reflect its organizational structure as shown in the chart in the registration document.

Retail banking, CIC's core business, comprises all the banking and specialized activities whose products are marketed by the regional banking network, organized around five regional segments, and the CIC network in the Greater Paris region: life insurance and property-casualty insurance, equipment operating and finance leasing, real estate leasing, factoring, fund management, employee savings plan management and real estate.

(1) Standard & Poor's: ratings for the Crédit Mutuel group; Moody's and Fitch: ratings for the Crédit Mutuel-CM11 group.

Financing encompasses credit facilities for large corporates and institutional customers, specialized financing (export financing, project and asset financing, etc.), international operations, and foreign branches.

Capital markets activities comprise investments in activities involving fixed income instruments, equities and loans ("ITAC") as well as brokerage services.

Private banking offers a broad range of finance and private asset management expertise to entrepreneurs and private investors, both in France and abroad.

Private equity includes equity investments, M&A advisory and financial and capital markets engineering.

The holding company services segment includes all costs/income specific to this business line that cannot be allocated to the other activities.

Each consolidated company is included in only one business segment, corresponding to its core business in terms of contribution to the group's results, with the exception of CIC, whose individual accounts are allocated on a cost accounting basis.

Results by business segment

Retail banking

(in € millions)	2017	2016	Change 2017/2016
Net banking income	3,588	3,500	2.5%
General operating expenses	(2,296)	(2,272)	1.1%
Operating income before provisions	1,292	1,228	5.2%
Net provision allocations/reversals for loan losses	(189)	(164)	15.2%
Net gains/(losses) on disposals of assets & investments in associates	128	140	(8.6%)
Income before tax	1,231	1,204	2.2%
Net income attributable to the group	861	826	4.2%

In one year, customer deposits increased by 4.9% to €112.4 billion due to:
- the increase in current accounts in credit (up 14.7%), which stood at €54.7 billion at end-December 2017;
- savings book accounts, up by 9.2% to €29.1 billion; and
- home savings, up by 7.4% to €10.8 billion.

Net customer loan outstandings totaled €135.6 billion, up 5.4% with, in particular, an increase in home loans (up 4.4%) and equipment loans (up 8.4%).

Net banking income from retail bancassurance increased by 2.5% to €3.588 billion thanks to net commission income, which represented 46.1% of net banking income at end-2017 and was up 7.4%, while the net interest margin and other components of net banking income decreased by 1.3%.

General operating expenses increased by 1.1% to €2.296 billion (€2.272 billion in 2016) and included a SRU (Single Resolution Fund) contribution which was €6 million higher than the previous year.

Net additions to/reversals from provisions for loan losses came to €189 million compared with €164 million in 2016, with a collective provision of €15 million versus a reversal (income) of €12 million in 2016. Net additions to/reversals from provisions for loan losses on an individual basis decreased slightly to €174 million compared with €176 million in 2016.

Income before tax therefore stood at €1.231 billion compared to €1.204 billion a year earlier, up 2.2%.

Banking network

(in € millions)	2017	2016	Change 2017/2016
Net banking income	3,367	3,283	2.6%
General operating expenses	(2,153)	(2,130)	1.1%
Operating income before provisions	1,214	1,153	5.3%
Net provision allocations/reversals for loan losses	(181)	(153)	18.3%
Net gains/(losses) on disposals of assets & investments in associates	(5)	4	N.A.
Income before tax	1,028	1,004	2.4%
Net income attributable to the group	663	654	1.4%

The banking network had 5,043,856 customers (up 1.9% compared with end-December 2016).

Customer deposits totaled €110 billion at December 31, 2017. They rose by 4.8% due to an increase in current accounts (up 15.0%), savings book accounts (up 9.2%) and home savings (up 7.4%).

Net customer loans outstanding grew by 5.1% to €117.5 billion at December 31, 2017.
Equipment loans increased by 8.7% and home loans by 4.4%.

Savings rose to €59.1 billion compared with €56.8 billion at end-December 2016 with an increase in securities held in custody (up 13.1%), in life insuranceproducts (up 2.1%) and employee savings plans (up 9.2%).

The insurance business continued 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 electronic surveillance (98,670 contracts),
- 3.9% in electronic payment terminals (139,197 contracts).

Despite low interest rates, the branch network's net banking income grew 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 net banking income. Total commission income increased by 6.6%.

General operating expenses amounted to €2.153 billion (up 1.1% compared with the year to December 31, 2016).

At €181 million, net additions to/reversals from provisions for loanlosses rose by €28 million, €27 million of which related to the increase in the collective provision.

Income before tax in the branch network thus grew by 2.4% to €1.028 billion compared to €1.004 billion in 2016.

Retail banking's support businesses

These businesses generated net banking income of €221 million in 2017 compared to €217 million one year earlier and income before tax of €203 million compared to €200 million in 2016.

Nearly two-thirds of the income before tax consisted of the share of net income of the Crédit Mutuel CM11 group's insurance business (€134 million), which, in 2017, bore an expense related to the €28 million corporate surtax.

Corporate banking

(in € millions)	2017	2016	Change 2017/2016	2016 restated*	Change 2017/2016*
Net banking income	354	353	0.3%	372	(4.8%)
General operating expenses	(106)	(105)	1.0%	(104)	1.9%
Operating income before provisions	248	248	0.0%	268	(7.5%)
Net provision allocations/reversals for loan losses	(19)	(22)	(13.6%)	(22)	(13.6%)
Income before tax	229	226	1.3%	246	(6.9%)
Net income attributable to the group	163	143	14.0%	156	4.5%

* Reallocation in 2017 of the bank subsidiaries' activity, previously classified under corporate banking, to holding company services.

Net customer loan outstandings in the financing segment increased by 4.3% to €16.4 billion.

Net banking income of €354 million was down 4.8% as a result of 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 the previous year.

Net additions to/reversals from provisions for loan losses totaled €19 million versus €22 million a year earlier, with collective provisions that posted income of €19 million compared to income of €15 million.

Income before tax stood at €229 million, down 6.9% compared with the year ended December 31, 2016.

Capital markets activities

(in € millions)	2017	2016	Change 2017/2016	2016 restated*	Change 2017/2016*
Net banking income	383	397	(3.5%)	412	(7.0%)
General operating expenses	(212)	(202)	5.0%	(195)	8.7%
Operating income before provisions	171	195	(12.3%)	217	(21.2%)
Net provision allocations/reversals for loan losses	8	3	N.A.	3	N.A.
Income before tax	179	198	(9.6%)	220	(18.6%)
Net income attributable to the group	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 notes.

The capital markets division generated net banking income of €383 million, up 7% from 2016.

Most of the profit from commercial transactions is allocated to the account of the entities that monitor customers, as is the case with the other network support businesses.

The 8.7% increase in general operating expenses was due in part to a SRF (Single Resolution Fund) 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

(in € millions)	2017	2016	Change 2017/2016	2016 restated*	Change 2017/2016*
Net banking income	509	512	(0.6%)	479	6.3%
General operating expenses	(354)	(367)	(3.5%)	(333)	6.3%
Operating income before provisions	155	145	6.9%	146	6.2%
Net provision allocations/reversals for loan losses	(5)	(3)	N.S.	(3)	N.S.
Net gains/(losses) on disposals of assets & investments in associates	4	7	N.S.	7	N.S.
Income before tax	154	149	3.4%	150	2.7%
Net profit/(loss) on discontinued operations	22	(22)	N.A.	(23)	N.A.
Net income attributable to the group	141	95	48.4%	95	48.4%

* Restatement of Singapore and Hong Kong private banking activity sold in 2017. Please refer to the methodology notes.

Private banking deposits held steady at €19 billion (down 0.4% compared to December 31, 2016). Outstanding loans totaled €11.6 billion (up 2.3%). Savings under management and held in custody were up 10.2% to €93.6 billion.

Net banking income was €509 million, 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 from 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 at December 31, 2017 net profit on divested activities, i.e. €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 Banque Privée branches, which are integrated into the CIC banks to serve mainly the senior executives customer segment. Income before tax of the CIC Private Banking branches remained stable at €94.6 million (down 0.7%).

Private equity

(in € millions)	2017	2016	Change 2017/2016
Net banking income	259	195	32.8%
General operating expenses	(47)	(46)	2.2%
Operating income before provisions	212	149	42.3%
Income before tax	212	149	42.3%
Net income attributable to the group	213	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 on behalf of third parties totaled €205 million.

The private equity business performed well in 2017, posting net to €195 million in 2016 and income before tax of €212 million compared to €149 million a year earlier.

Headquarters and holding company services

(in € millions)	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%
Operating income before provisions	(190)	(51)	N.A.	(93)	N.A.
Income before tax	(188)	(49)	N.A.	(91)	N.A.
Net profit/loss on discontinued operations		66	N.A.	66	N.A.
Net income attributable to the group	(208)	13	N.A.	(16)	N.A.

* After reallocation in 2017 of the bank subsidiaries' activities to holding company services. Please refer to the methodology notes.

Net banking income from holding company services for the year ended December 31, 2017 included mainly:

- a €55 million expense to finance the cost of subordinated notes and of group treasury (compared with an expense of €37 million in 2016);
- a €37 million expense to finance the network expansion plan (€45 million expense in 2016);
- a €21 million provision for the fine in respect of the check image transfer fees.

The €98 million decrease in net banking income between the 2016 restated figure and the 2017 figure was due mainly to the allocation to 2016 net banking income of compensation (income) of €89 million 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 increased from €87 million in 2016 (restated) to €88 million in 2017.

Net additions to/reversals from provisions for loan losses represented net income of €2 million compared with net income of €1 million in 2016.

Net income on non-current assets was zero in 2017 (€1 million in 2016).
As a result, the segment generated a loss before tax of €188 million compared with a loss of €91 million in 2016 (restated). The tax charge was €20 million after allocation of the €78.9 million corporate surtax.

Net income attributable to owners of the company was a loss of €208 million compared to net income of €13 million in 2016 (after adding the €66 million recycling of the cumulative translation adjustments related to the sale of Banque Pasche).

Methodology notes

1/ Breakdown of 2016 restated net banking income from retail banking

Due to the restatement of accounting entries for 2016 concerning CM-CIC Bail and previously assigned to the "holding company services" business, the breakdown of the net banking income of the network's subsidiaries was adjusted, with the total amount of net banking income remaining unchanged.

(in € millions)	2017	2016	2016 Restatement	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 commission income	*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 restatements.

2/ Restated 2016 results

Minor changes were made to segment reporting:

- starting at the beginning of 2017 because the group treasury activity (capital markets) was allocated to the "holding company services" activity;
- starting in the third quarter of 2017 because the bank subsidiaries' activity (corporate banking) was allocated to the "holding company services" activity.

Restated results are therefore presented for the corporate banking and capital markets segments.

Financing

(in € millions)	2017	2016	Change 2017/2016	2016 restatement	2016 restated*	Change 2017/2016*
Net banking income	354	353	0.3%	(19)	372	(4.8%)
General operating expenses	(106)	(105)	1.0%	(1)	(104)	1.9%
Operating income before provisions	248	248	0.0%	(20)	268	(7.5%)
Net provision allocations/reversals for loan losses	(19)	(22)	(13.6%)		(22)	(13.6%)
Income before tax	229	226	1.3%	(20)	246	(6.9%
Tax	(66)	(83)	(20.5%)	7	(90)	(26.7%)
Net income attributable to the group	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.

Capital markets activities

(in € millions)	2017	2016	Change 2017/2016	2016 restatement	2016 restated*	Change 2017/2016*
Net banking income	383	397	(3.5%)	(15)	412	(7.0%)
General operating expenses	(212)	(202)	5.0%	(7)	(195)	8.7%
Operating income before provisions	171	195	(12.3%)	(22)	217	(21.2%)
Net provision allocations/reversals for loan losses	8	3	N.S.		3	N.S.
Income before tax	179	198	(9.6%)	(22)	220	(18.6%)
Tax	(67)	(67)	0.0%	6	(73)	(8.2%)
Net income attributable to the group	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.

This information is detailed below for the various management accounting headings:

(in € millions)	2017	2016	Change 2017/2016 gross	2016 Change in scope to be offset	2016 restated	Change 2017/2016 at constant scope
Net banking income	4,991	4,985	0.1%	33	4,952	0.8%
General operating expenses	(3,103)	(3,071)	1.0%	(34)	(3,037)	2.2%
Operating income before provisions	1,888	1,914	(1.4%)	(1)	1,915	(1.4%)
Net provision allocations/reversals for loan losses	(203)	(185)	9.7%	0	(185)	9.7%
Net gains/(losses) on disposals of assets & investments in associates	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 profit/loss on discontinued operations	22	44	(50.0%)	1	43	(48.8%)
Net income	1,288	1,361	(5.4%)	0	1,361	(5.4%)
Net income attributable to the group	1,275	1,352	(5.7%)	0	1,352	(5.7%)

And for customer outstandings:

(in € millions)	2017	2016	2016 Change in scope to be offset	2016 restated*	Change 2017/2016 gross	Change 2017/2016 at constant scope
Loans and receivables due from customers	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%
Savings under management and held in custody for customers of the operational activities	200,125	187,833	2,698	185,135	6.5%	8.1%

Alternative performance indicators

Article 223-1 of the General Regulation of the French financial markets authority (*Autorité des Marchés Financiers* - AMF)

Name	Definition/calculation method	For the ratios, justification of use
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".	Measure of the bank's operational efficiency
Net additions to/reversals from provisions for customer loan losses as a proportion of total outstanding loans (expressed in % or basis points)	Net additions to/reversals from provisions for customer loan losses from Note 35 to the consolidated financial statements as a percentage of gross loan outstandings 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 statement of financial position credit commitments.
Net provision allocations/ reversals for loan losses	"Net additions to/reversals from provisions for loan losses" item in the publishable consolidated income statement.	Measures the risk level.
Net additions to/reversals from provisions for loan losses calculated on an individual basis	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 on the asset side of the consolidated statement of financial position.	Measures customers' activity in terms of credit.
Customer deposits; bank deposits	"Amounts due to customers" item on the liabilities side of the consolidated statement of financial position.	Measures customers' activity in terms of statement of financial position sources of funds.
Savings; customer funds invested in savings products	Off-statement of financial position savings products held by our customers or under custody (securities accounts, mutual funds, etc.) - and life insurance products held by our customers - management data.	Measures customers' activity in terms of off-statement of financial position sources of funds.
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 in the consolidated income statement: Difference between the interest received and the interest paid: - interest received = "Interest income" item in the publishable consolidated income statement; - interest paid = "interest expense" item in the publishable consolidated income statement.	Representative measure of profitability
New lending	Amount of new loans released to customers - source administrative data, sum of the individual data of the branch network entities.	Measures 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.
Net loans/customer deposits ratio	Ratio calculated from items in the consolidated statement of financial position: ratio expressed as a percentage between total customer loans ("Loans and receivables due from customers" item on the asset side of the consolidated statement of financial position) and customer deposits ("Amounts due to customers" item on the liabilities side of the consolidated statement of financial position)	Measures the dependency on external refinancing.
Overall non-performing loan coverage ratio	Determined by calculating 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 8 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").

Alternative performance indicators: reconciliation with the financial statements

Net loans/customer deposits ratio		2017	2016
Loans and receivables due from customers	Assets	171,952	166,063
Due to customers	Liabilities	144,134	138,772
Net loans/customer deposits ratio		**119.3%**	**119.7%**

Interest margin		2017	2016
Interest income	Income statement	7,955	7,519
Interest expense	Income statement	(6,028)	(5,418)
Interest margin		**1,927**	**2,101**

General operating expenses		2017	2016
General operating expenses	Note 33	(2,972)	(2,931)
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	Note 34	(131)	(140)
General operating expenses		**(3,103)**	**(3,071)**

Operating ratio		2017	2016
General operating expenses	Notes 33 and 34	3,103	3,071
Net banking income	Income statement	4,991	4,985
Operating ratio		**62.2%**	**61.6%**
Of which SRF	*Note 33c*	*68*	*51*

Net additions to/reversals from provisions for customer loan losses		2017	2016
Net additions to/reversals from provisions for customer loan losses calculated on an individual basis		(216)	(217)
Collective provisions	IAS 39	4	28
Net additions to/reversals from provisions for customer loan losses	Note 35:	**(212)**	**(189)**

Overall non-performing loan coverage ratio		2017	2016
Individual and collective impairment provisions	Note 8	2,589	2,643
Individually-impaired receivables	Note 8	5,188	5,289
Overall non-performing loan coverage ratio		**49.9%**	**50.0%**

Information on sites included in the consolidation scope in accordance with Article 7 of law no. 2013-672 of July 26 of the French Monetary and Financial Code, amending Article L.511-45, and Decree no. 2014-1657 of December 29, 2014

2016: Sites by country	Business line
Germany	
CM-CIC Leasing GMBH	Banking network subsidiaries
Belgium	
Banque Transatlantique Belgium	Private banking
CM-CIC Leasing Benelux	Banking network subsidiaries
Spain	
CM-CIC Bail Espagne (branch)	Banking network subsidiaries
United States	
CIC New York (branch)	Financing and capital markets
France	
Adepi	HQ, holding company services 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	HQ, holding company services and logistics
CIC Sud Ouest	Retail banking
CM-CIC Asset Management	Banking network subsidiaries
CM-CIC Bail	Banking network subsidiaries
CM-CIC Capital	Private equity
CM-CIC Conseil	Private equity
CM-CIC Épargne Salariale	Banking network subsidiaries
CM-CIC Factor	Banking network subsidiaries
CM-CIC Innovation	Private equity
CM-CIC Investissement	Private equity
CM-CIC Investissement SCR	Private equity
CM-CIC Lease	Banking network subsidiaries
CM-CIC Proximité	Private equity
Crédit Industriel et Commercial - CIC	Banking
Dubly-Douilhet Gestion	Private banking
Gesteurop	HQ, holding company services and logistics
Groupe des Assurances du Crédit Mutuel (GACM)	Insurance
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)	Financing
Singapore	
CIC Singapour (branch)	Financing, capital markets and private banking
Switzerland	
Banque CIC (Suisse)	Private banking

2017: Information by country (in € millions)	Net banking income	Income before tax	Corporate income tax	Other taxes	Public subsidies received	FTE employees
Germany	4	3	0	(1)		4
Belgium	19	9	(3)	(1)		40
Spain	1	0	0	0		3
United States of America	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**

RECENT DEVELOPMENTS AND OUTLOOK

Building on its strengths and expertise needed to adapt to the rapid transformation of its business lines and the rapid technological changes, in 2018 the CIC group will focus on combining growth, efficiency and risk management. It owes its success to its capacity for innovation, its flexibility, its 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, CIC is both a responsible bank dedicated to serving people and a bank ready to meet the challenges of tomorrow.

SIGNIFICANT CHANGES

There have been no significant changes in CIC's commercial or financial position since the end of the last financial year for which audited financial statements have been published.

FINANCIAL RISKS OF CLIMATE CHANGE

See section entitled "Social and environmental responsibility" beginning on page 352.

RISK MANAGEMENT

This section sets out the information required by IFRS 7 regarding risk exposures arising from financial instruments. The figures provided in this section have been audited, except for those specifically marked with an asterisk(*), which have been checked for accuracy and consistency as stipulated in Article L.823-10 of the French Commercial Code, as has the rest of the board of directors' report.
The periodic and permanent control functions and the compliance function provide strict oversight of processes across all business activities.

The risk management department consolidates overall risk monitoring and optimizes risk control by measuring the capital allocated to each business and analyzing return on equity.

Internal control procedures

CIC's internal control and risk management system is integrated into that of the Crédit Mutuel CM11 group. The Crédit Mutuel CM11 group consists of entities governed by a single collective banking license, that of Caisse Fédérale de Crédit Mutuel, namely Crédit Mutuel Centre Est Europe, Crédit Mutuel Île-de-France, Crédit Mutuel du Sud-Est, Crédit Mutuel Savoie-Mont Blanc, Crédit Mutuel Midi-Atlantique, Crédit Mutuel Loire-Atlantique et Centre-Ouest, Crédit Mutuel du Centre, Crédit Mutuel de Normandie, Crédit Mutuel Dauphiné-Vivarais, Crédit Mutuel Méditerranéen, and Crédit Mutuel d'Anjou, as well as all subsidiaries and consolidated companies, including CIC as the head of the network and its regional banks.
The purpose of internal control and risk management work is to ensure compliance with all rules defined by supervisory authorities for the conduct of the group's operations, by using the internal and professional standards, tools, guidelines and procedures put in place to that end.

Crédit Mutuel CM11's group-level internal control and risk monitoring system

General framework

Internal control and risk management are fully integrated into the group's organization with the aim of ensuring compliance with regulatory requirements and proper risk control and operational security, as well as improved performance.

Regulatory framework

As the basis of sound management of banking activities, the principles and methods applicable in the area of internal control and risk measurement are governed by numerous French and European legislative and regulatory provisions, supplemented by a number of international standards.

In this respect, the main regulatory text applicable to the Crédit Mutuel-CM11 group's internal control system is the ministerial Decree of November 3, 2014, which replaces regulation no. 97-02, amended, of the consultative committee on financial legislation and regulation (comité consultatif de la législation et de la réglementation financière - CCLRF). This Decree defining the conditions applicable to the implementation and monitoring of internal control of credit institutions and investment firms brings French regulations into line with the requirements of European Directive 2013/36/EU of July 26, 2013 (known as the CRD IV directive).

With regard to risk classification, compliance and risk monitoring, it sets forth in particular the principles applying to internal control of operations and internal procedures, accounting organization and data processing, risks and results measurement systems, risk management and monitoring systems, documentation and information systems and supervision of flows.

A shared process

In accordance with the four basic principles set by the Basel Committee (universality, independence, impartiality and allocation of adequate resources) and reiterated in the above-mentioned Decree, the group ensures that its internal control system is suited to its size and operations.

In the same way, it ensures that it is adapted to the size of the risks incurred by its activities and that the employees involved in internal control can carry out their work in the best possible conditions.

Within the group, the principles governing internal control are reflected in the guidelines issued by general management and rolled out using shared methods and tools that ensure the development of quality standards.

The internal control and risk measurement system is designed in particular to:
- fully cover the full range of the group's banking and insurance operations;
- list, identify, aggregate and track risks on a consolidated basis in a consistent manner;
- communicate clear and reliable information (particularly accounting and financial information), both internally and externally;
- ensure compliance with applicable laws and regulations, internal standards, and instructions and guidelines established by executive management;
- ensure the proper operation of internal processes and the safeguarding of assets.

More broadly, the processes in place are aimed at helping to ensure proper control of activities while at the same time improving the effectiveness of processes and organization.

A structured process

One of the key purposes of the organization is to ensure the quality and completeness of the internal control system. Both for itself and the businesses it controls, the group ensures that this system is underpinned by a set of procedures and operational limits that match regulatory requirements and applicable internal and professional standards. To ensure the high quality of its internal control system, the group implements a policy of ongoing improvement, which is also designed to adapt it to regulatory developments.

The identification and control of key risks by means of benchmarks, mapping of controls, and monitoring of risks using appropriate limits, formal procedures and dedicated tools are constant objectives for the group's internal control and risk management departments. Analytical tools and tracking dashboards make it possible to perform regular reviews of the various risks to which the group is exposed, including counterparty, market, asset and liability management and operational risks. In accordance with regulatory requirements, the group issues an annual report in the format recommended by the French Prudential Supervision and Resolution Authority (Autorité de contrôle prudential et de resolution – ACPR), on internal control and on risk measurement and oversight, in light of which a detailed review of control processes is carried out.

An integrated and independent process

In line with the group's values, the control system put in place is designed to develop a prudent and top quality risk management culture throughout the group.

Within this framework, the first level of risk management and control is performed by the operational managers, who are responsible for the operations they carry out. As the first level of control, operational management is an integral part of the system with responsibility for preventing risk as well as for putting in place the corrective measures designed to remedy the dysfunctions identified.

The group's entities also have a second level of control, identified within dedicated teams. To ensure the necessary independence of these second-level controls, employees assigned to control tasks have no operational responsibilities and they report directly - via management or functional reporting lines - to the central functions, which automatically ensures their freedom of judgment and assessment.

The central functions are responsible for defining, overseeing and coordinating all the local and cross-group systems. They organize and supervise the control work. They also use their expertise and independence to help define standard controls and supervise these controls.

In the same way, periodic control is performed on an independent basis (see below).

Crédit Mutuel CM11 group process

The process has a threefold objective:
- to separate the periodic, permanent and compliance controls into distinct functions in accordance with regulatory requirements;
- to harmonize internal control work throughout the group by creating an organization based on standardized methods and tools, and on the complementarity, subsidiarity, and independence of controls;
- to obtain a comprehensive and cross-functional view of all risks to ensure reliable, consistent and comprehensive reporting to general management and the deliberative body.

Organization of controls

In accordance with the Decree of November 3, 2014, the system comprises three functions:
- periodic control,
- permanent control,
- compliance.

The last two, which have since end-2017 reported to a joint risk, control and compliance department, are subject to periodic control by the first. The consistency of the overall system is ensured by a control and compliance committee chaired by a member of the executive body. This committee reports to the group audit and accounts committee, which represents the group's supervisory bodies.

To perform their functions, the control departments have permanent and unrestricted access to individuals, premises, hardware, software and information of any kind useful to the performance of their work throughout the group.

Breakdown by type of control

Independently of the controls performed by management teams as part of their operational activities, controls are performed by:
- periodic control staff, for in-depth, audit-style assignments, carried out in cycles spanning several years;
- permanent control staff, for all work of a recurring nature using mainly remote applications;
- compliance staff, in particular for the application of regulations and internal and professional standards including those designed to combat money laundering and financing of terrorism.

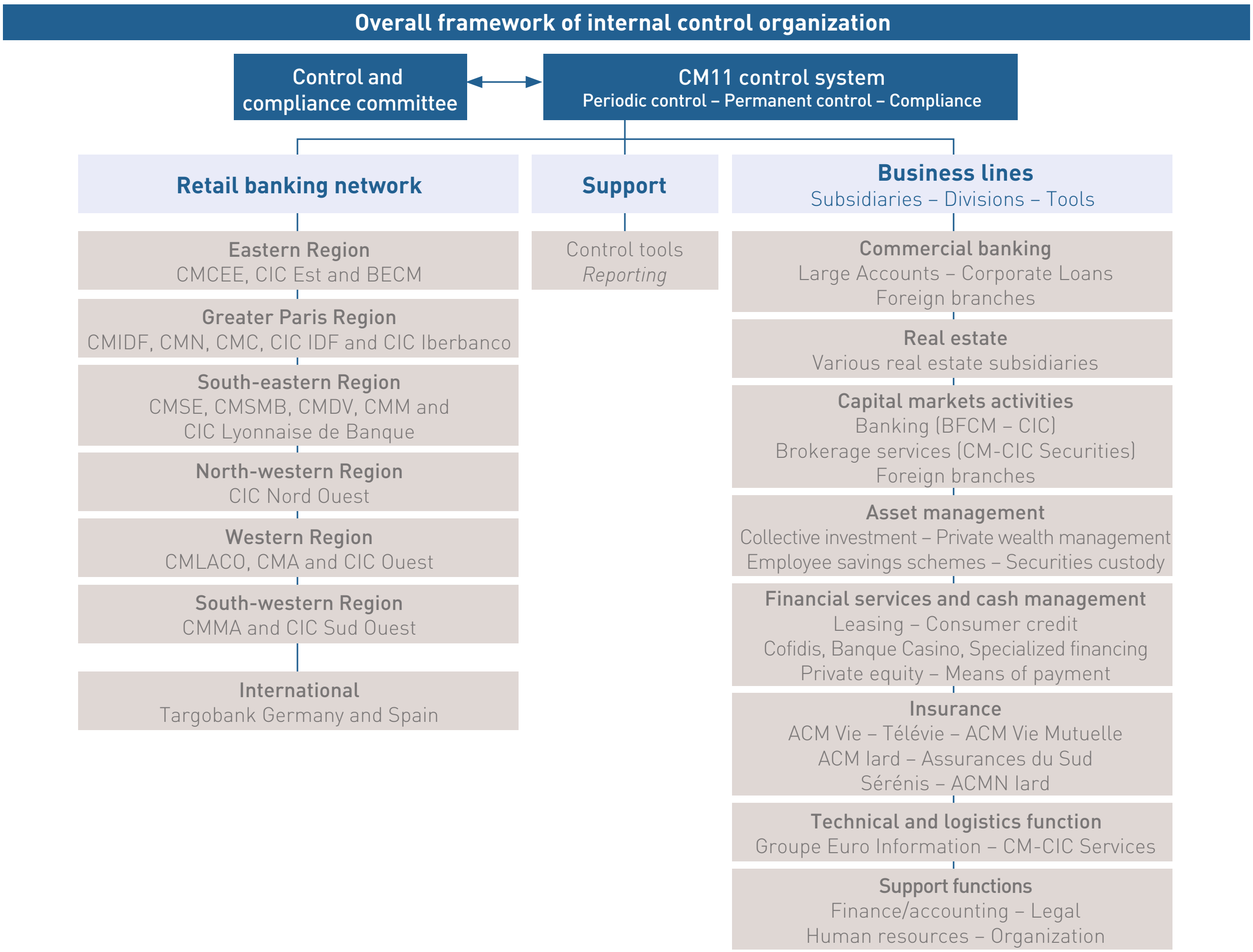
The periodic control department is responsible for supervising the overall quality of the internal control system, the effectiveness of risk monitoring and management as well as the smooth workings of permanent control and compliance.

Split between network and business lines

Control functions have been split into two structures, one dealing with the retail banking network and the other with the business lines (corporate banking, capital markets activities, asset management, financial services, cash management, etc.), with managers appointed for both at the Crédit Mutuel CM11 group level. The network and business line permanent control structures both report to a single manager at national level.

A common support unit for the various kinds of control

The periodic control, permanent control and compliance functions are assisted by a common support unit which is responsible for:
- developing the tools and keeping them up to date and in good working order;
- preparing the *reporting* instruments needed for monitoring control operations and assignments, and centralizing information for the management bodies, at the central and local (regional and subsidiary) levels;
- ensuring that control tools are complementary between the various functions so as to provide optimal cover of group risks.



Oversight of internal control processes

Group control and compliance committee

Chaired by the chief executive officer, the compliance committee holds regular meetings with the staff responsible for periodic, permanent and compliance controls and risk management, with the following objectives:

- coordinating the process and ensuring that the work and assignments of the various parties involved are complementary, such that all risks are covered;
- establishing control plans and reviewing the outcomes of assignments carried out by the periodic control units as well as the work done by the permanent control and compliance functions and proposing any improvements that might be required to the executive body;
- analyzing the conclusions of external inspections, in particular those carried out by the supervisory authorities;
- monitoring implementation of the resulting recommendations.

The control and compliance committee also reviews a certain number of activities and documents that serve as points of reference. In 2013 it approved the new procedures for following up recommendations made during inspection visits to the networks and audits conducted in respect of other businesses, business lines or departments, as well as the new procedures for certifying the accounts of local Crédit Mutuel banks. The document setting forth the organization of the network periodic control function, and the relationship between the central and regional units within the network periodic control function, was also submitted to the committee for approval. It met four times during the year under review (February 6, June 13, October 16, and December 12).

Group audit and accounts committee

In order to meet regulatory requirements and rules of governance, the Crédit Mutuel CM11 group set up an audit and accounts committee in 2008. It comprises fourteen voluntary and independent members from the group's mutual base. Several of its members have particular skills in accounting and finance. The executive body, the control departments and the finance division are represented on it. Training seminars help members to keep up to date with new developments.

This committee:

- examines the provisional internal control schedule;
- is informed of the conclusions of inspections carried out by the periodic control function and of the results of the permanent and compliance controls;
- takes due note of the conclusions of external controls, particularly of any recommendations made by the supervisory authorities;

- is informed of actions carried out to give effect to the main recommendations issued in internal and external control reports;
- assesses the effectiveness of the internal control systems;
- receives up-to-date information on the group's risk position;
- proposes to the various deliberative bodies such improvements as it deems necessary in view of the findings of which it has been made aware.

In the area of financial reports, it:
- is responsible for monitoring the process for preparing financial information;
- examines the annual company and consolidated financial statements;
- assesses the manner in which they have been drawn up and satisfies itself as to the appropriateness and consistency of the accounting principles and methods applied;
- participates in the selection of statutory auditors;
- supervises the statutory audit of the accounts.

The group audit and accounts committee met four times in 2017 (February 15, April 26, July 26 and September 13) and a sub-committee of this committee met on December 7. Minutes of these meetings were drawn up and sent to the deliberative bodies of the various federations and of CIC.
It examined the financial statements for the year ended December 31, 2017 in its meeting of February 16, 2018. There were no particular observations.

The compensation committee
In accordance with Articles L511-89, 102 and 103 of the French Monetary and Financial Code and with Article 104 of the Decree relating to internal control, Crédit Mutuel-CM11 has set up two compensation committees, one at Caisse Fédérale de Crédit Mutuel (CFCM), and the other at CIC. They give their opinions on the proposals made by the board of directors after consulting the risk and compliance divisions and review and approve the compensation policy on an annual basis. These committees also verify that the principles defined by the deliberative body have been effectively implemented. The compensation committees report regularly to the deliberative body.

The group ethics and compliance committee
Created within the scope of consolidation of the Crédit Mutuel CM11 group, this committee has been instrumental in establishing a code of ethics for the group. Each year it draws up a report on the group's implementation of and compliance with ethical principles and the code of conduct.

Risk oversight system

Group risk department

As defined in the Decree of November 3, 2014, the group's risk management department, which also reports to the risk, permanent control and compliance department, is responsible for ensuring all risks involved in banking and non-banking activities are measured, monitored and controlled, as well as contributing to the Crédit Mutuel CM11 group's growth and profitability.
It therefore analyzes and conducts a regular and exhaustive review of all risks (credit, market, interest rate, operational, assets and liabilities management, refinancing, insurance etc.) and presents a summary to general management and the deliberative body.

In 2017, the risk department again improved its consolidated risk reporting which took an operational, comprehensive and prudential approach with regard to regulatory capital allocation and regulatory changes in progress, particularly in terms of the implementation of the new Basel III rules. It also worked to implement the ECB's recommendations to strengthen its powers and closely monitor the activities of the French and foreign subsidiaries.

It participated in many cross-functional projects including in particular those relating to crisis recovery plans and to the ICAAP and ILAAP processes for monitoring compliance with capital and liquidity requirements applicable to the group and its subsidiaries. It was also involved in drafting the group's risk appetite statement and in preparing to comply with the requirements of the BCBS 239 principles on data quality and risk reporting.

While monitoring the quality of its risk control procedures, the risk department, which is the main interface with the regulatory authorities, oversees the follow-up of the various ACPR and ECB missions and coordinates the follow-up and implementation of recommendations and reports to the regulators on their progress.

Lastly, the implementation at end-2017 of a risk, permanent control and compliance department, without changing the internal structure of these three functions, improved collaboration between their staff, facilitated the pooling of their resources and resulted in the risk management, control and compliance culture being disseminated throughout the group.

Group risk monitoring committee

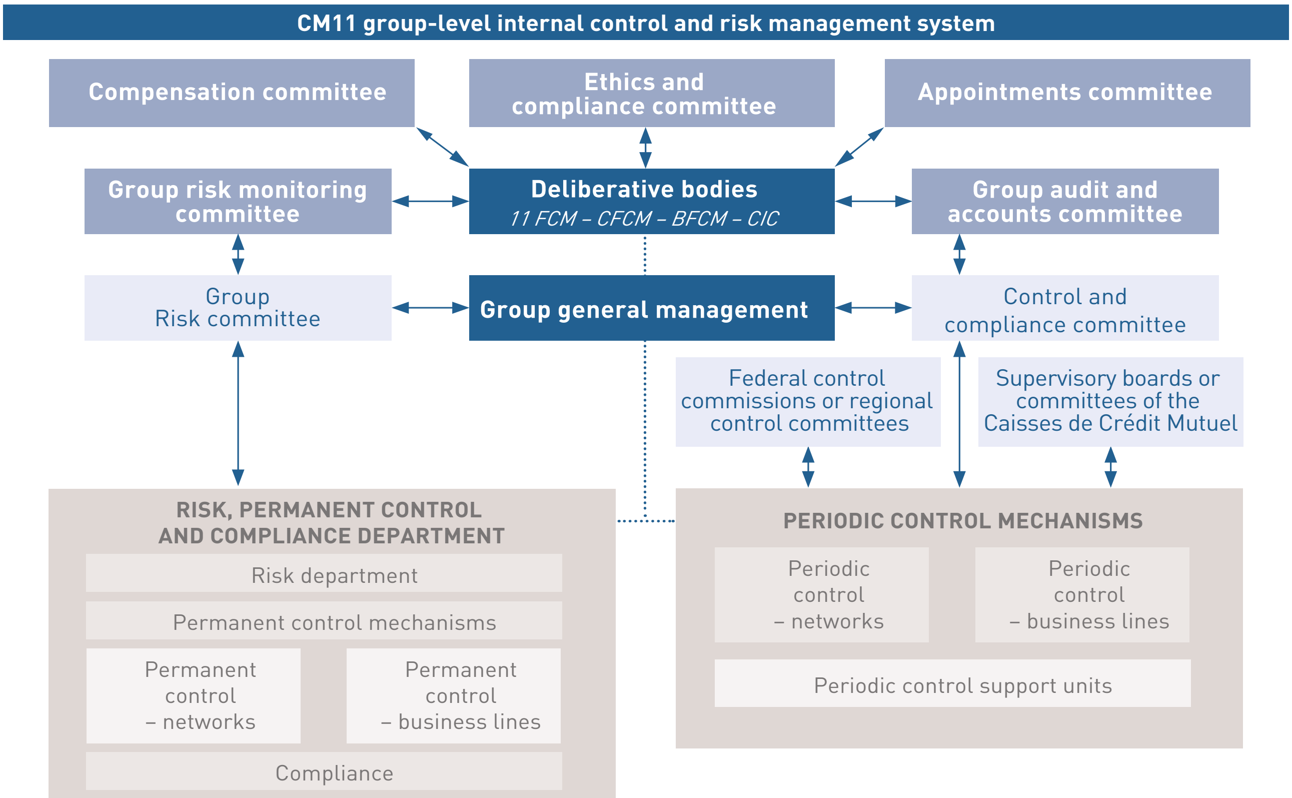
This committee is made up of members from the deliberative bodies and meets twice a year to examine strategic risk issues. It proposes to the board of directors, in light of its findings, any decisions of a prudential nature that are applicable group-wide concerning the measurement, monitoring and control of risks. Committee meetings are led by the chief risk officer, who is also responsible for presenting the files opened on the various risk areas based on work undertaken by the group risk committee. General management is also invited to the committee meetings, and the committee may also invite the heads of business lines involved in the agenda items.

Group risk committee

This committee meets quarterly in the presence of general management and the heads of the business lines and functions involved: retail banking, insurance, financing, refinancing, capital markets, commitments, and finance department.
Coordinated by the risk department, the group risk committee is responsible for the overall supervision of both existing and potential risk.

Operational risk coordination committee

This committee meets four times a year, bringing together the risk department and the group heads of permanent control and compliance. It is responsible in particular for proposing and coordinating action to protect against and reduce operational risks arising from any malfunctions detected.



CIC's risk control and monitoring procedures

This section mentions only CIC's in-house oversight bodies, but CIC must also report on its work on a company basis to the supervisory authorities, which regularly conduct on-site audits.

Control mechanisms

General structure

Board of directors

In accordance with regulatory requirements, a report on internal control work is submitted to CIC's board of directors twice a year. and the CIC annual internal control report is also submitted to it.

Levels of control

These are identical to those set up at group level, and totally integrated within the system. Designated teams perform periodic, permanent and compliance controls at CIC. They report to CIC and are linked on a functional level to the central group control division.
The CIC teams not only perform controls within the bank, but also take part in work and assignments throughout the Crédit Mutuel CM11 group at the request of central divisions.

The specific control mechanism at CIC

As an integral part of CIC, CM-CIC Marchés' single treasury management team conducts all of the Crédit Mutuel-CM11 group's capital market refinancing activities in one trading room, with the aim of developing its ability to sell capital markets products to customers, and to strengthen its investment business line. Monitoring methods, procedures and trading limits are incorporated into a set of rules. The board of directors of CIC approves the strategy of each business line (refinancing, sales, investment), capital allocation, the monitoring of limits and the budgets.

Within this mechanism, capital markets activities are managed by various bodies:
- CM-CIC Marchés' management defines the strategy, analyzes the business, results, risks and compliance with limits and coordinates the operational aspects (information system, budget, human resources and procedures);
- the market risk committee meets once a month to monitor compliance with the rules and the decisions of CM-CIC Marchés' management and approves the operating limits within the overall limits set by CIC's management;
- the CM-CIC Marchés credit committee meets weekly to decide on applications for credit lines within the scope of powers granted by the Crédit Mutuel CM11 commitments committee.

The internal control system relies partly on the work of the post-market departments, in charge of controlling risks, results, accounting and regulatory control, and secondly on a team dedicated to monitoring market activities, which reports to the head of permanent controls for business lines as well as on the compliance function.

In the same way that trading activities have been consolidated into a single structure, large accounts, specialized finance activities and international businesses are now subject to dedicated control procedures.

Control work

Control work, carried out in all areas in which the bank operates, draws on group level methods and tools as well as formal procedures. The results of these controls are used to generate recommendations, implementation of which is monitored.

Basel II project

In conjunction with the Confédération Nationale du Crédit Mutuel, an organization has been put in place within the group that enables regular control of the system. A procedural framework details the distribution of tasks among the various entities involved.
For managing operational risks, the group has been authorized by the French Prudential Supervisory Authority since 2010 to use the advanced approach.

Basel III project

The risk department is in charge of transition to the new regulatory constraints.

Common methods and tools

The control and risk management methods and tools continued to be harmonized. CIC benefits from the shared tools developed by the group support unit, which in particular include specific oversight functionalities.

Periodic control tools
These are aimed at providing a mapping of network risks, by consolidating all types of assignments based on a common catalog of points of control. They are regularly updated. Access to the information necessary for carrying out the controls is provided by the IT system.
In view of the group's growth, a project had been launched to develop a tool for monitoring the implementation of recommendations made by the group periodic control teams during their assignments and those made by the supervisory authorities. The PRECO tool was rolled out at the start of 2013.

Permanent control tools
Permanent controls on the branch network are performed remotely, essentially by using data from the information system. They complete the first level controls carried out on a daily basis by the heads of the operational units and regional coordination, assistance and control functions. They involve "internal control portals" which plan and structure the various tasks to be carried out with regard to hedging risks.
The automated detection of cases in "risk alert" status, in accordance with predetermined anomaly criteria, is an essential part of good credit risk management. Other types of controls allow the quality of results obtained to be assessed so that resources can be deployed or inspections guided accordingly.

Compliance tools
Work continued on the implementation of systems for legal and regulatory surveillance and monitoring of compliance risk. The compliance function also has its own control areas within the "internal control portals" allowing it to check that regulatory provisions are being applied, in particular with regard to business and professional ethics, protecting customers' interests, performing investment services and combating money laundering and the financing of terrorism. In 2014, a new tool called COMPLY was developed to monitor performance of the due diligence required under the US FATCA regulations. In 2016, dedicated tools were rolled out to improve anti-money laundering and counter-terrorist financing.

Procedures

These are posted on the corporate intranet and are accessible at all times by all employees with the help of search engines. The control tools refer to them, and links have been created to make it easier to look up and apply procedures. "Framework procedures" established at group level (central control functions) in a number of areas, in particular compliance, are applied within CIC.

Risk oversight system

Risk management

Credit risk management is organized into two structures: one focusing on the granting of loans and the other on risk measurement and the monitoring of commitments.

A set of commitments guidelines summarizes the internal procedures of the lending arm of Crédit Mutuel CM11 in accordance with applicable statutory, organizational and regulatory provisions. It describes in particular the systems for granting loans, for measuring and overseeing commitments and for managing total assets at risk. It contains attachments relating to capital markets activities as well as to the subsidiaries directly concerned.

Liquidity and interest rate risk management for the group's banks is centralized (decisions of the former executive board of CIC and the board of directors of BFCM). Hedges are allocated to the entities concerned, in accordance with their needs. They are no longer authorized to take hedging decisions individually.

Overall measurement of market risk is based on the regulatory framework. Capital market activities are monitored in accordance with procedures that are formally recorded and independent in terms of organization and control.

The management of operational risk is performed and controlled in accordance with group procedures, coordinated by dedicated units. In particular, the security of the information systems and the putting in place of business continuity plans form part of the work carried out in this area. Operational risk is dealt with in detail in the Basel II project (*see above*).

Risk oversight

This is carried out by dedicated, independent teams, which have at their disposal tools designed on the one hand to provide a comprehensive aggregate overview of commitments, and on the other to carry out ongoing monitoring of risk, in particular by means of an advance detection system for anomalies and monitoring of adherence to limits as well as changes in internal ratings.

Information for assessing trends in credit, market, ALM and operational risks is provided regularly to the management bodies and other responsible persons concerned. The risk department carries out general management with regard to the regulatory capital consumed by each activity by reference to the risks incurred and the return obtained.

Accounting data and control at CIC and group levels

CIC's and Crédit Mutuel CM11's finance departments, which are responsible for producing and validating the financial statements, are organized into two functional sections - networks and specialized businesses. The latter deals with financial accounting and consolidation, as well as accounting controls.

The information used for financial reporting is produced and validated by this department before being presented to the audit and accounts committee.

Controls on the bank's financial statements

Accounting system

Accounting architecture

This is based on an IT platform shared throughout 15 Crédit Mutuel federations and CIC's regional banks, which includes accounting and regulatory functions, in particular for:

- the chart of accounts, the structure of which is identical for all institutions of the same type managed through this platform;
- defining the automated templates and procedures shared by all the banks (means of payment, deposits and credits, day-to-day transactions, etc.);
- reporting tools (SURFI, consolidation software input, etc.) and oversight tools (management control).

Administration of the shared accounting information system is handled by the "accounting procedures and templates" divisions, which form independent units, either within the "network" finance department or the "specialized businesses" finance department.

More specifically, the latter are responsible for:

- managing the shared chart of accounts (creating accounts, defining the characteristics of the accounts, etc.);
- drawing up shared accounting procedures and templates, in accordance with tax and regulatory requirements; if necessary, the division concerned consults the tax department, and the templates are validated by a procedure involving various operational managers.

The "accounting procedures and templates" divisions do not report to, nor are they linked to, the departments that handle the actual accounting production. As such, the divisions involved in designing and administering the system architecture are separate from the other operational departments.

All accounts within CIC must be allocated to an operational department, which is responsible for maintaining and verifying the accounts. Therefore, an account cannot be "unallocated."

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

Chart of accounts

This is divided into two broad sections: third-party captions showing payables and receivables for individual third parties, and the general accounting captions.

Dedicated accounts are used for third party deposits and loans, enabling them to be monitored. For custody of negotiable securities, a "stock" accounting system distinguishes between securities owned by third parties and those owned by the bank.

The chart of accounts for all the credit institutions using the shared IT platform contains unique identifiers and is managed by the "accounting procedures and templates" divisions.

The chart of accounts defines the following account properties:

- regulatory characteristics (link to the official chart of accounts of credit institutions (PCEC), link to the item in the publishable financial statements, etc.);
- certain tax aspects (VAT position, etc.);
- management characteristics (whether compulsory or not, link with the consolidated chart of accounts, length of time online transactions are stored, presence at headquarters/branch, etc.)

Processing tools

The accounting information processing tools rely primarily on internal applications designed by the group's IT divisions. There are also a number of specialized internal and external applications, particularly production software for management *reporting* and for balances and accounting reports, a file query processing utility, consolidation software, regulatory report processing, property and equipment management and filing of tax declarations.

Procedure for data aggregation

In accordance with the model defined by the Crédit Mutuel CM11 group, accounting data are aggregated for the following entities:

- the group (e.g. CIC);
- federations made up of one or more banks or other legal entities;
- banks belonging to a federation.

The bank (branches and central departments) is broken down into branches, which represent the basic unit of the accounting system. It is at this level that accounting entries are recorded.

Accounting consistency of management data

Each branch comprises an external branch for recording financial accounting data and an internal one that records cost accounting data. and an internal one that records cost accounting data. At the individual branch level, the figures used for management accounting purposes are obtained by combining the internal and external data. The group result is obtained by adding together the balances of the branches.

Links are established between financial accounting captions and the codes attributed to the products marketed by the bank.

Cost accounting data are used to determine the results by business segment.

Control methods

Automated controls

A series of automated controls are carried out when accounting records are processed and before transactions are allocated to ensure that records are balanced and valid, and to update the audit trail of the captions affected by the transaction.
In-house tools are used to control accounting transactions on a daily basis and to detect any discrepancies.

Closing process controls

At each closing date, financial accounting results are compared with forecast management data and data from the previous year, for purposes of validation. The forecast management data are generated by the management accounting department and the budget control department, both of which are independent from the production of financial statements.
This analysis particularly concerns:

- interest margins: for interest-rate instruments, including deposits, loans and off-balance-sheet transactions, the management accounting department calculates expected yields and costs based on average historical data. These are then compared with the interest rates actually recognized, for validation business segment by business segment;
- commission levels; based on business volume indicators, the management accounting department estimates the volume of commissions received and payable, compared with recognized data;
- overhead (personnel costs and other general operating expenses);
- net additions to provisions for loan losses (level of provisioning and recognized losses).

Procedures put in place

Accounting procedures and templates are documented. For the network, procedures are posted on the bank's intranet.

Levels of control

Daily accounting controls are performed by the appropriate staff within each branch.
The accounting control departments (controls/procedures and "specialized businesses" management accounting) also perform more general responsibilities involving regulatory controls, monitoring supporting evidence for internal and branch accounting data, control of the foreign exchange position, and of net banking income by business segment, accounting procedures and templates with Crédit Mutuel CM11, and the interface between *back offices* and the statutory auditors for the half-yearly and annual closings.
Furthermore, the control departments (periodic, permanent, compliance) also perform accounting work. A dedicated accounting control portal has been put in place, and is in the process of being extended throughout the group.

Performing controls

Automated accounting controls

An automated daily control procedure based on the bank's daily balance allows the verification of balance sheet and off-balance sheet positions, asset/liability balances by branch and by currency, and the monitoring of technical accounts. This procedure is also applied to the general ledger at the end of each month.

Evidencing the accounts

All balance sheet accounts are evidenced either by means of an automated control or account validation by the department responsible for them. *Reports* by department evidencing accounts contain the results of checks carried out.

Controls on the consolidated financial statements

Accounting principles and methods

Adapting to regulatory developments

The system is periodically updated in line with regulatory developments (IFRS) or to improve the reliability of financial statement preparation.

IFRS compliance

IFRS accounting principles have been applied in group entities since January 1, 2005. The consolidated financial statements include a summary of them.

CIC and the Crédit Mutuel CM11 group jointly define the French (CNC) and international (IFRS) accounting principles and methods to be applied by all group entities in their company-only 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 accounts conform to those of the Crédit Mutuel group.

The accounting managers of the various Crédit Mutuel CM11 entities meet twice a year to prepare the half-yearly and annual closings.
Individual company financial statements in accordance with IFRS are prepared for the relevant entities in the central IT system, using the same organization and team as for those drawn up in accordance with French (CNC) standards.

Reporting and consolidation

Consolidation process

The group uses a consolidation chart of accounts. Within the shared information system, each account in the chart of accounts is linked to the consolidation chart of accounts, in an identical way for all companies using the shared chart.

The consolidated accounts are prepared in accordance with a timetable distributed to all the subsidiaries and the statutory auditors, which includes, where applicable, changes in procedures and standards to be incorporated. Each consolidated subsidiary has one person in charge of its closing process and another in charge of reporting intercompany transactions between fully consolidated companies. In accordance with their professional standards, the statutory auditors for the consolidation also give the statutory auditors of the consolidated companies instructions aimed at ensuring that the subsidiary complies with the various rules.

A dedicated software package, one of the main standard tools on the market, is used to consolidate the accounts. Data input (consolidation packages) is partially automated, using an interface developed on the accounting information system. This system makes it possible to automatically retrieve balances and ensure that company-only and consolidated data are consistent.

Reporting and data control

Companies cannot submit their consolidation package before a number of consistency checks that are programmed into the input software have been carried out. These control checks (currently more than 600), established by the consolidation departments, cover a large number of aspects (changes in equity, provisions, fixed assets, cash flows, etc.) "Blocking" controls prevent a package from being transmitted by the subsidiary and can only be overridden by the central consolidation departments.

Consistency checks against company-only data are also performed by the consolidation department upon receipt of the consolidation packages (level of results, intermediate balances, etc.) Finally, systematic reconciliation statements between company-only and consolidated data are generated for equity and earnings. This process, which ensures consistency in the transition between the statutory and consolidated series, is carried out without using the consolidation software, thus leading to validation of the consolidated data.

Analysis of accounting and financial information

The consolidated financial statements are analyzed in relation to the previous year, to the budget and to quarterly accounting and financial reports. Each analysis covers a specific area, such as provisions for loan losses, trend in outstanding loans and deposits, etc. Observed trends are corroborated by the departments concerned, such as the lending and management control divisions of the various entities.

Each entity's contribution to the consolidated financial statements is also analyzed.

Each time a closing involves the publication of financial data, this information is presented to CIC's general management and board of directors by the finance department. This report presents the breakdown of income, the balance sheet position and the current business situation, including the reconciliation of non-accounting data (rates, average capital, etc.).

The accounting work gives rise to a regular presentation to the group audit and accounts committee.

Conclusion

Drawing on common methods and tools, CIC's internal control and risk oversight mechanism fits into Crédit Mutuel CM11's system of controls, forming a coherent whole, appropriately adapted to the group's different activities in France and internationally. It meets banking and finance regulatory requirements and conforms to the operational principles established by the group. It is our ongoing objective to consolidate and further improve efficiency.

Risk factors

Summary of the risks to which the group is exposed

The group is exposed to a certain number of risks related to its retail banking, insurance, corporate banking, private banking and capital markets activities, notably the following risks:

- *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 arises in financing and guarantee activities as well as in various other activities where the group is exposed to the risk of counterparty default, such as its trading activities and the settlement and delivery of financial instruments on the capital markets;
- *market risk* is the risk of loss of value caused by any unfavorable change in market parameters such as interest rates, the prices of marketable securities, exchange rates or commodities prices. Market risk affects the vast majority of the group's activities. It comprises direct exposures to market parameters as a result of activities such as trading and asset management (for which the fees are based largely on the market value of the portfolios managed) as well as the risk of a mismatch between the assets and the liabilities (e.g. when the assets comprise interest rate structures or currencies that are different from those of the liabilities);
- *liquidity risk* is the risk that the group is unable to meet its commitments to its creditors due to a mismatch between the term of the assets and that of the liabilities, or that the group is unable to sell its assets when it needs to in order 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 comprises compliance risk and reputational risk, including legal risks, as well as the risk of damage to the group's image that could occur as a result of the failure to comply with regulatory or legal obligations or ethical standards.

These risks are detailed in this section. Their quantitative data and their potential impact on the group's earnings are also described. This section also lists the risk management procedures implemented by the group. If the group's risk management strategy is not adequate to deal with the risks detailed above, its business, earnings and financial situation could be affected.

1/ Difficult market and economic conditions could in the future have a material adverse effect on the operating environment for financial institutions and, accordingly, on the group's financial situation and earnings.

The group's businesses are sensitive to changes in financial markets and economic conditions in France, Europe and the rest of the world. A significant deterioration in market and economic conditions could have some or all of the following consequences:

- adverse economic conditions could affect the businesses and operations of the group's customers, which could result in a higher default rate on loans and receivables;
- a fall in prices on the bond, equity and commodities markets could have an impact on a number of the group's activities including, in particular, the profitability of its trading, investment banking and asset management activities;
- the macro-economic policies adopted in response to the actual or forecast economic conditions could have unexpected consequences and are likely to have an impact on market parameters such as interest rates and exchange rates and consequently affect those of the group's activities that are the most significantly exposed to market risk;
- economic conditions deemed to be favorable on a global basis or in certain business sectors could fuel speculative bubbles and consequently increase the impact of corrections when conditions become less favorable;
- significant economic disruption (such as the 2008 financial crisis or the 2011 sovereign debt crisis in Europe) could have a significant impact on all the group's activities, particularly if the disruption is characterized by a lack of liquidity in the market making it difficult to sell certain categories of assets at their estimated market value or, in extreme circumstances, preventing sales of any kind.

Such a deterioration could 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, cyber-attacks or armed conflicts).

Even though economic fundamentals in developed countries have shown favorable trends and the equity and debt markets have performed well during the year under review, there are no guarantees, however, that these conditions will last. With this improved economic outlook, the FED (*Federal Reserve System*) and the ECB (European Central Bank) have begun to tighten their monetary policies. A significant reduction in the abundance of liquidity would be likely to affect demand for credit and economic development. The European markets could be affected by a number of factors, including the uncertainty surrounding the framework of relations between the United Kingdom and the European Union as a result of the Brexit decision. Lastly, commodity prices could be adversely affected by unforeseen geopolitical factors.

It is difficult to predict when economic or market downturns will occur, and which markets will be the most severely affected. If economic or market conditions in France or in the rest of Europe, or the world markets in general, deteriorate or become more volatile, the group's operations could be disrupted and its activities, operating income and financial situation could be adversely affected.

2/ An economic environment in which interest rates remain low could jeopardize the group's profitability but exiting such an environment is not without risk either.

In recent years, world markets have been characterized by low interest rates. It seems that this situation could continue for a prolonged period. *During periods of low interest rates, interest rate* spreads tend to tighten. In these circumstances, the group may not be in a position to lower interest rates on deposits sufficiently to counterbalance the decrease in income related to loans granted at lower interest rates. The group's efforts to reduce the cost of its deposits may be limited by the prevalence of regulated savings products (such as Livret A savings accounts and home savings plans) with interest rates above the current market rates. In addition, the group could experience an increase in applications for early repayment and the renegotiation of mortgages and other fixed rate loans to individuals and companies, as customers seek to benefit from lower borrowing costs. This, alongside the issue of new borrowings at current market rates, could lead to an overall decrease in the average interest rate of the group's loan portfolio. The reduction in credit margins and the resulting decrease in retail banking revenue could have an unfavorable impact on the profitability of the group's retail banking businesses and on its overall financial position. In addition, if market interest rates were to increase in the future, the value of the group's portfolio could fall due to the significance of the stock of low-rate loans that make it up. If the group's hedging strategies prove to be ineffective or offer only partial hedging against such a change in value, the group could incur losses. An environment in which interest rates remain low can also have the effect of flattening the market yield curve more generally, which could reduce the premium generated by the group's financing activities and consequently have a negative impact on its earnings and financial position. A flattened yield curve can also lead financial institutions to enter into higher-risk activities to obtain an adequate return, which can increase overall market risk and volatility.

The ending of a prolonged period of low interest rates, in particular when this is the result of a tightening of monetary policy, is not without risks either. Any tightening that is more pronounced or rapid than expected could have a negative impact on the economic recovery. As regards the finance granted by the group, this in particular could test the resistance of the group's bond and loan portfolio and, where relevant, lead to an increase in non-performing loans and cases of default. More generally, the ending of accommodating monetary policies (notably the liquidity injection resulting from central banks' asset purchases) could lead to significant corrections in certain markets or asset categories (e.g. companies and sovereign borrowers that do not have *investment grade* rating and certain equity and real estate markets) that have benefited especially from a prolonged environment of low interest rates and significant liquidity. These corrections could spread throughout the financial markets, due in particular to a significant increase in volatility.

3/ Legislative and regulatory measures in response to the global financial crisis may materially impact the group and the financial and economic environment in which it operates.

Since the financial crisis, legislation and regulations have been enacted or proposed to introduce a number of changes, some permanent, in the global financial environment.

While the aim of these new measures is to avoid a recurrence of the financial crisis, their impact could be to change substantially the environment in which the group and other financial institutions operate and *de facto* have a significant effect on the group's businesses. The aim of these various rules is to preserve the stability of the banks (notably their solvency, liquidity and financial strength) in order to protect customers, depositors, investors, creditors and, more generally, taxpayers. However, the strengthening of the regulatory framework has caused uncertainty and some changes could have a substantial impact on both the group's earnings and the structure of its statement of financial position.

The measures that have been or may be adopted consist mainly of more stringent capital and liquidity requirements, taxes on financial transactions, limits and rules for employee compensation over specified levels, and limits on the types of activities that commercial banks can undertake (particularly proprietary trading and investment and ownership interests in private equity funds and hedge funds). They also include 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 write-down or conversion into equity of certain debt instruments in the case of resolution), strengthened recovery and resolution regimes, periodic stress tests and the creation of new regulatory bodies or the strengthening of the powers of the existing bodies.

Thus the group is subject to extensive regulatory requirements and significant supervision in each of the jurisdictions in which it carries out its various businesses. In particular, the group must comply with the requirements resulting from the regulations known as Basel III in force in the European Union by means of a regulation and a directive (the CRR and CRD4 respectively), which came into force on January 1, 2014. The coming into force of some requirements has been spread over a period extending until at least 2019.

Some of the regulatory measures adopted recently are already subject to proposed changes. The pace of regulatory change as well as the frequency and complexity of the changes have considerably increased the costs of the group achieving regulatory compliance and generated uncertainties surrounding the group's operating environment. By way of example, on November 23, 2016, the European Commission issued several legislative proposals aimed at amending a certain number of the European Union's key banking directives and regulations relating to capital adequacy and to bank recovery and resolution, which came into force only recently. These legislative proposals are in the process of being adopted and will amend, among other things, the requirements applicable as regards the MREL (*Minimum Requirement Eligible Liabilities*). This requires banks to maintain a minimum level of capital and liabilities that can be written off or converted into equity if a bank experiences significant financial difficulties. These proposals are still 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 adopted in their entirety or to assess their impact.

4/ More generally, the group is subject to numerous supervisory and regulatory regimes, which may change

Several regulatory and supervisory regimes apply to the group and its subsidiaries in France and in each of the other countries in which it operates. As well as harming its reputation, 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 likely to be implemented by the regulatory authorities in France or by other European Union or foreign governments and international agencies could have a material adverse impact on the businesses and earnings of group entities. Such constraints could limit the ability of group entities to expand their businesses or to pursue certain activities. The nature and impact of future changes in such policies and regulatory actions are unpredictable and outside the group's control. Such changes could concern, among others, the following:

- the monetary, interest rate and other policies of central banks and regulators;
- general changes in government or regulatory policy that may significantly influence investor decisions, particularly in the markets in which the group operates;
- general changes in regulatory requirements, for example, prudential rules relating to capital adequacy, including the regulatory measures taken in response to the world financial crisis and described in the above section on risk factors;
- the transformations affecting the financial instruments markets;
- the changes in progress concerning the regulation of derivatives;
- the changes in progress in the asset management business line;
- changes in rules and procedures relating to internal controls;
- the changes concerning the management, aggregation, archiving and retrieval of data;
- changes in financial reporting rules;
- changes in tax law or its application;
- the changes in accounting standards: the coming into force of IFRS 9 affects the group's provisioning methods;
- the changes in the regulations governing payment services, (*crowdfunding*) and fintechs;

- the changes in the personal data protection rules, which have a significant impact on the bank's business lines and insurance;
- the changes in the regulations concerning cyber-security;
- the rules governing employee compensation;
- expropriation, nationalization, price controls, exchange controls, confiscation of assets and changes in legislation relating to foreign ownership;

And any other adverse legal changes likely to affect demand for the products and services offered by the group.

5/ The group's activities are highly concentrated in France, exposing the group to risks linked to a potential downturn in the French economy

The French market represents the largest share of the group's net banking income and assets. In 2017, France accounted for 78% of the CIC group's net banking income and approximately 89% of its customer credit risk.

Because of the location of the group's businesses in France, a significant deterioration in French economic conditions would have a greater impact on the group's results and financial position than would be the case for a group with more internationally diversified activities. An economic downturn in France could impact the credit quality of the group's individual and business customers, make it more difficult for the group to identify customers for new business that meet its credit criteria, and affect fee income by reducing life insurance policy sales, assets under management or brokerage activities. In addition, if house prices in France were to be significantly affected by adverse economic conditions, the group's home loan activities and portfolio (which represented approximately 49% of the group's total portfolio of customer loans, excluding accrued interest as of December 31, 2017) could be significantly and adversely affected.

6/ BFCM, CIC's parent company, must maintain high credit ratings, or the group's business and profitability could be adversely affected.

Credit ratings are important for obtaining finance on the markets and the terms of such finance and therefore for the group's liquidity. A rating downgrade could have a negative impact on the group's liquidity and competitive position, increase its refinancing 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). In addition, in the event of a rating downgrade, the group could be forced to provide additional guarantees for some market transactions (over-the-counter transactions, transactions in securities, etc.).

During 2017 Fitch Ratings confirmed the Crédit Mutuel CM11 group's rating at A+. Similarly, BFCM's Aa3 rating was confirmed by Moody's, as illustrated by the publication of the agency's *credit opinion* in December 2017.
Lastly, Standard & Poor's confirmed the rating of Crédit Mutuel at A, as well as its outlook (which remains at stable) on the basis of its "resilient earnings".

The risk of a downgrade of France's sovereign debt credit rating has repercussions for the entire economy. Although the position did not change in 2017, any downgrades of France's sovereign debt credit rating would have a number of consequences including, inevitably, a downgrade of BFCM's rating, which would adversely affect 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: said cost is influenced both by the credit quality of those bonds, and by a number of market factors that are beyond the control of BFCM and the group.

7/ Despite the risk management policies, procedures and methods implemented, the group may be exposed to unidentified or unforeseen risks that could lead to material losses

The group has devoted significant resources to developing its risk management policies and corresponding risk assessment techniques, procedures and methods, and intends to continue to do so in the future. Nonetheless, the group's risk management techniques and strategies may not be fully effective in limiting its risk exposure in all economic market environments or against all types of risk, including risks that the group fails to identify or foresee.

Some of the group's qualitative tools and metrics for managing risk are based on use of observed historical market behavior. The group then analyses the observed data, using statistical methods, to quantify its risk exposure. The group uses complex and subjective analysis based on projected economic conditions and their impact on borrowers' capacity to repay and the value of the assets to measure the losses linked to credit risk exposure and to assess the value of certain assets. During periods of market turbulence, such analysis could result in inaccurate estimates and call into question the reliability of these evaluation procedures.

These tools and metrics may incorrectly predict future risk exposures. These risk exposures could, for example, arise from factors the group did not anticipate or correctly evaluate in its statistical models. This would limit the group's ability to manage its risks and could affect its results.

Like all financial institutions, the group is subject to the risk of non-compliance with its risk management policies and procedures, either through human error or malicious intent. In recent years, several financial institutions have suffered significant losses from unauthorized market activities conducted by employees. While the group makes every effort to monitor compliance with its risk management policies and procedures, it is impossible to be certain that its monitoring will be effective in avoiding losses from unauthorized activities.

8/ Given the international scope of its activities, the group may be vulnerable to specific political, macroeconomic and financial environments or specific situations in the countries where it operates

The group is subject to 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.

Although the CIC group's relatively limited international activities temper its exposure to all country risks, in contrast to those financial institutions that have more significant international operations, the group monitors country risk and takes it into account when recognizing provisions in its financial statements. However, a significant change in the political or macroeconomic environment could necessitate the recognition of additional provisions or cause the group to incur losses of an amount in excess of the current provisions.

9/ The group is subject to the risk of non-compliance with the applicable regulations

The group is exposed to the risk of non-compliance, i.e. the inability to comply fully with the rules governing financial and banking activities, whether legislative or regulatory, professional standards and ethics, instructions or rules of professional conduct. This risk is exacerbated by the adoption by different countries of multiple and sometimes contradictory legal and regulatory requirements. As well as harming its reputation and the possible triggering of civil action, non-compliance with these requirements would expose the group to disputes and significant fines and costs (including fines and costs in excess of the amounts provided for), warnings from the authorities, enforced suspension of operations or even, in extreme cases, withdrawal of authorization to operate.

10/ The group faces significant competition

All the group's main business lines face intense competition in the markets in which they operate or could 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 economies 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 competitors who are more competitive and subject to specific or less stringent regulations or to other prudential ratio requirements could also enter the market. They would then be in a position to offer a more competitive range of products and services.

Technological advances and the growth in e-commerce have enabled institutions that are not banks to offer products and services that were traditionally bank products. They have also enabled financial institutions and other companies to provide electronic financial solutions using the Internet, including electronic securities trading. These new entrants could put downward pressure on the prices of the group's products and services or affect the group's market share. Moreover, new payment systems and currencies, such as the bitcoin, and new technologies facilitating the processing of transactions, such as *blockchain*, are becoming increasingly common. It is difficult to predict the effects of the emergence of these new technologies, which are less strictly regulated than the group, but their increasing use could reduce the group's market share or divert amounts that would otherwise have been invested in portfolios managed by more well-established financial institutions such as the group.

11/ Market downturns may lead to lower revenues from life insurance, brokerage, asset management and other commission- and fee-based businesses

A market slowdown would lead to a decline in transaction volumes and slower growth of asset management, life insurance and similar products. These transactions and products generate fee and commission income for the group, which could therefore be adversely affected in the event of a slowdown in these areas. This was the case during the financial crisis. In addition, because the fees that the Group charges for the management of its customers' portfolios are in most cases based on the value or performance of those portfolios, a market downturn would reduce the value of the managed portfolios, and as a result, reduce the revenues generated by the Group's asset management and private banking businesses. Any future downturn could therefore have negative effects on the Group's results and financial position.

Even in the absence of a market downturn, any under-performance by the Group's asset management and life insurance activities may result in increased withdrawals and reduced inflows, which would reduce the revenues the Group receives from its asset management and insurance businesses.

12/ Uncertainty on the financial strength and conduct of other financial institutions and market participants could adversely affect the group

The group's ability to engage in funding, investment and derivative transactions could be adversely affected by uncertainty on the strength of other financial institutions or market participants. Financial institutions are closely interrelated as a result of their trading, clearing, counterparty, funding or other activities. As a result, default by, or even rumors or questions about the solvency of one or more financial institutions, or a loss of confidence in the financial sector generally, has led 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.

13/ Protracted market declines can reduce liquidity in the markets, making it harder to sell assets and possibly leading to material losses

In some of the group's businesses, prolonged market movements, particularly price falls, may reduce activity in the market or reduce its liquidity. These developments can lead to material losses if the group cannot close out deteriorating positions in a timely way. This may be the case in particular for assets the group holds for which the markets are intrinsically illiquid. 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.

14/ Changes in accounting principles could have an impact on the group's financial statements and capital ratios and cause it to incur additional costs.

The applicable accounting principles evolve and are amended over time and the group's financial statements and capital ratios are exposed to the risk of these principles changing. For example, in July 2014, the*International Accounting Standards Board* published IFRS 9 - Financial Instruments, which replaces IAS 39 as from January 1, 2018, following its adoption by the European Union. This standard amends and supplements the rules relating to the classification and measurement of financial instruments. It introduces a new impairment model for financial instruments, which is based on expected credit losses whereas the current model is based on incurred losses. It also includes new rules concerning the accounting regime for hedging instruments. The new approach based on expected credit losses could result in the recognition of additional impairment provisions that are material for the group as well as a possible increase in the volatility of its regulatory capital ratios, and the costs incurred by the group relating to the application of these rules could have a negative effect on its operating income.

5/ A substantial increase in additions to provisions for non-performing loans 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 additional amounts to provisions for non-performing loans, which are recognized in its income statement under net additions to provisions for loan losses. The group's overall level of this provisioning is based upon its assessment of prior loss experience, the volume and type of lending, industry standards, past due loans, economic conditions and other factors reflecting the recovery rates for the various loans concerned.

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 non-performing loans 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.

16/ 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.

17/ 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.

18/ 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.

19/ An interruption in or breach of the group's or third parties' information systems may result in lost business and other losses

Like most other banks, the group relies heavily on communications and information systems to conduct its business. Any failure or interruption or breach in security of these systems could result in failures or interruptions in the group's customer relationship management, general ledger, deposit, transactions 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 with its service providers increases, 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.

20/ Attacks on the group's information systems may have a negative impact on the proper functioning of its banking and customer protection services

Like other organizations, the group is the target of increasingly frequent cyber-attacks.

Companies' IT assets are exposed to complex new threats that are constantly evolving and likely to have a significant impact on the finances and reputation of all companies and, more specifically, banking sector institutions. The group has prioritized the resilience of its technical infrastructure, the continuity of its services to customers, and the security of data exchanges, as regards its ability to both anticipate, and to react to, threats. However, such action may be insufficient to fully protect the group, its employees, its partners or its customers, given the constantly evolving nature and sophistication of cyber-attacks. Despite the group's efforts, such attacks could disrupt customer services or result in the loss, theft or disclosure of confidential data, and the hacking of the group's IT security systems could result in downtime, costs in respect of the recovery and verification of information and damage to the group's reputation. Each of these impacts could have an adverse effect on the group's activities, operating income and financial position.

21/ Unforeseen events could interrupt the group's operations and cause substantial losses and additional costs

Unforeseen events such as political and social unrest, severe natural disasters, pandemics, terrorist attacks or other states of emergency could lead to an abrupt interruption of operations of entities in the group, and, to the extent not partially or entirely covered by insurance, may cause substantial losses. Such losses can relate to property, financial assets, trading positions and key employees. Such unforeseen events may also disrupt the group's infrastructure, or that of third parties with which it conducts business, and lead to additional costs (such as employee relocation costs) and push up existing costs (such as insurance premiums). Such events may also make insurance cover for certain risks unavailable and thus increase the group's global risk.

22/ Reputational risk could have a negative impact on the group's profitability and business outlook

Various issues may give rise to reputational risk and damage the group and its business prospects. These issues include inappropriately dealing with potential conflicts of interest, legal and regulatory requirements, competition issues, ethical issues, money laundering laws, information security policies and sales and trading practices. The group's reputation could also be damaged by an employee's misconduct, or fraud or embezzlement by financial operators to which the group is exposed, any downward revision, restatement or correction of its reported results and any legal or regulatory proceeding whose outcome may be negative.

Any damage to the group's reputation might lead to a loss of business that could impact its earnings and financial position. Failure to address these issues adequately could also give rise to additional legal risk, which might increase the number of litigation claims and the amount of damages asserted against group entities, or subject group entities to regulatory sanctions.

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

The group and some of its employees could be involved in various lawsuits, including civil, administrative and criminal proceedings. The large majority of these proceedings come within the scope of the group's ordinary activities. Lawsuits increase the risk of losses or of damage to the group's reputation. Such proceedings or regulatory enforcement measures could also give rise to civil or criminal penalties, which would undermine the group's activity, financial position and operating income. It is inherently difficult to predict the outcome of lawsuits, regulatory proceedings and orders involving group entities, in particular if they are initiated by various types of plaintiff, if the amount of damages claimed is not specified or not known, even more so if it is an unusual proceeding.

When preparing these financial statements, the group estimated the consequences of legal, regulatory and arbitration proceedings in which it was involved. It recognized a provision when losses associated with these proceedings were likely and could be reasonably estimated. If such estimates prove to be inaccurate or the provisions recognized by the group prove to be insufficient to cover the risks arising from these proceedings, it could have a material adverse effect on the group's financial position and results.

Credit risk

a - Organization of the lending unit

In accordance with applicable regulations, the lending unit is organized mainly around the two following mechanisms:

- loan origination procedures;
- risk assessment and 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 draws on know-your-customer, risk assessment and credit approval procedures

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

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

Customer ratings: a single system for the entire group

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

Rating algorithms and expert models have been developed to improve the group's credit risk assessment and to comply with the regulatory requirements concerning internal rating 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. Nevertheless, the regional entities are directly involved in carrying out and approving working parties' assignments on specific subjects and the work related to data quality and applications acceptance tests.

The group's 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)

"Group of connected clients" means natural or legal persons that form a unit from the standpoint of risk because one of them, directly or indirectly, has control over the other or others, or because the connections between them are such that it is probable that if one of them encountered financial problems, such as financing or repayment difficulties, the others would also encounter financing or repayment difficulties. Risk groups are formed based on a procedure that incorporates the provisions of paragraph 39 of Article 4 (1) of EU Regulation 575/2013.

Product and guarantee weightings

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

Credit approval process

The credit approval process is essentially based on:

- a formalized risk analysis of the counterparty;
- the rating applied to the counterparty or group of counterparties;
- approval levels;
- the principle of dual review;
- rules for setting maximum lending limits based on the capital;
- remuneration adapted to the risk profile and capital consumption.

Management of the decision-making circuit is automated and is conducted in real-time: immediately upon completion of a loan application, the electronic dossier is transmitted to the 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 Order of November 3, 2014, he compiles loan files intended to formally record all qualitative and quantitative information on each counterparty. He 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. Each customer relationship manager is responsible for any decisions he takes or causes to be taken and is endowed with *personal approval powers*.
For loan files whose amount exceeds the *personal approval powers*, the decision falls to a credit approval committee whose operating rules are covered 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 that reports to the bank's executive management and is independent of the operational 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 approval decisions are appropriate based on the dual review principle, by verifying that the expected return on the loan is commensurate with the risk taken;
- the other team is responsible for prudential oversight and credit risk assessment arrangements, and also performs 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 measurement

To measure risk, CIC 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 the business lines concerned (rating, market, lending products, business segments, remuneration, etc.).

Each commercial entity has information systems and is therefore able to check compliance on a daily basis with the limits assigned to each of its counterparties.

Commitment monitoring

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

In accordance with CRBF regulation 93-05, the *corporate* regulatory limits applicable to the CIC group are determined on the basis of the regulatory capital and the internal ratings assigned to counterparties. The regulatory limits are monitored in accordance with the specific methods (including those covering frequency) defined in the procedures related to this area.

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

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 in accordance with Basel and accounting requirements

A unified definition of default has been adopted for the entire Crédit Mutuel group. Based on the principle of aligning prudential information with accounting information (ANC Regulation No. 2014-07 of November 26, 2014/(EU) Regulation No. 575/2013), it involves matching the Basel concept of loans in default and the accounting concept of non-performing loans and loans in litigation. Information systems take into account contagion, thereby enabling the downgrading to be extended to the related outstandings.

Identification of at-risk items

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

Transfer to non-performing, provisioning and reclassification as performing

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

Management of customers downgraded to non-performing or in litigation

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

b - Quantified data

Accounting data

At €181.9 billion, total gross exposures were up by 3.5% compared to the end of 2016. Customer loans totaled €166.4 billion, up by 3.1% compared to 2016, and loans to credit institutions rose by 7.4%.

Loans and receivables (excluding repurchase agreements)

(in € millions) (year-end principal balances)	2017	2016
Loans and receivables		
Credit institutions	15,446	14,382
Customers	166,432	161,393
GROSS EXPOSURE	**181,878**	**175,775**
Impairment provisions		
Credit institutions	0	0
Customers	(2,589)	(2,643)
NET EXPOSURE	**179,289**	**173,132**

Medium- and long-term loans increased by 6.1% and short-term loans fell by 8.6%.

Customer loans

(in € millions) (year-end principal balances)	2017	2016
SHORT-TERM LOANS	**27,243**	**29,801**
Current accounts in debit	4,932	5,378
Commercial loans	6,391	5,499
Treasury facilities	14,856	17,843
Export credits	1,064	1,081
MEDIUM- AND LONG-TERM LOANS	**133,773**	**126,064**
Capital equipment loans	48,583	41,484
Home loans	73,565	70,496
Finance leases	10,608	10,135
Other	1,017	3,949
TOTAL GROSS CUSTOMER LOANS	**161,016**	**155,865**
Non-performing loans	5,188	5,289
Accrued interest	228	239
TOTAL CUSTOMER LOANS	**166,432**	**161,393**

Commitments and guarantees given

(in € millions) (year-end principal balances)	2017	2016
Financing commitments given		
Credit institutions	315	300
Customers	33,066	30,976
Guarantee commitments given		
Credit institutions	1,224	725
Customers	12,899	12,653
PROVISION FOR RISKS ON COMMITMENTS GIVEN	**92**	**95**

Focus on home loans

Home loan outstandings grew by 4.4% in 2017 and represented 45.7% of total gross customer loans. Given their nature, home loan outstandings are split among a very large number of customers and are backed by real estate collateral or first-rate guarantees covering 89.6% of their value.

(in € millions) (year-end principal balances)	2017	2016
Home loans	73,565	70,496
Of which with Crédit Logement guarantee	*32,327*	*30,236*
Of which with a mortgage or similar highly-rated guarantee	*33,583*	*32,597*
Of which with other guarantees (1)	*7,655*	*7,663*

(1) Junior mortgages, pledges, surety.

Loan book quality

The loan book is of high quality.

Based on the group's nine internal credit ratings (excluding default ratings), customers rated in the top eight categories represented 98.1% of loans and receivables due from customers.

Breakdown of performing customer loans by internal rating

	2017	2016
A+ and A-	35.81%	35.34%
B+ and B-	30.97%	29.31%
C+ and C-	21.96%	23.65%
D+ and D-	9.32%	9.52%
E+	1.93%	2.18%

Breakdown of loans by customer type

As a %	12/31/2017	12/31/2016
Retail	64.6%	65.3%
Corporates	29.2%	28.4%
Large corporates	3.2%	3.0%
Specialized financing and other	3.0%	3.2%

Source: Risk management.
CIC Group scope excluding foreign branches.
Exposures of CM-CIC Bail, CM-CIC Lease and CM-CIC Factor classified by default as Corporates.

Geographical breakdown of customer risk

As a %	12/31/2017	12/31/2016
France	90%	89%
Europe excluding France	7%	7%
Other countries	3%	4%

Concentration risk/Exposure by segment

These two items are dealt with in the section entitled "Information on Basel III Pillar 3".

Major risks

Corporates

Capital in € millions	2017	2016
Commitments in excess of €300m		
Number of counterparty groups	32	35
Total commitments	18,275	18,453
Of which, on statement of financial position	*6,910*	*6,783*
Of which, off-statement of financial position (guarantee and financing commitments)	*11,365*	*11,670*
Commitments in excess of €100m		
Number of counterparty groups	112	115
Total commitments	31,014	31,109
Of which, on statement of financial position	*13,497*	*13,047*
Of which, off-statement of financial position (guarantee and financing commitments)	*17,517*	*18,062*

Banks

Capital in € millions	2017	2016
Commitments in excess of €300m		
Number of counterparty groups	3	5
Total commitments	1,603	3,750
Of which, on statement of financial position	*1,074*	*3,079*
Of which, off-statement of financial position (guarantee and financing commitments)	*529*	*671*

Sovereign risks

Sovereign risks are detailed in note 7b to the consolidated financial statements.

At-risk items and net additions to/reversals from provisions for loan losses

Non-performing loans and loans in litigation totaled €5.188 billion at December 31, 2017, compared with €5.289 billion at December 31, 2016, a decrease of 1.9%.

They fell for the third consecutive year in proportion to outstanding customer loans, accounting for 3.1% (3.3% at the end of 2016).

At December 31, 2017, actual net provisioning for known risks remained constant at 0.13% of gross outstanding customer loans.

Quality of risks arising on customer loans and receivables

(in € millions) (year-end principal balances)	2017	2016
Individually-impaired loans and receivables	5,188	5,289
Individual impairments	(2,440)	(2,488)
Collective impairments of receivables	(149)	(155)
Coverage ratio	49.9%	50.0%
Coverage ratio (individual impairment provision only)	47.0%	47.0%

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

2017	≤ 3 months	> 3 months ≤ 6 months	> 6 months ≤ 1 year	> 1 year	Total
Debt instruments[1]	0	0	0	0	0
Loans and receivables	1,555	18	44	1	1,618
Central banks	0	0	0	0	0
Public administrations	0	0	0	0	0
Credit institutions	0	0	0	0	0
Other financial firms	28	0	0	0	28
Non-financial firms	1,107	16	39	1	1,163
Retail customers	420	2	5	0	427
TOTAL	1,555	18	44	1	1,618

2016					
Debt instruments[1]	0	0	0	0	0
Loans and receivables	1,657	31	130	5	1,823
Central banks	0	0	0	0	0
Public administrations	0	0	0	0	0
Credit institutions	48	0	0	0	48
Other financial firms	97	1	82	4	184
Non-financial firms	252	2	10	0	264
Retail customers	1,260	28	38	1	1,327
TOTAL	1,657	31	130	5	1,823

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

Interbank loans

Interbank loans by geographic area

	2017	2016
France	67.24%	67.86%
Europe excluding France	22.14%	23.76%
Other countries	10.62%	8.38%

The breakdown of interbank loans by geographic area is based on the country of residence of the borrower institution.
At the end of 2017, exposures continued to be mainly in European institutions, particularly French and British banks.

Interbank loans by internal rating

Internal rating	Equivalent external rating	2017	2016
A+	AAA/AA+	0.21%	1.40%
A-	AA/AA-	37.82%	35.44%
B+	A+/A	25.49%	25.38%
B-	A-	23.79%	24.27%
C and below (excluding default ratings)	BBB+ and below	12.69%	13.52%
Not rated		-	-

Interbank loans were mainly concentrated in the best internal rating grades, with 87.31% of exposures rated between A+ and B- at end-2017 (i.e. an equivalent external rating between AAA and A-), versus 86.48% in 2016.

Debt securities, derivatives and repurchase agreements (repos)

The securities portfolios relate primarily to capital markets activities and to a lesser extent to asset-liability management.

(in € millions) (year-end principal balances)	2017	2016
Debt securities	19,745	20,473
Of which, government securities	*4,857*	*6,189*
Of which, bonds	*14,888*	*14,284*
Derivatives	3,496	4,779
Repurchase agreements (repos) and securities lending	16,069	15,390
GROSS EXPOSURE	**39,310**	**40,642**
Provisions for impairment of securities	**(31)**	**(25)**
Net exposure	**39,279**	**40,617**

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 responsible for liquidity risk and interest rate risk are as follows:

- the ALM technical committee, which manages liquidity risk and interest rate risk in accordance with the risk limits applied within the Crédit Mutuel CM11 group. The committee comprises the heads of the business lines concerned (finance department, asset-liability management, refinancing and treasury, risk and marketing) and meets at least once every quarter. The following indicators are compiled at consolidated level and by entity: static and dynamic liquidity gaps (normal scenario and Basel III scenario), static interest rate gaps and the sensitivity of net banking income and of net asset value. Any breaches of limits are reviewed by the ALM technical committee.
- the ALM monitoring committee is comprised of the Crédit Mutuel CM11 group's senior executives together with representatives from the treasury, finance department, asset-liability management and risk departments. It validates the risk limits and warning thresholds. The ALM monitoring committee validates breaches (twice a year).

Hedging decisions are aimed at maintaining the risk indicators (net interest income sensitivity and gaps) within the limits set for the Crédit Mutuel CM11 group as a whole and below the warning thresholds for each of the banks that make up 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 CFCM, FCMCEE, BFCM and the other Crédit Mutuel CM11 group entities (CIC regional banks, BECM, etc.).

The role and operating principles of the asset-liability management function are defined as follows:

- asset-liability management is a distinct function from the dealing room, with its own resources;
- its key objectives are to shelter commercial 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;
- it 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 network's activities.

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 outstandings on products with no contractual maturity date and embedded options (early repayment and roll-over options for loans and the use of confirmed credit lines, etc.).

The management of interest rate risk arising on all operations connected with the banking network's business is analyzed and hedged overall based on the residual position in the statement of financial position using so-called macro-hedges. In addition, specific hedges may be established for customer loans involving a material amount or an unusual structure. Risk limits are set in relation to the annual net banking income of the Crédit Mutuel CM11 group. Each bank in the Crédit Mutuel CM11 group is subject to the same warning threshold levels as the limits applicable to the Crédit Mutuel CM11 group scope as a whole. The technical committee decides on the hedges to be put in place and allocates them pro rata to the needs of each entity.

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

1 - **The static fixed-rate gap,** corresponding to items on and off the statement of financial position whose cash flows are considered to be certain over a one month to 15 year horizon, governed by limits or warning thresholds from three to seven years, measured by a net banking income ratio.

2 - **The static "savings book rate and inflation" gap** over a horizon of one month to 15 years.

3 - **The sensitivity of the net interest margin,** calculated based on national scenarios and subject to limits or warning 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:

- Standardized interest rate shocks:
  1 - 100bp increase in the yield curve (used for limits/warning thresholds).
  2 - 100bp decrease in the yield curve, with no *floor* (used for limits/warning thresholds);
  3 - 200bp increase in the yield curve;
  4 - 200bp decrease in the yield curve, with a *floor* at 0%;

5 - 25bp steepening of the curve, due to an increase in long-term rates, every half year for two years (100bp cumulative shock), short-term rates remaining stable.

- Stress scenarios:
  6 - flattening/inversion of the yield curve due to a 50bp increase in short-term rates for all the half years during two years (200bp cumulative shock) with regulated rates set for the first two revision dates for these rates (i.e. during one year).
  7 - flattening of the yield curve due to a decrease in long-term rates (i.e. a flat yield curve close to zero).

Scenarios for filling the liquidity gap: two such scenarios have been studied:
- 100% Euribor 3 month filling;
- alternative filling, applicable to the relevant scenarios (non-linear and non-progressive change in the interest rate scenarios), based on a separate indexation of inventory positions (maintenance of short-term rate indexation) of the positions resulting from new loan production (in accordance with the intrinsic characteristics of the underlying positions).

Under scenario S2, CIC's net interest income is exposed to the decrease in rates:
- excluding the trading room's *banking book*: at one year, - 2.64% at one year (i.e. a decline of €113 million in absolute terms). At two years, - 4.71% (i.e. a decline of €201 million in absolute terms).
- including the trading room's *banking book*: at one year, - 2.90% at one year (i.e. a decline of €127 million in absolute terms). At two years, - 4.55% (i.e. a decline of €199 million in absolute terms).

With *the trading room's banking book*

Standardized interest rate shocks	Sensitivity as a % of NBI	
	1 year	2 years
Scenario S1	4.71%	6.11%
Scenario S2	(2.90%)	(4.55%)
Scenario S3	6.65%	11.58%
Scenario S4	0.95%	(5.06%)
Scenario S5	0.87%	3.99%
Scenario S1 constant statement of financial position	4.28%	5.75%
Scenario S2 constant statement of financial position	(2.47%)	(4.19%)

Stress scenarios	Sensitivity as a % of NBI	
	1 year	2 years
Scenario S6A	0.16%	(0.24%)
Scenario S6B*	- 0.86%	1.26%
Scenario S7A	0.22%	(3.24%)
Scenario S7B*	(0.13%)	(2.39%)

* Alternative filling rule.

Excluding *the trading room's banking book*

Standardized interest rate shocks	Sensitivity as a % of NBI	
	1 year	2 years
Scenario S1	4.50%	6.31%
Scenario S2	(2.64%)	(4.71%)
Scenario S3	6.15%	11.96%
Scenario S4	0.99%	(5.15%)
Scenario S5	0.60%	3.24%
Scenario S1 constant statement of financial position	4.06%	5.94%
Scenario S2 constant statement of financial position	(2.20%)	(4.34%)

Stress scenarios	Sensitivity as a % of NBI	
	1 year	2 years
Scenario S6A	0.57%	(0.14%)
Scenario S6B*	- 0.48%	1.68%
Scenario S7A	0.31%	(3.34%)
Scenario S7B*	(0.06%)	(2.46%)

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 the regulations is irrelevant.

By applying a uniform 200 bp increase or decrease to the whole statement of financial position (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 statement of financial position items based on various scenarios.

Sensitivity of net asset value	As a percentage of total equity
Sensitivity + 200 bp	(2.73%)
Sensitivity - 200 bp	(2.47%)

Liquidity risk management

The Crédit Mutuel CM11 group's liquidity risk management mechanism is based on the following procedures:
- compliance with the liquidity coverage ratio (LCR), which is representative of the group's short-term liquidity situation;
- calculating the static liquidity gap, based on contractual and agreed maturities and incorporating off-statement of financial position commitments. Transformation ratios (sources/applications of funds) are calculated at maturities ranging from three months to five years and are subject to warning thresholds and limits.

- calculating the liquidity gap in a Basel III stress scenario, whose run-off rules 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 warning thresholds in order to secure and optimize the refinancing policy;
- calculating the dynamic liquidity gap over five years, incorporating new loan production, 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 maturities for liquidity risk – residual contractual maturities

2017 (in € millions)	**≤ 1 month (a)**	**> 1 months ≤ 3 months**	**> 3 months ≤ 1 year**	**> 1 year ≤ 2 years**	**> 2 years ≤ 5 years**	**>5 years**	**No fixed maturity (b)**	**Total**
Assets								
Cash and amounts due from central banks	28,045							**28,045**
Sight deposits with credit institutions	3,251							**3,251**
Financial assets held for trading	178	622	1,594	2,037	3,430	2,872	997	**11,730**
Fin. assets at FV through profit or loss	48	10	5	2	2,459	107	54	**2,685**
Derivatives used for hedging purposes (assets)	6	6	19	58	313	157	0	**559**
Available-for-sale financial assets	479	554	665	897	2,950	5,911	745	**12,201**
Loans and receivables (incl. finance leases)	34,291	11,096	19,652	16,983	42,468	67,614	0	**192,106**
Held-to-maturity investments	0	0	0	0	9	0	0	**9**
Liabilities and equity								
Central bank deposits	0	0	0	0	0	0	0	**0**
Fin. liabilities held for trading	114	139	679	463	2,029	1,732	24	**5,180**
Fin. liabilities at FV through profit or loss	0	0	0	0	0	0	0	**0**
Derivatives used for hedging purposes (liabilities)	11	15	117	218	1,155	697	0	**2,213**
Fin. liabilities carried at amortized cost	**131,318**	**16,161**	**27,743**	**18,472**	**22,523**	**20,065**	**163**	**236,445**
Of which, debt securities, including bonds	*2,635*	*3,316*	*10,379*	*2,071*	*1,464*	*1,897*	*0*	***21,762***
Of which, subordinated debt	*1*	*3*	*5*	*1*	*6*	*1,918*	*163*	***2,097***

2016 (in € millions)	≤ 1 month (a)	> 1 months ≤ 3 months	> 3 months ≤ 1 year	> 1 year ≤ 2 years	> 2 years ≤ 5 years	>5 years	No fixed maturity (b)	Total
Assets								
Cash and amounts due from central banks	36,814							36,814
Sight deposits with credit institutions	3,397							3,397
Financial assets held for trading	682	665	1,936	2,299	2,824	2,648	670	11,724
Fin. assets at FV through profit or loss	35	0	0	0	2,177	49	52	2,313
Derivatives used for hedging purposes (assets)	7	22	48	48	493	209	0	827
Available-for-sale financial assets	1,203	756	1,228	1,238	3,873	4,659	675	13,632
Loans and receivables (incl. finance leases)	33,660	10,898	19,402	16,878	38,569	65,718	0	185,124
Held-to-maturity investments	0	0	54	0	9	0	0	63
Liabilities and equity								
Central bank deposits	0	0	0	0	0	0	0	0
Fin. liabilities held for trading	128	151	802	892	2,044	1,959	120	6,096
Fin. liabilities at FV through profit or loss	0	47	24	0	0	0	0	71
Derivatives used for hedging purposes (liabilities)	14	60	114	330	1,858	924	0	3,300
Fin. liabilities carried at amortized cost	**127,496**	**21,759**	**34,953**	**11,200**	**26,018**	**18,790**	**0**	**240,216**
Of which, debt securities, including bonds	*1,661*	*3,704*	*14,233*	*790*	*1,512*	*1,738*	*0*	*23,638*
Of which, subordinated debt	*18*	*0*	*0*	*0*	*0*	*1,626*	*0*	*1,644*

(a) Including accrued interest and securities given/received under repurchase and reverse repurchase agreements.
(b) Including undated debt securities, equities, non-performing loans and loans in litigation, and impairment losses; for marked-to-market financial instruments, also includes differences between fair value and redemption value

When it is not possible to provide an accurate maturity analysis, the carrying amount is entered in the "No fixed maturity" column.

Currency risk

The foreign currency positions of each CIC entity are automatically centralized by CIC and by BFCM. This centralization is performed daily for commercial transfers and for cash flows, both inflows and outflows, denominated in foreign currencies. Any unrealized foreign currency gains and losses are translated into euros at the end of each month and the resulting foreign currency position is also centralized by the holding company.
As such, with the exception of certain long-term foreign currency private equity transactions, 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.
Only the activities of CM-CIC Marchés benefit from foreign currency position management at their level.
The structural foreign currency positions arising from foreign currency advances made to foreign branches are not hedged.
The foreign exchange gain or loss is recognized in the asset or liability translation accounts and therefore does not pass through the income statement.
The profits or losses of the foreign branches are retained in the branches and thus form part of the structural foreign currency position.

Equity risk

CIC has exposure to various types of equity risks.

Assets measured at fair value through profit or loss
Equities held in the trading portfolio amounted to €968 million at December 31, 2017 compared with €666 million at December 31, 2016 and solely concerned CIC's capital markets business (see note 5b to the consolidated financial statements).

Equities accounted for using the fair value option through profit or loss related mainly to the private equity business and amounted to €2,226 million (see note 5a to the consolidated financial statements).

Available-for-sale financial assets
Equities classified as available-for-sale and various equity investments amounted to €207 million and €533 million respectively.

Long-term investments mainly comprised:
a) investments in non-consolidated companies totaling €62 million;
b) other long-term securities totaling €171 million.

As regards impairment losses and the reversal of impairment losses recognized in the income statement, in 2017 there was a net charge of €3 million compared with a net reversal of €6 million in respect of 2016. At December 31, 2017, the purchase cost of impaired equities totaled €215 million with a corresponding impairment provision of €152 million. Their market value came to €63 million.

Private equity

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

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

Risks arising on the private equity business

Assets invested for proprietary trading	2017	2016
Number of listed investment lines	**29**	35
Number of unlisted investment lines	**323**	326
Number of funds	**28**	47
Proprietary portfolio (€ millions)	**2,539**	2,183

Funds managed on behalf of third parties	2017	2016
Funds managed on behalf of third parties (€ millions)	**205**	234

Market risk*

General structure

The group's capital markets activities are carried out within group treasury and CM-CIC Marchés in the case of BFCM and CIC in France and in the London, New York and Singapore branches (CIC).

They are organized around three business lines: group treasury (transactions which are mainly recognized on BFCM's statement of financial position), commercial and fixed income-equity-loan investment ("ITAC") (recognized on CIC's statement of financial position). The last two business lines constitute CM-CIC Marchés. For the three business lines, management is "secure and conservative".

Group treasury

The business line is divided into three teams: a dedicated treasury management team centralizes all refinancing for the Crédit Mutuel CM11 group. It seeks to diversify its investor base in Paris, London and in the United States (US144A format) and Asia (Samurai format) and its refinancing facilities, including Crédit Mutuel-CIC Home Loan SFH. One team is responsible for collateral management and another team is responsible for the settlement bank (whose various risks are included in the business line's risks).

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

In addition to the pure refinancing positions, this business also has a portfolio of securities classified as *available-for-sale*: the main reason for holding them is to provide the bank with a portfolio of securities it can liquidate in the event of a liquidity crisis.

Commercial

CM-CIC Market Solutions is the department responsible for commercial activities. It offers a comprehensive range of market solutions to customers in all primary and secondary markets as well as custodian solutions (mutual fund custodian and securities account maintenance). It provides customers with better support for their market financing projects.

The sales teams use a range of standardized tools and products. They are organized around five activities.

The global execution solutions team for the fixed income/currencies/commodities activity works out of Paris or within the regional banks. It is responsible for marketing OTC interest rate and exchange rate hedging products. Its aims are to optimize prices, preserve commercial margins and reverse positions on exchange rate and interest rate instruments. The global execution solutions offering also comprises share/bond/derivative underlying products. The execution teams are also assisted by the solution sales teams.

The investment solutions team markets investment products such as the Libre Arbitre or Stork EMTNs, devised by the investment business line and aimed at institutional, corporate and retail customers of Crédit Mutuel's and CIC's various networks. In the event of partial marketing or the expectation that customers will leave the bank, the investment solutions team may be required to temporarily hold securities, which will result in the consumption of capital.

The other three commercial activities do not expose the bank to any market or credit risks. The activities concerned are global research, primary market solutions and custodian solutions.

In the CM-CIC Market Solutions scope, there is no market risk on agricultural commodities since transactions are strictly *back-to-back*.

These transactions are carried out at the customer's request, on over-the-counter products. CIC cannot influence commodity prices.

Fixed income-equity-loan investment ("ITAC")

This business line is organized around *desks* specialized in investment transactions involving equities/hybrid instruments, credit spreads and fixed income. These activities involve mainly purchases and sales of financial securities acquired with the intention of holding them for the long term, 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 stressed VaR and *incremental risk charge* (IRC).

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 have included new products and improved the monitoring of risk measurement. A comprehensive, formal validation is carried out at least once a year.

CIC's capital markets activities are organized as follows:

- they are under the responsibility of a member of general management;
- the *front-office* units that execute transactions are segregated from those responsible for the monitoring of 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 risk department, which compiles management reports summarizing risk exposures. The level of capital allocated/consumed is validated by BFCM's and CIC's boards of directors;
- 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. Since 2016, it has been responsible for controlling operational risk,
  - a team in charge of post-market accounting and regulatory issues is responsible for reconciling accounting and economic results, and for providing oversight on regulatory matters,
  - the team covering legal and tax compliance is responsible for first-level legal and tax controls;
- second-level controls organized around:
  - capital markets businesses' permanent controls, 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 lending department, which monitors at-risk outstandings for each counterparty group,
  - the group legal and tax department, which works with the CM-CIC Marchés legal and tax unit,
  - 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 intervenes with 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 are responsible for monitoring the strategy, results and risks of CM-CIC Marchés (in France and at the branches) and of group treasury respectively in relation to the limits prescribed by CIC's and BFCM's boards of directors. The market risk committee is chaired by the member of general management responsible for CM-CIC Marchés; it comprises the chief executive officer of CIC and of BFCM, the front office and post-market managers, and the managers of the risk department and the group permanent control department. It validates the operational limits established in connection with the general limits set by CIC's and BFCM's boards of directors, which are regularly informed of the risks and results of these activities. The market risk committee is also the body that validates the major policies of the "market risk internal model".

The group treasury risk committee is chaired by BFCM's chief executive officer; it comprises the head of group treasury, the group head of ALM, the managers of the post-market teams and the head of the risk department. It analyzes market refinancing, Group entity refinancing and liquidity assets transactions.

Risk management

The system used to set exposure limits for market risk is based on:

- an overall limit for regulatory capital (CAD/European capital adequacy) based on an internal standard measure similar to the regulatory measure, broken down by *desk*, and for VaR;
- internal rules and scenarios (CAD risks, historical VaR and *stress tests*), which convert exposures into potential losses.

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

The group risk department is responsible for monitoring and managing breaches of the overall limit and/or the limit allocated to each business line.

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

The capital allocated to the fixed-income-equity-loan investment and commercial business lines in 2017 remained at the same level as in 2016. At the end of 2017, the limits of these activities were maintained for 2018. A process for calculating the amount of the credit valuation adjustment (CVA) charge supplements the risk monitoring procedure.

The Crédit Mutuel CM11 VaR was €3.9 million at the end of 2017. A general stress-test policy and a stress test framework complements the risk management system, with an escalation procedure if limits are breached.

The capital consumed by the RMBS business carried out at the New York branch continued to fall in line with the amortization and sales of the securities in the portfolio in runoff. Trading activities are maintained in New York within reduced limits under the supervision of CM-CIC Marchés.

CM-CIC Marchés' overnight treasury borrowing position must not exceed a certain limit, set at €1 billion for 2018, with an intermediate warning limit set by management and approved by CIC's and BFCM's boards of directors. The refinancing period for portfolio assets is also subject to monitoring and limits.

The principal risks for CIC's trading desk are as follows:

1 - hybrid instruments: capital consumed averaged €61 million during 2017 to end the year at €54.5 million. Convertible bond holdings were stable compared with 2016 and stood at €1.9 billion at the end of 2017.

2 - credit: these positions correspond to securities/*credit default swap* (CDS) arbitrages, or to *asset backed securities* (ABS). Capital consumed in the *corporates* and financial credit portfolio was an average of €54.4 million during the year and ended 2017 at €52.1 million. This drop was due to the maturity of CDS and Itraxx tranches. In the ABS portfolio, the capital consumed hovered around €34 million (€29.5 million at year-end) as a result of prudent management of risks associated with peripheral countries and a reduction in positions in these countries.

3 - M&A and miscellaneous equities: capital consumed averaged €50 million in 2017, with a high of €63.5 million in April. This increase followed the trend 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 to €230 million at the end of 2016.

4 - *fixed-income*: positions relate to directional investments or yield-curve arbitrage strategies, typically with an underlying of mainly European government securities. Positions on the peripheral states are very limited. As regards Italy, outstandings ended the year at around €26.6 million and have remained low since the €1.7 billion maturity in September 2014. The total holding of government securities was €2.7 billion at the end of 2016 compared with €1.3 billion at the end of 2017, including French government securities totaling €0.8 billion. A HQLA portfolio, which is used to manage the *buffer* and is invested primarily in sovereign securities, is held in BFCM's accounts.

Model risk

CM-CIC Marchés' risks and results team is responsible for developing the few models used to value its positions. In 2017, there were four such models, which are governed by a general policy approved every year by the market risk committee. This policy requires that the risks and results team develop and document these models, and that their performance be tracked in a file kept by the risks and results team and reviewed by the permanent control department and the group risk department, for presentation to the market risk committee. These models are also incorporated into the audit plan by the group's periodic control team.

Credit derivatives

These products are used by CM-CIC Marchés and are recognized in its trading portfolio.

CM-CIC Marchés is subject to exposure limits by issuer or counterparty for all types of products. Outstanding amounts are monitored on a daily basis and exposure limits are reviewed periodically by the lending committees and capital markets risk committees.

Securitization

In 2017, the group's investments in securitizations increased by 4%, or €286 million, and represented outstandings of €7.3 billion at December 31, 2017.

The securitization portfolios are managed conservatively and consist mostly of senior, very high credit quality securities. The increase in outstandings in 2017, which mainly involved AAA securities, further improved the overall quality of the portfolios, as 79% of the securities have a AAA rating (compared to 78% in 2016) and 14% have an A- to AA+ rating. The portfolios are diversified in terms of both type of exposure (RMBS, CMBS, CLO, auto loan ABS, consumer loan ABS and credit card ABS) and geographic region (USA, Netherlands, UK, France, Italy and Germany).

Investments are made within a well-defined framework of limits approved by the group's lending department. These limits are reviewed at least once a year.

Investments made by the capital markets activities, which represent 91% of securitization outstandings, must also comply with a body of rules specific to CM-CIC Marchés that strictly governs portfolio risks and outstandings.

Regulatory requirements for securitizations have been strengthened regularly since the last financial crisis. As such, specific procedures have been developed to ensure close *monitoring* of tranches and continuously verify information about the performance of the underlying exposures.

Stress tests are also conducted on the portfolios every month. The European Central Bank conducted an asset quality review (AQR), supplemented by *stress tests*, in 2014 and again in 2016, with highly satisfactory results. It will do the same in 2018 based on the holdings at the end of 2017.

Breakdown of outstandings by portfolio (€ millions)	**2017**	**2016**
Banking portfolio	6,860	6,631
Trading portfolio	474	417
Total	**7,335**	**7,048**

Breakdown of outstandings by Inv. Grade/Non-Inv. Grade (%)	**2017**	**2016**
Investment grade (of which 79% AAA)	96%	94%
Non-Investment Grade	4%	6%
Total	**100%**	**100%**

Breakdown of outstandings by region	**2017**
USA	40.58%
Germany	11.98%
France	9.81%
United Kingdom	6.87%
France	6.03%
Netherlands	5.75%
Italy	3.38%
Spain	2.00%
Portugal	1.09%
Norway	0.85%
Finland	0.52%
Ireland	0.42%
Belgium	0.26%
Greece	0.10%
Australia	0.01%
Other countries	10.35%
Total	**100.00%**

The group's exposures to those European countries that were the most vulnerable during the last crisis has remained low (Ireland, 1.1 %; Portugal, 0.5 %; Greece, 0.1%). Furthermore, tranches categorized as *non-investment grade* are monitored extremely closely and, in Greece's case, provisions have been recorded.

The New York branch holds a residual portfolio of pre-2008 *non-investment grade* US RMBS, which is managed on a run-off basis. The portfolio's carrying amount is €274 million. Losses expected on this portfolio are fully provisioned.

Operational risk*

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

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

The system in place for measuring and monitoring operational risk is based on a common platform applied throughout the group and a procedure for identifying and modeling risks in order to calculate the final amount of capital that must be allocated to these risks.

Crédit Mutuel is authorized to use its advanced measurement approach to calculate its regulatory capital adequacy requirements in respect of operational risk, with the exception of the deduction of expected losses from its capital adequacy requirements, from January 1, 2010, for the consolidated group excluding the foreign subsidiaries, the Cofidis group and CM-CIC Factor.

CM-CIC Factor was also authorized to use this approach as from January 1, 2012, as was Banque de Luxembourg as from September 30, 2013.

Main objectives

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

- to contribute to the group's effective management by controlling risks and the associated costs;
- from a human perspective, to protect staff, develop responsibility, autonomy and control, and leverage skills group-wide;
- from an economic standpoint, to protect margins by tightly managing risk across all activities and adapt insurance programs to the risks identified;
- from a regulatory standpoint, to respond effectively to Basel II regulations and supervisory authorities' requests, draw on the internal control system (Order of November 3, 2014), optimize contingency and disaster recovery plans for mission-critical operations and adapt financial reporting (Pillar 3 of Basel III).

Role and position of the operational risk 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 procedures

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

Homogenous 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. The maps and calculation of the capital adequacy requirements are validated by the operational risk steering committee. Capital adequacy requirements are calculated at national level and are then split at regional level.
Operational risk mitigation techniques include:

- preventative actions identified in the maps and implemented directly by operational or permanent control staff;
- safeguard initiatives, which focus on the widespread implementation of contingency and disaster recovery plans, logistics and IT solutions for all mission-critical operations in order to limit the seriousness of any incident should one occur.

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

Reporting and general oversight

Application of the operational risk management policy and risk profile is monitored using key indicators, thresholds and warnings covering the assessment of potential risks, changes in loss experience and the effectiveness of risk-reduction and financing measures. The group's effective managers and supervisory bodies are regularly provided with information on this risk data, including that required under the Order of November 3, 2014.

Documentation and procedures

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

- governance: procedures dealing with the roles and responsibilities of the various managing, decision-making and supervisory bodies, and of the national function, the frequency and recipients of reports, the scope for the monitoring of group entities, and the methodology for the integration of subsidiaries;
- the collection of incident information: procedures laying down the rules for collecting information and controlling internal losses;
- the measurement system: procedures concerning, in particular, modeling that is probability-based and drawn from the work of experts, the rules for gathering key risk indicators (KRI), the basis for the allocation of capital adequacy requirements and COREP reports.

Contingency and disaster recovery plans

Disaster recovery plans are part of the back-up measures put in place by the group to limit any losses resulting from operational risk.
Contingency and disaster recovery plan guidelines, which have been drawn up by Crédit Mutuel, 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 contingency and disaster recovery plans relate to a given banking function that is associated with one of the business lines identified in accordance with Basel II;
- cross-functional contingency and disaster recovery plans relate to activities that constitute operational support services (logistics, HR and IT).

  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 activities under adverse conditions in accordance with procedures defined before the crisis;
- back-on-track plan: this is prepared shortly after the business continuity plan kicks in.

Crisis management and its organization

Crisis management procedures at the level of the group and the regions cover the most efficient organization and communications systems for handling these three phases: emergency, business continuity and back-on-track plans.
These procedures are supported by:
- a crisis committee, chaired at the regional level by the CEO of the bank or at the national level by the group CEO, who takes key decisions, prioritizes actions and handles internal and external communication;
- a crisis unit, which pools information, implements decisions and provides follow-up;
- a crisis liaison team for each business line, which coordinates operations on the ground together with the crisis unit and, in particular, puts in place a contingency and disaster recovery plan until business gets back to normal.

Insurance deducted from equity

The French Prudential Supervision and Resolution Authority (*Autorité de contrôle prudentiel et de résolution* – ACPR) has authorized Crédit Mutuel to take into account insurance as a factor to reduce its capital requirements in respect of operational risk under the advanced measurement approach with effect from the June 30, 2012 closing.

The principles applied to the financing of operational risks within the group depend on the frequency and severity of each potential risk, and consist of:
- insuring low-severity, high-frequency risk (*expected loss*) or financing such risk through withholding on the operating account;
- insuring insurable serious and major risks;
- developing self-insurance for amounts below insurance companies' deductible amounts;
- allocating regulatory capital reserves or provisions financed by easily accessible assets for serious risks that cannot be insured.

Crédit Mutuel's insurance programs comply with the provisions of Article 323 of (EU) Regulation No. 575/2013 of the European Parliament and of the Council of June 26, 2013 concerning the deduction of insurance under the advanced measurement approach (AMA).

The insurance cover used in the deduction process includes damage to real and personal property (multi-risk), fraud (specific banking risks), professional third-party liability and cyber risks (cyber policy).

Training

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

CIC's operational risk loss experience

The total amounted to €41.2 million in 2017, including €40.2 million of actual losses and €1 million of net provisions.
This total is analyzed as follows:
- fraud: €23.9 million;
- industrial relations: €2.3 million;
- human/procedural error: €5.8 million;
- legal issues: €7.7 million;
- natural disasters and systems malfunctions: €1.5 million.

Other risks

Legal risks

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

Industrial and environmental risks

Industrial and environmental risks are incorporated into operational risks and are analyzed from the perspective of systems malfunctions and the occurrence of natural disasters (100-year flood, deluge, earthquakes, pollution, etc.), their impact on the company and the means of prevention and protection to be put in place, including crisis management and contingency and disaster recovery plans.

The corporate policy concerning environmental and social risks is described in the "social aspects" part of the Corporate Social Responsibility section.

INFORMATION ON BASEL III PILLAR 3

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

Risk management

The institution's risk profile

The CIC group is a subsidiary of Crédit Mutuel CM11, a mutual bank, not listed and solely owned by its members, which is not included in the list of global systemically important financial institutions (G-SIFIs)[1] at December 31, 2017.

The group's strategy is based on long-term values which 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. The CIC group operates predominantly in France and in neighboring European countries (Luxembourg, Switzerland and Belgium).

The CIC group aims to maintain and regularly reinforce its financial strength, a source of security and sustainability. Its Common Equity Tier1 (CET1) capital ratio of 13.7%[2] (including transitional measures and before taking into account the 2017 net income and dividend) places it among the safest European banks.

The group's risk management process is designed in line with its risk profile and strategy and with appropriate risk management systems.

Risk appetite

The CIC group's risk appetite framework evolved from the group's desire to have a general framework setting out its core principles with regard to risk.

In summary, the aim of the CIC group's risk tolerance policy is to:

- give general management and the board of directors an acceptable level of confidence and comfort as regards the understanding and management of the full range of risks in line with the achievement of the group's objectives;
- be implemented at all levels within the group so as to provide a comprehensive view and enable best practice to be harmonized;
- identify the potential events likely to affect the group and its risk management.

The risk tolerance policy constitutes a consistent framework for the development of the group's various activities in accordance with CIC's values and those of its shareholder. It is intended to promote a culture of strong and proactive risk management. It is based on a medium- and long-term view and is integrated into the decision-making process.

(1) Indicators resulting from QIS dedicated to their identification are made public on the CM11 Group's institutional website in the document entitled "systemic indicators".
(2) excluding 2017 net income and dividends.

Application of the risk tolerance principles is controlled and supervised by group audit, compliance and the risk management function.

The risk tolerance policy is taken into account when drawing up the strategic, financial and business development objectives in order to best serve its members and customers.

The risk tolerance policy is drawn up in line with the strategic objectives set by general management and the board of directors. It enables, in particular:

- the group to engage in activities for which it has satisfied itself that the risks are adequately understood, managed and controlled;
- the group to aim to achieve a level of profitability within a specified timescale which would not be detrimental to sound risk management;
- the group to present the business lines' and entities' risk profiles with regard to earnings, capital consumption and financing requirements generated;
- risks to be identified at an early stage and to be managed in a proactive manner whilst retaining the company's prudential profile.

The CIC group has based the definition of its risk policy on three cornerstones:

- the ICAAP process (*Internal Capital Adequacy Assessment Process*): at the end of the risk analysis process, the capital level is deemed to be sufficient to cover the risk exposure. The CIC group's ICAAP report, prepared in accordance with the Crédit Mutuel methodology, and the economic capital projections and capital adequacy ratio over a three-year horizon, are updated annually and presented to the group risk committee and the group risk monitoring committee.

- the ILAAP process (*Internal Liquidity Adequacy Assessment Process*): the Crédit Mutuel CM11 group's liquidity risk tolerance policy is extremely cautious, with the aim of guaranteeing the funding of its activities over the long term; it is monitored by the control committees and the operational committees. To identify, measure and manage liquidity risk whilst meeting the needs of the entities and business lines, the ALM and refinancing functions have put in place management indicators together with warning limits and thresholds; regulatory and internal stress scenarios enable the reliability of the operating procedures to be verified.

- implementation of a comprehensive limits process: several limits systems cover the main risk management activities, i.e. limits on credit risk (unit concentration limits, sector limits, country, sovereign and geographical limits, limits specific to each thematic commitment commission, and decentralized limits in each regional group for the network bank), limits on interest rate – liquidity – ALM risks, limits on capital markets activities (specific limits for each business line, bodies of rules, and exhaustive risk indicators and warning levels).

Risk governance

The group's risk governance system is part of the Crédit Mutuel CM11 system and is structured based on:

- the governing bodies, which are the board of directors (management body in its supervisory capacity) and general management (management body in its executive capacity); and
- three lines of defense involved in the group's risk management: the operational departments (first line of defense), the risk, control and compliance department (second line of defense) and periodic control (third line of defense).

The effectiveness of the implementation of the group's risk appetite policy depends on the collaboration of the governing bodies with the various entities involved in risk management. Such collaboration is made possible by the various technical committees, specialized by type of risk, and the board of directors' meeting attended by the effective managers and the group chief risk officer.

A diagram of the internal control system is provided on page 81 in the section on internal control procedures.

Scope of the LI1 regulatory framework

Pursuant to the provisions of EU Regulation No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (referred to as the "CRR"), the scopes used for the book value of capital and regulatory capital consist of the same entities.
Details of the entities included in the scopes are provided in note 2a to the consolidated financial statements.

Both scopes use the same consolidation methods.

Differences between accounting and regulatory consolidation scopes and allocation of the items in the financial statements to the regulatory risk categories - LI1

31.12.2017 (in € millions)	Carrying amounts as per the published financial statements	Carrying amounts in the regulatory consolidation scope	Carrying amounts of items				
			subject to the credit risk framework	subject to the counterparty risk framework*	subject to the provisions relating to securitization	subject to the market risk framework*	not subject to the capital adequacy requirements or subject to deduction from capital
Assets							
Cash and amounts due from central banks	28,045	28,045	28,045	-	-	-	-
Financial assets at fair value through profit or loss	14,415	14,415	2,685	2,937	-	11,730	-
Derivatives used for hedging purposes	559	559	-	559	-	-	-
Available-for-sale financial assets	12,201	12,201	7,268	-	4,923	-	9
Loans and receivables due from credit institutions	23,406	23,406	15,143	7,969	-	-	294
Loans and receivables due from customers	171,952	171,952	163,788	8,117	-	-	47
Remeasurement adjustment on interest-rate risk hedged portfolios	367	367	-	-	-	-	367
Held-to-maturity financial assets	9	9	9	-	-	-	-
Current tax assets	753	753	753	-	-	-	-
Deferred tax assets	291	291	291	-	-	-	-
Other assets	9,491	9,491	5,315	4,176	-	-	-
Non-current assets held for sale	-	-	-	-	-	-	-
Investments in associates	1,821	1,821	1,767	-	-	-	54
Investment property	32	32	32	-	-	-	-
Property and equipment	1,286	1,286	1,286	-	-	-	-
Intangible assets	180	180	-	-	-	-	180
Goodwill	33	33	-	-	-	-	33
TOTAL ASSETS	**264,840**	**264,840**	**226,382**	**23,758**	**4,923**	**11,730**	**984**
Liabilities and equity							
Due to central banks	-	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss	5,180	5,180	-	2,972	-	5,180	-
Derivatives used for hedging purposes	2,213	2,213	-	2,213	-	-	-
Due to credit institutions	68,451	68,451	-	13,365	-	-	55,086
Due to customers	144,134	144,134	-	2,017	-	-	142,117
Debt securities	21,762	21,762	-	-	-	-	21,762
Remeasurement adjustment on interest-rate risk hedged portfolios	(282)	(282)	-	-	-	-	(282)
Current tax liabilities	260	260	-	-	-	-	260
Deferred tax liabilities	298	298	298	-	-	-	-
Other liabilities	4,604	4,604	-	1,195	-	-	3,409
Liabilities associated with non-current assets held for sale	-	-	-	-	-	-	-
Technical provisions in respect of life insurance contracts	-	-	-	-	-	-	-
Provisions	999	999	-	-	-	-	999
Subordinated debt	2,098	2,098	-	-	-	-	2,097
Total equity	15,123	15,123	-	-	-	-	15,123
Shareholders' equity attributable to the group	15,058	15,058	-	-	-	-	15,057
Share premiums	1,696	1,696	-	-	-	-	1,696
Consolidated reserves attributable to owners of the company	11,766	11,766	-	-	-	-	11,766
Unrealized gains and losses attributable to owners of the company	321	321	-	-	-	-	321
Consolidated net income attributable to owners of the company	1,275	1,275	-	-	-	-	1,275
Non-controlling interests	**65**	**65**	**-**	**-**	**-**	**-**	**65**
TOTAL LIABILITIES AND EQUITY	**264,840**	**264,840**	**298**	**21,763**	**-**	**5,180**	**240,571**

** Some items may be subject to capital requirements in respect of both the counterparty risk framework and the market risk framework.*

Main sources of differences between the regulatory amounts of the exposures and the carrying amounts in the consolidated financial statements - LI2

31.12.2017 (in € millions)	**TOTAL**	Items subject to the			
		credit risk framework	counterparty risk framework	provisions relating to securitization	market risk framework
1 - Carrying amount of assets in the regulatory consolidation scope	**266,794**	**226,382**	**23,758**	**4,923**	**11,730**
2 - Carrying amount of liabilities in the regulatory consolidation scope	**27,241**	**298**	**21,763**	**-**	**5,180**
3 - Total net assets in the regulatory consolidation scope	**239,552**	**226,084**	**1,995**	**4,923**	**6,550**
4 - Off-balance sheet commitments	**49,712**	**49,419**	**-**	**292**	**-**
- Measurement adjustment on off-balance sheet commitments	**(27,744)**	**(27,744)**	**-**	**-**	**-**
5 - Measurement adjustments	***2,864***	-	*2,864*	-	-
6 - Adjustments resulting from different netting rules, other than those already recorded on line 2	***4,084***	-	*5,997*	-	*(1,913)*
7 - Adjustments resulting from the recognition of provisions	***2,513***	*2,513*	-	-	-
8 - Adjustments resulting from prudential filters	**-**	-	-	-	-
9 - Other	***86***	*86*	-	-	-
10 - Regulatory value of exposures	**271,066**	**250,357**	**10,857**	**5,215**	**4,637**

Counterparty risk: the net credit positions after netting are excluded from the counterparty risk on line 6.

Capital

Composition of the capital

Since January 1, 2014, regulatory capital has been determined in accordance with section 1 of EU Regulation No. 575/2013 of the European Parliament and of the Council of June 26, 2013 on prudential requirements for credit institutions and investment firms and amending EU Regulation No. 648/2012 (referred to as the "CRR"), supplemented by technical standards (delegated regulations and EU implementing regulations of the European Commission).

Capital is now the sum of:
- Tier 1 capital: consisting of Common Equity Tier 1 (CET1) capital net of deductions and Additional Tier 1 (AT1) capital net of deductions;
- Tier 2 capital net of deductions.

The European regulations allow credit institutions a transitional period to achieve compliance with these requirements. Therefore, transitional provisions apply to certain components of capital.

Tier 1 capital

Common Equity Tier 1 (CET 1) capital consists of share capital instruments and the associated share premiums, reserves (including those relating to accumulated other comprehensive income) and retained earnings. Total flexibility of payments is required and the instruments must be perpetual.

AT1 capital consists of perpetual debt instruments with no incentive or obligation to redeem (in particular step-ups in interest rates).

Article 92 (1) of the CRR sets a minimum Common Equity Tier 1 capital ratio of 4.5% and a minimum Tier 1 capital ratio of 6%.

Common Equity Tier 1 capital is determined on the basis of the CIC* group's equity, calculated from the regulatory scope, to which "prudential filters" and a number of regulatory adjustments are applied.

Prudential filters:

In prior regulations, unrealized gains were filtered out of common equity under Article 2bis of Regulation No.90-02 and, in accordance with the symmetry principle, the exposure value, for the weighted risk calculation, particularly for the exposure value of equities, did not take these unrealized gains into account.

Despite the targeted elimination of prudential filters on unrealized gains and losses (Article 35 of the CRR), partial application of prudential filters and symmetrical treatment continues during the transitional phase as follows:

Whilst the target is to eliminate these filters, they are gradually being lifted during the transitional phase, as follows:
- in the case of unrealized capital gains, in 2017, with the exception of *Cash Flow Hedge*, 20% were excluded;
- in the case of capital losses, the ACPR's General Secretariat decided to bring the timetable forward by requiring their full inclusion as from 2014.

In addition, since October 1, 2016 and in accordance with the new provisions introduced by the ECB (EU regulation no. 2016/445), unrealized gains and losses on sovereign securities no longer qualify for the exemption applicable to significant credit institutions and, in 2017, 20% of the amount of such gains and losses were filtered out of common equity.

Unrealized gains and losses are netted on a portfolio by portfolio basis.

Differences relating to the equity accounting of associates are split between reserves and retained earnings, on the one hand, and interim profit or loss, on the other, depending on the equity tier in which they originated.

Conversely, 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 eliminated (as they were under Regulation No. 90-02 of the CRBF (*Comité de la Réglementation Bancaire et Financière* – French Banking and Financial Regulation Committee)).

Other CET1 adjustments involve mainly:
- deducting goodwill and other intangible assets;
- the negative difference between provisions and expected losses as well as expected losses on equities;
- value adjustments due to requirements for prudent valuation;
- deferred tax assets that rely on future profitability and do not arise from temporary differences net of related tax liabilities;
- gains or losses recorded by the institution on liabilities measured at fair value and that result from changes in the institution's credit standing;
- gains and losses at fair value on derivatives recognized as liabilities on the institution's statement of financial position and that result from changes in the institution's credit standing.

In addition, direct, indirect and synthetic holdings in CET1 instruments of financial sector entities are included in full in the threshold and are not therefore deducted from CET1.

Tier 2 capital

Tier 2 capital consists of subordinated debt instruments with a minimum maturity of five years. Incentives for early redemption are prohibited.

The amount of "eligible capital" is more limited. This concept is used to calculate large exposure thresholds and non-financial investments weighted at 1,250%; this is the sum of:
- Tier 1 capital and
- Tier 2 capital, capped at 1/3 of Tier 1 capital.

Reconciliation of the financial balance sheet/regulatory balance sheet/shareholders' equity at December 31, 2017

(in € millions)	CET1	AT1	AT2	Total regulatory capital
Capital attributable to owners of the company				
Paid-in capital	608	-	-	608
(-) Indirect holdings in CET1 instruments	-	-	-	-
Share premiums	1,088	-	-	1,088
Prior retained earnings	12,007	-	-	12,007
Gain or loss (attributable to owners of the company)	1,275	-	-	1,275
(-) Non-qualifying share of interim or year-end profits	(1,275)	-	-	(1,275)
Capital - Non-controlling interests	-	-	-	-
Qualifying non-controlling interests	29	1	2	32
Accumulated other comprehensive income	**79**	-	-	79
of which equity instruments	*168*	-	-	*168*
of which debt instruments	*(41)*	-	-	*(41)*
of which cash flow hedge reserve	-	-	-	-
(-) Gross amount of other intangible assets including deferred tax liabilities on intangible assets (a-b)	(180)	-	-	(180)
(-) Goodwill in intangible assets	(115)	-	-	(115)
(-) Deferred tax assets that rely on future profits and do not arise from temporary differences net of related tax liabilities	-	-	-	-
(-) Deductible deferred tax assets that rely on future profits and arise from temporary differences	-	-	-	-
Subordinated debt	-	-	2,094	2,094
(-) Securitization positions that may be weighted at 1.250%	(294)	-	-	(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	-	-	-	-
Other adjustments	-	-	-	-
Prudential filter: cash flow hedge reserve	-	-	-	-
Prudential filter: value adjustments due to requirements for prudent valuation	(41)	-	-	(41)
Prudential filter: cumulative gains and losses on liabilities measured at fair value due to changes in own credit standing	-	-	-	-
Prudential filter: FV gains and losses arising from own credit risk related to derivative liabilities	-	-	-	-
Transitional adjustments due to grandfather clauses on capital instruments	-	-	-	-
Transitional adjustments due to grandfathering clauses on additional non-controlling interests	7	-	-	6
Transitional adjustments on gains and losses on capital instruments	(168)	-	-	(168)
Transitional adjustments on gains and losses on debt instruments	40	-	-	40
Other transitional adjustments	101	-	18	119
Under the internal ratings-based approach, negative difference between provisions and expected losses	(493)	-	-	(493)
Under the internal ratings-based approach, positive difference between provisions and expected losses	-	-	8	8
Credit risk adjustments (standardized approach)	-	-	-	-
Excess of deduction from T2 items impacting AT1	-	-	-	-
Excess of deduction from AT1 items impacting CET1	-	-	-	-
TOTAL	**12,668**	**1**	**2,122**	**14,790**

Qualitative information on capital instruments - Tier 2 capital.
Tier 2 capital instruments include subordinated notes, perpetual subordinated notes and non-voting loan stock issued by the CIC group.

1	Issuer	Crédit Industriel et Commercial	Lyonnaise de Banque
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	FR0000047805	FR0000047789
3	Governing law of the instrument	French	French
Regulatory treatment			
4	Transitional CRR rules	Tier 2 capital	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/solo and (sub-) consolidated level	Solo and (sub-)consolidated	Solo and (sub-)consolidated
7	Instrument type (to be specified for each jurisdiction)	- Non-voting loan stock - Art. 62 *et seq.* of the CRR	- Non-voting loan stock - Art. 62 *et seq.* ofthe CRR
8	Amount recognized in regulatory capital (currency in millions, as of most recent reporting date)	€137.20 million	€15.43 million
9	Par value of instrument	€137.20 million	€15.43 million
9a	Issue price	€137.20 million	€15.43 million
9b	Redemption price	€178.37 million if call exercised on 05/28/1997 then annual revaluation of 1.5% after 05/28/1997	€20.06 million if call exercised on 6/1/1997 then annual revaluation of 1.5% after 6/1/1997
10	Accounting classification	Liabilities - amortized cost	Liabilities - amortized cost
11	Original date of issuance	5/28/1985	6/1/1985
12	Perpetual or dated	Perpetual	Perpetual
13	Original maturity date	No maturity date	No maturity date
14	Issuer call subject to prior supervisory approval	Yes	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	- Partial or full call at issuer's discretion: 6/1/1997 at 130% of par value
16	Subsequent call dates, if applicable	On each interest payment date after 5/28/1997	On each interest payment date after 6/1/1997

N/A if not applicable

	Issuer	Crédit Industriel et Commercial	Lyonnaise de Banque
Coupons/dividends			
17	Fixed or floating dividend/coupon	Floating	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	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% of average bond yield
19	Existence of a dividend stopper	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory
21	Existence of a step up or other incentive to redeem	No	No
22	Cumulative or non-cumulative	NA	NA
23	Convertible or non-convertible	No	No
24	If convertible, conversion trigger	NA	NA
25	If convertible, fully or partially	NA	NA
26	If convertible, conversion rate	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA
28	If convertible, instrument type convertible into	NA	NA
29	If convertible, issuer of instrument it converts into	NA	NA
30	Write-down features	No	No
31	If write-down, write-down trigger	NA	NA
32	If write-down, full or partial	NA	NA
33	If write-down, permanent or temporary	NA	NA
34	If temporary write-down, description of write-up mechanism	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Instrument subordinated to the payment of all unsecured creditors	Instrument subordinated to the payment of all unsecured creditors
36	Non-compliant features	No	No
37	If yes, specify non-compliant features	NA	NA

N/A if not applicable

Qualitative information on capital instruments - Tier 2 capital (contd)

1	**Issuer**	**Crédit Industriel et Commercial**	**Crédit Industriel et Commercial**
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	FR0000584377	FR0000165847
3	Governing law of the instrument	French	French
Regulatory treatment			
4	Transitional CRR rules	Tier 2 capital	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/solo and (sub-) consolidated level	Solo and (sub-)consolidated	Solo and (sub-)consolidated
7	Instrument type (to be specified for each jurisdiction)	- Perpetual subordinated notes - Art. 62 *et seq.* of the CRR	- Perpetual progressive interest subordinated notes - Art. *et seq.* of the CRR
8	Amount recognized in regulatory capital (currency in millions, as of most recent reporting date)	€18.96 million	€7.25 million
9	Par value of instrument	€18.96 million	€7.25 million
9a	Issue price	€18.96 million	€7.25 million
9b	Redemption price	€19.15 million	€7.25 million
10	Accounting classification	Liabilities - amortized cost	Liabilities - amortized cost
11	Original date of issuance	7/20/1987	12/26/1990
12	Perpetual or dated	Perpetual	Perpetual
13	Original maturity date	No maturity date	No maturity date
14	Issuer call subject to prior supervisory approval	Yes	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 7/20/1994 at 101% of par value + accrued interest	- Partial or full call at issuer's discretion: on 12/26/1999 at par value
16	Subsequent call dates, if applicable	During a 45-day period from each interest payment date after 7/20/1994	On each interest payment date after 12/26/1999

N/A if not applicable

	Issuer	Crédit Industriel et Commercial	Crédit Industriel et Commercial
Coupons/dividends			
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any related index	12-month average yield on government bonds + 0.25%	P1C + 1.75% for interest payable each year since 2006
19	Existence of a dividend stopper	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Partially discretionary	Partially discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory
21	Existence of a step up or other incentive to redeem	No	No
22	Cumulative or non-cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	No	No
24	If convertible, conversion trigger	NA	NA
25	If convertible, fully or partially	NA	NA
26	If convertible, conversion rate	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA
28	If convertible, instrument type convertible into	NA	NA
29	If convertible, issuer of instrument it converts into	NA	NA
30	Write-down features	No	No
31	If write-down, write-down trigger	NA	NA
32	If write-down, full or partial	NA	NA
33	If write-down, permanent or temporary	NA	NA
34	If temporary write-down, description of write-up mechanism	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Instrument subordinated to the payment of all unsecured creditors	Instrument subordinated to the payment of all unsecured creditors
36	Non-compliant features	No	No
37	If yes, specify non-compliant features	NA	NA

N/A if not applicable

Qualitative information on capital instruments - Tier 2 capital (contd)

1	**Issuer**	**Crédit Industriel et Commercial**	**Crédit Industriel et Commercial**
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Subordinated loan agreement between CIC and Banque Fédérative du Crédit Mutuel	Subordinated loan agreement between CIC and Banque Fédérative du Crédit Mutuel
3	Governing law of the instrument	French	French
Regulatory treatment			
4	Transitional CRR rules	Tier 2 capital	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/solo and (sub-) consolidated level	Solo and (sub-)consolidated	Solo and (sub-)consolidated
7	Instrument type (to be specified for each jurisdiction)	- Subordinated notes - Art. 62 *et seq.* of the CRR	- Subordinated notes - Art. 62 *et seq.* of the CRR
8	Amount recognized in regulatory capital (currency in millions, as of most recent reporting date)	€414.48 million	€700.00 million
9	Par value of instrument	€414.48 million	€700.00 million
9a	Issue price	€414.48 million	€700.00 million
9b	Redemption price	€414.48 million	€700.00 million
10	Accounting classification	Liabilities - amortized cost	Liabilities - amortized cost
11	Original date of issuance	3/24/2016	11/4/2016
12	Perpetual or dated	Dated	Dated
13	Original maturity date	3/24/2026	11/4/2026
14	Issuer call subject to prior supervisory approval	Yes	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	- 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	NA	NA

N/A if not applicable

	Issuer	Crédit Industriel et Commercial	Crédit Industriel et Commercial
Coupons/dividends			
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any related index	3-month Euribor + 2.05%	3-month Euribor + 1.7%
19	Existence of a dividend stopper	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	NA	NA
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	NA	NA
21	Existence of a step up or other incentive to redeem	No	No
22	Cumulative or non-cumulative	NA	NA
23	Convertible or non-convertible	No	No
24	If convertible, conversion trigger	NA	NA
25	If convertible, fully or partially	NA	NA
26	If convertible, conversion rate	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA
28	If convertible, instrument type convertible into	NA	NA
29	If convertible, issuer of instrument it converts into	NA	NA
30	Write-down features	No	No
31	If write-down, write-down trigger	NA	NA
32	If write-down, full or partial	NA	NA
33	If write-down, permanent or temporary	NA	NA
34	If temporary write-down, description of write-up mechanism	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Instrument subordinated to the payment of all unsecured creditors	Instrument subordinated to the payment of all unsecured creditors
36	Non-compliant features	No	No
37	If yes, specify non-compliant features	NA	NA

N/A if not applicable

Qualitative information on capital instruments - Tier 2 capital (contd)

1	**Issuer**	**Crédit Industriel et Commercial**	**Crédit Industriel et Commercial**
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Subordinated loan agreement between CIC and Banque Fédérative du Crédit Mutuel	Subordinated loan agreement between CIC and Banque Fédérative du Crédit Mutuel
3	Governing law of the instrument	French	French
Regulatory treatment			
4	Transitional CRR rules	Tier 2 capital	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/solo and (sub-) consolidated level	Solo and (sub-)consolidated	Solo and (sub-)consolidated
7	Instrument type (to be specified for each jurisdiction)	- Subordinated notes - Art. 62 *et seq.* of the CRR	- Subordinated notes - Art. 62 *et seq.* of the CRR
8	Amount recognized in regulatory capital (currency in millions, as of most recent reporting date)	€91.00 million	€153.00 million
9	Par value of instrument	€91.00 million	€153.00 million
9a	Issue price	€91.00 million	€153.00 million
9b	Redemption price	€91.00 million	€153.00 million
10	Accounting classification	Liabilities - amortized cost	Liabilities - amortized cost
11	Original date of issuance	3/31/2017	11/15/2017
12	Perpetual or dated	Dated	Dated
13	Original maturity date	3/31/2027	11/15/2027
14	Issuer call subject to prior supervisory approval	Yes	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	- 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	NA	NA

N/A if not applicable

	Issuer	Crédit Industriel et Commercial	Crédit Industriel et Commercial
Coupons/dividends			
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any related index	3-month Euribor + 1.97%	3-month Euribor + 1.02%
19	Existence of a dividend stopper	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	NA	NA
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	NA	NA
21	Existence of a step up or other incentive to redeem	No	No
22	Cumulative or non-cumulative	NA	NA
23	Convertible or non-convertible	No	No
24	If convertible, conversion trigger	NA	NA
25	If convertible, fully or partially	NA	NA
26	If convertible, conversion rate	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA
28	If convertible, instrument type convertible into	NA	NA
29	If convertible, issuer of instrument it converts into	NA	NA
30	Write-down features	No	No
31	If write-down, write-down trigger	NA	NA
32	If write-down, full or partial	NA	NA
33	If write-down, permanent or temporary	NA	NA
34	If temporary write-down, description of write-up mechanism	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Instrument subordinated to the payment of all unsecured creditors	Instrument subordinated to the payment of all unsecured creditors
36	Non-compliant features	No	No
37	If yes, specify non-compliant features	NA	NA

N/A if not applicable

Qualitative information on capital instruments - Tier 2 capital (contd)

1	Issuer	CIC Suisse	CIC Suisse
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Subordinated loan agreement between CIC Suisse and Banque Fédérative du Crédit Mutuel	Subordinated loan agreement between CIC Suisse and Banque Fédérative du Crédit Mutuel
3	Governing law of the instrument	French	French
Regulatory treatment			
4	Transitional CRR rules	Tier 2 capital	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/solo and (sub-) consolidated level	Solo and (sub-)consolidated	Solo and (sub-)consolidated
7	Instrument type (to be specified for each jurisdiction)	€7.00 million	€3.00 million
8	Amount recognized in regulatory capital (currency in millions, as of most recent reporting date)	€7.00 million	€3.00 million
9	Par value of instrument	€7.00 million	€3.00 million
9a	Issue price	€7.00 million	€3.00 million
9b	Redemption price	Liabilities - amortized cost	Liabilities - amortized cost
10	Accounting classification	7/1/2014	3/31/2017
11	Original date of issuance	Dated	Dated
12	Perpetual or dated	5/21/2024	3/31/2027
13	Original maturity date	Yes	Yes
14	Issuer call subject to prior supervisory approval	Yes	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 - 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 *Tax events*: 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	NA	NA

N/A if not applicable

	Issuer	CIC Suisse	CIC Suisse
Coupons/dividends			
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any related index	3-month Euribor + 1.645%	3-month Euribor + 1.97%
19	Existence of a dividend stopper	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	NA	NA
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	NA	NA
21	Existence of a step up or other incentive to redeem	No	No
22	Cumulative or non-cumulative	NA	NA
23	Convertible or non-convertible	No	No
24	If convertible, conversion trigger	NA	NA
25	If convertible, fully or partially	NA	NA
26	If convertible, conversion rate	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA
28	If convertible, instrument type convertible into	NA	NA
29	If convertible, issuer of instrument it converts into	NA	NA
30	Write-down features	No	No
31	If write-down, write-down trigger	NA	NA
32	If write-down, full or partial	NA	NA
33	If write-down, permanent or temporary	NA	NA
34	If temporary write-down, description of write-up mechanism	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Instrument subordinated to the payment of all unsecured creditors	Instrument subordinated to the payment of all unsecured creditors
36	Non-compliant features	No	No
37	If yes, specify non-compliant features	NA	NA

N/A if not applicable

Qualitative information on capital instruments - Tier 2 capital (contd)

1	**Issuer**	**CIC Suisse**	**CIC Suisse**
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Subordinated loan agreement between CIC Suisse and Banque Fédérative du Crédit Mutuel	Subordinated loan agreement between CIC Suisse and Banque Fédérative du Crédit Mutuel
3	Governing law of the instrument	French	French
Regulatory treatment			
4	Transitional CRR rules	Tier 2 capital	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/solo and (sub-) consolidated level	Solo and (sub-)consolidated	Solo and (sub-)consolidated
7	Instrument type (to be specified for each jurisdiction)	- Subordinated notes - Art. 62 *et seq.* of the CRR	- Subordinated notes - Art. 62 *et seq.* of the CRR
8	Amount recognized in regulatory capital (currency in millions, as of most recent reporting date)	€15.00 million	€11.52 million
9	Par value of instrument	€15.00 million	€11.52 million
9a	Issue price	€15.00 million	€11.52 million
9b	Redemption price	€15.00 million	€11.52 million
10	Accounting classification	Liabilities - amortized cost	Liabilities - amortized cost
11	Original date of issuance	9/11/2015	3/24/2016
12	Perpetual or dated	Dated	Dated
13	Original maturity date	9/11/2025	3/24/2026
14	Issuer call subject to prior supervisory approval	Yes	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 - 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 *Tax events*: 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	NA	NA

N/A if not applicable

	Issuer	CIC Suisse	CIC Suisse
Coupons/dividends			
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any related index	3-month Euribor + 2.15%	3-month Euribor + 2.05%
19	Existence of a dividend stopper	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	NA	NA
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	NA	NA
21	Existence of a step up or other incentive to redeem	No	No
22	Cumulative or non-cumulative	NA	NA
23	Convertible or non-convertible	No	No
24	If convertible, conversion trigger	NA	NA
25	If convertible, fully or partially	NA	NA
26	If convertible, conversion rate	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA
28	If convertible, instrument type convertible into	NA	NA
29	If convertible, issuer of instrument it converts into	NA	NA
30	Write-down features	No	No
31	If write-down, write-down trigger	NA	NA
32	If write-down, full or partial	NA	NA
33	If write-down, permanent or temporary	NA	NA
34	If temporary write-down, description of write-up mechanism	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Instrument subordinated to the payment of all unsecured creditors	Instrument subordinated to the payment of all unsecured creditors
36	Non-compliant features	No	No
37	If yes, specify non-compliant features	NA	NA

N/A if not applicable

Qualitative information on capital instruments - Tier 2 capital (contd)

1	Issuer	CIC Sud Ouest	CIC Sud Ouest
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Subordinated loan agreement between CIC Sud Ouest and Banque Fédérative du Crédit Mutuel	Subordinated loan agreement between CIC Sud Ouest and Banque Fédérative du Crédit Mutuel
3	Governing law of the instrument	French	French
Regulatory treatment			
4	Transitional CRR rules	Tier 2 capital	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/solo and (sub-) consolidated level	Solo and (sub-)consolidated	Solo and (sub-)consolidated
7	Instrument type (to be specified for each jurisdiction)	- Subordinated notes - Art. 62 *et seq.* of the CRR	- Subordinated notes - Art. 62 *et seq.* of the CRR
8	Amount recognized in regulatory capital (currency in millions, as of most recent reporting date)	€37.33 million	€10.00 million
9	Par value of instrument	€37.33 million	€10.00 million
9a	Issue price	€37.33 million	€10.00 million
9b	Redemption price	€37.33 million	€10.00 million
10	Accounting classification	Liabilities - amortized cost	Liabilities - amortized cost
11	Original date of issuance	3/24/2016	3/31/2017
12	Perpetual or dated	Dated	Dated
13	Original maturity date	3/24/2026	3/31/2027
14	Issuer call subject to prior supervisory approval	Yes	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	- 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	NA	NA

N/A if not applicable

	Issuer	CIC Sud Ouest	CIC Sud Ouest
Coupons/dividends			
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any related index	3-month Euribor + 2.05%	3-month Euribor + 1.97%
19	Existence of a dividend stopper	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	NA	NA
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	NA	NA
21	Existence of a step up or other incentive to redeem	No	No
22	Cumulative or non-cumulative	NA	NA
23	Convertible or non-convertible	No	No
24	If convertible, conversion trigger	NA	NA
25	If convertible, fully or partially	NA	NA
26	If convertible, conversion rate	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA
28	If convertible, instrument type convertible into	NA	NA
29	If convertible, issuer of instrument it converts into	NA	NA
30	Write-down features	No	No
31	If write-down, write-down trigger	NA	NA
32	If write-down, full or partial	NA	NA
33	If write-down, permanent or temporary	NA	NA
34	If temporary write-down, description of write-up mechanism	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Instrument subordinated to the payment of all unsecured creditors	Instrument subordinated to the payment of all unsecured creditors
36	Non-compliant features	No	No
37	If yes, specify non-compliant features	NA	NA

N/A if not applicable

Qualitative information on capital instruments - Tier 2 capital (contd)

1	**Issuer**	**CIC Sud Ouest**	**CIC Lyonnaise de Banque**
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Subordinated loan agreement between CIC Sud Ouest and Banque Fédérative du Crédit Mutuel	Subordinated loan agreement between CIC Lyonnaise and Banque Fédérative du Crédit Mutuel
3	Governing law of the instrument	French	French
Regulatory treatment			
4	Transitional CRR rules	Tier 2 capital	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/solo and (sub-) consolidated level	Solo and (sub-)consolidated	Solo and (sub-)consolidated
7	Instrument type (to be specified for each jurisdiction)	- Subordinated notes - Art. 62 *et seq.* of the CRR	- Subordinated notes - Art. 62 *et seq.* of the CRR
8	Amount recognized in regulatory capital (currency in millions, as of most recent reporting date)	€18.00 million	€80.97 million
9	Par value of instrument	€18.00 million	€80.97 million
9a	Issue price	€18.00 million	€80.97 million
9b	Redemption price	€18.00 million	€80.97 million
10	Accounting classification	Liabilities - amortized cost	Liabilities - amortized cost
11	Original date of issuance	11/15/2017	3/24/2016
12	Perpetual or dated	Dated	Dated
13	Original maturity date	11/15/2027	3/24/2026
14	Issuer call subject to prior supervisory approval	Yes	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	- 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	NA	NA

N/A if not applicable

	Issuer	CIC Sud Ouest	CIC Lyonnaise de Banque
Coupons/dividends			
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any related index	3-month Euribor + 1.02%	3-month Euribor + 2.05%
19	Existence of a *dividend stopper*	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	NA	NA
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	NA	NA
21	Existence of a *step up* or other incentive to redeem	No	No
22	Cumulative or non-cumulative	NA	NA
23	Convertible or non-convertible	No	No
24	If convertible, conversion *trigger*	NA	NA
25	If convertible, fully or partially	NA	NA
26	If convertible, conversion rate	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA
28	If convertible, instrument type convertible into	NA	NA
29	If convertible, issuer of instrument it converts into	NA	NA
30	Write-down features	No	No
31	If write-down, write-down trigger	NA	NA
32	If write-down, full or partial	NA	NA
33	If write-down, permanent or temporary	NA	NA
34	If temporary write-down, description of write-up mechanism	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Instrument subordinated to the payment of all unsecured creditors	Instrument subordinated to the payment of all unsecured creditors
36	Non-compliant features	No	No
37	If yes, specify non-compliant features	NA	NA

N/A if not applicable

Qualitative information on capital instruments - Tier 2 capital (contd)

1	Issuer	CIC Lyonnaise de Banque	CIC Lyonnaise de Banque
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Subordinated loan agreement between CIC Lyonnaise and Banque Fédérative du Crédit Mutuel	Subordinated loan agreement between CIC Lyonnaise and Banque Fédérative du Crédit Mutuel
3	Governing law of the instrument	French	French
Regulatory treatment			
4	Transitional CRR rules	Tier 2 capital	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/solo and (sub-) consolidated level	Solo and (sub-)consolidated	Solo and (sub-)consolidated
7	Instrument type (to be specified for each jurisdiction)	- Subordinated notes - Art. 62 *et seq.* of the CRR	- Subordinated notes - Art. 62 *et seq.* of the CRR
8	Amount recognized in regulatory capital (currency in millions, as of most recent reporting date)	€18.00 million	€36.00 million
9	Par value of instrument	€18.00 million	€36.00 million
9a	Issue price	€18.00 million	€36.00 million
9b	Redemption price	€18.00 million	€36.00 million
10	Accounting classification	Liabilities - amortized cost	Liabilities - amortized cost
11	Original date of issuance	3/31/2017	11/15/2017
12	Perpetual or dated	Dated	Dated
13	Original maturity date	3/31/2027	11/15/2027
14	Issuer call subject to prior supervisory approval	Yes	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	- 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	NA	NA

N/A if not applicable

	Issuer	CIC Lyonnaise de Banque	CIC Lyonnaise de Banque
Coupons/dividends			
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any related index	3-month Euribor + 1.97%	3-month Euribor + 1.02%
19	Existence of a *dividend stopper*	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	NA	NA
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	NA	NA
21	Existence of a *step up* or other incentive to redeem	No	No
22	Cumulative or non-cumulative	NA	NA
23	Convertible or non-convertible	No	No
24	If convertible, conversion *trigger*	NA	NA
25	If convertible, fully or partially	NA	NA
26	If convertible, conversion rate	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA
28	If convertible, instrument type convertible into	NA	NA
29	If convertible, issuer of instrument it converts into	NA	NA
30	Write-down features	No	No
31	If write-down, write-down trigger	NA	NA
32	If write-down, full or partial	NA	NA
33	If write-down, permanent or temporary	NA	NA
34	If temporary write-down, description of write-up mechanism	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Instrument subordinated to the payment of all unsecured creditors	Instrument subordinated to the payment of all unsecured creditors
36	Non-compliant features	No	No
37	If yes, specify non-compliant features	NA	NA

N/A if not applicable

Qualitative information on capital instruments - Tier 2 capital (contd)

1	Issuer	CM-CIC Lease	CM-CIC Lease
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Subordinated loan agreement between CM-CIC Lease and Banque Fédérative du Crédit Mutuel	Subordinated loan agreement between CM-CIC Lease and Banque Fédérative du Crédit Mutuel
3	Governing law of the instrument	French	French
Regulatory treatment			
4	Transitional CRR rules	Tier 2 capital	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/solo and (sub-) consolidated level	Solo and (sub-)consolidated	Solo and (sub-)consolidated
7	Instrument type (to be specified for each jurisdiction)	- Subordinated notes - Art. 62 *et seq.* of the CRR	- Subordinated notes - Art. 62 *et seq.* of the CRR
8	Amount recognized in regulatory capital (currency in millions, as of most recent reporting date)	€18.11 million	€4.00 million
9	Par value of instrument	€18.11 million	€4.00 million
9a	Issue price	€18.11 million	€4.00 million
9b	Redemption price	€18.11 million	€4.00 million
10	Accounting classification	Liabilities - amortized cost	Liabilities - amortized cost
11	Original date of issuance	3/24/2016	3/31/2017
12	Perpetual or dated	Dated	Dated
13	Original maturity date	3/24/2026	3/31/2027
14	Issuer call subject to prior supervisory approval	Yes	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	- 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	NA	NA

N/A if not applicable

	Issuer	CM-CIC Lease	CM-CIC Lease
Coupons/dividends			
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any related index	3-month Euribor + 2.05%	3-month Euribor + 1.97%
19	Existence of a *dividend stopper*	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	NA	NA
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	NA	NA
21	Existence of a *step up* or other incentive to redeem	No	No
22	Cumulative or non-cumulative	NA	NA
23	Convertible or non-convertible	No	No
24	If convertible, conversion *trigger*	NA	NA
25	If convertible, fully or partially	NA	NA
26	If convertible, conversion rate	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA
28	If convertible, instrument type convertible into	NA	NA
29	If convertible, issuer of instrument it converts into	NA	NA
30	Write-down features	No	No
31	If write-down, write-down trigger	NA	NA
32	If write-down, full or partial	NA	NA
33	If write-down, permanent or temporary	NA	NA
34	If temporary write-down, description of write-up mechanism	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Instrument subordinated to the payment of all unsecured creditors	Instrument subordinated to the payment of all unsecured creditors
36	Non-compliant features	No	No
37	If yes, specify non-compliant features	NA	NA

N/A if not applicable

Qualitative information on capital instruments - Tier 2 capital (contd)

1	Issuer	CM-CIC Lease	CM-CIC Factor
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Subordinated loan agreement between CM-CIC Lease and Banque Fédérative du Crédit Mutuel	Subordinated loan agreement between CM-CIC Factor and Banque Fédérative du Crédit Mutuel
3	Governing law of the instrument	French	French
Regulatory treatment			
4	Transitional CRR rules	Tier 2 capital	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/solo and (sub-) consolidated level	Solo and (sub-)consolidated	Solo and (sub-)consolidated
7	Instrument type (to be specified for each jurisdiction)	- Subordinated notes - Art. 62 *et seq.* of the CRR	- Subordinated notes - Art. 62 *et seq.* of the CRR
8	Amount recognized in regulatory capital (currency in millions, as of most recent reporting date)	€7.00 million	€17.77 million
9	Par value of instrument	€7.00 million	€17.77 million
9a	Issue price	€7.00 million	€17.77 million
9b	Redemption price	€7.00 million	€17.77 million
10	Accounting classification	Liabilities - amortized cost	Liabilities - amortized cost
11	Original date of issuance	11/15/2017	3/24/2016
12	Perpetual or dated	Dated	Dated
13	Original maturity date	11/15/2027	3/24/2026
14	Issuer call subject to prior supervisory approval	Yes	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	- 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	NA	NA

N/A if not applicable

	Issuer	CM-CIC Lease	CM-CIC Factor
Coupons/dividends			
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any related index	3-month Euribor + 1.02%	3-month Euribor + 2.05%
19	Existence of a *dividend stopper*	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	NA	NA
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	NA	NA
21	Existence of a *step up* or other incentive to redeem	No	No
22	Cumulative or non-cumulative	NA	NA
23	Convertible or non-convertible	No	No
24	If convertible, conversion *trigger*	NA	NA
25	If convertible, fully or partially	NA	NA
26	If convertible, conversion rate	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA
28	If convertible, instrument type convertible into	NA	NA
29	If convertible, issuer of instrument it converts into	NA	NA
30	Write-down features	No	No
31	If write-down, write-down trigger	NA	NA
32	If write-down, full or partial	NA	NA
33	If write-down, permanent or temporary	NA	NA
34	If temporary write-down, description of write-up mechanism	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Instrument subordinated to the payment of all unsecured creditors	Instrument subordinated to the payment of all unsecured creditors
36	Non-compliant features	No	No
37	If yes, specify non-compliant features	NA	NA

N/A if not applicable

Qualitative information on capital instruments - Tier 2 capital (contd)

1	**Issuer**	**CM-CIC Factor**	**CM-CIC Factor**
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Subordinated loan agreement between CM-CIC Factor and Banque Fédérative du Crédit Mutuel	Subordinated loan agreement between CM-CIC Factor and Banque Fédérative du Crédit Mutuel
3	Governing law of the instrument	French	French
Regulatory treatment			
4	Transitional CRR rules	Tier 2 capital	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/solo and (sub-)consolidated level	Solo and (sub-)consolidated	Solo and (sub-)consolidated
7	Instrument type (to be specified for each jurisdiction)	- Subordinated notes - Art. 62 *et seq.* of the CRR	- Subordinated notes - Art. 62 *et seq.* of the CRR
8	Amount recognized in regulatory capital (currency in millions, as of most recent reporting date)	€4.00 million	€6.00 million
9	Par value of instrument	€4.00 million	€6.00 million
9a	Issue price	€4.00 million	€6.00 million
9b	Redemption price	€4.00 million	€6.00 million
10	Accounting classification	Liabilities - amortized cost	Liabilities - amortized cost
11	Original date of issuance	3/31/2017	11/15/2017
12	Perpetual or dated	Dated	Dated
13	Original maturity date	3/31/2027	11/15/2027
14	Issuer call subject to prior supervisory approval	Yes	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	- 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	NA	NA

N/A if not applicable

	Issuer	CM-CIC Factor	CM-CIC Factor
Coupons/dividends			
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any related index	3-month Euribor + 1.97%	3-month Euribor + 1.02%
19	Existence of a *dividend stopper*	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	NA	NA
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	NA	NA
21	Existence of a *step up* or other incentive to redeem	No	No
22	Cumulative or non-cumulative	NA	NA
23	Convertible or non-convertible	No	No
24	If convertible, conversion *trigger*	NA	NA
25	If convertible, fully or partially	NA	NA
26	If convertible, conversion rate	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA
28	If convertible, instrument type convertible into	NA	NA
29	If convertible, issuer of instrument it converts into	NA	NA
30	Write-down features	No	No
31	If write-down, write-down trigger	NA	NA
32	If write-down, full or partial	NA	NA
33	If write-down, permanent or temporary	NA	NA
34	If temporary write-down, description of write-up mechanism	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Instrument subordinated to the payment of all unsecured creditors	Instrument subordinated to the payment of all unsecured creditors
36	Non-compliant features	No	No
37	If yes, specify non-compliant features	NA	NA

N/A if not applicable

Qualitative information on capital instruments - Tier 2 capital (contd)

1	**Issuer**	**CM-CIC Bail**	**CM-CIC Bail**
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Subordinated loan agreement between CM-CIC Bail and Banque Fédérative du Crédit Mutuel	Subordinated loan agreement between CM-CIC Bail and Banque Fédérative du Crédit Mutuel
3	Governing law of the instrument	French	French
Regulatory treatment			
4	Transitional CRR rules	Tier 2 capital	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/solo and (sub-) consolidated level	Solo and (sub-)consolidated	Solo and (sub-)consolidated
7	Instrument type (to be specified for each jurisdiction)	- Subordinated notes - Art. 62 *et seq.* of the CRR	- Subordinated notes - Art. 62 *et seq.* of the CRR
8	Amount recognized in regulatory capital (currency in millions, as of most recent reporting date)	€9.04 million	€3.00 million
9	Par value of instrument	€9.04 million	€3.00 million
9a	Issue price	€9.04 million	€3.00 million
9b	Redemption price	€9.04 million	€3.00 million
10	Accounting classification	Liabilities - amortized cost	Liabilities - amortized cost
11	Original date of issuance	3/24/2016	3/31/2017
12	Perpetual or dated	Dated	Dated
13	Original maturity date	3/24/2026	3/31/2027
14	Issuer call subject to prior supervisory approval	Yes	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	- 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	NA	NA

N/A if not applicable

	Issuer	CM-CIC Bail	CM-CIC Bail
Coupons/dividends			
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any related index	3-month Euribor + 2.05%	3-month Euribor + 1.97%
19	Existence of a *dividend stopper*	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	NA	NA
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	NA	NA
21	Existence of a *step up* or other incentive to redeem	No	No
22	Cumulative or non-cumulative	NA	NA
23	Convertible or non-convertible	No	No
24	If convertible, conversion *trigger*	NA	NA
25	If convertible, fully or partially	NA	NA
26	If convertible, conversion rate	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA
28	If convertible, instrument type convertible into	NA	NA
29	If convertible, issuer of instrument it converts into	NA	NA
30	Write-down features	No	No
31	If write-down, write-down trigger	NA	NA
32	If write-down, full or partial	NA	NA
33	If write-down, permanent or temporary	NA	NA
34	If temporary write-down, description of write-up mechanism	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Instrument subordinated to the payment of all unsecured creditors	Instrument subordinated to the payment of all unsecured creditors
36	Non-compliant features	No	No
37	If yes, specify non-compliant features	NA	NA

N/A if not applicable

Qualitative information on capital instruments - Tier 2 capital (contd)

1	**Issuer**	**CIC Nord Ouest**	**CIC Nord Ouest**
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Subordinated loan agreement between CIC Nord Ouest and Banque Fédérative du Crédit Mutuel	Subordinated loan agreement between CIC Nord Ouest and Banque Fédérative du Crédit Mutuel
3	Governing law of the instrument	French	French
Regulatory treatment			
4	Transitional CRR rules	Tier 2 capital	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/solo and (sub-)consolidated level	Solo and (sub-)consolidated	Solo and (sub-)consolidated
7	Instrument type (to be specified for each jurisdiction)	- Subordinated notes - Art. 62 *et seq.* of the CRR	- Subordinated notes - Art. 62 *et seq.* of the CRR
8	Amount recognized in regulatory capital (currency in millions, as of most recent reporting date)	€38.34 million	€10.00 million
9	Par value of instrument	€38.34 million	€10.00 million
9a	Issue price	€38.34 million	€10.00 million
9b	Redemption price	€38.34 million	€10.00 million
10	Accounting classification	Liabilities - amortized cost	Liabilities - amortized cost
11	Original date of issuance	3/24/2016	3/31/2017
12	Perpetual or dated	Dated	Dated
13	Original maturity date	3/24/2026	3/31/2027
14	Issuer call subject to prior supervisory approval	Yes	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	- 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	NA	NA

N/A if not applicable

	Issuer	CIC Nord Ouest	CIC Nord Ouest
Coupons/dividends			
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any related index	3-month Euribor + 2.05%	3-month Euribor + 1.97%
19	Existence of a *dividend stopper*	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	NA	NA
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	NA	NA
21	Existence of a *step up* or other incentive to redeem	No	No
22	Cumulative or non-cumulative	NA	NA
23	Convertible or non-convertible	No	No
24	If convertible, conversion *trigger*	NA	NA
25	If convertible, fully or partially	NA	NA
26	If convertible, conversion rate	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA
28	If convertible, instrument type convertible into	NA	NA
29	If convertible, issuer of instrument it converts into	NA	NA
30	Write-down features	No	No
31	If write-down, write-down trigger	NA	NA
32	If write-down, full or partial	NA	NA
33	If write-down, permanent or temporary	NA	NA
34	If temporary write-down, description of write-up mechanism	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Instrument subordinated to the payment of all unsecured creditors	Instrument subordinated to the payment of all unsecured creditors
36	Non-compliant features	No	No
37	If yes, specify non-compliant features	NA	NA

N/A if not applicable

Qualitative information on capital instruments - Tier 2 capital (contd)

1	Issuer	CIC Nord Ouest	CIC Ouest
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Subordinated loan agreement between CIC Nord Ouest and Banque Fédérative du Crédit Mutuel	Subordinated loan agreement between CIC Ouest and Banque Fédérative du Crédit Mutuel
3	Governing law of the instrument	French	French
Regulatory treatment			
4	Transitional CRR rules	Tier 2 capital	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/solo and (sub-) consolidated level	Solo and (sub-)consolidated	Solo and (sub-)consolidated
7	Instrument type (to be specified for each jurisdiction)	- Subordinated notes - Art. 62 *et seq.* of the CRR	- Subordinated notes - Art. 62 *et seq.* of the CRR
8	Amount recognized in regulatory capital (currency in millions, as of most recent reporting date)	€19.00 million	€50.58 million
9	Par value of instrument	€19.00 million	€50.58 million
9a	Issue price	€19.00 million	€50.58 million
9b	Redemption price	€19.00 million	€50.58 million
10	Accounting classification	Liabilities - amortized cost	Liabilities - amortized cost
11	Original date of issuance	11/15/2017	3/24/2016
12	Perpetual or dated	Dated	Dated
13	Original maturity date	11/15/2027	3/24/2026
14	Issuer call subject to prior supervisory approval	Yes	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	- 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	NA	NA

N/A if not applicable

	Issuer	CIC Nord Ouest	CIC Ouest
Coupons/dividends			
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any related index	3-month Euribor + 1.02%	3-month Euribor + 2.05%
19	Existence of a *dividend stopper*	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	NA	NA
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	NA	NA
21	Existence of a *step up* or other incentive to redeem	No	No
22	Cumulative or non-cumulative	NA	NA
23	Convertible or non-convertible	No	No
24	If convertible, conversion *trigger*	NA	NA
25	If convertible, fully or partially	NA	NA
26	If convertible, conversion rate	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA
28	If convertible, instrument type convertible into	NA	NA
29	If convertible, issuer of instrument it converts into	NA	NA
30	Write-down features	No	No
31	If write-down, write-down trigger	NA	NA
32	If write-down, full or partial	NA	NA
33	If write-down, permanent or temporary	NA	NA
34	If temporary write-down, description of write-up mechanism	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Instrument subordinated to the payment of all unsecured creditors	Instrument subordinated to the payment of all unsecured creditors
36	Non-compliant features	No	No
37	If yes, specify non-compliant features	NA	NA

N/A if not applicable

Qualitative information on capital instruments - Tier 2 capital (contd)

1	**Issuer**	**CIC Ouest**	**CIC Ouest**
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Subordinated loan agreement between CIC Ouest and Banque Fédérative du Crédit Mutuel	Subordinated loan agreement between CIC Ouest and Banque Fédérative du Crédit Mutuel
3	Governing law of the instrument	French	French
Regulatory treatment			
4	Transitional CRR rules	Tier 2 capital	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/solo and (sub-) consolidated level	Solo and (sub-)consolidated	Solo and (sub-)consolidated
7	Instrument type (to be specified for each jurisdiction)	- Subordinated notes - Art. 62 *et seq.* of the CRR	- Subordinated notes - Art. 62 *et seq.* of the CRR
8	Amount recognized in regulatory capital (currency in millions, as of most recent reporting date)	€12.00 million	€21.00 million
9	Par value of instrument	€12.00 million	€21.00 million
9a	Issue price	€12.00 million	€21.00 million
9b	Redemption price	€12.00 million	€21.00 million
10	Accounting classification	Liabilities - amortized cost	Liabilities - amortized cost
11	Original date of issuance	3/31/2017	11/15/2017
12	Perpetual or dated	Dated	Dated
13	Original maturity date	3/31/2027	11/15/2027
14	Issuer call subject to prior supervisory approval	Yes	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	- 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	NA	NA

N/A if not applicable

	Issuer	CIC Ouest	CIC Ouest
Coupons/dividends			
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any related index	3-month Euribor + 1.97%	3-month Euribor + 1.02%
19	Existence of a *dividend stopper*	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	NA	NA
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	NA	NA
21	Existence of a *step up* or other incentive to redeem	No	No
22	Cumulative or non-cumulative	NA	NA
23	Convertible or non-convertible	No	No
24	If convertible, conversion *trigger*	NA	NA
25	If convertible, fully or partially	NA	NA
26	If convertible, conversion rate	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA
28	If convertible, instrument type convertible into	NA	NA
29	If convertible, issuer of instrument it converts into	NA	NA
30	Write-down features	No	No
31	If write-down, write-down trigger	NA	NA
32	If write-down, full or partial	NA	NA
33	If write-down, permanent or temporary	NA	NA
34	If temporary write-down, description of write-up mechanism	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Instrument subordinated to the payment of all unsecured creditors	Instrument subordinated to the payment of all unsecured creditors
36	Non-compliant features	No	No
37	If yes, specify non-compliant features	NA	NA

N/A if not applicable

Qualitative information on capital instruments - Tier 2 capital (contd)

1	**Issuer**	**CIC Est**	**CIC Est**
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Subordinated loan agreement between CIC Est and Banque Fédérative du Crédit Mutuel	Subordinated loan agreement between CIC Est and Banque Fédérative du Crédit Mutuel
3	Governing law of the instrument	French	French
Regulatory treatment			
4	Transitional CRR rules	Tier 2 capital	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/solo and (sub-) consolidated level	Solo and (sub-)consolidated	Solo and (sub-)consolidated
7	Instrument type (to be specified for each jurisdiction)	- Subordinated notes - Art. 62 *et seq.* of the CRR	- Subordinated notes - Art. 62 *et seq.* of the CRR
8	Amount recognized in regulatory capital (currency in millions, as of most recent reporting date)	€58.73 million	€13.00 million
9	Par value of instrument	€58.73 million	€13.00 million
9a	Issue price	€58.73 million	€13.00 million
9b	Redemption price	€58.73 million	€13.00 million
10	Accounting classification	Liabilities - amortized cost	Liabilities - amortized cost
11	Original date of issuance	3/24/2016	3/31/2017
12	Perpetual or dated	Dated	Dated
13	Original maturity date	3/24/2026	3/31/2027
14	Issuer call subject to prior supervisory approval	Yes	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	- 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	NA	NA

N/A if not applicable

	Issuer	CIC Est	CIC Est
Coupons/dividends			
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any related index	3-month Euribor + 2.05%	3-month Euribor + 1.97%
19	Existence of a *dividend stopper*	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	NA	NA
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	NA	NA
21	Existence of a *step up* or other incentive to redeem	No	No
22	Cumulative or non-cumulative	NA	NA
23	Convertible or non-convertible	No	No
24	If convertible, conversion *trigger*	NA	NA
25	If convertible, fully or partially	NA	NA
26	If convertible, conversion rate	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA
28	If convertible, instrument type convertible into	NA	NA
29	If convertible, issuer of instrument it converts into	NA	NA
30	Write-down features	No	No
31	If write-down, write-down trigger	NA	NA
32	If write-down, full or partial	NA	NA
33	If write-down, permanent or temporary	NA	NA
34	If temporary write-down, description of write-up mechanism	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Instrument subordinated to the payment of all unsecured creditors	Instrument subordinated to the payment of all unsecured creditors
36	Non-compliant features	No	No
37	If yes, specify non-compliant features	NA	NA

N/A if not applicable

Qualitative information on capital instruments - Tier 2 capital (contd)

1	Issuer	CIC Est	Banque Transatlantique
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Subordinated loan agreement between CIC Est and Banque Fédérative du Crédit Mutuel	Subordinated loan agreement between CIC Banque Transatlantique and Banque Fédérative du Crédit Mutuel
3	Governing law of the instrument	French	French
Regulatory treatment			
4	Transitional CRR rules	Tier 2 capital	Tier 2 capital
5	Post-transitional CRR rules	Tier 2 capital	Tier 2 capital
6	Eligible at solo/(sub-)consolidated/solo and (sub-) consolidated level	Solo and (sub-)consolidated	Solo and (sub-)consolidated
7	Instrument type (to be specified for each jurisdiction)	- Subordinated notes - Art. 62 *et seq.* of the CRR	- Subordinated notes - Art. 62 *et seq.* of the CRR
8	Amount recognized in regulatory capital (currency in millions, as of most recent reporting date)	€25.00 million	€3.71 million
9	Par value of instrument	€25.00 million	€3.71 million
9a	Issue price	€25.00 million	€3.71 million
9b	Redemption price	€25.00 million	€3.71 million
10	Accounting classification	Liabilities - amortized cost	Liabilities - amortized cost
11	Original date of issuance	11/15/2017	3/24/2016
12	Perpetual or dated	Dated	Dated
13	Original maturity date	11/15/2027	3/24/2026
14	Issuer call subject to prior supervisory approval	Yes	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	- 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	NA	NA

N/A if not applicable

	Issuer	CIC Est	Banque Transatlantique
Coupons/dividends			
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any related index	3-month Euribor + 1.02%	3-month Euribor + 2.05%
19	Existence of a *dividend stopper*	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	NA	NA
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	NA	NA
21	Existence of a *step up* or other incentive to redeem	No	No
22	Cumulative or non-cumulative	NA	NA
23	Convertible or non-convertible	No	No
24	If convertible, conversion *trigger*	NA	NA
25	If convertible, fully or partially	NA	NA
26	If convertible, conversion rate	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA
28	If convertible, instrument type convertible into	NA	NA
29	If convertible, issuer of instrument it converts into	NA	NA
30	Write-down features	No	No
31	If write-down, write-down trigger	NA	NA
32	If write-down, full or partial	NA	NA
33	If write-down, permanent or temporary	NA	NA
34	If temporary write-down, description of write-up mechanism	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Instrument subordinated to the payment of all unsecured creditors	Instrument subordinated to the payment of all unsecured creditors
36	Non-compliant features	No	No
37	If yes, specify non-compliant features	NA	NA

N/A if not applicable

Detailed capital disclosure (in € millions)	December 31, 2017	Amount subject to pre-Regulation (EU) No. 575/2013 treatment or residual amount pursuant to Regulation (EU) No. 575/2013
COMMON EQUITY TIER 1 (CET1) CAPITAL: instruments and reserves		
Capital instruments and related share premium accounts	1,696	-
of which: shares	*608*	-
of which: share premiums	*1,088*	-
Retained earnings	12,007	-
Accumulated other comprehensive income (and other reserves)	79	(27)
Amount of qualifying items referred to in Art. 484 (3) and related share premium accounts subject to phase-out from CET1	-	-
Non-controlling interests eligible for CET1	29	6
Independently audited interim profits net of any foreseeable expense or dividend	-	-
Common Equity Tier 1 (CET1) capital before regulatory adjustments	13,812	(21)

Detailed capital disclosure (contd)

(in € millions)	December 31, 2017	Amount subject to pre-Regulation (EU) No. 575/2013 treatment or residual amount pursuant to Regulation (EU) No. 575/2013
COMMON EQUITY TIER 1 (CET1) CAPITAL: regulatory adjustments		
Additional value adjustments (negative amount)	(41)	-
Intangible assets (net of related tax liabilities) (negative amount)	(295)	-
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)	-	-
Fair value reserves related to gains and losses on cash flow hedges	0	-
Negative amounts resulting from the calculation of expected losses	(493)	-
Any increase in equity resulting from securitized assets (negative amount)	-	-
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-	-
Defined benefit pension fund assets (negative amount)	-	-
Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-	-
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)	-	-
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)	-	-
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)	-	-
Exposure amount of the following items which qualify for a risk weight of 1,250%, where the institution opts for the deduction alternative	(294)	-
of which qualifying holdings outside the financial sector (negative amount)	-	-
of which securitization positions (negative amount)	*(294)*	-
of which free deliveries (negative amount)	-	-
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)	-	-
Amount exceeding the 15% threshold (negative amount)	-	-
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	-	-
of which deferred tax assets arising from temporary differences	-	-
Losses for the current financial year (negative amount)	-	-
Foreseeable tax charge relating to CET1 items (negative amount)	-	-
Regulatory adjustments applied to Common Equity Tier 1 capital in respect of amounts subject to pre-CRR treatment	7	-
Regulatory adjustments relating to unrealized gains and losses pursuant to Articles 467 and 468	(27)	-
of which filter for unrealized loss on equity instruments	-	-
of which filter for unrealized loss on debt instruments	-	-
of which filter for unrealized gain on equity instruments	*287*	-
of which filter for unrealized gain on debt instruments	*82*	-
Amount to be deducted from or added to Common Equity Tier 1 capital with *regard to additional filters and deductions required pre-CRR*	-	-
Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	-	-
Total regulatory adjustments to Common Equity Tier 1 (CET1) capital	**(1,144)**	-
Common Equity Tier 1 (CET1) capital	**12,668**	(21)

Detailed capital disclosure (contd)

(in € millions)	December 31, 2017	Amount subject to pre-Regulation (EU) No. 575/2013 treatment or residual amount pursuant to Regulation (EU) No. 575/2013
ADDITIONAL TIER 1 (AT1) CAPITAL: instruments	-	-
Capital instruments and related share premium accounts	-	-
of which classified as equity under applicable accounting standards	-	-
of which classified as liabilities under applicable accounting standards	-	-
Amount of qualifying items referred to in Art. 484 (4) and related share premium accounts subject to phase-out from AT1	-	-
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	1	0
of which instruments issued by subsidiaries subject to phase-out	-	-
Additional Tier 1 (AT1) capital before regulatory adjustments	1	-
ADDITIONAL TIER 1 (AT1) CAPITAL: regulatory adjustments	-	-
Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-	-
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)	-	-
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)	-	-
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)	-	-
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	-	-
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	-	-
Amount to be deducted from or added to Additional Tier 1 capital with regard to additional filters and deductions required pre-CRR	-	-
Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	-	-
Total regulatory adjustments to Additional Tier 1 (AT1) capital	-	-
Additional Tier 1 (AT1) capital	1	-
Tier 1 capital (T1 = CET1 + AT1)	12,669	(21)

Detailed capital disclosure (contd)

(in € millions)	December 31, 2017	Amount subject to pre-Regulation (EU) No. 575/2013 treatment or residual amount pursuant to Regulation (EU) No. 575/2013
TIER 2 (T2) CAPITAL: instruments and provisions	-	-
Capital instruments and related share premium accounts	2,094	-
Amount of qualifying items referred to in Art. 484 (5) and related share premium accounts subject to phase-out from T2	-	-
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	2	0
of which instruments issued by subsidiaries subject to phase-out	-	-
Credit risk adjustments	8	-
Tier 2 (T2) capital before regulatory adjustments	**2,105**	**-**
TIER 2 (T2) CAPITAL: instruments and provisions	-	-
Direct and indirect holdings by an institution of T2 own instruments and subordinated loans (negative amount)	-	-
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)	-	-
Direct and indirect holdings of the T2 instruments and subordinated loans 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 amounts)	-	-
of which new holdings not subject to transitional arrangements	-	-
of which holdings existing before January 1, 2013 and subject to transitional arrangements	-	-
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)	-	-
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)	-	-
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	-	-
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	-	-
Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre-CRR	18	18
Addition - of which subsidies received by leasing companies	-	-
Addition - of which unrealized gains on equity instruments reported as additional capital	*18*	*18*
Addition - of which restatement for holding of capital instrument	-	-
Total regulatory adjustments to Tier 2 (T2) capital	**18**	18
Tier 2 (T2) capital	**2,123**	18
Total capital (TC = T1 + T2)	**14,792**	(3)
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	-	-
- 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.)	-	-
- 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.)	-	-
- 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.)	-	-
Total risk-weighted assets	**92,494**	-

Detailed capital disclosure (contd) (in € millions)	December 31, 2017	Amount subject to pre-Regulation (EU) No. 575/2013 treatment or residual amount pursuant to Regulation (EU) No. 575/2013
CAPITAL RATIOS AND BUFFERS	-	-
Common Equity Tier 1 capital (as a percentage of total risk exposure amount)	13.70%	-
Tier 1 capital (as a percentage of total risk exposure amount)	13.70%	-
Total capital (as a percentage of total risk exposure amount)	**15.99%**	-
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	1.26%	-
of which capital conservation buffer requirement	*1.25%*	-
of which countercyclical buffer requirement	*0.01%*	-
of which systemic risk buffer requirement	*0.00%*	-
of which global systemically important institution (G-SII) or other systemically important institution (O-SII) buffer	*0.00%*	-
Common Equity Tier 1 capital available to meet buffer requirements (as a percentage of risk exposure amount)	9.20%	-
AMOUNTS BELOW THRESHOLDS FOR DEDUCTION (BEFORE RISK WEIGHTING)	-	-
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)	444	-
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)	24	-
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)	(7)	-
APPLICABLE CAPS ON THE INCLUSION OF PROVISIONS IN TIER 2 CAPITAL	-	-
Credit risk adjustments included in T2 in respect of exposures subject to standardized approach (prior to the application of the cap)	-	-
Cap on inclusion of credit risk adjustments in T2 under standardized approach	-	-
Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	8	-
Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	310	-
CAPITAL INSTRUMENTS SUBJECT TO PHASE-OUT (only applicable between January 1, 2014 and January 1, 2022)	-	-
Current cap on CET1 instruments subject to phase-out arrangements	-	-
Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	-
Current cap on AT1 instruments subject to phase-out arrangements	-	-
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	-
Current cap on T2 instruments subject to phase-out arrangements	-	-
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	-

Capital adequacy requirements

Overview of the risk-weighted assets (RWA) - OV1

in € millions	Risk-weighted assets 2017	Risk-weighted assets 2016	Minimum capital requirements 2017
Credit risk (excluding counterparty risk - CCR)	**79,255**	**81,117**	**6,340**
of which standardized approach	*14,250*	*14,096*	*1,140*
of which foundation IRB (FIRB) approach	*7,596*	*7,944*	*608*
of which advanced IRB (AIRB) approach	*45,026*	*47,725*	*3,602*
of which equities under the IRB approach	*12,383*	*11,352*	*991*
Counterparty risk	**1,857**	**2,599**	**149**
of which market value	*1,469*	*2,145*	*117*
of which initial exposure	-	-	-
of which standardized approach applied to counterparty risk	-	-	-
of which internal model method (IMM)	-	-	-
of which risk exposure amount for contributions to the default fund of a CCP	*96*	*58*	*8*
of which CVA	*293*	*396*	*23*
Settlement risk	**0**	**0**	**0**
Securitization exposures in the banking book	**681**	**792**	**54**
of which foundation IRB (FIRB) approach	*630*	*685*	*50*
of which Supervisory Formula Method	-	-	-
of which internal assessment approach	-	-	-
of which standardized approach	*51*	*107*	*4*
Market risk	**2,326**	**2,501**	**186**
of which standardized approach	*2,326*	*2,501*	*186*
of which approaches based on the internal model method (IMM)	-	-	-
Major risks	-	-	-
Operational risk	**8,313**	**6,961**	**665**
of which Basic Indicator Approach	*205*	*185*	*16*
of which standardized approach	*73*	*72*	*6*
of which Advanced Measurement Approach	*8,035*	*6,705*	*643*
Amounts below the thresholds for deduction (subject to 250% risk weight)	**61**	**338**	**5**
Floor adjustment	-	**6,532**	-
TOTAL	**92,494**	**100,839**	**7,400**

Prudential indicators

Capital adequacy ratios

The CIC group's capital adequacy ratios at December 31, 2017, taking into account transitional arrangements* and before incorporating income net of estimated dividends, were as follows:

(in € billions)	2017	2016
COMMON EQUITY TIER 1 (CET1) CAPITAL	**12.7**	**12.6**
Share capital	1.7	1.7
Eligible reserves before adjustments	12.0	12.0
Deduction from Common Equity Tier 1 capital	(1.0)	(1.1)
ADDITIONAL TIER 1 (AT1) CAPITAL	**0.0**	**0.0**
TIER 2 (T2) CAPITAL	**2.1**	**1.7**
TOTAL CAPITAL	**14.8**	**14.3**
Risk-weighted assets in respect of credit risk	81.6	91.0
Risk-weighted assets in respect of market risk	2.6	2.9
Risk-weighted assets in respect of operational risk	8.3	7.0
TOTAL RISK-WEIGHTED ASSETS	**92.5**	**100.8**
CAPITAL ADEQUACY RATIOS - TRANSITIONAL METHOD		
Common Equity T1 (CET1) ratio	13.7%	12.5%
Tier One ratio	13.7%	12.5%
Overall ratio	16.0%	14.2%

* In accordance with the regulatory declaration.

The fully loaded solvency ratios under the *full* method are the same as those presented under the transitional method.

Under the CRR, the overall capital requirement is maintained at 8% of *risk-weighted assets* ("RWA").

The CIC group must comply with the capital buffer requirements, to be complied with under CET1, that are various in nature and which will come into force gradually, as from January 1, 2016, over four years (with a quarter of the new provisions coming into effect on January 1 of each new fiscal year until January 1, 2019 when all the provisions will apply).

The target for the capital conservation buffer, which is mandatory and applies to all institutions, is 2.5% of risk-weighted assets.

The countercyclical buffer, implemented in the event of excessive credit growth (notably a deviation from the credit-to-GDP ratio), applies by means of a discretionary decision of an authority designated by a jurisdiction to all exposures the institutions have in said jurisdiction.

In France, the countercyclical buffer rate is set by the French Financial Stability Board (*Haut conseil de stabilité financière*). This rate is, in principle, in the range of 0% to 2.5% (and can be set above this percentage, in certain circumstances).

On December 30, 2017, the French Financial Stability Board decided that the rate to be applied in France is 0%. It also recognized the rates applied in Norway (1.5%) and Sweden (2%).

On December 31, 2017, the European Systemic Risk Board decided that the rate to be applied in Iceland is 1.25% and the rate to be applied in the Czech Republic and Slovakia is 0.5%.

On December 31, 2017, the Basel Committee on Banking Supervision decided that the rate to be applied in Hong Kong is 1.25%.

Article 140 of the CRD IV provides that the buffer applicable to each institution is calculated on the basis of the average of the countercyclical buffer rates that apply in the jurisdictions where the institution's relevant credit exposures are located multiplied by the total risk exposure amount.

Amount of the countercyclical capital buffer specific to the institution at December 31, 2017

010	Total risk-weighted assets (in € millions)	92,494
020	Countercyclical buffer rate specific to the institution	0.0091%
030	Countercyclical buffer requirements specific to the institution (in € millions)	8.418

Breakdown of relevant exposures for calculating the countercyclical capital buffer

(in € millions) - December 31, 2017

	General credit exposures		Trading book exposures		Securitization exposures		Capital requirement				Capital requirement weighings	Countercyclical capital buffer rate
	Value exposed to risk for the standardized approach	Value exposed to risk for the IRBA**	Sum of long and short positions in the trading book	Value of the trading book's exposures for the internal models	Value exposed to risk for the standardized approach	Value exposed to risk for the IRBA**	Of which: General credit exposures	Of which: Trading book exposures	Of which: Securitization exposures	Total		
Hong Kong	7.1	893.3	0.0	0.0	0.0	0.0	28.7	0.0	0.0	28.7	0.45%	1.25%
Sweden	15.0	108.1	3.5	0.0	0.0	0.0	6.1	0.3	0.0	6.4	0.10%	2.00%
Norway	1.0	122.3	3.1	0.0	0.0	0.9	6.0	0.0	0.0	6.0	0.09%	1.50%
Slovakia	4.9	1.0	0.0	0.0	0.0	0.0	0.4	0.0	0.0	0.4	0.01%	0.50%
Czech Republic	6.0	5.0	0.0	0.0	0.0	0.0	0.3	0.0	0.0	0.3	0.00%	0.50%
Iceland	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.00%	1.25%

* IRBA: Internal ratings-based approach.

Leverage ratio

The procedures for managing excessive leverage risk have been approved by CNCM's board of directors and mainly concern the following points:

- the leverage ratio is one of the capital adequacy key indicators and its monitoring is the responsibility of the confederal risk committees and the regional groups;
- an internal limit has been defined at the national level and for each Crédit Mutuel group;
- if the limit set by the supervisory body is breached, the specific procedure involving the executive management of the group in question and the boards of directors of the group and of CNCM has been defined and applies to all the Crédit Mutuel groups.

Presentation of the main components of the leverage ratio - LRCom

Exposures in € millions	2017	2016
COMMON EQUITY TIER 1 (CET1) CAPITAL		
1 - Balance sheet items (excluding derivatives, securities financing transactions and fiduciary assets, but including collateral)	244,436	248,083
2 - (Assets deducted to determine Tier 1)	(493)	(367)
3 - Total balance sheet exposure (excluding derivatives, securities financing transactions and fiduciary assets) - sum of lines 1 and 2	243,943	247,717
DERIVATIVES		
4 - Replacement cost associated with all derivatives (i.e. net of eligible margin calls received)	960	2,375
5 - *Add-on* for potential future exposures associated with derivatives (market price valuation method)	1,903	1,778
7 - (Deductions of margin calls in cash paid under derivatives transactions)	(3,285)	(4,657)
9 - Adjusted effective notional amount of written credit derivatives	5,680	5,896
10 - (Adjusted effective notional offsets and *add-on* deductions for written credit derivatives)	(4,619)	(4,181)
11 - Total derivative exposures - sum of lines 4 to 10	640	1,210
SECURITIES FINANCING TRANSACTION EXPOSURES		
12 - Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	12,882	13,355
14 - Counterparty credit risk exposure for SFT assets	961	938
16 - Total securities financing transaction exposures - sum of lines 12 to 15a	13,842	14,293
OTHER OFF-BALANCE SHEET EXPOSURES		
17 - Off-balance sheet exposures at gross notional amount	47,773	44,737
18 - Adjustments to credit risk equivalent amounts	(27,438)	(25,908)
19 - Other off-balance sheet exposures - sum of lines 17 to 18	20,336	18,829
EXEMPTED EXPOSURES PURSUANT TO ARTICLES 429.7 AND 429.14 OF THE CRR (ON-BALANCE SHEET AND OFF-BALANCE SHEET)		
EU-19a - Exemption of intra-group exposures (individual basis) pursuant to Article 429.7 of the CRR (on-balance sheet and off-balance sheet)	-	
EU-19b - Exemption of exposures pursuant to Article 429.14 of the CRR (on-balance sheet and off-balance sheet)	-	
EQUITY AND TOTAL EXPOSURE		
20 - Tier 1	12,669	12,607
21 - Total exposures - sum of lines 3, 11, 16, 19, EU-19a and EU-19b	278,761	282,048
LEVERAGE RATIO		
22 - Leverage ratio	4.54%	4.47%
CHOICE OF TRANSITIONAL ARRANGEMENTS AND AMOUNTS OF DERECOGNIZED FIDUCIARY ITEMS		
EU-23 - Choice of transitional arrangements for defining capital measurement	YES	YES

* In accordance with the regulatory declaration.

The leverage ratio (delegated act format) measuring the ratio of Tier 1 capital to total non-risk weighted assets increased from 4.47% to 4.54% during the period.
This change was due mainly to the decrease in statement of financial position items.

Summary of the reconciliation of the assets as per the consolidated financial statements and the exposures for the purposes of the leverage ratio - LRSum

Exposures in € millions	2017
1 - CONSOLIDATED ASSETS AS PUBLISHED IN THE FINANCIAL STATEMENTS	**264,840**
2 - Adjustments on entities consolidated for accounting purposes but outside the regulatory scope	-
4 - Adjustments on derivatives	(2,857)
5 - Adjustments on securities financing transactions (SFTs)	(2,341)
6 - Adjustments on off-balance sheet items (conversion of off-balance sheet items to credit equivalents)	20,336
EU-6a - Adjustments on intra-group exposures excluded from the calculation of the leverage ratio, in accordance with Article 429.7 of the CRR	-
EU-6b - Adjustments on exposures excluded from the calculation of the leverage ratio, in accordance with Article 429.14 of the CRR – CDC debt	-
7 - Other adjustments	(1,217)
8 - TOTAL LEVERAGE RATIO EXPOSURE	**278,761**

Breakdown of exposures in the statement of financial position (except derivatives, SFTs and exempted exposures) - LRSpl

Exposures in € millions	31.12.2017
EU-1 - TOTAL BALANCE SHEET EXPOSURES*, OF WHICH:	**241,151**
EU-2 - Trading book exposures	**9,306**
EU-3 - Banking book exposures, of which:	**231,845**
EU-4 - Guaranteed bonds	351
EU-5 - Exposures treated as sovereign exposures	40,683
EU-6 - Exposures on regional governments, multilateral development banks, international organizations and public-sector entities not treated as sovereign exposure	381
EU-7 - Credit institutions	16,518
EU-8 - Exposures secured by a mortgage on immovable property	80,440
EU-9 - retail exposures	28,931
EU-10 - corporate exposures	49,270
EU-11 - Exposures in default	2,624
EU-12 - Other exposures (equities, securitizations and other assets not related to credit exposures)	12,647

* Excluding derivatives, securities financing transactions and exempted exposures.

Pursuant to Article R.511-16-1 of the French Monetary and Financial Code, the return on the CIC group's assets (i.e. the accounting net income divided by the total assets as per the consolidated financial statements) was 0.49% in 2017 and 0.51% in 2016.

Capital adequacy

Pillar 2 of the Basel accord requires banks to carry out their own assessment of their economic capital and to use stress scenarios to assess their capital requirements in the event of an economic downturn. The effect of this pillar is to structure the dialog between the bank and the ACP on the adequacy of the institution's capital.

The work carried out by the group to bring it into compliance with the requirements of Pillar 2 is in line with improvements being made to the credit risk measuring and monitoring procedures.

During 2008, the group introduced its internal capital assessment process in accordance with the Internal Capital Adequacy Assessment Process (ICAAP). This assessment approach has since been gradually enhanced and is now formalized by a framework national process, which is in line with the general risk appetite framework and applies at all levels within the Crédit Mutuel group. It was approved by CNCM's board of directors on March 2, 2016.

The ICAAP approach is fully integrated into the risk governance framework by means of the following measures:
- identification of the significant risks incurred by the bank and the associated procedures, in direct collaboration with risk monitoring;
- assessment of the capacity of these risks to be absorbed on an ongoing basis by the regulatory capital adequacy requirements defined in respect of Pillar 1;
- determination, where relevant, of the level of economic capital to be allocated in addition.

The methods for measuring economic need have been broadened and, at the same time, management and control procedures have been drafted with the aim of defining the Crédit Mutuel group's risk policy and overall stress program, based on an approach that is both holistic and forward-looking.

The difference between economic capital and regulatory capital constitutes the margin which enables the level of the bank's capital to be secured. This margin depends on the Crédit Mutuel group's risk profile (taking into account its current and future activities) and its degree of risk aversion.

Credit risk

Exposures

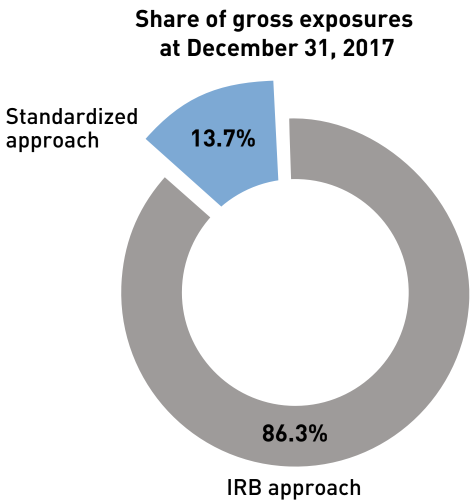
Although historically most of CIC's business has been in the corporate sector, it is gradually increasing its presence in the retail segment. It nevertheless retains a presence in the corporate sector.
The group has focused on the most advanced forms of the Basel II accord, beginning with its core business, retail banking.

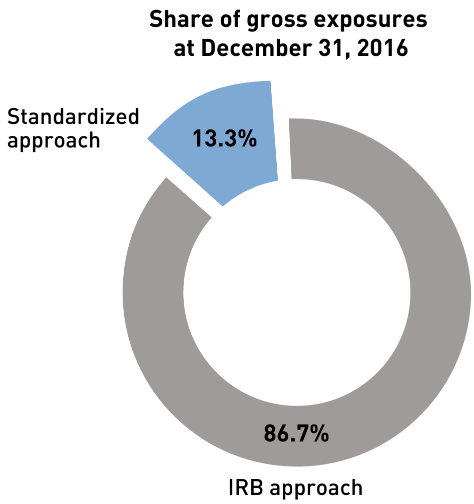
The ACPR has authorized it to use its internal ratings system to calculate its capital adequacy requirements in respect of credit risk:
- using the advanced method, as from June 30, 2008, for the retail customer portfolio;
- using the foundation method, as from December 31, 2008, for the bank portfolio;
- using the advanced method, as from December 31, 2012, for the *corporate* and bank portfolio.

In the case of the regulatory credit institution, corporate and retail customer portfolios, the group was authorized to use advanced internal methods in respect of 86.3% of the exposures at December 31, 2017.

In agreement with the ACP's General Secretariat, the group uses, and will continue to use, the standardized method to measure the capital adequacy requirements of the central governments and central banks portfolio. The standardized method has been applied in the case of CM-CIC Factor and the foreign subsidiaries since December 31, 2013.

Share of gross exposures by approach for the credit institution, corporate and retail categories.





Total and average net amount of exposures - CRB-B

(in € millions)	Net exposures at Dec. 31, 2017	Average net exposures in 2017
1 - Central governments and central banks	**0**	**0**
2 - Credit institutions	**12,684**	**15,970**
3 - Corporates	**77,923**	**76,055**
4 - of which: under slotting criteria*	*7,318*	*7,196*
*5 - of which: SMEs***	*17,118*	*16,803*
6 - Retail customers	**108,682**	**107,140**
7 - of which: secured by a mortgage on immovable property	*71,540*	*70,082*
8 - of which: SMEs	*11,083*	*10,795*
9 - of which: Non-SMEs	*60,457*	*59,287*
10 - of which: revolving	*5,814*	*5,607*
11 - of which: Other retail customers	*31,327*	*31,451*
12 - of which: SMEs	*17,167*	*16,979*
13 - of which: Non-SMEs	*14,160*	*14,472*
14 - Equity	**4,414**	**4,246**
14a - Other assets	**2,579**	**2,667**
15 - TOTAL IRB APPROACH	**206,281**	206,078
16 - Central governments and central banks	36,106	43,612
17 - Regional or local authorities	391	321
18 - Public sector (public bodies excluding central governments)	4,985	4,960
19 - Multilateral development banks	0	0
20 - International organizations	0	0
21 - Institutions	5,127	5,126
22 - Corporates	10,065	10,234
23 - of which: SMEs	*1,000*	*1,158*
24 - Retail customers	3,230	3,873
25 - of which: SMEs	*2,318*	*2,197*
26 - Exposures secured by a mortgage on immovable property	6,598	6,650
27 - of which: SMEs	*0*	*73*
28 - Exposures in default	365	325
29 - Exposures associated with particularly high risk	283	164
30 - Covered bonds	61	80
31 - Exposures to institutions and corporates with a short-term credit assessment	0	0
32 - Exposures in the form of units or shares of collective investment undertakings (UCIs)	0	0
33 - Exposures in the form of equities	161	127
34 - Other assets	568	614
35 - TOTAL STANDARDIZED APPROACH	**67,939**	76,088
36 - TOTAL	**274,220**	282,166

* Specialized financing algorithm.
** *Small and medium-sized enterprises.*

Geographical breakdown of exposures - CRB-C

December 31, 2017 (in € millions)	Europe	France	Germany	Belgium	Spain
1 - Central governments and central banks	-	-	-	-	-
2 - Credit institutions	11,391	9,091	417	56	136
3 - Corporates	68,143	59,396	1,021	664	378
4 - Retail customers	108,058	106,864	68	217	38
5 - Equity	4,389	4,238	6	24	-
- Other assets	2,560	2,550	-	-	-
6 - TOTAL IRB APPROACH	**194,541**	**182,140**	**1,511**	**961**	**553**
7 - Central governments and central banks	32,493	27,772	300	184	9
8 - Regional or local authorities	354	278	40	-	35
9 - Public sector (public bodies excluding central governments)	4,981	4,972	-	-	-
10 - Multilateral development banks	-	-	-	-	-
11 - International organizations	-	-	-	-	-
12 - Institutions	5,033	4,693	62	9	2
13 - Corporates	9,866	5,956	514	559	92
14 - Retail customers	3,102	1,569	175	116	96
15 - Exposures secured by a mortgage on immovable property	6,546	1,623	14	53	3
16 - Exposures in default	343	234	10	3	5
17 - Exposures associated with particularly high risk	283	283	-	-	-
18 - Covered bonds	61	34	-	-	-
19 - Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-
20 - Exposures in the form of units or shares of collective investment undertakings (UCIs)	-	-	-	-	-
21 - Exposures in the form of equities	161	13	-	3	-
22 - Other assets	568	10	201	124	-
23 - TOTAL STANDARDIZED APPROACH	**63,790**	**47,437**	**1,317**	**1,052**	**242**
24 - TOTAL	**258,331**	**229,577**	**2,828**	**2,013**	**795**

CIC operates mainly in France and the rest of Europe. The geographic breakdown of gross exposures at December 31, 2017 reflects this, as 94% of its commitments are in the European Economic Area.

NET VALUES

Luxembourg	Netherlands	Switzerland	United Kingdom	Other	Rest of the world	USA	Canada	Other	Total
-	-	-	-	-	-	-	-	-	-
8	-	498	1,138	47	1,293	233	72	988	12,684
1,079	1,503	594	2,054	1,454	9,780	4,263	122	5,395	77,923
85	18	342	281	145	623	165	24	434	108,682
101	-	16	1	3	26	2	21	3	4,414
-	-	-	10	-	18	(2)	-	20	2,579
1,272	1,521	1,451	3,484	1,650	11,740	4,661	239	6,840	**206,281**
998	196	2,225	179	631	3,613	2,544	4	1,065	36,106
1	-	-	-	-	37	-	37	-	391
8	-	-	-	-	4	-	4	-	4,985
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
42	10	56	115	44	94	23	7	64	5,127
1,308	6	1,141	86	202	200	63	5	131	10,065
194	15	733	45	159	127	27	3	97	3,230
868	4	3,941	25	15	52	-	-	52	6,598
5	2	74	-	8	22	2	-	19	365
-	-	-	-	-	-	-	-	-	283
-	26	-	-	-	-	-	-	-	61
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
142	-	3	-	-	-	-	-	-	161
220	-	13	-	-	-	-	-	-	568
3,788	259	8,185	450	1,060	4,149	2,661	60	1,428	**67,939**
5,060	1,780	9,636	3,934	2,710	15,889	7,323	299	8,267	**274,220**

Concentration of exposures by industry or counterparty type (CRB-D)

December 31, 2017 (in € millions)	Public administrations	Banks and financial institutions	Retail	Unincorporated businesses	Farming
Central governments and central banks	0	0	0	0	0
Credit institutions (banks)	0	12,684	0	0	0
Corporates	0	0	0	126	678
Retail customers	0	0	82,377	7,106	2,144
Equities	0	0	0	0	0
Other assets	0	0	0	0	0
TOTAL IRB APPROACH	**0**	**12,684**	**82,377**	**7,231**	**2,822**
Central governments or central banks	41,508	0	0	0	0
Credit institutions	0	5,188	0	0	0
Corporates	0	0	0	0	2
Retail customers	0	0	3,699	8	17
Equities	0	0	0	0	0
Other assets	0	0	0	0	0
TOTAL STANDARDIZED APPROACH	**41,508**	**5,188**	**3,699**	**8**	**19**
TOTAL	**41,508**	**17,872**	**86,076**	**7,240**	**2,842**

December 31, 2017 (in € millions)	Industrial transportation	Household products	Real estate development	Other real estate (including leasing and real estate companies)	Utilities
Central governments and central banks	0	0	0	0	0
Credit institutions (banks)	0	0	0	0	0
Corporates	4,580	1,553	0	3,764	2,407
Retail customers	954	278	0	938	131
Equities	0	0	0	0	0
Other assets	0	0	0	0	0
TOTAL IRB APPROACH	**5,534**	**1,831**	**0**	**4,702**	**2,537**
Central governments or central banks	0	0	0	0	0
Credit institutions	0	0	0	0	0
Corporates	222	106	3,150	119	171
Retail customers	74	37	0	36	10
Equities	0	0	0	0	0
Other assets	0	0	0	0	0
TOTAL STANDARDIZED APPROACH	**296**	**142**	**3,150**	**155**	**181**
TOTAL	**5,830**	**1,974**	**3,150**	**4,857**	**2,719**

(*) CIC Suisse, BDL

	Non-profits	Other group subsidiaries (*)	Travel and leisure	Chemicals	Distribution	Automotive industry	Building and construction materials	Industrial goods and services	Health	Other financial activities
	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
	657	936	3,158	991	6,037	2,381	7,187	5,466	2,219	5,426
	169	199	1,458	37	2,633	478	2,018	1,503	280	1,419
	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
	826	1,135	4,616	1,028	8,669	2,859	9,205	6,969	2,499	6,844
	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
	3	5,652	64	29	1,289	358	398	446	45	38
	3	509	30	10	317	26	613	255	17	17
	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
	6	6,161	94	39	1,606	384	1,011	702	62	54
	832	7,296	4,711	1,067	10,276	3,243	10,217	7,670	2,561	6,899

	Food and beverage	Media	Holding companies and conglomerates	Advanced technology	Oil and gas and commodities	Telecommunica-tions	Miscellaneous	Equities	Other assets	**Total**
	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	12,684
	4,402	1,684	6,466	4,085	4,197	906	8,619	0	0	77,923
	407	124	510	141	88	10	3,280	0	0	108,682
	0	0	0	0	0	0	0	4,531	0	4,531
	0	0	0	0	0	0	0	0	2,462	2,462
	4,809	1,807	6,976	4,226	4,284	916	11,899	4,531	2,462	**206,281**
	0	0	0	0	0	0	0	0	0	41,508
	0	0	0	0	0	0	0	0	0	5,188
	136	47	97	293	80	222	1,385	0	0	14,352
	34	32	20	29	12	4	352	0	0	6,162
	0	0	0	0	0	0	0	161	0	161
	0	0	0	0	0	0	0	0	568	568
	171	79	118	322	93	226	1,737	161	568	**67,939**
	4,979	1,887	7,094	4,548	4,377	1,141	13,636	4,692	3,030	**274,220**

Breakdown by residual maturity

31.12.2017 Category of gross exposure (in € millions)	< 1 month	> 1 months ≤ 3 months	> 3 months < 1 year	> 1 year < 2 years	> 2 years < 5 years	> 5 years	No fixed maturity	**Total**
Statement of financial position								
Central governments and central banks	28,488	772	1,704	840	872	7,656	0	**40,332**
Credit institutions	5,344	4,304	1,689	2,559	2,046	559	49	**16,550**
Corporates	14,979	4,333	5,569	5,392	16,874	13,863	0	**61,010**
Retail customers	7,849	2,677	8,142	10,274	25,625	49,219	0	**103,786**
TOTAL STATEMENT OF FINANCIAL POSITION	56,660	12,086	17,104	19,065	45,417	71,297	49	**221,678**
Off-statement of financial position								
Central governments and central banks	103	7	21	2	291	360	0	**784**
Credit institutions	951	0	26	8	376	11	361	**1,733**
Corporates	7,130	581	3,233	2,857	12,925	1,123	4,380	**32,229**
Retail customers	5,173	654	604	1,591	495	3,311	907	**12,735**
TOTAL OFF-STATEMENT OF FINANCIAL POSITION	13,357	1,242	3,884	4,458	14,087	4,805	5,648	**47,481**

Credit quality of assets

A unified definition of default has been adopted for the entire Crédit Mutuel group. Based on the principle of aligning prudential information with accounting information (CRC 2002-03), this is reflected in the matching of the Basel concept of loans in default and the accounting concept of non-performing loans and loans in litigation.
Information systems take into account contagion, thereby enabling the downgrading to be extended to the related outstandings. The controls carried out by internal audit and by the statutory auditors ensure the reliability of the procedures for identifying defaults used to calculate capital adequacy requirements.
The accounting definitions and methods applied concerning impairment provisions are detailed in note 1 to the Crédit Industriel et Commercial group's consolidated financial statements, beginning on page 212.

The definitions and financial information concerning payment arrears are provided in the credit risk management section beginning on page 96.

Pursuant to delegated regulation 183/2014 of December 20, 2013 specifying the method for calculating general and specific credit risk adjustments, the 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.

The restructuring of an exposure as a result of the debtor's financial difficulties results in the group making concessions to said debtor (changes to the terms of the agreement such as the rates or term, partial waiver, additional finance that would not have been granted had the debtor not experienced difficulties, etc.). The group's information systems have the ability to identify the restructured exposures in its portfolios of performing loans and loans in default, defined according to the principles established by the EBA on October 23, 2013.

The tables below categorize outstanding non-performing loans and loans in litigation and the related provisions at December 31, 2017 according to their business sector or counterparty type, their Basel treatment method and their geographical region.

Credit quality of exposures by exposure class and instrument - CR1-A

31.12.2017 (in € millions)	b	a		c	d	g
	Gross exposures					Net exposures
	Exposures in default	Exposures not in default	Provisions (on non-performing loans and IAS 39)	Specific provisions	Collective provisions	(a+b-c-d)
1 - Central governments or central banks	**0**	**0**	**0**	**0**	**0**	**0**
2 - Credit institutions	**16**	**12,672**	**4**	**4**	**0**	**12,684**
3 - Corporates	**1,649**	**77,112**	**838**	**763**	**75**	**77,923**
4 - of which: Specialized financing	*133*	*7,204*	*18*	*18*	*0*	*7,318*
5 - of which: SMEs	*722*	*16,750*	*354*	*354*	*0*	*17,118*
6 - RETAIL CUSTOMERS	3,230	107,119	1,669	1,595	74	**108,682**
7 - Exposures secured by a mortgage on immovable property	*1,497*	*70,530*	*487*	*487*	*0*	*71,540*
8 - SMEs	*424*	*10,803*	*144*	*144*	*0*	*11,083*
9 - Non-SMEs	*1,073*	*59,727*	*343*	*343*	*0*	*60,457*
10 - Revolving	*63*	*5,804*	*52*	*52*	*0*	*5,814*
11 - Other - retail customers	*1,670*	*30,785*	*1,128*	*1,055*	*74*	*31,327*
12 - SMEs	*1,257*	*16,675*	*766*	*766*	*0*	*17,167*
13 - Non-SMEs	*413*	*14,110*	*363*	*289*	*74*	*14,160*
14 - Equity	**0**	**4,416**	**2**	**2**	**0**	**4,414**
14a - Other assets	**0**	**2,579**	**0**	**0**	**0**	**2,579**
15 - TOTAL IRB APPROACH	4,895	203,898	2,513	2,363	149	**206,281**
16 - Central governments or central banks	**0**	**36,106**	**0**	**0**	**0**	**36,106**
17 - Regional or local authorities	**0**	**391**	**0**	**0**	**0**	**391**
18 - Public sector (public bodies excluding central governments)	**0**	**4,985**	**0**	**0**	**0**	**4,985**
19 - Multilateral development banks	**0**	**0**	**0**	**0**	**0**	**0**
20 - International organizations	**0**	**0**	**0**	**0**	**0**	**0**
21 - Credit institutions	**0**	**5,127**	**0**	**0**	**0**	**5,127**
22 - Corporates	**0**	**10,082**	**17**	**17**	**0**	**10,065**
23 - of which: SMEs	*0*	*1,005*	*5*	*5*	*0*	*1,000*
24 - Retail customers	**0**	**3,231**	**1**	**1**	**0**	**3,230**
25 - of which: SMEs	*0*	*2,319*	*0*	*0*	*0*	*2,318*
26 - Exposures secured by a mortgage on immovable property	**0**	**6,600**	**2**	**2**	**0**	**6,598**
27 - of which: SMEs	*0*	*0*	*0*	*0*	*0*	*0*
28 - Exposures in default	**487**	**20**	**142**	**142**	**0**	**365**
29 - Exposures associated with particularly high risk	**0**	**283**	**0**	**0**	**0**	**283**
30 - Covered bonds	**0**	**61**	**0**	**0**	**0**	**61**
31 - Exposures to institutions and corporates with a short-term credit assessment	**0**	**0**	**0**	**0**	**0**	**0**
32 - Exposures in the form of units or shares of collective investment undertakings (UCIs)	**0**	**0**	**0**	**0**	**0**	**0**
33 - Equity exposures	**0**	**162**	**1**	**1**	**0**	**161**
34 - Other assets	**0**	**568**	**0**	**0**	**0**	**568**
35 - TOTAL STANDARDIZED APPROACH	487	67,614	162	162	0	**67,939**
36 - TOTAL	5,382	271,513	2,675	2,526	149	**274,220**

Credit quality of exposures by industry or counterparty type - CR1-B

31.12.2017 (in € millions)	Gross exposures b Exposures in default	a Exposures not in default	c Provisions (on non-performing loans and IAS 39)	Specific provisions	Collective provisions	g Net exposures (a+b-c-d)
1 - Public administrations	9	41,502	3	3	-	**41,508**
2 - Banks and Financial institutions	16	17,860	4	4	-	**17,872**
3 - Individuals	1,704	85,131	759	680	80	**86,076**
4 - Unincorporated businesses	241	7,116	118	118	-	**7,239**
5 - Farming	111	2,782	51	51	-	**2,842**
6 - Non-profits	10	825	3	3	-	**832**
7 - Other group subsidiaries (*)	1,254	7,263	1,221	1,208	13	**7,296**
8 - Travel and leisure	231	4,601	121	119	1	**4,711**
9 - Chemicals	13	1,061	7	7	-	**1,067**
10 - Distribution	501	10,064	289	288	-	**10,276**
11 - Automotive industry	73	3,210	41	41	-	**3,242**
12 - Building and construction materials	352	10,011	146	146	-	**10,217**
13 - Industrial goods and services	258	7,556	144	143	-	**7,670**
14 - Health care	37	2,536	12	12	-	**2,561**
15 - Other financial activities	316	6,794	211	211	-	**6,899**
16 - Industrial transportation	147	5,747	64	60	4	**5,830**
17 - Household products	86	1,936	48	48	-	**1,974**
18 - Real estate development	89	3,124	63	63	-	**3,150**
19 - Other real estate (including leasing and real estate companies)	105	4,788	36	36	-	**4,857**
20 - Utilities	8	2,715	4	4	-	**2,719**
21 - Food and beverage	139	4,915	74	74	-	**4,980**
22 - Media	30	1,877	20	20	-	**1,887**
23 - Holding companies and conglomerates	186	6,977	69	58	11	**7,094**
24 - Advanced technology	32	4,530	14	14	-	**4,548**
25 - Oil and gas and commodities	166	4,284	73	73	-	**4,377**
26 - Telecommunications	51	1,093	3	3	-	**1,141**
27 - Other	(783)	13,492	(927)	(966)	39	**13,636**
28 - Equities	-	4,694	2	2	-	**4,692**
29 - Other assets	-	3,030	-	-	-	**3,030**
30 - TOTAL	5,382	271,513	2,675	2,526	149	**274,220**

Credit quality of exposures by geographical area - CR1-C

31.12.2017 (in € millions)	b	a		c	d	g
	Gross exposures					Net exposures
	Exposures in default	Exposures not in default	Provisions (on non-performing loans and IAS 39)	Specific provisions	Collective provisions	(a+b-c-d)
1 - EUROPE	**5,135**	**255,813**	**2,617**	**2,484**	**133**	**258,331**
2 - France	4,885	227,189	2,496	2,369	127	229,577
3 - Germany	20	2,815	7	7	0	2,828
4 - Belgium	13	2,007	7	7	0	2,013
5 - Spain	12	791	8	8	0	795
6 - Luxembourg	18	5,061	19	19	0	5,060
7 - Netherlands	4	1,777	1	1	0	1,780
8 - Switzerland	116	9,554	34	34	0	9,636
9 - United Kingdom	25	3,934	24	19	5	3,934
10 - Other	44	2,686	20	20	0	2,710
11 - REST OF THE WORLD	**247**	**15,700**	**58**	**42**	**16**	**15,889**
12 - United States	96	7,253	25	9	16	7,323
13 - Canada	10	292	3	3	0	299
14 - Other	141	8,155	29	29	0	8,267
15 - TOTAL	**5,382**	**271,513**	**2,675**	**2,526**	**149**	**274,220**

Aging of past-due exposures - CR1-D

31.12.2017 (in € millions)	Gross carrying value						
	Performing loans			Loans in default			
	No past due amounts or past due ≤ 30 days	> 30 days ≤ 60 days	> 60 days ≤ 90 days	Payment unlikely but no past due amounts or past due for < = 90 days	> 90 days ≤ 180 days	> 180 days ≤ 1 year	> 1 year
1 - Loans	219,499	122	236	1,189	102	77	3,846
2 - Debt securities	12,123	-	-	371	-	-	131
3 - TOTAL	**231,621**	**122**	**236**	**1,560**	**102**	**77**	**3,977**

Non-performing and forborne exposures - CR1-E

31.12.2017 (in € millions)	Gross exposures							Accumulated impairment provisions and negative fair value adjustment due to credit risk				Collateral and guarantees received	
		Of which performing but past due >30 days and ≤ 90 days	Of which performing forborne loans	Of which performing forborne loans				Of which performing loans		Of which loans in default		Of which loans in default	Of which forborne loans
					Of which loans in default	Of which loans downgraded for accounting purposes	Of which forborne loans		Of which forborne loans		Of which forborne loans		
010 - Debt securities	12,625	-	-	502	502	502	47	-	-	86	-	-	-
020 - Loans and advances	225,071	358	203	5,214	5,214	5,214	508	149	-	2,440	289	1,907	327
030 - Off-statement of financial position	49,612	-	-	224	224	-	-	-	-	92	-	56	-

Reconciliation of credit risk adjustments

Changes in the stock of general and specific credit risk adjustments - CR2-A

31.12.2017 (in € millions)	Accumulated specific credit risk adjustments	Accumulated general credit risk adjustments
1 - OPENING BALANCE	**(2,593)**	**(155)**
2 - Increase for the period	(575)	(44)
3 - Decrease for the period	367	(48)
4 - Decreases due to the derecognition of assets	257	-
5 - Transfers between credit risk adjustments	(0)	-
6 - Exchange rate differences	-	-
7 - Business combinations, including acquisitions and disposals of subsidiaries	-	-
8 - Other	18	3
9 - CLOSING BALANCE	**(2,526)**	**(149)**
10 - Recoveries on assets previously written off	23	-
11 - Amounts written off	(301)	-

Standardized approach

The group uses the rating agencies' assessments to measure sovereign risk on exposures linked to central governments and central banks. The cross-reference table used to link the credit quality steps to the external ratings taken into consideration is that defined in the regulations.

Breakdown of exposures under the standardized approach - CR5

31.12.2017 (in € millions) Exposure classes	Risk weight										
	0%	10%	20%	35%	50%	75%	100%	150%	250%	Total	Of which unrated
1 - Central governments or central banks	34,734	-	134	-	13	-	37	-	-	34,917	-
2 - Regional or local authorities	-	-	394	-	-	-	-	-	-	394	-
3 - Public sector (public bodies excluding central governments)	6,164	-	20	-	-	-	-	-	-	6,183	-
4 - Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
5 - International organizations	2	-	-	-	-	-	-	-	-	2	-
6 - Credit institutions	4,513	-	618	-	1	-	-	-	-	5,132	-
7 - Corporates	-	-	430	-	1,169	-	7,341	-	-	8,940	-
8 - Retail customers	-	-	-	-	-	2,390	-	-	-	2,390	-
9 - Exposures secured by a mortgage on immovable property	-	-	-	4,303	1,204	-	797	-	-	6,304	-
10 - Exposures in default	2	-	-	-	-	-	54	287	-	343	-
11 - Exposures associated with particularly high risk	-	-	-	-	-	-	-	265	-	265	-
12 - *Covered bonds*	-	61	-	-	-	-	-	-	-	61	-
13 - Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-
14 - Exposures in the form of units or shares of collective investment undertakings (UCIs)	-	-	-	-	-	-	-	-	-	-	-
15 - Equity exposures	-	-	-	-	-	-	158	-	3	161	-
16 - Other assets	-	-	-	-	-	-	568	-	-	568	-
17 - TOTAL	**45,414**	**61**	**1,595**	**4,303**	**2,386**	**2,390**	**8,955**	**551**	**3**	**65,658**	**-**

Exposure to central governments and central banks is almost exclusively weighted at 0%. The capital requirements associated with this portfolio are evidence that the group's sovereign risk is limited to high-quality counterparties.

Internal rating system

Rating procedures 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.

Confédération Nationale du Crédit Mutuel is responsible for defining the rating methodologies for all portfolios. Nevertheless, the regional entities are directly involved in carrying out and approving working parties' assignments on specific subjects and the work related to data quality and applications acceptance tests. Therefore, in carrying out the accreditation work, the subsidiaries draw support from the expertise of the entity concerned, the staff employed by their parent company (risk and finance) and the Confédération Nationale staff. The counterparty rating system is common to the entire group.

Probability of default (PD) is the likelihood that a counterparty of the bank will default within a one-year period. The group's counterparties eligible for internal approaches are rated by a single system which is based on:
- statistical algorithms or "mass ratings" reliant on one or more models based on a selection of variables that are representative and predictive of risk;
- rating grids developed by experts.

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

In the so-called "mass" *corporate* (turnover lower than €500 million) and *retail* scopes, following the internal rating process, each borrower is allocated a rating. B ased on this rating as well as other characteristics, performing borrowers are grouped into homogeneous risk classes, prior to the process of measuring the regulatory parameter, PD (probability of default). The grouping analyses are carried out on the segments defined for the purposes of modeling the algorithms. A risk class' probabilities of default are then estimated on the basis of the historical default rates noted on the exposures belonging to this class, based on a record of more than ten years of observations. Prudence margins are taken into account so as to factor in the uncertainty of estimates.

In the other scopes, too few defaults are available to ensure the relevance and reliability of statistical estimates. The probabilities of default associated with the internal ratings are calibrated on the basis of external data.

Loss Given Default is the ratio of the loss on an exposure in the event of a counterparty default to the amount of exposure at the time of default, including also additional drawdowns made after the transfer to non-performing.

Internal models for estimating LGD have been developed by the group and approved for the *corporate* and *retail* bank exposure classes.

In the "mass" *corporate* and *retail* scopes, LGD is calculated separately for each class, the classes being defined according to the type of loan and nature of the collateral. LDG is estimated based on the updated monthly collections observed for each class.

Prudence margins are taken into account so as to factor in the uncertainty of estimates and the *downturn* nature of LGD. The calculations are based on an internal record of defaults and losses covering more than ten years.

In the other scopes, for which there are too few defaults to ensure the relevance and reliability of statistical estimates, LGDs are estimated on the basis of quantitative information provided by experts, *benchmarks* and external data and a conservative approach (the *downturn* effect is taken into account).

The conversion factor (CCF) corresponds to the ratio of the portion currently undrawn of a credit line that could be drawn and would therefore be exposed in the event of default and the portion of said credit currently undrawn.

In the case of the *corporate* and retail customer portfolios, the Crédit Mutuel group calculates the conversion factors (CCF) in accordance with an internal method approved for financing commitments. In the case of guarantee commitments and the bank exposure class, regulatory values (standardized approach) are applied.

In the *corporate* and *retail* scopes, the internal CCFs are estimated based on average historical CCFs weighted by the number of contracts, using a product-focused segmentation. They are calibrated on the basis of internal data.

The parameters used to calculate weighted risks are national and apply to all group entities.

Model mapping

Modeled parameter	Exposure category	Portfolios	Number of models	Methodology
PD	**Credit institutions**	Financial institutions	2 models: Banks and *Covered Bonds*	Expert-type models based on grids comprising qualitative and quantitative variables
	Corporates	Large corporates (revenue > €500 million)	6 models according to the type of counterparty and sector	Expert-type models based on grids comprising qualitative and quantitative variables
		"Mass" corporates (revenue < €500 million)	3 models	Quantitative-type models with expert qualitative grids
		Acquisition finance , large corporates	1 model	Expert-type model based on a grid comprising qualitative and quantitative variables
		Acquisition finance *Corporates*	1 model	Quantitative-type models combined with expert qualitative grids
		Specialized financing	SF - assets: 6 models according to the type of asset SF - projects: 4 models according to the sector SF: real estate: 1 model	Expert-type models based on grids comprising qualitative and quantitative variables
		Other *corporates*	2 models: Real estate companies and insurance companies	Expert-type models based on grids comprising qualitative and quantitative variables
	Retail	Retail	6 models according to the type of loan (mortgage loan, overdraft, etc.)	Quantitative-type models
		Corporate bodies	4 models according to the type of customer	Quantitative-type models
		Unincorporated businesses	3 models according to the type of profession (retailers, artisans, etc.)	Quantitative-type models
		Farming	6 models according to the type of account and the type of activity (cyclical or not)	Quantitative-type models
		Farming	1 model	Quantitative-type models
		non-trading real estate companies	1 model	Quantitative-type models
LGD	**Credit institutions**	Financial institutions	1 model, with sector parameters	Expert-type model depending on the counterparty and the contract, based on quantitative and qualitative information
	Corporates	Large corporates, Acquisition finance, Real estate companies and Insurance companies	1 model applied to 8 segments according to the type of loan and the nature of the collateral	Expert-type model depending on the counterparty and the contract, based on quantitative and qualitative information
		"Mass" corporates	1 model applied to 10 segments according to the type of loan and the nature of the collateral	Qualitative-type models based on internal collection flows
	Retail		1 model applied to 10 segments according to the type of loan and the nature of the collateral	Qualitative-type models based on internal collection flows
CCF	**Corporates**	*"Mass"* corporates	1 model applied to 4 segments according to the type of loan	Quantitative model, CCFs calibrated using internal data
	Retail		1 model applied to 8 segments according to the type of loan	Quantitative model, CCFs calibrated using internal data

IRB approach - Credit risk exposures by exposure class and PD range - CR6

31.12.2017 (in € millions)	PD scale	Original on-balance sheet gross exposures	Off-balance sheet exposures pre-CCF	Average CCF	EAD post-CRM and post-CCF
Central governments and central banks					
	SUB-TOTAL	-	-	-	-
Credit institutions					
	0.00 to <0.15	10,336	1,203	37%	11,574
	0.15 to <0.25	324	192	48%	467
	0.25 to <0.50	77	129	51%	143
	0.50 to <0.75	-	-	-	-
	0.75 to <2.50	143	93	39%	180
	2.50 to <10.00	112	52	32%	82
	10.00 to <100.00	1	12	30%	4
	100.00 (default)	16	-	-	16
	SUB-TOTAL	11,007	1,681	39%	12,465
Corporates					
	0.00 to <0.15	4,141	7,874	51%	8,120
	0.15 to <0.25	94	4	-	-
	0.25 to <0.50	7,698	10,797	45%	12,211
	0.50 to <0.75	5,250	1,140	46%	5,774
	0.75 to <2.50	16,697	6,839	47%	19,621
	2.50 to <10.00	6,045	1,781	52%	6,911
	10.00 to <100.00	1,159	388	46%	1,182
	100.00 (default)	1,331	185	69%	1,459
	SUB-TOTAL	42,415	29,009	48%	55,278
Of which specialized financing					
	SUB-TOTAL	-	-	-	-
Of which SMEs					
	0.00 to <0.15	-	-	-	-
	0.15 to <0.25	-	-	-	-
	0.25 to <0.50	2,267	424	46%	2,460
	0.50 to <0.75	3,175	494	48%	3,409
	0.75 to <2.50	6,631	991	47%	7,097
	2.50 to <10.00	2,043	246	47%	2,158
	10.00 to <100.00	419	61	43%	445
	100.00 (default)	650	71	87%	712
	SUB-TOTAL	15,184	2,288	48%	16,282

Average PD	Average LGD	Average maturity (in number of years)	Risk-weighted assets (RWA)	RWA density	Expected loss (EL)	Value adjustments and provisions
0.00%	0%	-	-	-	-	-
0.05%	39%	2.5	2,395	21%	3	-
0.23%	31%	2.5	216	46%	-	-
0.42%	39%	2.5	111	78%	-	-
0.00%	0%	-	-	-	-	-
1.07%	46%	2.5	233	129%	1	-
2.79%	43%	2.5	128	157%	1	-
21.61%	46%	2.5	13	294%	-	-
100.00%	45%	2.5	-	-	4	4
0.23%	39%	2.5	3,096	25%	10	4
0.10%	30%	2.5	1,701	21%	2	-
0.00%	0%	-	-	-	-	-
0.35%	25%	2.5	4,209	34%	11	-
0.56%	21%	2.5	1,875	32%	7	-
1.33%	25%	2.5	10,923	56%	65	-
4.70%	29%	2.5	6,473	94%	90	1
17.27%	27%	2.5	1,618	137%	55	85
100.00%	61%	2.5	767	53%	809	734
4.22%	27%	2.5	27,564	50%	1,038	820
0.00%	0%	-	-	-	-	-
0.00%	0%	-	-	-	-	-
0.00%	0%	-	-	-	-	-
0.34%	20%	2.5	597	24%	2	-
0.55%	20%	2.5	1,007	30%	4	-
1.33%	21%	2.5	2,893	41%	20	-
4.91%	21%	2.5	1,347	62%	23	-
18.18%	21%	2.5	406	91%	17	-
100.00%	65%	2.5	509	71%	424	354
6.27%	23%	2.5	6,758	42%	488	354

IRB approach - Credit risk exposures by exposure class and PD range - CR6 (contd)

31.12.2017 (in € millions)	PD scale	Original on-balance sheet gross exposures	Off-balance sheet exposures pre-CCF	Average CCF	EAD post-CRM and post-CCF
Retail customers					
	0.00 to <0.15	28,583	3,085	36%	29,699
	0.15 to <0.25	11,854	1,299	37%	12,341
	0.25 to <0.50	22,918	2,390	39%	23,850
	0.50 to <0.75	-	-	-	-
	0.75 to <2.50	18,338	2,709	36%	19,315
	2.50 to <10.00	10,638	1,897	39%	11,380
	10.00 to <100.00	3,027	182	36%	3,092
	100.00 (default)	3,124	81	87%	3,195
	SUB-TOTAL	98,482	11,643	38%	102,872
Of which exposures secured by a mortgage on immovable property					
	0.00 to <0.15	24,682	745	42%	24,996
	0.15 to <0.25	9,509	267	42%	9,621
	0.25 to <0.50	16,900	394	43%	17,069
	0.50 to <0.75	-	-	-	-
	0.75 to <2.50	10,126	274	43%	10,243
	2.50 to <10.00	5,617	223	43%	5,713
	10.00 to <100.00	1,772	20	43%	1,780
	100.00 (default)	1,494	4	42%	1,495
	SUB-TOTAL	70,100	1,928	42%	70,918
Of which SMEs					
	0.00 to <0.15	-	-	-	-
	0.15 to <0.25	548	18	42%	555
	0.25 to <0.50	5,041	96	44%	5,083
	0.50 to <0.75	-	-	-	-
	0.75 to <2.50	2,515	79	44%	2,549
	2.50 to <10.00	1,751	57	45%	1,776
	10.00 to <100.00	689	9	44%	693
	100.00 (default)	423	1	44%	423
	SUB-TOTAL	10,967	260	44%	11,081

	Average PD	Average LGD	Average maturity (in number of years)	Risk-weighted assets (RWA)	RWA density	Expected loss (EL)	Value adjustments and provisions
	0.06%	14%	-	703	2%	3	-
	0.18%	15%	-	655	5%	3	-
	0.38%	16%	-	2,261	9%	15	-
	0.00%	0%	-	-	-	-	-
	1.36%	17%	-	3,856	20%	47	-
	5.43%	18%	-	4,135	36%	113	-
	20.95%	18%	-	1,968	64%	117	80
	100.00%	47%	-	775	24%	1,429	1,563
	4.72%	**17%**	**-**	**14,352**	**14%**	**1,727**	**1,643**
	0.06%	14%	-	581	2%	2	-
	0.18%	14%	-	502	5%	2	-
	0.37%	15%	-	1,603	9%	10	-
	0.00%	0%	-	-	-	-	-
	1.27%	15%	-	2,155	21%	20	-
	4.73%	15%	-	2,633	46%	41	-
	19.44%	16%	-	1,407	79%	53	-
	100.00%	39%	-	419	28%	543	487
	3.30%	**15%**	**-**	**9,300**	**13%**	**671**	**487**
	0.00%	0%	-	-	-	-	-
	0.15%	14%	-	21	4%	-	-
	0.38%	17%	-	447	9%	3	-
	0.00%	0%	-	-	-	-	-
	1.47%	17%	-	566	22%	7	-
	4.99%	17%	-	796	45%	15	-
	18.84%	17%	-	494	71%	22	-
	100.00%	42%	-	113	27%	168	144
	6.32%	**18%**	**-**	**2,436**	**22%**	**215**	**144**

IRB approach - Credit risk exposures by exposure class and PD range - CR6 (contd)

31.12.2017 (in € millions)	PD scale	Original on-balance sheet gross exposures	Off-balance sheet exposures pre-CCF	Average CCF	EAD post-CRM and post-CCF
Of which non-SMEs					
	0.00 to <0.15	24,682	745	42%	24,996
	0.15 to <0.25	8,961	249	42%	9,066
	0.25 to <0.50	11,859	298	43%	11,986
	0.50 to <0.75	-	-	-	-
	0.75 to <2.50	7,611	195	42%	7,694
	2.50 to <10.00	3,866	167	42%	3,937
	10.00 to <100.00	1,082	11	42%	1,087
	100.00 (default)	1,071	3	42%	1,072
	SUB-TOTAL	59,133	1,667	42%	59,837
Of which revolving					
	0.00 to <0.15	738	1,487	20%	1,037
	0.15 to <0.25	401	528	20%	507
	0.25 to <0.50	505	532	20%	612
	0.50 to <0.75	-	-	-	-
	0.75 to <2.50	601	453	20%	692
	2.50 to <10.00	301	160	20%	334
	10.00 to <100.00	77	20	20%	81
	100.00 (default)	61	1	20%	61
	SUB-TOTAL	2,684	3,183	20%	3,324
Of which other - retail customers					
	0.00 to <0.15	3,162	853	59%	3,666
	0.15 to <0.25	1,944	505	53%	2,213
	0.25 to <0.50	5,513	1,463	45%	6,169
	0.50 to <0.75	-	-	-	-
	0.75 to <2.50	7,612	1,981	39%	8,380
	2.50 to <10.00	4,720	1,513	41%	5,333
	10.00 to <100.00	1,178	142	37%	1,230
	100.00 (default)	1,569	76	91%	1,638
	SUB-TOTAL	25,698	6,533	45%	28,630

	Average PD	Average LGD	Average maturity (in number of years)	Risk-weighted assets (RWA)	RWA density	Expected loss (EL)	Value adjustments and provisions
	0.06%	14%	-	581	2%	2	-
	0.18%	14%	-	482	5%	2	-
	0.37%	14%	-	1,156	10%	6	-
	0.00%	0%	-	-	-	-	-
	1.20%	14%	-	1,589	21%	13	-
	4.61%	14%	-	1,837	47%	26	-
	19.82%	15%	-	913	84%	31	-
	100.00%	37%	-	307	29%	375	343
	2.74%	**14%**	**-**	**6,864**	**11%**	**456**	**343**
	0.07%	33%	-	17	2%	-	-
	0.19%	33%	-	18	4%	-	-
	0.43%	33%	-	43	7%	1	-
	0.00%	0%	-	-	-	-	-
	1.49%	33%	-	123	18%	3	-
	5.35%	33%	-	145	43%	6	-
	19.76%	33%	-	74	91%	5	-
	100.00%	55%	-	13	20%	33	52
	3.31%	**33%**	**-**	**432**	**13%**	**49**	**52**
	0.07%	15%	-	106	3%	-	-
	0.18%	16%	-	135	6%	1	-
	0.38%	18%	-	616	10%	4	-
	0.00%	0%	-	-	-	-	-
	1.46%	19%	-	1,577	19%	24	-
	6.19%	20%	-	1,358	25%	66	-
	23.22%	20%	-	487	40%	58	79
	100.00%	54%	-	343	21%	854	1,024
	8.40%	**20%**	**-**	**4,621**	**16%**	**1,007**	**1,103**

IRB approach - Credit risk exposures by exposure class and PD range - CR6 (contd)

31.12.2017 (in € millions)	PD scale	Original on-balance sheet gross exposures	Off-balance sheet exposures pre-CCF	Average CCF	EAD post-CRM and post-CCF
Of which SMEs					
	0.00 to <0.15	-	-	-	-
	0.15 to <0.25	372	95	35%	405
	0.25 to <0.50	2,757	683	30%	2,965
	0.50 to <0.75	-	-	-	-
	0.75 to <2.50	5,691	1,354	30%	6,094
	2.50 to <10.00	3,907	781	34%	4,170
	10.00 to <100.00	917	117	31%	953
	100.00 (default)	1,191	66	91%	1,252
	SUB-TOTAL	14,836	3,096	32%	15,838
Of which non-SMEs					
	0.00 to <0.15	3,246	856	59%	3,666
	0.15 to <0.25	1,622	410	58%	1,808
	0.25 to <0.50	2,789	781	57%	3,204
	0.50 to <0.75	-	-	-	-
	0.75 to <2.50	1,939	629	58%	2,286
	2.50 to <10.00	819	733	48%	1,163
	10.00 to <100.00	262	25	64%	277
	100.00 (default)	378	10	88%	386
	SUB-TOTAL	11,053	3,444	56%	12,791
Equities					
	SUB-TOTAL	-	-	-	-
TOTAL		152,096	42,340	45%	170,615

Average PD	Average LGD	Average maturity (in number of years)	Risk-weighted assets (RWA)	RWA density	Expected loss (EL)	Value adjustments and provisions
0.00%	0%	-	-	-	-	-
0.15%	20%	-	21	5%	-	-
0.38%	19%	-	282	10%	2	-
0.00%	0%	-	-	-	-	-
1.48%	20%	-	1,121	18%	18	-
6.48%	21%	-	1,065	26%	56	-
24.33%	21%	-	371	39%	48	1
100.00%	54%	-	264	21%	649	765
11.72%	23%	-	3,124	20%	774	766
0.07%	15%	-	106	3%	-	-
0.18%	16%	-	113	6%	1	-
0.38%	16%	-	334	10%	2	-
0.00%	0%	-	-	-	-	-
1.41%	17%	-	456	20%	5	-
5.13%	16%	-	293	25%	10	-
19.43%	18%	-	115	42%	10	79
100.00%	55%	-	80	21%	205	259
4.30%	17%	-	1,496	12%	233	337
0.00%	0%	-	-	-	-	-
4.23%	22%	2.5	45,012	26%	2,774	2,466

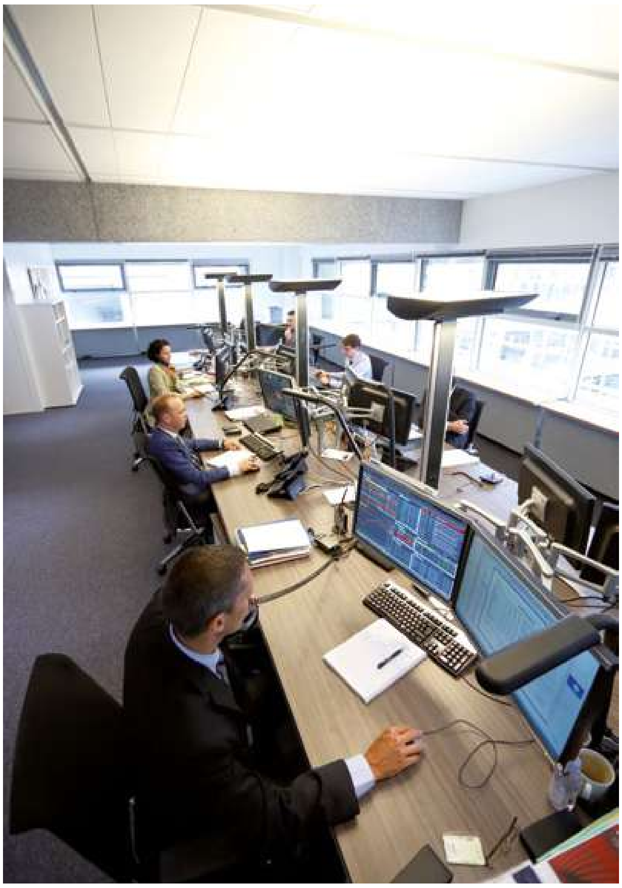
Backtesting

The quality of the ratings system is monitored using national procedures which specify the topics to be reviewed, the warning thresholds and responsibilities of the personnel involved. These documents are updated by the Confédération Nationale du Crédit Mutuel risk department as often as is necessary based on the decisions ratified.

Reporting of the monitoring of the mass rating models focuses on three main aspects: stability assessment, performance assessment and various additional analyses. This *reporting* is drawn up in respect of each mass rating model on a quarterly basis and supplemented by monitoring work and annual and half-yearly checks, which are more detailed (all of the elements making up each of the models are analyzed).

As regards the expert grids, the system comprises comprehensive annual monitoring based on the carrying out of performance tests (analysis of rating concentrations, of transition matrices and of consistency with the external rating system).

The annual monitoring of default probabilities is carried out prior to any new estimate of the regulatory parameter. Depending on the portfolio, this monitoring is supplemented by intermediate monitoring, carried out on a half-yearly basis.



The procedures for monitoring LGD and CCFs are implemented on an annual basis, their main objective being to validate, at the level of each segment, the values used by these parameters. In the case of loss given default, this validation is carried out mainly by verifying the strength of the prudence margin calculation methods and by reconciling the LGD estimators with the most recent data and actual figures. As regards the CCF, it is validated by reconciling the estimators with the most recent CCFs observed.
Since monitoring of the parameters is the subject of a national procedure, the quantitative elements relating to the backtesting of the parameters and to the change in the risk-weighted assets (RWA) in the context of the internal ratings-based approach are presented in the confederal Pillar 3 report.

Permanent and periodic control

The Crédit Mutuel group's Basel II permanent control plan comprises two levels. At national level, permanent control is involved on the one hand in validating new models and significant adjustments made to existing models and, on the other hand, in the ongoing monitoring of the internal ratings system (and, in particular, its parameters). At regional level, permanent control provides a guidance, coordination and standardization role for the entire Crédit Mutuel group control function, covering the controls relating to the overall suitability of the internal rating system, the operational aspects related to the production and calculation of ratings, the credit risk management procedures directly related to the internal rating system and the quality of the data.
As regards periodic control, the Crédit Mutuel group's audit unit carries out an annual review of the internal rating system. A framework procedure defines the type of assignments to be carried out on an ongoing basis on the Basel II procedures as well as the breakdown of responsibilities between the regional and national audit units.

Additional quantitative information

The risk-weighted assets of equity exposures are obtained using the simple risk-weighted approach, which involves applying specific risk weighting to the carrying amounts of the exposures.
The risk-weighted assets of "specialized financing" exposures are obtained using the *slotting criteria* method.

Risk-weighted assets (RWA) flow statement of credit risk exposures under the internal ratings-based approach (CR8)
Since monitoring of the parameters is the subject of a national procedure, the quantitative elements relating to the change in the RWAs in the context of the internal ratings-based approach are presented in the confederal Pillar 3 report.

Internal ratings-based approach - backtesting of probability of default by exposure class (CR9)
Since monitoring of the parameters is the subject of a national procedure, the quantitative elements relating to the a posteriori controls of the internal ratings-based approach parameters are presented in the confederal Pillar 3 report.

Internal ratings-based approach: Specialized financing and equities - RC10

31.12.2017 (in € millions) **Regulatory categories**	Specialized financing at December 31, 2017						
	Remaining maturity	**On-balance sheet amount**	**Off-balance sheet amount**	**Risk weight**	**Exposure amount**	**Risk-weighted assets (RWA)**	**Expected losses**
Category 1	Less than 2.5 years	441	184	50%	592	296	-
	Equal to or more than 2.5 years	4,025	331	70%	4,273	2,991	17
Category 2	Less than 2.5 years	77	67	70%	127	89	1
	Equal to or more than 2.5 years	1,144	316	90%	1,381	1,243	11
Category 3	Less than 2.5 years	35	83	115%	97	111	3
	Equal to or more than 2.5 years	410	47	115%	444	511	12
Category 4	Less than 2.5 years	-	11	250%	11	27	1
	Equal to or more than 2.5 years	32	-	250%	32	81	3
Category 5	Less than 2.5 years	26	3	-	31	-	16
	Equal to or more than 2.5 years	85	-	-	101	-	51
TOTAL	**Less than 2.5 years**	**579**	**348**		**858**	**523**	**20**
	Equal to or more than 2.5 years	**5,697**	**694**		**6,232**	**4,826**	**94**

31.12.2017 (in € millions) **Categories**	Equities under the simple risk weight approach at December 31, 2017					
	On-balance sheet amount	**Off-balance sheet amount**	**Weighting**	**Exposure amount**	**Risk-weighted assets (RWA)**	**Capital requirements**
Private equity exposures	2,125	-	190%	2,125	4,038	323
Exchange-traded equity exposures	35	-	290%	35	101	8
Other equity exposures	2,370	-	355%	2,372	8,422	674
TOTAL	**4,531**	**-**		**4,532**	**12,561**	**1,005**

Exposures under the standardized approach were €161 million at December 31, 2017.

Counterparty risk

Exposures

Analysis of the counterparty risk (CCR) exposure by approach - CCR1

31.12.2017 (in € millions)	**Notionals**	**Replacement cost/current market value**	**Potential future credit exposure**	**Effective expected positive exposure (EEPE)**	**Multiplier**	**EAD post-CRM**	**RWAs**
1 - Mark to Market		1,560	1,511			2,533	1,460
2 - Original exposure							
3 - Standardized approach							
4 - Internal Model Method (IMM) (for derivatives and SFTs*)							
5 - Of which securities financing transactions							
6 - Of which derivatives and long settlement transactions							
7 - Of which from contractual cross-product netting							
8 - Financial collateral simple method (for SFTs)							
9 - Financial collateral comprehensive method (for SFTs)						7,915	13
10 - VaR for SFTs							
11 - TOTAL							

* *Securities financing transactions*

CVA capital charge - CCR2

31.12.2017 (in € millions)	Exposure amount	RWAs*
1 - Total portfolios subject to the advanced method	0	0
2 - i) – VaR component (including the 3× multiplier)		0
3 - ii) Stressed VaR component (including the 3× multiplier)		0
4 - Total portfolios subject to the standardized method	939	293
EU4 - Total based on the original exposure method	0	0
5 - Total portfolios subject to the CVA capital charge	939	293

** Risk weighted assets.*

Standardized approach – CCR exposures by regulatory portfolio and risk - CCR3

31.12.2017 (in € millions)	Risk weight							
Exposure classes	0%	2%	20%	50%	75%	100%	Total	Of which unrated
1 - Central governments or central banks	-	-	-	6	-	-	6	-
2 - Regional or local authorities	10	-	-	-	-	4	14	-
3 - Public sector (public bodies excluding central governments)	2	-	-	-	-	3	5	-
4 - Multilateral development banks	-	-	-	-	-	-	-	-
5 - International organizations	-	-	-	-	-	-	-	-
6 - Credit institutions	510	533	43	-	-	-	1,086	-
7 - Corporates	-	1	-	-	-	227	228	-
8 - Retail customers	-	-	-	-	1	-	1	-
9 - Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-
10 - Other assets	-	-	-	-	-	-	-	-
11 - TOTAL	522	534	43	6	1	234	1,340	-

IRB approach - CCR exposures by portfolio and PD scale - CCR4

31.12.2017 (in € millions)	PD scale	EAD post-CRM*	Average PD	Average LGD	Average maturity in years	Risk-weighted assets (RWA)	RWA density
Central governments and central banks							
	0.00 to <0.15	-	-	-	-	-	-
	0.15 to <0.25	-	-	-	-	-	-
	0.25 to <0.50	-	-	-	-	-	-
	0.50 to <0.75	-	-	-	-	-	-
	0.75 to <2.50	-	-	-	-	-	-
	2.50 to <10.00	-	-	-	-	-	-
	10.00 to <100.00	-	-	-	-	-	-
	100.00 (default)	-	-	-	-	-	-
	Sub-total	**-**	**-**	**-**	**-**	**-**	**-**
Credit institutions							
	0.00 to <0.15	5,587	0.06%	31%	1.8	191	3%
	0.15 to <0.25	1,461	0.23%	24%	1.9	57	4%
	0.25 to <0.50	2	0.44%	38%	2.0	-	14%
	0.50 to <0.75	-	-	-	-	-	-
	0.75 to <2.50	-	1.02%	45%	2.5	-	126%
	2.50 to <10.00	1	2.79%	45%	2.5	2	164%
	10.00 to <100.00	-	-	-	-	-	-
	100.00 (default)	-	-	-	-	-	-
	Sub-total	**7,053**	**0.08%**	**30%**	**1.8**	**250**	**4%**
Corporates							
	0.00 to <0.15	1,183	0.08%	35%	2.5	64	5%
	0.15 to <0.25	-	-	-	-	-	-
	0.25 to <0.50	319	0.36%	39%	2.5	172	54%
	0.50 to <0.75	84	0.58%	45%	2.5	54	64%
	0.75 to <2.50	493	1.35%	44%	2.5	280	57%
	2.50 to <10.00	86	4.81%	42%	2.5	126	147%
	10.00 to <100.00	38	16.60%	48%	2.5	97	254%
	100.00 (default)	5	100.00%	45%	2.5	-	-
	Sub-total	**2,207**	**1.95%**	**40%**	**2.5**	**794**	**36%**
Of which: Specialized financing							
	0.00 to <0.15	-	-	-	-	-	-
	0.15 to <0.25	-	-	-	-	-	-
	0.25 to <0.50	-	-	-	-	-	-
	0.50 to <0.75	-	-	-	-	-	-
	0.75 to <2.50	-	-	-	-	-	-
	2.50 to <10.00	-	-	-	-	-	-
	10.00 to <100.00	-	-	-	-	-	-
	100.00 (default)	-	-	-	-	-	-
	Sub-total	**-**	**-**	**-**	**-**	**-**	**-**

IRB approach - CCR exposures by portfolio and PD scale - CCR4 (contd)

31.12.2017 (in € millions)	PD scale	EAD post-CRM*	Average PD	Average LGD	Average maturity in years	Risk-weighted assets (RWA)	RWA density
Of which: SMEs							
	0.00 to <0.15	-	-	-	-	-	-
	0.15 to <0.25	-	-	-	-	-	-
	0.25 to <0.50	-	-	-	-	-	-
	0.50 to <0.75	-	-	-	-	-	-
	0.75 to <2.50	-	-	-	-	-	-
	2.50 to <10.00	-	-	-	-	-	-
	10.00 to <100.00	-	-	-	-	-	-
	100.00 (default)	-	-	-	-	-	-
	Sub-total	-	-	-	-	-	-
Retail customers							
	0.00 to <0.15	4	0.08%	45%	-	-	3%
	0.15 to <0.25	3	0.20%	45%	-	-	6%
	0.25 to <0.50	2	0.47%	45%	-	-	10%
	0.50 to <0.75	-	-	-	-	-	-
	0.75 to <2.50	1	2.03%	45%	-	-	19%
	2.50 to <10.00	-	5.48%	45%	-	-	26%
	10.00 to <100.00	-	15.52%	38%	-	-	32%
	100.00 (default)	-	-	-	-	-	-
	Sub-total	11	0.47%	45%	-	1	7%
Of which: Exposures secured by a mortgage on immovable property							
	0.00 to <0.15	-	-	-	-	-	-
	0.15 to <0.25	-	-	-	-	-	-
	0.25 to <0.50	-	-	-	-	-	-
	0.50 to <0.75	-	-	-	-	-	-
	0.75 to <2.50	-	-	-	-	-	-
	2.50 to <10.00	-	-	-	-	-	-
	10.00 to <100.00	-	-	-	-	-	-
	100.00 (default)	-	-	-	-	-	-
	Sub-total	-	-	-	-	-	-
Of which: SMEs							
	0.00 to <0.15	-	-	-	-	-	-
	0.15 to <0.25	-	-	-	-	-	-
	0.25 to <0.50	-	-	-	-	-	-
	0.50 to <0.75	-	-	-	-	-	-
	0.75 to <2.50	-	-	-	-	-	-
	2.50 to <10.00	-	-	-	-	-	-
	10.00 to <100.00	-	-	-	-	-	-
	100.00 (default)	-	-	-	-	-	-
	Sub-total	-	-	-	-	-	-

IRB approach - CCR exposures by portfolio and PD scale - CCR4 (contd)

31.12.2017 (in € millions)	PD scale	EAD post-CRM*	Average PD	Average LGD	Average maturity in years	Risk-weighted assets (RWA)	RWA density
Of which: Non-SMEs							
	0.00 to <0.15	-	-	-	-	-	-
	0.15 to <0.25	-	-	-	-	-	-
	0.25 to <0.50	-	-	-	-	-	-
	0.50 to <0.75	-	-	-	-	-	-
	0.75 to <2.50	-	-	-	-	-	-
	2.50 to <10.00	-	-	-	-	-	-
	10.00 to <100.00	-	-	-	-	-	-
	100.00 (default)	-	-	-	-	-	-
	Sub-total	-	-	-	-	-	-
Of which: Revolving							
	0.00 to <0.15	-	-	-	-	-	-
	0.15 to <0.25	-	-	-	-	-	-
	0.25 to <0.50	-	-	-	-	-	-
	0.50 to <0.75	-	-	-	-	-	-
	0.75 to <2.50	-	-	-	-	-	-
	2.50 to <10.00	-	-	-	-	-	-
	10.00 to <100.00	-	-	-	-	-	-
	100.00 (default)	-	-	-	-	-	-
	Sub-total	-	-	-	-	-	-
Of which: Other - retail customers							
	0.00 to <0.15	*4*	*0.08%*	*45%*	-	-	*3%*
	0.15 to <0.25	*3*	*0.20%*	*45%*	-	-	*6%*
	0.25 to <0.50	*2*	*0.47%*	*45%*	-	-	*10%*
	0.50 to <0.75	-	-	-	-	-	-
	0.75 to <2.50	*1*	*2.03%*	*45%*	-	-	*19%*
	2.50 to <10.00	-	*5.48%*	*45%*	-	-	*26%*
	10.00 to <100.00	-	*15.52%*	*38%*	-	-	*32%*
	100.00 (default)	-	-	-	-	-	-
	Sub-total	***11***	***0.47%***	***45%***	-	***1***	***7%***
Of which: SMEs							
	0.00 to <0.15	-	-	-	-	-	-
	0.15 to <0.25	-	-	-	-	-	-
	0.25 to <0.50	-	-	-	-	-	-
	0.50 to <0.75	-	-	-	-	-	-
	0.75 to <2.50	-	-	-	-	-	-
	2.50 to <10.00	-	*7.48%*	*45%*	-	-	*57%*
	10.00 to <100.00	-	-	-	-	-	-
	100.00 (default)	-	-	-	-	-	-
	Sub-total	-	***7.48%***	***45%***	-	-	***57%***

IRB approach - CCR exposure by portfolio and PD scale - CCR4 (contd)

31.12.2017 (in € millions)	PD scale	EAD post-CRM*	Average PD	Average LGD	Average maturity in years	Risk-weighted assets (RWA)	RWA density
Of which: Non-SMEs							
	0.00 to <0.15	*4*	*0.08%*	*45%*	*-*	*-*	*3%*
	0.15 to <0.25	*3*	*0.20%*	*45%*	*-*	*-*	*6%*
	0.25 to <0.50	*2*	*0.47%*	*45%*	*-*	*-*	*10%*
	0.50 to <0.75	*-*	*-*	*-*	*-*	*-*	*-*
	0.75 to <2.50	*1*	*2.03%*	*45%*	*-*	*-*	*19%*
	2.50 to <10.00	*-*	*5.23%*	*45%*	*-*	*-*	*22%*
	10.00 to <100.00	*-*	*15.52%*	*38%*	*-*	*-*	*32%*
	100.00 (default)	*-*	*-*	*-*	*-*	*-*	*-*
	Sub-total	*11*	*0.47%*	*45%*	*-*	*1*	*7%*
Equities							
	0.00 to <0.15	-	-	-	-	-	-
	0.15 to <0.25	-	-	-	-	-	-
	0.25 to <0.50	-	-	-	-	-	-
	0.50 to <0.75	-	-	-	-	-	-
	0.75 to <2.50	-	-	-	-	-	-
	2.50 to <10.00	-	-	-	-	-	-
	10.00 to <100.00	-	-	-	-	-	-
	100.00 (default)	-	-	-	-	-	-
	Sub-total	-	-	-	-	-	-
TOTAL		**9,270**	**0.32%**	**12%**	**2.5**	**1,044**	**11%**

Credit derivatives exposures - CCR6

31.12.2017 (in € millions)	Credit derivatives 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			
CDO	-	-	
Other credit derivatives			
TOTAL NOTIONALS	**7,315**	**5,680**	
Fair values			
Positive fair value (asset)	-	131	-
Negative fair value (liability)	147	15	-

Risk-weighted assets (RWA) flow statement of counterparty credit risk exposures under the IMM (CCR7)

Since monitoring of the parameters is the subject of a national procedure, the quantitative elements relating to a posteriori control of the parameters and to the change in the RWA in the context of the internal ratings-based approach are presented in the confederal Pillar 3 report.

Exposures to central counterparties - RCC8

31.12.2017 (in € millions)	**Exposure amount**	**RWAs***
Exposures to QCCPs (total*)		
Exposures for trades at Qualifying Central Counterparties (excluding initial margin and default fund contributions) of which:		
(i) OTC derivatives	325	7
(ii) Exchange-traded derivatives	19	-
(iii) SFTs	123	2
(iv) Netting sets where cross-product netting has been approved		
Segregated initial margin	749	-
Non-segregated initial margin		
Pre-funded default fund contributions	36	1
Alternative calculation of capital 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		
Pre-funded default fund contributions		
Unfunded default fund contributions		

*QCCP: Qualifying Central Counterparty
** Non-QCCP: Non-Qualifying Central Counterparty

Credit risk mitigation techniques

Financial collateral, personal or real, may be used directly to reduce the capital requirement measured in respect of credit risk and included in the group's capital adequacy ratio.
The use of guarantees as a risk reduction technique is, however, subject to compliance with the eligibility criteria and the minimum requirements imposed by the regulations.

Netting and collateralization of repurchase agreements and over-the-counter derivatives

With the credit institution counterparties, CM-CIC Marchés supplements these agreements with collateralization contracts (credit support annex: CSA).
These contracts are administered using the *TriOptima* platform. Thanks to margin calls, which are usually made on a daily basis, the residual net credit risk on over-the-counter derivatives and repurchase agreements is greatly reduced.

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

The manner in which the group uses guarantees in the calculation of weighted risks depends on the nature of the borrower, the calculation method adopted for the hedged exposure and the type of guarantee.
As regards contracts used for retail banking customers and dealt with under the Advanced Internal Ratings-Based Approach, guarantees are used as a basis for segmenting the loss in the event of default, calculated on a statistical basis on all the group's non-performing loans and loans in litigation. In this scope, the group does not therefore use risk reduction techniques when calculating its capital requirement.

As regards contracts used for "sovereign", "credit institution" and, in part, "*corporate*" portfolios, personal and financial sureties are used as risk reduction techniques, as defined by the regulations:
- personal sureties correspond to the commitment entered into by a third party to take the place of the primary debtor in the event said primary debtor defaults. By extension, credit derivatives (purchase of protection) are included in this category;
- financial sureties are defined by the group as the right of the institution to liquidate, retain or obtain the transfer or ownership of certain amounts or assets such as pledged cash deposits, debt securities, equities or convertible bonds, gold, units in UCITS, life insurance policies and all types of instruments issued by a third party and repayable on demand.

Use of the guarantee is only effective if said guarantee meets the legal and operational criteria laid down by the regulations. Subsequent processing to calculate weighted risks taking into account risk reduction techniques is largely automated. Compliance with the eligibility criteria and minimum requirements imposed by the regulations must be verified and formalized at the time the guarantee is entered into.

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

The procedures used to value guarantees depend on the nature of the instrument constituting the security interest in property. Generally speaking, research carried out within the Crédit Mutuel group is based on statistical estimation methodologies, directly integrated into applications, based on external indexes to which discounts may be applied depending on the type of asset accepted by way of guarantee (e.g. the measurement of leased assets takes into account the assets' economic obsolescence). In the case of real estate guarantees, the initial measurement is generally calculated on the basis of the asset's acquisition or production cost.
By exception, specific procedures stipulate expert valuations, particularly in the event that thresholds set for transactions are exceeded.
These procedures are drawn up at national level.
To carry out the necessary testing to comply with the conditions relating to the guarantees and the guarantors, the identification of the guarantees in the information system and compliance with the standards and rules in force within the Crédit Mutuel group concerning eligibility, the CIC group entities have shared tools and specific operational procedures listing the types of guarantees used that can qualify as eligible, presenting the IT mechanisms developed in the guarantee management applications to define eligibility, and detailing the questions which the manager must answer to take a view on the eligibility of the guarantee at the time it is entered into.
These procedures are regularly updated by CNCM and submitted for approval to the Basel III governance bodies. Permanent control is involved at the second level in verifying and providing evidence of the eligibility.
During the life of the guarantee, it is periodically revalued in accordance with the rules described in the procedures.

The main categories of protection providers

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

Credit risk mitigation (CRM) techniques - CR3

31.12.2017 (in € millions)	Exposures unsecured: carrying amount	Exposures secured*	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1 - Total loans	257,601	4,349	3,802	547	0
2 - Total debt securities	4,549	0	0	0	0
3 - TOTAL EXPOSURES	**262,150**	**4,349**	**3,802**	**547**	**0**
4 - of which: in default	2,895	20	20	0	0

Exposures secured comprise only those associated with a credit risk mitigation mechanism in the regulatory sense (collateral, financial guarantees and credit derivatives). Exposures backed by a mortgage or similar security are not entered in this column.

Under the standardized approach, small differences between the amounts of the exposures pre and post CRM demonstrate that the impact of the collateral is not material.
The potential concentrations resulting from the CRM measures (by guarantor and by sector) are monitored as part of credit risk management and, in particular, the monitoring of compliance with the limits in terms of concentration (monitored after factoring in the guarantors). No specific concentration results from the implementation of the CRM techniques.

Standardized approach – Credit risk exposure and Credit Risk Mitigation (CRM) effects - CR4

	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWAs and RWA density	
31.12.2017 (in € millions)	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	Risk-weighted assets (RWA)	RWA density
1 - Central governments or central banks	35,439	668	34,848	69	70	0%
2 - Regional or local authorities	348	42	381	13	79	20%
3 - Public sector (public bodies excluding central governments)	4,868	117	5,833	350	4	-
4 - Multilateral development banks	-	-	-	-	-	-
5 - International organizations	-	-	2	-	-	-
6 - Credit institutions	5,116	11	5,126	6	124	2%
7 - Corporates	8,403	1,662	8,103	836	7,982	89%
8 - Retail customers	2,180	1,049	1,922	468	1,469	61%
9 - Exposures secured by a mortgage on immovable property	6,108	491	6,102	202	2,905	46%
10 - Exposures in default	340	24	320	22	484	141%
11 - Exposures associated with particularly high risk	252	31	252	13	392	148%
12 - Covered bonds	61	-	61	-	6	10%
13 - Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
14 - Exposures in the form of units or shares of collective investment undertakings (UCIs)	-	-	-	-	-	100%
15 - Equity exposures	161	-	161	-	165	102%
16 - Other assets	568	-	568	-	568	100%
17 - TOTAL	**63,845**	**4,095**	**63,678**	**1,980**	**14,248**	**22%**

IRB approach – Effect on the RWAs of credit derivatives used as CRM techniques - CR7

31.12.2017 (in € millions)	Pre-credit derivatives RWAs	Actual RWAs
1 - Exposures under FIRB	0	0
2 - Central governments and central banks	-	-
3 - Credit institutions	-	-
4 - Corporates - SMEs	-	-
5 - Corporates - Specialized financing	-	-
6 - Corporates - other	-	-
7 - Exposures under AIRB	0	0
8 - Central governments and central banks	**-**	**-**
9 - Credit institutions	-	-
10 - Corporates - SMEs	-	-
11 - Corporates - Specialized financing	-	-
12 - Corporates - other	-	-
13 - Retail customers - secured by commercial real estate	-	-
14 - Retail customers - secured by commercial real estate	-	-
15 - Retail customers	-	-
16 - Retail customers - other - SMEs	-	-
17 - Retail customers - other - non-SMEs	-	-
18 - Equities	-	-
19 - Other assets	-	-
20 - Total	**0**	**0**

The effect of credit derivatives as a CRM technique is not material to the CIC group.

Impact of netting and collateral held on exposure values - CCR5-A

31.12.2017 (in € millions)	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held*	Net credit exposures
1 - Derivatives	7,672	6,022	1,650	690	960
2 - Repurchase agreements	16,086	2,205	13,881	5,966	7,915
3 - Cross-product netting					
4 - TOTAL	**23,758**	**8,227**	**15,531**	**6,656**	**8,876**

It should be noted that under the internal ratings-based approach, net exposures to repurchase and lending and borrowing transactions do not take into account the collateral held since it was taken into account in the calculation of the loss give default (LGD), the method used by the Crédit Mutuel group in accordance with Article 228(2) of the Capital Requirements Regulations (CRR).

Composition of collateral for exposures to CCR - CCR5-B

31.12.2017 (in € millions)	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	Unsegregated	Segregated	Unsegregated		
Variation margin	-	1,157	-	3,269	47	93
Initial margin	-	-	1,041	-	12,389	14,123
TOTAL	**-**	**1,157**	**1,041**	**3,269**	**12,436**	**14,616**

Segregated refers to collateral held in a bankruptcy-remote manner.

Securitization: exposures by securitization type

Objectives

In connection with its capital markets activities, the group's involvement in the securitization market concerns taking investment positions with a threefold aim: return, risk taking and diversification. The risks concerned are mainly credit risk on the underlying assets and liquidity risk including, in particular, the changes in the European Central Bank's eligibility criteria. The activity is purely an investment activity relating to senior or mezzanine tranches, but which still benefit from an external rating.
In the context of specialized financing, the group assists its customers by acting as a sponsor (arranger or co-arranger) or sometimes as an investor in the context of the securitization of trade receivables. The conduit used is *General Funding Ltd* (GFL), which subscribes to senior units in the securitization vehicle and issues commercial paper. GFL benefits from a liquidity line granted by the group, which guarantees that it will place the conduit's commercial paper. The group is exposed mainly to credit risk on the portfolio of receivables ceded and to the risk of the capital markets drying up.

Capital markets activities: monitoring and control procedures

Market risks in respect of the securitization positions are monitored by the risks and results team using various courses of action and daily procedures which enable trends in market risks to be monitored. The risks and results team analyzes on a daily basis the trend in the results of the securitization strategies and explains it on the basis of risk factors. It monitors compliance with the limits set in the body of rules.
The group also reviews 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 of these agencies (*upgrades*, *downgrades* and credit watch placements) are analyzed. In addition, a quarterly summary of changes in ratings is prepared.
In the context of the counterparty limit management procedure, the following work is carried out: in-depth analysis of securitizations that have reached the group commitment approval level and of certain sensitive securitizations (issued in countries that are peripheral to the eurozone or that have been significantly *downgraded*). These analyses aim, in particular, to assess the level of credit enhancement of the position as well as the performance of the underlying.
In addition, a record is prepared for each securitization tranche, regardless of the approval level, summarizing the main characteristics of the tranche held, the structure and the underlying portfolio. In the case of securitizations issued on or after January 1, 2011, information about the performance of the underlyings has been added. This information is updated once a month. The agents' issue prospectuses and *pre-sale* documentation are also recorded and made available with the records, as well as the investor reports for the securitizations issued on or after January 1, 2011.
Finally, the capital markets business has an application for measuring the impact of various scenarios on the positions (trend in prepayments, defaults and *recovery* rates in particular).

Credit risk hedging policies

The capital markets business traditionally involves the purchase of securities. However, the purchase of protection in the form of *credit default swaps* may be authorized and is governed, where relevant, by the procedures relating to the management of capital markets activities.

Prudential approaches and methods

Those entities authorized to use the internal ratings-based approach to credit risk apply the method based on the ratings. In all other cases, the standardized approach is used.

Accounting principles and methods

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

Exposures by securitization type

Exposures are stated net of provisions.

Securitization by type

31.12.2017	Banking portfolio		Trading portfolio	Correlation portfolio
Exposure at default (EAD) (in € billions)	Standardized approach	Internal ratings-based approach	Internal ratings-based approach	Internal ratings-based approach
Investor				
- Traditional securitization	0.1	5.4	1.7	
- Synthetic securitization				0.5
- Traditional re-securitization				
- Synthetic re-securitization				
Sponsor				
Total	**0.1**	**5.4**	**1.7**	**0.5**

Breakdown of outstandings by credit quality step

31.12.2017	Banking portfolio		Trading portfolio	Correlation portfolio
Exposure at default (EAD) (in € billions)	Standardized approach	Internal ratings-based approach	Internal ratings-based approach	Internal ratings-based approach
Credit quality step				
E1		4.0	1.5	
E2	0.1	0.8	0.1	
E3		0.0	0.0	
E4		0.0	0.0	
E5	0.0	0.0	0.0	
E6	0.0	0.0		
E7		0.0	0.0	
E8		0.2		
E9	0.0			
E10		0.0		
E11		0.0	0.0	
Positions weighted at 1,250%	0.0	0.3	0.0	
Total	**0.1**	**5.4**	**1.7**	**0.5**

Capital requirement

31.12.2017	Banking portfolio		Trading portfolio	Correlation portfolio
(in € millions)	Standardized approach	Internal ratings-based approach	Internal ratings-based approach	Internal ratings-based approach
Total	**4.0**	**50.4**	**12.0**	**7.0**

Positions weighted at 1,250% are deducted from capital.

Market risks

Market risks are calculated on the trading portfolio. In the case of interest rate and equity risks, they result mainly from CM-CIC Marchés activities.
Counterparty risks concerning derivatives and repurchase agreements (repos) are detailed in the section entitled "Counterparty risk".
Those items relating to the measurement of capital requirements in respect of market risks are dealt with in the section entitled "Risk management".

Market risk under the standardized approach - MR1

(in € millions)	RWAs	Capital requirements
Outright products		
1 - Interest rate risk (general and specific)	1,126	90
2 - Equity risk (general and specific)	909	73
3 - Foreign exchange risk	-	-
4 - Commodity risk	-	-
Options		
5 - Simplified approach	-	-
6 - Delta-plus method	147	12
7 - Scenario-based approach	-	-
8 - Securitization (specific risk)	144	12
9 - Total	**2,326**	**186**

Interest rate risk: banking portfolio

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

Operational risk

Information regarding the structure and organization of the function responsible for operational risk management is provided in the section entitled "Risk management".
That section also meets the disclosure requirements concerning policy and procedures implemented on the one hand and reporting systems and risk measurement on the other hand.

Description of the advanced method approach (AMA)

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

For modeling purposes, the group relies mainly on the national database of internal losses. Information is transferred to this database according to a national collection procedure that defines a uniform threshold of €1,000 above which each loss must be input and which provides guidelines for reconciliations between the loss database and the accounting records.
In addition, the group subscribes to an external database that is used on an ongoing basis according to procedures and applies methodologies for integrating this data into the operational risk measurement and analysis system.
The group's general management and reporting system incorporates the requirements of the order of November 3, 2014 on internal control. Exposures to operational risk and losses are reported to the effective managers on a regular basis and at least once a year.
The group's procedures in the areas of governance, collection of loss information and its risk measurement and management systems enable it to take the appropriate corrective action. These procedures are the subject of regular checks.

Authorized use of the AMA

The group has been authorized to use the advanced method approach to calculate regulatory capital requirements in respect of operational risk (with the exception of the deduction of expected losses from its capital requirements). This authorization came into effect on January 1, 2010 in the case of the consolidated companies except foreign subsidiaries and was extended to CM-CIC-Factor as from January 1, 2012 and to Banque de Luxembourg as from September 30, 2013.

Operational risk hedging and reduction policy

Operational risk mitigation techniques include:
- preventative actions identified during the mapping process and implemented directly by operational staff;
- safeguard initiatives, which focus on the broad implementation of contingency and disaster recovery plans.

These plans can be split into three components:
- emergency plan: this is triggered immediately and involves measures designed to handle emergencies and institute solutions for operating in a weakened environment;
- business continuity plan: this involves resuming activities under adverse conditions in accordance with procedures defined before the crisis;
- back-on-track plan.

An on-going national procedure deals with the methodology used in drawing up the contingency and disaster recovery plans. It is applied by all the regional groups.

Use of insurance techniques

The French Prudential Supervision and Resolution Authority (*Autorité de contrôle prudentiel et de résolution* – ACPR) has authorized the group to take into account insurance as a factor to reduce its capital requirements in respect of operational risk under the advanced measurement approach with effect from the June 30, 2012 closing.

The principles applied to the financing of operational risks within the group depend on the frequency and severity of each potential risk, and consist of:

- insuring low-severity, high-frequency risk (*expected loss*) or financing such risk through withholding on the operating account;
- insuring insurable serious and major risks;
- developing self-insurance for amounts below insurance companies' deductible amounts;
- allocating regulatory capital reserves or provisions financed by easily accessible assets for serious risks that cannot be insured.

The group's insurance programs comply with the provisions of Article 323 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of June 26, 2013 concerning the deduction of insurance under the advanced measurement approach (AMA).
The insurance cover used in the deduction process includes damage to real and personal property (multi-risk), fraud and damages to securities (specific banking risks), professional third-party liability and cyber risks (cyber policy).

Liquidity risk

Liquidity risk management

The liquidity risk management system is described in the information relating to Pillar III published by the Crédit Mutuel CM11 group.

Regulatory liquidity ratios

Since March 2014, credit institutions in the euro zone have been required to submit to their supervisory authorities the liquidity reports stipulated by the European Banking Authority (EBA), which must provide the following information:

- the short-term liquidity ratio known as the Liquidity Coverage Ratio (LCR), on a monthly basis, and
- the long-term structural liquidity ratio known as the Net Stable Funding Ratio (NSFR), on a quarterly basis.

The aim of the LCR is to promote the short-term resilience of banks' liquidity risk profiles by ensuring that banks have an adequate stock of unencumbered high-quality liquid assets (HQLA) that can be converted into cash easily and immediately on private markets to meet their liquidity needs for a 30 calendar day liquidity stress scenario.
As of December 31, 2017, the LCR liquidity ratio for the CIC group was 107.49%, well in excess of the requirement for a ratio of 80% imposed by the regulator as from January 1, 2017.
The aim of the NSFR is to encourage banking institutions to have, over the long term, a structure based on stable sources of funding, enabling them to continue to operate over a one-year time horizon, under conditions of extended internal stress.
Currently, some weightings are still under discussion and the European regulations have not fully defined this ratio. However, a regulatory framework covering the NSFR will be drawn up in 2018.
As the law stands at the moment, we believe that CIC already complies with the requirements of the NSFR.

Liquidity Coverage Ratio (LCR) – LIQ1.18

31.12.2017 **Exposure at default (EAD)** (in € billions)	**Unweighted value**				**Weighted value**			
	3/31/2017	6/30/2017	30/092017	12/31/2017	3/31/2017	6/30/2017	30/092017	12/31/2017
High Quality Liquid Assets (HQLA)								
1 - Total High Quality Liquid Assets (HQLA)							45,302	44,611
Cash outflows								
2 - Retail deposits and deposits from small business customers, of which:			80,087	80,969			5,866	5,907
3 - Stable deposits			51,438	52,253			2,572	2,613
4 - Less stable deposits			28,623	28,692			3,269	3,271
5 - Unsecured funding			62,831	63,776			41,412	41,927
6 - Of which operational deposits			*12,655*	*13,486*			*3,005*	*3,207*
7 - Of which non-operational deposits			*45,603*	*45,711*			*33,834*	*34,142*
8 - Of which unsecured debt			*4,573*	*4,578*			*4,573*	*4,578*
9 - Secured funding (of which repos)			0	0			3,918	3,601
10 - Additional requirements			33,172	33,685			3,797	3,981
11 - Of which outflows related to derivatives exposures and other collateral requirements			*73*	*125*			*73*	*125*
12 - Of which outflows on collateralized debt			*0*	*0*			*0*	*0*
13 - Of which credit and liquidity facilities			*33,099*	*33,560*			*3,725*	*3,856*
14 - Other contractual funding obligations			12	12			12	12
15 - Other contingent funding obligations			315	349			16	17
16 - TOTAL CASH OUTFLOWS							**55,022**	**55,445**
Cash inflows								
17 - Secured lending (including reverse repos)			10,056	10,144			4,223	3,901
18 - Inflows from fully performing exposures			15,641	15,874			10,565	10,867
19 - Other cash inflows			598	573			567	541
EU-19a - Difference between total weighted cash inflows and total weighted cash outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)			0	0			0	0
EU-19b - Excess cash inflows from a related specialized credit institution)			0	0			0	0
20 - TOTAL CASH INFLOWS			**26,295**	**26,590**			**15,355**	**15,309**
EU-20a - Fully exempt cash inflows			0	0			0	0
EU-20b - Cash inflows subject to 90% cap			0	0			0	0
EU-20c - Cash inflows subject to 75% cap			26,295	26,588			15,355	15,309
21 - Liquidity buffer			**0**	**0**			**45,302**	**44,611**
22 - Total net cash outflows			**0**	**0**			**39,667**	**40,136**
23 - Liquidity Coverage Ratio (%)			**0**	**0**			**114.97**	**111.61**

* All of the data presented is calculated as the rolling average of the last 12 month-end measurements. As the delegated act came into force in September 2016, the data were not available before that date.

Information on encumbered and unencumbered assets

Since December 31, 2014 and pursuant to Article 100 of the CRR, the CIC group has reported to the competent authorities the level of unencumbered assets at its disposal and their main characteristics. These assets may serve as collateral to obtain other financing on the secondary markets or from the central bank, and are therefore additional sources of liquidity. An asset is considered "encumbered" if it serves as collateral, or may be used under a contract, for the purpose of securing, collateralizing or increasing the value of a transaction from which it cannot be separated. In contrast, an "unencumbered" asset is one that is exempt from any legal, regulatory, contractual or other restrictions on the institution's ability to liquidate, sell, transfer or assign it.

For example, the following types of contracts are defined as encumbered assets:

- secured financial transactions, including repurchase agreements, securities lending and other forms of lending;
- collateralization agreements;
- collateralized financial guarantees;
- collateral placed in clearing systems, clearing houses and other institutions as a condition for access to service. This includes initial margins and default funds;
- central bank facilities. Pre-positioned assets must not be considered encumbered unless the central bank does not allow withdrawal of these assets without prior approval;
- underlying assets of securitization structures, where these assets have not been derecognized by the structure. Underlying assets of securities held in custody are not considered encumbered, unless these securities are pledged or collateralized in any way to secure a transaction.
- assets in cover pools used for covered bond issuance. These assets count as encumbered, except in certain situations where the entity holds these covered bonds (bonds issued for itself).

Assets placed at facilities that are not used and can be freely withdrawn should not be considered encumbered.

At 12/31/2017, the level and characteristics of the CIC group's encumbered and unencumbered assets were as follows:
All of the data presented below is calculated in accordance with the median values of the quarter-end data for the year under review.

Encumbered assets and unencumbered assets

31.12.2017 (in € millions)	**Carrying amount of encumbered assets**	**Fair value of encumbered assets**	**Carrying amount of unencumbered assets**	**Fair value of unencumbered assets**
010 - Institution's assets	**41,077**		**237,106**	
030 - Equity instruments	155	155	3,927	3,927
040 - Debt securities	8,781	8,781	11,708	11,712
050 - Of which covered bonds	*729*	*729*	*43*	*43*
060 - Of which asset-backed securities	*1,063*	*1,066*	*1,752*	*1,753*
070 - Of which issued by public administrations	*3,710*	*3,710*	*3,576*	*3,661*
080 - Of which issued by financial enterprises	*3,899*	*3,899*	*3,085*	*3,085*
090 - Of which issued by non-financial enterprises	*1,230*	*1,230*	*4,430*	*4,432*
120 - Other assets	32,214		221,581	

Collateral received

31.12.2017 (in € millions)	Fair value of the encumbered counter-guarantee received or of encumbered own debt securities issued	Fair value of the counter-guarantee received or of own debt securities issued available to be encumbered
130 - Collateral received	**14,273**	**5,403**
140 - Demand loans	0	92
150 - Equity instruments	2,236	788
160 - Debt securities	11,947	3,641
170 - Of which covered bonds	*557*	*24*
180 - Of which asset-backed securities	*106*	*891*
190 - Of which issued by public administrations	*8,750*	*1,004*
200 - Of which issued by financial firms	*2,503*	*1,991*
210 - Of which issued by non-financial enterprises	*680*	*670*
220 - Loans and advances other than demand loans	0	0
230 - Other collateral received	0	889
240 - Own debt securities issued, other than own covered bonds or asset-backed securities	**0**	**0**
241 - Own covered bonds and asset backed securities not yet pledged		**0**
250 - TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED	**55,350**	

Carrying amount of encumbered assets/counter-guarantees received and the related liabilities

31.12.2017 (in € millions)	Corresponding liabilities, contingent liabilities or securities loaned	Assets, counter-guarantees received and own debt securities issued other than covered bonds and securities backed by encumbered assets
010 - Carrying amount of selected financial liabilities	**24,006**	**23,947**

APPENDIX

List of Pillar III tables

List of Pillar III tables (contd)

FINANCIAL STATEMENTS

Consolidated statement of financial position

Assets

(in € millions)	Notes	December 31, 2017	December 31, 2016
Cash and amounts due from central banks	4	28,045	36,814
Financial assets at fair value through profit or loss	5	14,415	14,037
Derivatives used for hedging purposes	6	559	827
Available-for-sale financial assets	7	12,201	13,632
Loans and receivables due from credit institutions	4	23,405	22,458
Loans and receivables due from customers	8	171,952	166,063
Remeasurement adjustment on interest-rate risk hedged portfolios	9	367	486
Held-to-maturity financial assets	10	9	63
Current tax assets	11	753	485
Deferred tax assets	12	291	379
Accruals and other assets	13	9,491	10,744
Non-current assets held for sale	2d	0	0
Investments in associates	14	1,821	1,744
Investment property	15	32	32
Property and equipment and finance leases (lessee accounting)	16	1,286	1,333
Intangible assets	17	180	186
Goodwill on consolidation	18	33	33
TOTAL		**264,840**	**269,316**

Liabilities and equity

(in € millions)	Notes	December 31, 2017	December 31, 2016
Due to central banks	19	0	0
Financial liabilities at fair value through profit or loss	20	5,180	6,167
Derivatives used for hedging purposes	6	2,213	3,300
Due to credit institutions	19	68,451	76,162
Amounts due to customers	21	144,134	138,772
Debt securities	22	21,762	23,638
Remeasurement adjustment on interest-rate risk hedged portfolios	9	(282)	(607)
Current tax liabilities	11	260	238
Deferred tax liabilities	12	298	270
Accruals and other liabilities	23	4,604	4,523
Liabilities associated with non-current assets held for sale	2d	0	0
Provisions	24	999	1,092
Subordinated debt	25	2,098	1,644
Equity		15,123	14,117
Shareholders' equity attributable to the group		15,058	14,055
- Subscribed capital		*608*	*608*
- Share premiums		*1,088*	*1,088*
- Consolidated reserves		*11,766*	*10,752*
- Unrealized gains and losses recognized directly in shareholders' equity	*26a*	*321*	*255*
- Net income for the year		*1,275*	*1,352*
Non-controlling interests		65	62
TOTAL		**264,840**	**269,316**

Consolidated income statement

(in € millions)	Notes	2017	2016
Interest and similar income	28	7,955	7,519
Interest and similar expense	28	(6,028)	(5,418)
Commission income	29	2,641	2,456
Commission expense	29	(598)	(549)
Net gains/(losses) on financial instruments at fair value through profit or loss	30	724	731
Net gains/(losses) on available-for-sale financial assets	31	300	151
Income from other activities	32	188	243
Expenses on other activities	32	(191)	(148)
Net banking income		**4,991**	**4,985**
Payroll costs	33a	(1,739)	(1,720)
Other general operating expenses	33c	(1,233)	(1,211)
Depreciation and amortization	34	(131)	(140)
Operating income before provisions		**1,888**	**1,914**
Net provision allocations/reversals for loan losses	35	(203)	(185)
Operating income after provisions		**1,685**	**1,729**
Share of income/(loss) of associates	14	135	136
Net gains/(losses) on disposals of other assets	36	(3)	12
Income before tax		**1,817**	**1,877**
Corporate income tax	37	(551)	(560)
Post-tax gains/(losses) on activities held for sale		22	44
Net income		**1,288**	**1,361**
Net income attributable to non-controlling interests		13	9
NET INCOME ATTRIBUTABLE TO THE GROUP		**1,275**	**1,352**
Basic earnings per share (in €)	38	33.72	35.77
Diluted earnings per share (in €)	38	33.72	35.77

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

(in € millions)	December 31, 2017	December 31, 2016
Net income	**1,288**	**1,361**
Translation adjustments	(109)	(63)
Remeasurement of available-for-sale financial assets	162	48
Remeasurement of hedging derivatives	0	0
Share of unrealized or deferred gains and losses of associates	(6)	35
Total gains and losses recognized directly in shareholder's equity that may be recycled to profit or loss	**47**	**20**
Remeasurement of non-current assets		
Actuarial gains and losses on defined benefit plans	19	(12)
Share of unrealized or deferred gains and losses of associates	0	0
Total gains and losses recognized directly in shareholder's equity that may not be recycled to profit or loss	**19**	**(12)**
Net income and gains and losses recognized directly in shareholders' equity	**1,354**	**1,369**
Attributable to owners of the company	*1,341*	*1,360*
Non-controlling interests	*13*	*9*

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

Consolidated statement of changes in equity

(in € millions)	Capital	Additional paid-in capital	Elimination of treasury shares	Reserves [1]
Balance at Jan. 1, 2016	**608**	**1,088**	**(55)**	**10,070**
Appropriation of prior year earnings				1,111
Dividends paid				(321)
Acquisitions of additional equity investments or partial disposals of equity investments				
Sub-total: movements arising from shareholder relations	**0**	**0**	**0**	**790**
Consolidated net income for the period				
Translation adjustments				
Changes in fair value of AFS assets [2]				
Changes in fair value of hedging instruments				
Changes in actuarial gains and losses				
Sub-total	**0**	**0**	**0**	**0**
Other movements				(53)
Balance at Dec. 31, 2016	**608**	**1,088**	**(55)**	**10,807**
Balance at Jan. 1, 2017	**608**	**1,088**	**(55)**	**10,807**
Appropriation of prior year earnings				1,352
Dividends paid				(340)
Movements in treasury shares			(1)	
Sub-total: movements arising from shareholder relations	**0**	**0**	**(1)**	**1,012**
Consolidated net income for the period				
Translation adjustments				
Changes in fair value of AFS assets [2]				
Changes in fair value of hedging instruments				
Changes in actuarial gains and losses				
Sub-total	**0**	**0**	**0**	**0**
Effects of acquisitions and disposals on non-controlling interests				1
Other movements				2
Balance at Dec. 31, 2017	**608**	**1,088**	**(56)**	**11,822**

(1) At December 31, 2017, reserves comprised the legal reserve for €61 million, the special long-term capital gains reserve for €287 million, retained earnings for €189 million, other CIC reserves for €5,820 million and post-acquisition retained earnings for €5,465 million.
(2) AFS: Available for sale.

At December 31, 2017, CIC's capital comprised 38,027,493 shares with a par value of €16 each, including 231,711 treasury shares.

Shareholders' equity attributable to the group						Non-controlling interests	Total consolidated equity
Gains and losses recognized directly in shareholders' equity							
Cumulative translation adjustments	AFS financial assets [2]	Hedging instruments	Actuarial gains and losses	Net income for the year	Total		
161	130	0	(44)	1,111	13,069	64	13,133
				(1,111)	0		0
					(321)	(5)	(326)
					0	(6)	(6)
0	0	0	0	(1,111)	(321)	(11)	(332)
				1,352	1,352	9	1,361
(63)					(63)		(63)
	85				85		85
					0		0
			(12)		(12)		(12)
(63)	85	0	(12)	1,352	1,362	9	1,371
(1)	(1)				(55)		(55)
97	214	0	(56)	1,352	14,055	62	14,117
97	214	0	(56)	1,352	14,055	62	14,117
				(1,352)	0		0
					(340)	(10)	(350)
					(1)		(1)
0	0	0	0	(1,352)	(341)	(10)	(351)
				1,275	1,275	13	1,288
(109)					(109)		(109)
	157				157	(1)	156
		1			1		1
			19		19		19
(109)	157	1	19	1,275	1,343	12	1,355
	(1)				0	1	1
		(1)			1		1
(12)	370	0	(37)	1,275	15,058	65	15,123

Consolidated statement of cash flows

(in € millions)	2017	2016
Net income	1,288	1,361
Corporate income tax	551	560
Income before tax	**1,839**	**1,921**
+/- Net depreciation/amortization expense on property and equipment and intangible assets	133	135
- Impairment of goodwill and other non-current assets	3	4
+/- Net additions to provisions and impairment	(55)	(47)
+/- Share of income/loss of associates	(135)	(136)
+/- Net loss/gain from investing activities	(2)	7
+/- (Income)/expense from financing activities		
+/- Other movements	(503)	(267)
Non-monetary items included in income before tax and other adjustments	**(559)**	**(304)**
+/- Cash flows relating to interbank transactions	(4,941)	51
+/- Cash flows relating to customer transactions	(1,257)	60
+/- Cash flows relating to other transactions affecting financial assets or liabilities	(2,852)	5,130
+/- Cash flows relating to other transactions affecting non-financial assets or liabilities	1,358	(2,270)
- Taxes paid	(682)	(579)
Net decrease/(increase) in assets and liabilities from operating activities	**(8,374)**	**2,392**
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES (A)	**(7,094)**	**4,009**
+/- Cash flows relating to financial assets and investments	(56)	(22)
+/- Cash flows relating to investment property	(2)	
+/- Cash flows relating to property and equipment and intangible assets	(89)	(81)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES (B)	**(147)**	**(103)**
+/- Cash flows relating to transactions with shareholders [1]	(295)	(273)
+/- Other net cash flows relating to financing activities [2]	2,045	1,223
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES (C)	**1,750**	**950**
IMPACT OF MOVEMENTS IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS (D)	**(232)**	**100**
Net increase/(decrease) in cash and cash equivalents (A + B + C + D)	**(5,723)**	**4,956**
Net cash flows from (used in) operating activities (A)	(7,094)	4,009
Net cash flows from (used in) investing activities (B)	(147)	(103)
Net cash flows from (used in) financing activities (C)	1,750	950
Impact of movements in exchange rates on cash and cash equivalents (D)	(232)	100
Cash and cash equivalents at beginning of year	**35,273**	**30,317**
Cash accounts and accounts with central banks	36,813	7,563
Demand loans and deposits – credit institutions	(1,540)	22,754
Cash and cash equivalents at end of year	**29,550**	**35,273**
Cash accounts and accounts with central banks	28,046	36,813
Demand loans and deposits – credit institutions	1,504	(1,540)
CHANGE IN CASH AND CASH EQUIVALENTS	**(5,723)**	**4,956**

(1) Cash flow relating to transactions with shareholders included:
- €340 million in dividends paid by CIC to its shareholders in respect of 2016;
- €10 million in dividends paid to non-controlling shareholders;
- €53 million in dividends received from associates.

(2) Other net cash flows relating to financing activities comprised:
- the issue of subordinated loans representing an amount of €456 million,
- the issue and redemption of bonds representing a net amount of €1,589 million.

Notes to the consolidated financial statements

Note 1: Summary of significant accounting policies and valuation and presentation methods

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 at December 31, 2017. This IFRS framework includes IAS 1 to 41, IFRS 1 to 8 and 10 to 13 and any SIC and IFRIC interpretations adopted at that date. The entire framework is 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 specified in recommendation no. 2013-04 of the French Accounting Standards Board (*Autorité des normes comptables* – ANC) on IFRS financial statements. They comply with the international accounting standards as adopted by the European Union.

The group has, since January 1, 2017, applied various amendments adopted by the EU, none of which had a material impact on its financial statements. The main such amendment is to IAS 12 - Income Taxes. It clarifies the principles for recognizing deferred tax assets for unrealized losses related to debt instruments measured at fair value. It specifies that the recoverability of this temporary difference is assessed:

- in conjunction with all the entity's temporary differences and losses carried forward, whether the holder intends to sell the securities or retain them until maturity;
- taking into account restrictions on the utilization of tax losses.

When estimating future taxable profits, an entity can assume that an asset will be recovered for more than its carrying amount (e.g. due to the asset's fair value). Such estimates may not, however, take into account tax deductions resulting from the reversal of those deductible temporary differences.

Information on risk management is provided in a specific section of the board of directors' report.

Consolidation scope

Principles for inclusion in the consolidation scope

The general principles governing whether an entity is included in the consolidation scope are defined by IFRS 10, IFRS 11 and IAS 28R.

Entities controlled exclusively by the group are included in the consolidation scope when their full consolidation individually affects at least 1% of the main consolidated statement of financial position and income statement items. Subsidiaries that are not consolidated must represent on aggregate less than 5% of the main consolidated statement of financial position and income statement items. However, smaller entities may be included in the consolidated group if (i) CIC considers they represent a strategic investment; (ii) one of their core businesses is the same as that of the group; or (iii) they hold stock in consolidated companies.

The consolidation scope comprises:

- *Entities over which the group has control:* control is deemed to exist when the group has power over the entity, is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to use its power over the entity to affect the returns it obtains. The financial statements of controlled entities are fully consolidated.
- *Entities over which the group has significant influence:* these are entities that are not controlled by the consolidating entity but in whose financial and operating policy decisions it has the right to participate. Shareholdings in entities over which the group has significant influence are accounted for using the equity method (associates). 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 option.

Consolidation methods

The consolidation methods used are as follows:

Full consolidation

This method involves replacing the value of the shares held in the subsidiary concerned with each of the assets and liabilities of said subsidiary and showing separately the interests of non-controlling shareholders in the equity and net income. It is the method used for all controlled entities, including those with a different account structure, regardless of whether the business concerned is an extension of that of the consolidating entity.

Non-controlling interests correspond to interests that do not confer control as defined by IFRS 10 and include partnership interests that entitle their holders to a share in the net assets in the event of liquidation and other equity instruments issued by subsidiaries that are not held by the group.

Consolidation using the equity method

This method involves replacing the value of the shares held with the group's share of the equity and net income of the entities concerned. It is the method used for all entities under joint control, including joint ventures and any other entities over which the group has significant influence.

Closing date

All group companies included in the consolidation scope have a December 31 closing date.

Intercompany transactions and balances

Intercompany transactions and balances as well as gains or losses on intercompany sales that have a material impact on the consolidated financial statements are eliminated.

Foreign currency translation

The statements of financial position of foreign subsidiaries are translated into euros at the official year-end exchange rate. Differences arising from the retranslation at the year-end rate of the opening share capital, reserves and retained earnings are recorded as a separate component of equity, under "Cumulative translation adjustments". The income statements of foreign subsidiaries are translated into euros at the average exchange rate for the year, and the resulting translation differences are recorded under "Cumulative translation adjustments". On liquidation or disposal of some or all of the interests held in a foreign entity, these amounts are recognized through the income statement.
As allowed by IFRS 1, the balance of cumulative translation adjustments was reset to zero in the opening statement of financial position as of January 1, 2004.

Goodwill

In accordance with IFRS 3R, when CIC 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 lower of fair value net of selling costs and their 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 "Changes in value of goodwill".

If the group's stake in an entity it already controls, and which it continues to control, increases/decreases, the difference between the acquisition cost/selling price of the share and the portion of consolidated equity that said share represents on the acquisition/sale date is recognized within equity.

Goodwill is presented on a separate line of the statement of financial position when it relates to fully-consolidated companies and under the heading "Investments in associates" when it relates to equity-accounted companies.

Goodwill does not include direct expenses associated with acquisitions, which are expensed.

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 losses – 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.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market and which are not intended at the time of their acquisition or grant to be sold. They include loans granted directly by the group or its share in syndicated loans, purchased loans and unlisted debt securities. At inception, loans and receivables are measured and recognized at fair value, which is usually the net amount disbursed. 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. These loans are then measured at subsequent reporting dates at amortized cost using the effective interest rate method (except for those which have been recognized using the fair value method, under the fair value option).

Commissions received or paid that are directly related to setting up the loan and are treated as an additional component of interest are recognized over the life of the loan using the effective interest rate method and are shown under interest items in the income statement.
Commissions received in connection with the commercial renegotiation of loans are recognized over more than one period.

The restructuring of a loan due to the borrowers' financial problems requires novation of the contract. Following the definition of this concept by the European Banking Authority, the group has integrated it into its information systems to ensure consistency between the accounting and prudential definitions. The relevant financial information is included in the management report.

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.

Impairment of loans and receivables and provisions for financing commitments and financial guarantees

Individual impairment and provisions
Impairment is recognized when there is objective evidence of a measurable decrease in value as a result of an event occurring after inception of a loan or group of loans, and which may lead to a loss. Loans are tested for impairment on an individual basis at the end of each reporting period. The amount of impairment is equal to the difference between the carrying amount and the present value of the estimated future cash flows associated with the loan, discounted at the original effective interest rate, taking into account the effect of guarantees. 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 and current accounts with unauthorized activity for more than three months 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 provision allocations/reversals for loan losses. Reversals of impairment charges and provisions are recorded in Net provision allocations/reversals 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 (portfolio-based impairment)
Customer loans that are not individually impaired are grouped on the basis of loan portfolios with similar characteristics. As regards significant loans, impairment is provided on the basis of the loss given default and the probability of default at maturity, observed internally or externally and applied to the loans. It is recognized as a deduction from the carrying amounts of the corresponding loans, while any movements during the year are included in "Net additions to/reversals from provisions for loan losses" in the income statement.

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 the lease payments received between interest and principal repayments, 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 obligation in the same amount is recorded as a liability. Lease payments are broken down between principal repayments and interest.

Securities

Determining the fair value of financial instruments
Fair value is the amount for which an asset could 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. The fair value must be calculated for subsequent measurements. The calculation method to be applied varies depending on whether the instrument is traded on a market deemed to be active.

Assets traded on an active market
When instruments are traded on an active market, the fair value is determined on the basis of listed prices since they represent the best possible estimate of fair value. A financial instrument is deemed to be listed on an active market if prices are easily and regularly available (from a stock exchange, a broker, an intermediary or quotation system) and represent actual and regularly occurring market transactions carried out on an arm's length basis.

Assets traded on an inactive market
Observable market data are used provided they reflect the reality of a transaction at arm's length on the valuation date and there is no need to make an excessive adjustment to said value. In other cases, the group uses non-observable data (*mark-to-model*).

When observable data is not available or when market price adjustments require the use of non-observable data, the entity may use internal assumptions relating to future cash flows and discount rates, comprising adjustments linked to the risks the market would factor in. Said valuation adjustments facilitate the inclusion, in particular, of risks not taken into account by the model, of liquidity risks associated with the instrument or parameter concerned, and specific risk premiums designed to offset certain additional costs that would result from the dynamic management strategy associated with the model under certain market conditions.

When value adjustments are calculated, each risk factor is considered individually and no diversification effect between risks, parameters or models of a different nature is taken into account. A portfolio approach is most often adopted for a given risk factor.

In all cases, adjustments are made by the group, which uses its judgment to make such adjustments in a reasonable and appropriate manner.

Fair value hierarchy

There are three levels of fair value of financial instruments:

- Level 1: prices quoted on active markets for identical assets or liabilities: this concerns, in particular, debt securities with prices quoted by at least three contributors and derivative instruments quoted on a regulated 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). Included, in particular, in level 2 are interest rate *swaps* whose fair value is generally determined with the help of yield curves based on market interest rates observed at the end of the reporting period;
- Level 3: data relating to the asset or liability that are not observable market data (non-observable data). The main constituents of this category are investments in non-consolidated companies held in venture capital entities or otherwise and, in the capital markets activities, debt securities quoted by a single contributor and derivatives using mainly non-observable parameters. The instrument is classified within the same hierarchy level as the input that is significant for the fair value taken as a whole. Given the diversity and volume of the instruments measured at level 3, the sensitivity of the fair value to the change in the parameters would be immaterial.

Accounting classification of securities

Securities may be classified in one of the following categories:

- Financial assets at fair value through profit or loss;
- Available-for-sale financial assets;
- Held-to-maturity financial assets;
- Loans and receivables.

Classification in one or other of these categories reflects the group's management intention and determines the accounting rules applied to the instruments concerned.

➢ ***Financial assets and liabilities at fair value through profit or loss***

Classification criteria and transfer rules

Classification of securities in this category results from either a genuine intention to trade in the securities or the use of the fair value option.

Instruments held for trading:

Securities held for trading include securities purchased with the intention, at the outset, of selling them in the near term, as well as securities that are part of a globally-managed portfolio for which there is evidence of a recent actual pattern of short-term profit taking.

Market conditions may prompt the group to review its investment strategy and management intention for these securities. Therefore, when it would be untimely to sell securities purchased initially for the purpose of selling them in the near term, these securities may bereclassified in accordance with the provisions of the amendment to IAS 39 issued in October 2008. Transfers to the "Available-for-sale financial assets" or "Held-to-maturity financial assets" categories are permitted in exceptional circumstances. Transfers to the "Loans and receivables" category are permitted when the group has the positive intention and ability to hold these securities over the foreseeable future or until their maturity, and when the assets transferred meet the criteria inherent in the definition of the "Loans and receivables" accounting category (i.e. they are not listed on an active market). No transfer of this type has occurred since 2008 but, when such a transfer is made, this aims to better represent the current management intention for these instruments and to reflect more faithfully their impact on the group'sresults.

Instruments accounted for under the fair value option

An entity may elect to classify financial instruments at fair value through profit or loss upon initial recognition. Such an election is irrevocable. This classification is permitted in the following circumstances:

- financial instruments containing one or more embedded derivatives,
- instruments for which the accounting treatment would be inconsistent with that applied to another related instrument, were the fair value option not applied,
- instruments belonging to a pool of financial assets measured and managed at fair value.

The group has used this option in particular for securities held in the private equity portfolio.

Basis for recognition and measurement of related income and expenses

Securities classified as "Assets at fair value through profit or loss" are recognized at fair value on initial recognition, at subsequent reporting dates and until their disposal. Changes in fair value and income received or accrued on fixed income securities classified in this category are recorded in profit or loss under "Net gains (losses) on financial instruments at fair value through profit or loss".

Purchases and sales of securities at fair value through profit or loss are recognized on the settlement date. Any changes in fair value between the transaction date and settlement date are recognized in the income statement.

In the event of a transfer to one of the other three categories, the fair value of the financial asset on its reclassification date becomes its new cost or amortized cost. Gains or losses recognized prior to the transfer date cannot be reversed.

➢ ***Available-for-sale financial assets***

Classification criteria and transfer rules

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".

Fixed income securities may be reclassified as:

- "Held-to-maturity financial assets" in the event of a change in the management intention, and provided that they satisfy the eligibility conditions for this category;
- "Loans and receivables" in the event of a change in the management intention, the capacity to hold the security for the foreseeable future or until maturity and provided that they satisfy the eligibility conditions for this category.

There has been no reclassification since 2008.

Basis for recognition and measurement of related income and expenses

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

In the event of a transfer from the "Available-for-sale financial assets" category to the "Held-to-maturity financial assets" or "Loans and receivables" categories of instruments with a fixed maturity date, and in the absence of impairment provisions, unrealized gains and losses previously deferred into equity are amortized over the asset's residual life. In the event of a transfer of instruments with no fixed maturity date into "Loans and receivables", unrealized gains and losses previously deferred are retained in equity until the securities are sold.

Income accrued or received on fixed-income available-for-sale securities is recognized in the income statement under "Interest income", using the effective interest method. In the event of a subsequent appreciation in value, this will be recognized in equity within "Unrealized or deferred gains and losses".

Impairment of available-for-sale equity instruments

An equity instrument is impaired when there exists objective evidence of impairment, either in the event of:

a) a significant or lasting decline in the fair value to below cost; or

b) the existence of information on significant changes that have a negative impact and have arisen in the technological, market, economic or legal environment 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.

The loss is recognized in the income statement within "Net gains/(losses) on available-for-sale financial assets". Any subsequent impairment is also recognized in the income statement.

Permanent impairment of shares or other equity instruments, which has been recognized in the income statement, is irreversible so long as the instrument is carried in the statement of financial position. In the event of a subsequent appreciation in value, this will be recognized in equity within "Unrealized or deferred gains and losses".

Impairment of available-for-sale debt instruments

Impairment losses are calculated based on fair values. They are recognized in "Net provision allocations/reversals for loan losses". Only the existence of a credit risk can result in impairment provisions being recognized in respect of these fixed-income instruments: impairment provisions may not be recognized in respect of losses due solely to an increase in interest rates. In the event of impairment, any unrealized or deferred gains or losses are written back to the income statement. These impairment losses may be reversed. Any subsequent appreciation resulting from an event occurring since the recognition of the impairment loss is also recognized in profit or loss under "Net provision allocations/reversals for loan losses" when there has been an improvement in the borrower's credit situation.

➢ ***Held-to-maturity financial assets***

Classification criteria and transfer rules

Held-to-maturity financial assets are financial assets listed on an active market, with fixed or determinable payments and a set 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.

Possibilities for selling or transferring held-to-maturity securities are extremely restricted under IAS 39 which, on failure to comply, would require the entire portfolio to be reclassified at the level of the group and prohibit the use of this category for two years.

Basis for recognition and measurement of related income and expenses

Held-to-maturity securities are recognized at fair value when acquired. Subsequently they are measured at amortized cost using the effective interest rate method, which factors in the amortization of any premiums, discounts and, if material, acquisition costs

Purchases and sales of securities are recognized at the settlement date.

Income earned from this category of investments is included in "Interest income" in the income statement.

Credit risk

An impairment loss is recognized when there is objective evidence that the asset is impaired as a result of one or more events having occurred after initial recognition of the asset and when this could generate a loss (proven credit risk). Investments are tested for impairment on an individual basis at each reporting date. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of future cash flows discounted at the asset's original interest rate, taking into account any guarantees. The impairment loss is recognized in profit or loss under "Net provision allocations/reversals for loan losses". Any subsequent appreciation resulting from an event occurring since the recognition of the impairment loss is also recognized in profit or loss under "Net provision allocations/reversals for loan losses".

➢ ***Loans and receivables***

Classification criteria and transfer rules

IAS 39 authorizes certain securities to be classified as "Loans and receivables" when they have fixed or determinable payments and are not traded on an active market.

Classification as loans and receivables may take place upon acquisition of the securities or upon their transfer from "Financial assets at fair value through profit or loss" or from "Available-for-sale financial assets", pursuant to the amendment to IAS 39 issued in October 2008. There has been no reclassification since 2008.

Basis for recognition and measurement of related income and expenses

Loans and receivables are recognized initially at fair value. Subsequently they are accounted for and measured in accordance with the rules applied to loans and receivables in the section above entitled "Loans and Receivables".

Credit risk

An impairment loss is recognized when there is objective evidence that the asset is impaired as a result of one or more events having occurred after initial recognition of the asset and when this could generate a loss (proven credit risk). The amount of the loss is measured as the difference between the asset's carrying amount and the present value of future cash flows discounted at the asset's effective interest rate, taking into account any guarantees. The impairment loss is recognized in profit or loss under "Net provision allocations/reversals for loan losses". Any subsequent appreciation resulting from an event occurring since the recognition of the impairment loss is also recognized in profit or loss under "Net provision allocations/reversals for loan losses".

Derivatives and hedge accounting

Determining the fair value of derivatives

The majority of over-the-counter derivatives, *swaps*, forward rate agreements, *caps*, *floors* and vanilla options are valued using standard, generally accepted models (discounted cash flow method, Blackand Scholes model, interpolation techniques),

based on observable market data such as yield curves. The valuations given by these models are adjusted to take into account the liquidity risk and the credit risk associated with the instrument or parameter concerned, and specific risk premiums designed to offset certain additional costs that would result from the dynamic management strategy associated with the model under certain market conditions and the counterparty risk present in the positive fair value of over-the-counter derivatives. The latter includes the specific counterparty risk present in the negative fair value of over-the-counter derivatives.
When value adjustments are calculated, each risk factor is considered individually and no diversification effect between risks, parameters or models of a different nature is taken into account. A portfolio approach is most often adopted for a given risk factor.

Derivatives are recognized as financial assets when their market value is positive and as financial liabilities when their market value is negative.

Classification of derivativesand hedge accounting

Derivatives classified as financial assets or financial liabilities at fair value through profit or loss
By default, all derivatives not designated as hedging instruments under IFRS are classified as "Financial assets or financial liabilities at fair value through profit or loss", even when for financial purposes they were entered into to hedge one or more risks.

Embedded derivatives
An embedded derivative is a component of a hybrid instrument that meets the definition of a derivative when separated from its host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone 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 conditions:
- they meet the definition of a derivative;
- the hybrid instrument hosting the embedded derivative is not measured at fair value through profit or loss;
- the economic characteristics and associated risks of the embedded derivative are not deemed to be closely related to those of the host contract;
- the separate measurement of the embedded derivative is sufficiently reliable to provide useful information.

Accounting
Realized and unrealized gains and losses are recognized in the income statement under "Net gains/(losses) on financial instruments at fair value through profit or loss".

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 future transaction. Cash flow hedges are used in particular to hedge 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 underlying strategy, type of risk covered, the hedged item and hedging instrument, and the methods used to assess the effectiveness of the hedging relationship. Hedge effectiveness is assessed at the inception of the hedge and subsequently at least at the end of each reporting period. The ineffective portion of the hedge is recognized in the income statement under "Net gains/(losses) on financial instruments at fair value through profit or loss". The only risk for which fair value hedging is used is interest rate risk.
- The hedging of net investments in foreign currencies is recognized in the same way as cash flow hedging. The group has not used this form of hedging.

Hedging derivatives must meet the criteria stipulated by IAS 39 to be designated as hedging instruments for accounting purposes. In particular:
- the hedging instrument and the hedged item must both qualify for hedge accounting.
- The relationship between the hedged item and the hedging instrument must be formally documented immediately upon inception of the hedging relationship. This documentation sets outs notably the risk management objectives of the hedging relationship, as determined by management, the nature of the riskhedged, the underlying strategy, and the methods used to measure the effectiveness of the hedge.
- Hedge effectiveness must be proved immediately upon inception of the hedging relationship and subsequently throughout its life, at the very leastat each balance sheet date The ratio of the change in value or results of the hedging instrument to that of the hedged item must be within the range of 80% to 125%.

Where relevant, hedge accounting is discontinued on a prospective basis.

Fair value hedge of identified financial assets or liabilities
In a fair value hedging relationship, the derivative instrument is measured at fair value through profit or loss under "Net gains/(losses) on financial instruments at fair value through profit or loss" symmetrically with the remeasurement of the hedged item in the income statement, related to the risk hedged. This rule also applies when the hedged item is recognized at amortized cost or is a financial asset classified in "Available-for-sale.financial assets". Changes in the fair value of the hedging instrument and hedged risk component will offset each other partially or totally; only the ineffective portion of the hedge is recognized in profit or loss.

In a fair value hedge, changes in the fair value of the derivative instrument are taken to income under "Interest income/ expense" symmetrically with the change in interest income/ expense of the hedged item.
If the hedging relationship is broken or no longer fulfills the hedge effectiveness criteria, hedge accounting is discontinued on a prospective basis. The hedging derivatives are transferred to "Financial assets or financial liabilities at fair value through profit or loss" and accounted for in accordance with the principles applied to this category. The carrying amount of the hedged item is subsequently no longer adjusted toreflect changes in fair value. In the case of initially hedged identified interest rate instruments, valuationadjustments are amortized over their remaining life. If the hedged item no longer appears in the statement of financial position, in particular due to early repayments, the cumulative adjustment is taken immediately to income.

Macro-hedging derivatives

The group has availed itself of the possibilities offered by the European Commission as regards accounting for macro-hedging transactions. The European Union's so-called *carve-out* amendment to IAS 39 enables customer demand deposits to be included in hedged fixed-rate liability portfolios with no effectiveness measurement if under-hedged. Demand deposits are included based on the run-off rules defined forasset-liability management purposes.
For each portfolio of fixed-rate financial assets or liabilities, the maturity schedule of the hedging derivatives is reconciled with that of the hedged itemsto ensure that there is no over-hedging.
The accounting method for fair value macro-hedging derivatives is similar to that used for fair value hedging derivatives.
Changes in the fair value of the hedged portfolios are recorded on a specific line of the statement of financial position, "Remeasurement adjustment on interest-rate risk hedged portfolios", the other side of the entry being to profit or loss.

Cash flow hedges

In the case of a cash flow hedge, derivatives held in the statement of financial position are remeasured at their fair value, with any change being recognized in equity as regards the effective portion while the portion considered as ineffective is recognized in profit or loss under "Net gains (losses) on financial instruments at fair valuethrough profit or loss".
The amounts recognized in equity are reclassified into profit and loss under "Interest income/expense" in the same period or periods during which the cash flows attributable to the hedged item affect profit or loss.
The hedged items continue to be accounted for using the treatment applicable to the asset category to which they belong. If the hedging relationship is broken or no longer fulfills the hedge effectiveness criteria, hedge accounting is discontinued. The cumulative amounts recognized in equity as a result of the remeasurement of the hedging instrument remain in equity until the hedged transaction itself impacts income, or until the transaction is no longer expected to occur, at which point said amounts are transferred to profit or loss.
If the hedged item has been derecognized, the cumulative amounts recorded in shareholders' equity are immediately transferred to profit or loss.

Debt securities

Debt securities (certificates of deposit, interbank market securities, bonds, etc.) that are not classified as at fair value through profit or loss by option are recognized initially at their issue amount, when applicable net of transaction costs.
These securities are subsequently measured at amortized cost using the effective interest rate method.

Subordinated debt

Both dated and undated subordinated debt is separated from other debt securities as, in the event of the issuer's liquidation, it is repaid only after claims by other creditors have been extinguished. Subordinated debt is measured at amortized cost.

Debt-equity distinction

Financial instruments issued by the group are classified as debt instruments when the group has a contractual obligation to deliver cash to holders of the instruments and when the remuneration of these instruments is not discretionary. This is the case with subordinated notes issued by the group.

Amounts due to customers and credit institutions

These are fixed- or determinable-rate financial liabilities. They are initially recognized at fair value and measured at subsequent reporting dates at amortized cost using the effective interest rate method, except in the case of those recognized at fair value by option.

Regulated savings

Home savings accounts (*comptes d'épargne logement* – "CEL") and home savings plans (*plans d'épargne logement* – "PEL") are government-regulated retail products sold in France. Account holders receive interest on amounts paid into these accounts over a certain period (initial savings phase), at the end of which they are entitled to a mortgage loan (secondary borrowing phase). They generate two types of obligation for the distributing establishment:

- a commitment to pay interest in the future on paid-in amounts at a fixed rate (in the case of PEL accounts only, as interest payable on CEL accounts is regularly revised on the basis of an indexation formula and is therefore treated as a variable rate);
- a commitment to grant loans to customers at their request, at a rate set on inception of the contract (both PEL and CEL products).

The cost represented by these obligations has been estimated on the basis of behavioral statistics and market data. A provision is recognized in liabilities to cover the future costs relating to the risk that the terms of such products may be potentially unfavorable to the bank, i.e. where the bank offers different interest rates to retail customers than those on similar non-regulated products. This approach is managed based on generations of regulated PEL and CEL savings products with similar characteristics. The impact on income is included in interest paid to customers.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits and demand loans and borrowings with central banks and credit institutions.

Provisions

Movements in provisions are classified by nature under the corresponding income/expense caption.
A provision is recognized when it is probable 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. Where relevant, the net present value of this obligation is discounted to determine the amount of the provision.

Employee benefits

Where appropriate, a provision is set aside for such employee benefit obligations, recognized within "Provisions". Any movements in the provision are taken to income within "Payroll costs", with the exception of the portion resulting from actuarial differences, which isrecognized in unrealized or deferred gains and losses recognized in equity.

Post-employment benefits covered by defined benefit plans
These relate to retirement, early retirement and supplementary retirement plans for which the group has a legal or constructive obligation to provide certain benefits to its employees.
These obligations are calculated using the projected unit credit method, which consists in assigning benefit rights to periods of service in line with the plan's contractual benefit formula, before discounting them based on demographic and financial assumptions. The group uses the following assumptions to calculate its retirement and equivalent obligations:

- the discount rate determined by reference to the market yield on long-term corporate bonds consistent with the term of the obligations;
- the salary increase rate, measured based on age bands and regional characteristics;
- estimated inflation rates;
- employee turnover, calculated for each age band;
- retirement age: the estimate is calculated separately for each individual based on the actual or estimated date on which employment first commenced and on assumptions related to the law on pension reform, with a maximum age of 67 at retirement;
- the INSEE TH/TF 00-02 life expectancy table.

The effect of changes in these assumptions and experience adjustments (the effects of differences between the previous assumptions and actual outcomes) gives rise to actuarial gains and losses.
Plan assets are measured at fair value and the amount recognized in the income statement is their implicit return (corresponding to the fair value of the plan assets multiplied by the discount rate used to determine the scheme liabilities). The difference between the implicit return on plan assets and the actual return gives rise to an actuarial gain or loss.

Actuarial gains and losses are recognized in equity, within unrealized or deferred gains and losses. Gains or losses on the curtailment or settlement of a defined benefit plan are recognized in the income statement when they occur.

At least 60% of the obligations of the group's French banks relating to retirement bonuses are covered by insurance taken out with ACM Vie, a Crédit Mutuel group insurance company which is consolidated by CIC under the equity method.

Supplementary pensions covered by pension funds
Under the terms of the AFB transitional agreement dated September 13, 1993, the banking industry pension schemes were discontinued and bank employees joined the government-sponsored Arrco and Agirc schemes effective from January 1, 1994. The four pension funds to which CIC group banks contributed were merged. They pay the various benefits covered by the transitional agreement. In the event that fund assets are not sufficient to cover these benefit obligations, the banks are required to make additional contributions. The average contribution rate for the next ten years is capped at 4% of the payroll. The pension fund resulting from mergers was converted into an IGRS, a French supplementary pension management institution, in 2009. It does not have an asset shortfall.

Defined contribution post-employment benefits
Group entities pay into a number of retirement schemes managed by third parties. Under these schemes, group entities have no legal or constructive obligation to pay further contributions, in particular where plan assets are inadequate to fund future obligations.
As these schemes do not represent an obligation for the group, no provision is recognized and the related expenses are recognized in the income statement in the period in which the contribution is due.

Other long-term benefits
Other long-term benefits are employee benefits (other than post-employment benefits and termination benefits) which are expected to be paid more than 12 months after the end of the period in which the employees render the related services, such as long-service awards.
The group's obligation in respect of other long-term benefits is measured using the projected unit credit method. However, actuarial gains and losses are taken to the income statement as and when they arise.
Employees are granted long-service awards after 20, 30, 35 and 40 years of service. A provision is set aside for these awards.

Termination benefits
These benefits are granted by the group following the decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy in exchange for such benefits. The related provisions are discounted when payment falls due more than twelve months after the end of the reporting period.

Short-term employment benefits

Short-term employment benefits are employee benefits (other than termination benefits) which are expected to be settled wholly within twelve months of the end of the reporting period, such as wages and salaries, social security contributions and certain bonuses.
An expense is recognized in respect of these benefits in the period in which the services giving rise to the benefits were provided to the entity.

Insurance company contracts

The accounting policies and measurement methods specific to assets and liabilities arising on insurance contracts have been drawn up in accordance with IFRS 4. They apply also to reinsurance contracts issued or subscribed, and to financial contracts with a discretionary profit-participation feature. Other assets held and liabilities issued by insurance companies are accounted for in accordance with the rules applicable to the group's other assets and liabilities.

Assets

Financial assets, investment property and property and equipment and intangible assets comply with the accounting methods described elsewhere. However, financial assets representing technical provisions related to unit-linked business are shown in "Financial assets at fair value through profit or loss".

Liabilities

Insurance liabilities, which represent commitments to subscribers and beneficiaries, are included under the heading "*Technical provisions in respect of life insurance contracts*". They continue to be measured, recorded and consolidated in accordance with French GAAP.
The technical provisions in respect of life insurance contracts consist mainly of mathematical provisions corresponding generally to the contracts' surrender values. The risks covered are mainly death, disability and incapacity for work (for credit insurance).
The technical provisions related to unit-linked business are measured, at the end of the reporting period, on the basis of the realizable value of the assets underlying these contracts.
The provisions related to non-life insurance contracts correspond to unearned premiums (portion of the premiums issued relating to subsequent periods) and to outstanding claims.
Those insurance contracts with a discretionary profit-participation feature are subject to "shadow accounting". The resulting provision represents the policyholders' share of the capital gains and losses arising on the assets. These deferred profit-participation reserves are recognized on the liabilities or assets side of the statement of financial position, by legal entity, and there is no offsetting between group entities. On the assets side, they are presented under a specific heading.
At the end of the reporting period, an adequacy test is performed on the liabilities recognized on these contracts (net of related other assets and liabilities such as deferred acquisition costs and acquired portfolios). This test ensures that the recognized insurance liabilities are adequate to cover estimated future cash flows under insurance contracts. If the test reveals that the technical provisions are inadequate, the deficiency is recognized in the income statement. It may subsequently be reversed, where appropriate.

Income statement

The income and expenses recognized in respect of the insurance contracts issued by the group are included within "Income from other activities" and "Expenses on other activities". The income and expenses in respect of the insurance entities' proprietary activities are recognized under the headings relating to them.

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. They include assets other than property assets leased under operating leases. Investment property comprises real property 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.
Subsequent to initial recognition, property and equipment and intangible assets are measured at amortized historical cost, which represents cost less accumulated depreciation, amortization and any accumulated impairment losses.
Where an asset consists of a number of components that may require replacement at regular intervals, or that have different uses or different patterns of consumption of economic benefits, each component is recognized separately and depreciated using a depreciation method appropriate to that component. CIC has adopted the component approach for property used in operations and investment property.
The depreciable amount is cost less residual value, net of costs to sell. Property and equipment and intangible assets are presumed not to have a residual value as their useful lives are generally the same as their economic lives.
Depreciation and amortization is calculated on a straight-line basis 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 on property and equipment and intangible assets used in operations are recognized in "Depreciation, amortization and impairment" in the income statement.
Depreciation charges on investment properties are recognized under "Expenses on other activities" in the income statement.

The following depreciation and amortization periods are used:
- 40-80 years for the shell,
- 15-30 years for structural components,
- 10-25 years for equipment;
- 10 years for fixtures and fittings;
- 5-10 years for office furniture and equipment,
- 3-5 years for IT hardware;

Leasehold rights paid are not amortized but are tested for impairment. New occupancy fees paid to the owner are amortized over the life of the lease as additional rent. Other intangible items (e.g. acquired customer contract portfolios) are amortized over a period of nine or ten years.
Software is amortized over periods of between one and ten years.

Depreciable and amortizable assets are tested for impairment when evidence exists at the end of the reporting period that the items may be impaired. Non-depreciable and non-amortizable non-current assets are tested for impairment at least annually. If there is an indication of impairment, the recoverable amount of the asset is compared with its carrying amount. If the asset is found to be impaired, an impairment loss is recognized in income, and the depreciable amount is adjusted prospectively. This loss is reversed in the event of a change in the estimated recoverable amount or if there is no longer an indication of impairment. Impairment is recognized under "Depreciation, amortization and impairment" in the income statement.
Gains and losses on disposals of non-current assets used in operations are shown in the income statement under "Net gains on disposals of non-current 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".

Commission income and expense

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.
Commissions paid as consideration for a service provided on a continuous basis are accounted for over the period during which the service is provided.
Commissions representing consideration for the execution of a significant service are taken to profit or loss in full upon execution of the service.
Commissions deemed to be additional interest are an integral part of the effective interest rate. Such commissions are therefore recognized within interest income/expense.

Corporate income tax

Corporate income tax includes all current or deferred income taxes.
Current income tax is calculated based on the applicable tax regulations.
The group recognizes the following as operating expenses and does not therefore recognize deferred tax in respect of them in the consolidated financial statements: the Territorial Economic Contribution (*contribution économique territoriale* - CET), the Company Real Estate Contribution (*cotisation foncière des entreprises* - CEF) and the Company Value Added Contribution (*cotisation sur la valeur ajoutée des entreprises* - CVAE).

Deferred taxes

In accordance with IAS 12, deferred taxes are recognized for temporary differences between the carrying amount of assets and liabilities and their tax basis, except for goodwill and fair value adjustments on intangible assets that cannot be sold separately from the acquired business.
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.
Non-recoverable taxes payable on probable or certain dividend payments by consolidated companies are taken into account.
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.

Financial guarantees (sureties, guarantees and other undertakings) and financing commitments given

Financial guarantees are treated like an insurance policy when they provide for specified payments to be made to reimburse the holder for a loss incurred because a specified debtor fails to make payment on a debt instrument on the due date.
In accordance with IFRS 4, these financial guarantees are still measured using French GAAP, 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.

Translation of assets and liabilities denominated in a foreign currency

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

Monetary financial assets and liabilities

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

Non-monetary financial assets and liabilities

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

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

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

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 twelve months of the end of the reporting period.

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

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

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

Use of estimates in the preparation of the financial statements

Preparation of the financial statements may require the use of assumptions and estimates that are reflected in the measurement of income and expense in the income statement and of assets and liabilities in the statement of financial position, and in the disclosure of information in the notes to the financial statements.

This requires managers to draw upon their judgment and experience and make use of the information available at the date of preparation of the financial statements when making the necessary estimates. This applies in particular to:

- the impairment of debt and equity instruments;
- the use of calculation models when valuing financial instruments that are not listed on an active market and are classified in "Available-for-sale financial assets", "Financial assets at fair value through profit or loss" or "Financial liabilities at fair value through profit or loss";
- 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 assets;
- the measurement of provisions, including for retirement and other future employee benefit obligations.

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 concerning:

- classifying and measuring financial instruments (phase 1),
- impairment provisions for credit losses on financial assets (phase 2), and
- hedge accounting, excluding macro-hedging (phase 3).

Its application will become mandatory as from January 1, 2018. The classification and measurement provisions, as well as the new IFRS 9 impairment model, are to be applied retrospectively by adjusting the opening balance sheet on the date of first application. There is no obligation to restate the financial years shown by way of comparison. The group will, therefore, present its 2018 financial statements without adjusting the comparative figures for 2017 to comply with the IFRS 9 format: the explanation for the transition of the portfolios from IAS 39 to IFRS 9 and the impacts on equity at January 1, 2018 will be provided in the notes to the financial statements.

In the second quarter of 2015, the group launched an initiative,currently at 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 Financial management department of Confédération Nationale du Crédit Mutuel (CNCM). The project is organized into working groups, to cover the various phases and instruments (loans, securities and derivatives); the CNCM Risk department has overall responsibility for the work on the impairment models. Work began in 2016 on the changes that will need to be made to the IT systems. This work continued in 2017.

Information for each of the initiative's phases is presented below.

➢ ***Phase 1 - Classification and measurement***

Under IFRS 9, the classification and measurement of financial assets will depend on the business model and the contractual characteristics of the instruments, which could result in the classification and/or measurement of certain financial assets being different from that under IAS 39.

Loans, receivables and debt securities acquired will be classified:

- at amortized cost, if the objective of the business model is to hold the financial asset to collect the contractual cash flows, and if the cash flows consist solely of payments of principal and interest on the principal amount outstanding (analysis carried out via the solely payments of principal and interest (SPPI) test), provided they are not accounted for using the fair value option through profit or loss.

- at fair value through other comprehensive income, if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, depending on the circumstances and provided this does not constitute trading, and if the cash flows are solely payments of principal and interest on the principal amount outstanding provided they are not accounted for using the fair value option through profit or loss. If such instruments are sold, the unrealized gains or losses previously recognized in other comprehensive income will be recognized in profit or loss, as is currently the case under IAS 39 when an instrument is classified as available for sale (AFS),
- at fair value through profit or loss, if they are not eligible to be classified within the two aforementioned categories (since they do not fulfill the SPPI criterion and/or are managed in accordance with the "other" business model) or if the group chooses to classify them as such, in order to reduce an accounting mismatch.

Equity instruments acquired (shares, in particular) will be classified:
- at fair value through profit or loss, or
- at fair value through other comprehensive income. In the event of the sale of such instruments, the unrealized gains or losses previously recognized in other comprehensive income 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.

It should be noted that:
- embedded derivatives in financial assets may no longer be recognized separately from the host contract,
- the IAS 39 provisions relating to the derecognition of financial assets and liabilities are replicated in IFRS 9 without amendment. The same applies to the provisions relating to financial liabilities, except for:
  - the recognition of changes in fair value, resulting from the credit risk specific to the liabilities for which the entity has elected for recognition at fair value through profit or loss. These changes are no longer to be recognized in profit in loss: instead, they are to be recognized in unrealized or deferred gains and losses within other comprehensive income, that may not be recycled to profit or loss. The issue of specific credit risk has very little impact on the group,
  - the recognition of the gain/loss resulting from the modification of the financial assets for which it does not give rise to derecognition,
- In October 2017, the IASB published the amendment to symmetrical early repayment penalties, which is in the process of being adopted by the European Union. It provides that assets comprising early repayment options with compensation for the bank may, exceptionally, be treated as SPPI instruments (and therefore able to be measured at amortized cost or at fair value through equity), provided that the procedures for calculating the compensation are compatible with the concept of "reasonable compensation" provided for by the standard. This development enables recognition at fair value through profit or loss to be avoided in the case of loans subject to provisions of this type. This issue has very little impact on the group.

The objectives of the work carried out within the group during 2017 were to:
- finalize the SPPI tests for those rates identified as high-risk (averaged and decorrelated), or presenting a decorrelation between the term of the rate and the frequency with which it is repriced. It should be noted that the group has decided to no longer produce loans at rates deemed non-compliant and that the SPPI criterion must be met when new products are developed;
- continue the work of documenting the various instruments, as regards both the characteristics of the instruments and the business models. As regards the collection model, an acceptable sales threshold has been defined based on the portfolio's duration to enable the financial instruments to be classified at amortized cost, in cases other than those provided for by the standard. It should be noted that, in practice, this threshold concerns only securities since the group does not sell its loans.

The main reclassifications into the fair value through profit or loss category will be units in UCITS or UCIs and certain convertible or structured bonds or securitization tranches. These reclassifications will have only a modest impact.

➢ ***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.
IFRS 9 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, in part, when collective provisions are currently recognized on portfolios of financial assets with similar characteristics, pursuant to IAS 39.

Therefore, the new impairment model introduced by IFRS 9 will apply to all debt instruments measured at amortized cost or at fair value through other comprehensive income. Such instruments 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 the same as the scope of the loans currently provided for on an individual basis under IAS 39.

The assessment as to whether there has been a significant increase in the credit risk will be carried out by:

- taking into account all reasonable and justifiable information, and
- comparing the risk of default on the financial instrument as of the reporting date with the risk of default as of the initial recognition date.

At group level, 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 use the models developed for prudential purposes and the assessment of the 12-month default risk:
  - for the LDP portfolios (Low Default Portfolios: those with a low default rate for which the rating model is based on an expert valuation), the boundary is based on an allocation matrix which relates the rating on origination to the rating on the reporting date,
  - for the HDP portfolios (High Default Portfolio: those with a high default rate for which historical data enable a statistical rating model to be established), a boundary yield curve relates the default rate on origination to the default rate on the reporting date.
- as well as this quantitative data, it will use qualitative criteria such as installments that are unpaid or overdue by more than 30 days, the concept of restructured loans, etc.
- methods based exclusively on qualitative criteria will be used for those entities or small portfolios that are classified for prudential purposes under the standardized approach and do not have a rating system.

The main objectives of the work carried out within the group during 2017 were to:

- define the boundaries between statuses 1 and 2 for the group's various exposure categories and the method for taking forward-looking information into account in the parameters. This method will include, for the probability of default, three scenarios (optimistic, neutral and pessimistic), which will be weighted in accordance with the group's perception of trends in the five-year economic cycle;
- document all bodies of rules; and
- finalize the information system adaptation process.

➢ *Phase 3 – Hedge accounting*

IFRS 9 allows entities to choose, on first-time application, whether to apply the new provisions concerning hedge accounting or to retain those of IAS 39.

The group has elected to continue to apply the current provisions. Additional information will, however, be disclosed in the notes to the financial statements on risk management and the effects of hedge accounting on the financial statements, in accordance with revised IFRS 7.

It should be noted in addition that the provisions stipulated in IAS 39 concerning the fair value hedge of interest rate risk associated with a portfolio of financial assets or financial liabilities, as adopted by the European Union, will continue to apply.

IFRS 15 – Revenue from Contracts with Customers

This standard will replace several standards and interpretations relating to revenue recognition (in particular IAS 18 - Revenue and IAS 11 - Construction Contracts). It will not, however, affect revenue that comes within the scope of the standards dealing with leases, or revenue from insurance contracts or financial instruments.

The recognition of revenue under IFRS 15 must reflect the transfer of control of the good (or service) to a customer, for the amount to which the vendor expects to be entitled. To this end, the standard has developed a five-stage model enabling the entity to determine when and in what amount the revenue from its ordinary activities must be recognized:

- Identify the contract(s) with a customer,
- Identify the performance obligations in the contract,
- Determine the transaction price,
- Allocate the transaction price to the performance obligations in the contract, and
- Recognize revenue when (or as) the entity satisfies a performance obligation.

Application of the standard will become mandatory for accounting periods beginning on or after January 1, 2018.

An analysis of the standard and an identification of its potential effects were carried out in 2016 and 2017. This work was carried out by a dedicated working group.

The main business lines/products to be analyzed were the packaged banking services, asset management (performance fees), telephony and IT activities.

Since the impact of the standard is not material, no changes have been made to the methods for measuring and accounting for these activities.

IFRS 16 – Leases

This new standard was published in early 2016, adopted by the European Union on October 31, 2017 and will come into force on January 1, 2019. IFRS 16 will replace IAS 17 and the interpretations relating to lease accounting.

Pursuant to IFRS 16, for a contract to qualify as a lease, there must be both the identification of an asset and control by the lessee of the right to use said asset.

From the lessor's point of view, the impact is expected to be limited since the provisions adopted remain substantially the same as those of the current IAS 17.

From the lessee's point of view, operating leases and finance leases with be accounted for in accordance with a single model, with recognition of:

- an asset representing the right to use the leased asset ("right-of-use asset"), throughout the lease term,
- a corresponding liability representing the obligation to makelease payments,
- in the income statement, an expense for the straight-line depreciation of the asset and an expense for the degressive interest expense.

By way of reminder, under IAS 17, the standard currently in force, in the case of an operating lease, no amount is recognized in the lessee's balance sheet and rental payments are recognized within operating expenses.

In 2017, the group continued its analysis work on the impacts of this standard, the options available for first-time application and its implementation in the information system. The group has also carried out the process of identifying its leases, both of property and of equipment (IT equipment, car fleet, etc.). The assessment of the potential impacts of IFRS 16 on the group's financial statements is still in progress.

Standards and interpretations not yet adopted by the European Union

The main standard in this category is IFRS 17 on 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 liabilities, 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.

NOTE 2a: Consolidation scope

Newly-consolidated company:
- CIC Hong Kong (branch)

Changes of name:
- Diversified Debt Securities SICAV - SIF changed its name to Cigogne CLO Arbitrage
- CM-CIC Capital et Participations changed its name to CM-CIC Capital

Merger:
- Absorption of CM-CIC Proximité by CM-CIC Investissement SCR

Company removed from the consolidation scope:
- Disposal of Cigogne CLO Arbitrage

Company	Country	Currency	31.12.2017 Percentage Voting rights	31.12.2017 Percentage Interest	31.12.2017 Method *	31.12.2016 Percentage Voting rights	31.12.2016 Percentage Interest	31.12.2016 Method *
Consolidating company: Crédit Industriel et Commercial - CIC								
CIC Hong Kong (branch)	Hong Kong	USD	100	100	FC			
CIC Londres (branch)	United Kingdom	GBP	100	100	FC	100	100	FC
CIC New York (branch)	United States	USD	100	100	FC	100	100	FC
CIC Singapour (branch)	Singapore	USD	100	100	FC	100	100	FC
A. Banking network								
CIC Est (i)	France		100	100	FC	100	100	FC
CIC Lyonnaise de Banque (i)	France		100	100	FC	100	100	FC
CIC Nord Ouest (i)	France		100	100	FC	100	100	FC
CIC Ouest (i)	France		100	100	FC	100	100	FC
CIC Sud Ouest (i)	France		100	100	FC	100	100	FC
B. Banking network subsidiaries								
CM-CIC Asset Management	France		24	24	EM	24	24	EM
CM-CIC Bail (i)	France		99	99	FC	99	99	FC
CM-CIC Bail Espagne (branch)	Spain		100	99	FC	100	99	FC
CM-CIC Épargne salariale (i)	France		100	100	FC	100	100	FC
CM-CIC Factor (i)	France		96	95	FC	96	95	FC
CM-CIC Lease	France		54	54	FC	54	54	FC
CM-CIC Leasing Benelux	Belgium		100	99	FC	100	99	FC
CM-CIC Leasing GMBH	Germany		100	99	FC	100	99	FC
C. Financing and capital markets								
Cigogne Management	Luxembourg		60	60	FC	60	60	FC
Cigogne CLO Arbitrage	Luxembourg				not applicable	100	100	FC

* Method: MER = merger; FC = full consolidation; EM = equity method; NC = not consolidated.
** Based on the consolidated financial statements.
(i) = Members of the tax consolidation group set up by CIC.

Company	Country	Currency	31.12.2017 Percentage Voting rights	Interest	Method *	31.12.2016 Percentage Voting rights	Interest	Method *
D. Private banking								
Banque CIC (Suisse)	Switzerland	CHF	100	100	FC	100	100	FC
Banque de Luxembourg	Luxembourg		100	100	FC	100	100	FC
Banque Transatlantique (i)	France		100	100	FC	100	100	FC
Banque Transatlantique Londres (branch)	United Kingdom	GBP	100	100	FC	100	100	FC
Banque Transatlantique Belgium	Belgium		100	100	FC	100	100	FC
Banque Transatlantique Luxembourg	Luxembourg		100	100	FC	100	100	FC
Dubly-Douilhet Gestion (i)	France		100	100	FC	100	100	FC
Transatlantique Gestion (i)	France		100	100	FC	100	100	FC
E. Private equity								
CM-CIC Capital (i)	France		100	100	FC	100	100	FC
CM-CIC Conseil (i)	France		100	100	FC	100	100	FC
CM-CIC Innovation	France		100	100	FC	100	100	FC
CM-CIC Investissement (i)	France		100	100	FC	100	100	FC
CM-CIC Investissement SCR	France		100	100	FC	100	100	FC
CM-CIC Proximité	France				MER	100	100	FC
F. HQ, holding company services and logistics								
Adepi (i)	France		100	100	FC	100	100	FC
CIC Participations (i)	France		100	100	FC	100	100	FC
Gesteurop (i)	France		100	100	FC	100	100	FC
G. Insurance companies								
Groupe des Assurances du Crédit Mutuel (GACM)**	France		21	21	EM	21	21	EM

* Method: MER = merger; FC = full consolidation; EM = equity method; NC = not consolidated.
** Based on the consolidated financial statements.
(i) = Members of the tax consolidation group set up by CIC.

Information on the group's presence and activities in non-cooperative countries or territories included in the list established by the order dated April 8, 2016: the group does not have a presence that meets the criteria defined by the order dated October 6, 2009.

Pursuant to the regulation issued in 2016 by the French accounting standards authority (*Autorité des normes comptables* - ANC), the comprehensive list of entities over which the group has control, joint control or significant influence and which are not consolidated due to the fact that they are not material to the group's financial statements, and the list of investments in non-consolidated companies, are available in the Regulated Information section of the following website: https://www.cic.fr/fr/institutionnel/actionnaires-et-investisseurs/information-reglementee.html

Information on sites included in the consolidation scope

Article 7 of law 2013-672 dated July 26, 2013 of the French Monetary and Financial Code (*Code monétaire et financier*), amending Article L.511-45, requires credit institutions to publish information on their presence and activities in each state or territory.

The table above providing information on the consolidation scope shows the country in which each site is located.

Country	Net banking income	Income before tax	Corporate income tax	Other taxes	Public subsidies received	Employees
Germany	4	3	0	(1)		4
Belgium	19	9	(3)	(1)		40
Spain	1	0	0	0		3
United States of America	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**

NOTE 2b: Fully consolidated entities with significant non-controlling interests

	Percentage of non-controlling interests in the consolidated financial statements				Financial information about fully-consolidated entities (1)			
31.12.2017	Percentage of interest	Net income	Amount in shareholders' equity (2)	Dividends paid to non-controlling interests	Total assets	OCI	Net banking income	Net income
CM-CIC Lease	46%	6	34	(5)	4,456	0	35	13
Cigogne Management	40%	6	8	(4)	65	0	29	17
CM-CIC Factor	5%	0	7	0	7,580	(1)	91	8
31.12.2016								
CM-CIC Lease	46%	4	35	0	4,401	0	29	8
Cigogne Management	40%	5	8	(5)	53	0	21	12
CM-CIC Factor	5%	0	6	0	6,773	(1)	86	4

(1) Amounts before elimination of intra-group accounts and transactions.
(2) Excluding net income.

Note 2c: Investments in unconsolidated structured entities

	31.12.2017			31.12.2016		
	Securitization vehicle (SPV)	Asset management (UCITS/SCPI)	Other structured entities*	Securitization vehicle (SPV)	Asset management (UCITS/SCPI)	Other structured entities*
Total assets	0	58	2,237	0	56	2,094
Carrying amounts of financial assets	0	43	954	0	44	782
Carrying amounts of financial liabilities	0	2	0	0	11	0
Maximum exposure to risk of loss	0	41	0	0	45	1

* Other structured entities correspond to asset financing entities.

Asset Backed Commercial Paper (ABCP) securitization conduit: the group uses a conduit, named *General Funding Ltd*, whose function is to carry out the refinancing by commercial paper of securitization transactions carried out by its customers.

Asset finance: the group grants loans to structured entities whose sole purpose is to hold assets to be leased; the rents received enable the structured entity to repay its borrowings. These entities are dissolved following the financing operation. The group is generally the sole shareholder.

For these two categories, the maximum exposure to losses in respect of the structured entities corresponds to the carrying amount of the structured entity's financed asset.

Collective investment undertakings or funds: the group acts as manager and custodian. It offers its clients funds in which it does not intend to invest. The group markets these funds, whether dedicated or public funds, manages them and receives fees for its management services. For certain funds offering guarantees to unitholders, the group may be a counterparty to the *swaps* put in place. In exceptional circumstances where the group would be both manager and investor, with the result that it would be required to act firstly for its own account, such entity would then be included in the consolidation scope.

The main risk to which the group is exposed is an operational risk, i.e. the risk of default in respect of its mandate to act as manager or custodian and, where relevant, it is also exposed to a risk equal to the amounts invested.

NOTE 2d - 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 classified within "Post-tax gain/(loss) on discontinued operations and assets held for sale":
- In 2017: the net income on the disposal of the Singapore branch's private banking activity and the net income from this activity until its disposal on December 2, 2017.
- In 2016: Banque Pasche's net income until its sale date and the recycling to profit or loss of its cumulative translation adjustments.

Note 3: Analysis of income statement by business segment and geographic area

Business segment analysis principles

- Retail banking includes a) the branch network consisting of the regional banks and the CIC network in Ile-de-France and b) the specialized activities whose product marketing is performed by the network: equipment and real estate leasing, factoring, collective investment for third parties, employee savings plans and real estate. The insurance business – which is accounted for using the equity method – is included in this business segment.
- Financing and capital markets comprises a) credit facilities for large corporate and institutional customers, specialized financing and international operations; and b) capital markets operations, which comprise investments in activities involving fixed-income instruments, equities and loans ("ITAC") as well as brokerage services.
- Private banking comprises all companies engaged primarily in wealth management, both within and outside France.
- Private equity conducts proprietary transactions and includes financial engineering services via dedicated entities. The entire portfolio is accounted for under the fair value option.
- The holding company includes all activities not assigned to another business.

Each consolidated company is included in only one business segment, corresponding to its core business in terms of contribution to the group's results, with the exception of CIC, whose individual accounts are allocated on a cost accounting basis.

Analysis of assets by business segment

31.12.2017	Retail banking	Financing and capital markets	Private banking	Private equity	Holding company services	Total
Cash and amounts due from central banks	299	981	3,086		23,679	28,045
Financial assets at fair value through profit or loss		11,654	88	2,555	118	14,415
Derivatives used for hedging purposes	1	400	6		152	559
Available-for-sale financial assets	185	9,322	2,293	4	397	12,201
Loans and receivables due from credit institutions [1]	5,606	8,508	5,157	5	4,129	23,405
Loans and receivables due from customers	135,553	24,537	11,597	1	264	171,952
Held-to-maturity financial assets	9					9
Investments in associates	1,821					1,821

(1) Of which €8,277 million due to BFCM.

12.31.2016*	Retail banking	Financing and capital markets	Private banking	Private equity	Holding company services	Total
Cash and amounts due from central banks	345	2,483	3,329		30,657	36,814
Financial assets at fair value through profit or loss		11,470	155	2,186	226	14,037
Derivatives used for hedging purposes	1	628	6		192	827
Available-for-sale financial assets	176	10,737	2,323	12	384	13,632
Loans and receivables due from credit institutions [1]	4,989	9,427	5,191	2	2,849	22,458
Loans and receivables due from customers	128,642	23,286	13,801	1	333	166,063
Held-to-maturity financial assets	63					63
Investments in associates	1,744					1,744

(1) Of which €7,261 million due from BFCM.
* Following the reclassification of the "group treasury" activity from capital market operations to the holding company services business line and the "bank subsidiaries" activity from corporate banking to the holding company services business line; the statement of financial position analysis at December 2016 has been amended accordingly.

Analysis of liabilities by business segment

31.12.2017	Retail banking	Financing and capital markets	Private banking	Private equity	Holding company services	Total
Due to central banks						0
Financial liabilities at fair value through profit or loss		5,023	152		5	5,180
Derivatives used for hedging purposes	9	1,934	106		164	2,213
Due to credit institutions [1]	29,227	16,627	1,292		21,305	68,451
Amounts due to customers	112,412	11,684	19,028		1,010	144,134
Debt securities	2,282	12,617	46		6,817	21,762

(1) Of which €48,380 million due to BFCM.

12.31.2016*	Retail banking	Financing and capital markets	Private banking	Private equity	Holding company services	Total
Due to central banks						0
Financial liabilities at fair value through profit or loss		5,991	171		5	6,167
Derivatives used for hedging purposes	7	2,918	157		218	3,300
Due to credit institutions [1]	26,101	19,110	2,902		28,049	76,162
Amounts due to customers	107,189	8,975	20,098		2,510	138,772
Debt securities	2,952	12,630	28		8,028	23,638

(1) Of which €49,081 million due to BFCM.
* Following the reclassification of the "group treasury" activity from capital market operations to the holding company services business line and the "bank subsidiaries" activity from corporate banking to the holding company services business line; the statement of financial position analysis at December 2016 has been amended accordingly.

Analysis of income statement by business segment

2017	Retail banking	Financing and capital markets	Private banking	Private equity	Holding company services	Total
Net banking income	3,588	737	509	259	(102)	4,991
General operating expenses	(2,296)	(318)	(354)	(47)	(88)	(3,103)
Operating income before provisions	**1,292**	**419**	**155**	**212**	**(190)**	**1,888**
Net provision allocations/reversals for loan losses	(189)	(11)	(5)		2	(203)
Gains on other assets [1]	128		4			132
Income before tax	**1,231**	**408**	**154**	**212**	**(188)**	**1,817**
Corporate income tax	(364)	(133)	(35)	1	(20)	(551)
Post-tax gains/(losses) on discontinued operations			22			22
Net income	**867**	**275**	**141**	**213**	**(208)**	**1,288**

2016*	Retail banking	Financing and capital markets	Private banking	Private equity	Holding company services	Total
Net banking income	3,500	784	512	195	(6)	4,985
General operating expenses	(2,272)	(299)	(367)	(46)	(87)	(3,071)
Operating income before provisions	**1,228**	**485**	**145**	**149**	**(93)**	**1,914**
Net provision allocations/reversals for loan losses	(164)	(19)	(3)		1	(185)
Gains on other assets [1]	140		7		1	148
Income before tax	**1,204**	**466**	**149**	**149**	**(91)**	**1,877**
Corporate income tax	(374)	(163)	(32)		9	(560)
Post-tax gains/(losses) on discontinued operations			(22)		66	44
Net income	830	303	95	149	(16)	1,361

(1) Including net income from associates (companies accounted for using the equity method) and impairment losses on goodwill.
* Following the reclassification of the "group treasury" activity from capital market operations to the holding company services business line and the "bank subsidiaries" activity from corporate banking to the holding company services business line; the income statement analysis for the year ended December 31, 2016 has been amended accordingly.

Breakdown of assets by geographic area

	31.12.2017 France	31.12.2017 Europe excluding France	31.12.2017 Other countries [1]	31.12.2017 Total	31.12.2016 France	31.12.2016 Europe excluding France	31.12.2016 Other countries [1]	31.12.2016 Total
Cash and amounts due from central banks	23,978	3,087	980	28,045	31,003	3,330	2,481	36,814
Financial assets at fair value through profit or loss	12,860	89	1,466	14,415	13,062	136	839	14,037
Derivatives used for hedging purposes	548	6	5	559	814	7	6	827
Available-for-sale financial assets	5,971	2,359	3,871	12,201	6,928	3,311	3,393	13,632
Loans and receivables due from credit institutions	17,382	5,118	905	23,405	16,493	5,076	889	22,458
Loans and receivables due from customers	155,241	11,451	5,260	171,952	146,717	11,743	7,603	166,063
Held-to-maturity financial assets	9	0	0	9	63	0	0	63
Investments in associates	1,821	0	0	1,821	1,744	0	0	1,744

Breakdown of liabilities by geographic area

	31.12.2017 France	31.12.2017 Europe excluding France	31.12.2017 Other countries [1]	31.12.2017 Total	31.12.2016 France	31.12.2016 Europe excluding France	31.12.2016 Other countries [1]	31.12.2016 Total
Due to central banks	0	0	0	0	0	0	0	0
Financial liabilities at fair value through profit or loss	4,840	154	186	5,180	5,717	235	215	6,167
Derivatives used for hedging purposes	2,105	107	1	2,213	3,130	160	10	3,300
Due to credit institutions	62,223	1,238	4,990	68,451	68,400	442	7,320	76,162
Amounts due to customers	127,326	16,148	660	144,134	120,710	16,757	1,305	138,772
Debt securities	13,277	2,653	5,832	21,762	14,790	3,272	5,576	23,638

Breakdown of income statement items by geographic area

	31.12.2017 France	31.12.2017 Europe excluding France	31.12.2017 Other countries [1]	31.12.2017 Total	31.12.2016 France	31.12.2016 Europe excluding France	31.12.2016 Other countries [1]	31.12.2016 Total
Net banking income	4,353	473	165	4,991	4,329	452	204	4,985
General operating expenses	(2,717)	(305)	(81)	(3,103)	(2,672)	(287)	(112)	(3,071)
Operating income before provisions	1,636	168	84	1,888	1,657	165	92	1,914
Net provision allocations/reversals for loan losses	(201)	(14)	12	(203)	(174)	(5)	(6)	(185)
Gains on other assets [2]	128	4	0	132	141	7	0	148
Income before tax	1,563	158	96	1,817	1,624	167	86	1,877
Corporate income tax	(485)	(29)	(37)	(551)	(507)	(29)	(24)	(560)
Post-tax gains/(losses) on discontinued operations	0	0	22	22	63	(19)	0	44
Net income	1,078	129	81	1,288	1,180	119	62	1,361

(1) Hong Kong, USA and Singapore.
(2) Including net income from associates (companies accounted for using the equity method) and impairment losses on goodwill.

Notes to the statement of financial position – Assets

Note 4: Cash, amounts due from central banks and loans and receivables due from credit institutions

	31.12.2017	31.12.2016
Cash and amounts due from central banks		
Central banks	27,736	36,454
Of which, mandatory reserves	*1,138*	*1,055*
Cash	309	360
TOTAL	**28,045**	**36,814**
Loans and receivables due from credit institutions		
Current accounts	6,937	6,828
Loans	7,625	6,477
Other receivables	546	570
Securities not quoted on an active market	302	462
Repurchase agreements	7,960	8,076
Individually-impaired receivables	0	0
Accrued interest	35	45
Impairment provisions	0	0
TOTAL	**23,405**	**22,458**
Including non-voting loan stock	*153*	*164*

Note 5: Financial assets at fair value through profit or loss

	31.12.2017	31.12.2016
Financial assets under the fair value through profit or loss option	2,685	2,313
Financial assets held for trading	11,730	11,724
TOTAL	**14,415**	**14,037**

Note 5a: Financial assets under the fair value through profit or loss option

	31.12.2017	31.12.2016
Securities		
Government securities	0	0
Bonds and other fixed-income securities		
- Quoted	101	87
- Not quoted	358	264
Equities and other variable-income securities [1]		
- Quoted	355	362
- Not quoted	1,871	1,600
Other financial assets		
- Repurchase agreements	0	0
- Other loans and term deposits	0	0
TOTAL	**2,685**	**2,313**

(1) Securities relating to the private equity business are measured at fair value through profit or loss and represent almost all of this item.

Note 5b: Financial assets held for trading

	31.12.2017	31.12.2016
Securities		
Government securities	865	865
Bonds and other fixed-income securities		
- Quoted	6,960	6,241
- Not quoted	0	0
Equities and other variable-income securities		
- Quoted	968	666
- Not quoted	0	0
Derivatives held for trading	2,937	3,952
TOTAL	**11,730**	**11,724**

Financial assets held for trading relate to financial assets held in connection with capital markets activities.

Note 5c: Analysis of derivative instruments

	31.12.2017			31.12.2016		
	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
Derivatives held for trading						
Interest rate derivatives						
- *Swaps*	61,798	1,789	1,741	67,368	2,485	2,629
- Futures and forward contracts	151,264	7	7	53,867	5	1
- Options	23,400	47	55	21,486	32	21
Foreign exchange derivatives						
- *Swaps*	53,113	45	53	58,582	73	70
- Futures and forward contracts	10,164	623	630	7,121	572	547
- Options	26,276	119	111	24,989	199	191
Other derivatives						
- *Swaps*	12,995	131	162	12,733	73	129
- Futures and forward contracts	5,526	42	75	1,157	14	63
- Options	4,489	134	138	11,784	499	531
Sub-total	**349,025**	**2,937**	**2,972**	**259,087**	**3,952**	**4,182**
Derivatives used for hedging purposes						
Derivatives designated as *fair value hedges*						
- *Swaps*	54,203	563	2,212	65,238	827	3,299
- Futures and forward contracts	232	0	0	477	0	0
- Options	0	(4)	1	0	0	1
Derivatives designated as *cash flow hedges*						
- *Swaps*	0	0	0	0	0	0
- Futures and forward contracts	0			0		
- Options	0	0		0	0	
Sub-total	**54,435**	**559**	**2,213**	**65,715**	**827**	**3,300**
TOTAL	**403,460**	**3,496**	**5,185**	**324,802**	**4,779**	**7,482**

At December 31, 2017, the CVA and FVA were expenses totaling €23 million and €10 million respectively, compared with expenses of €39 million and €14 million at December 31, 2016.
The DVA totaled €3 million as of December 31, 2017 and as of December 31, 2016.

The exposures needed to calculate the CVA, DVA and FVA adjustments are determined using Monte Carlo simulations.

The interest rate diffusion model used for mature economies is a linear Gaussian model with two factors. This model is used for economies that have a sufficient level of information on the market via market prices of options. For secondary economies, the interest rate diffusion model used is a *Hull and White* model with one factor. This model is used for those economies for which there is no information on the market. The exchange rate model is a model with a specific factor of a log-normal type. The credit model is an intensity model.

All of the OTC derivative transactions are taken into account for the CVA, whilst only collateralized *deals* are taken into account for the DVA and only the non-collateralized *deals* are taken into account for the FVA: the collateral is remunerated at a rate equivalent to that used to construct the associated discounting curves.
For the CVA/DVA, the credit *spread* is a market *spread* (CDS) for those counterparties whose CDS is listed and liquid; for the other counterparties, the *spread* resulting from historical default probabilities is adjusted in accordance with market levels as required by the prudential and accounting regulators.

The *spread* used to calculate the FVA is deducted from the quotations on the secondary market of BFCM's issues.

A scope (*equity*, fixed income products and non-vanilla credit, etc.) whose weight is between 10% and 15% is not taken into account in the calculation: a grossing-up factor calibrated each month enables an additional provision to be calculated in respect of these transactions.

Note 5d: Fair value hierarchy

31.12.2017	Level 1	Level 2	Level 3	Total
Financial assets				
Available for sale (AFS)				
- Government securities and similar instruments	3,990	2	0	3,992
- Bonds and other fixed-income securities	5,411	1,312	720	7,443
- Equities, portfolio activity securities and other variable-income securities	20	0	187	207
- Investments and other long-term securities	31	4	225	260
- Investments in subsidiaries and associates	0	6	293	299
Trading/Fair value by option				
- Government securities and similar instruments – Trading	732	133	0	865
- Government securities and similar instruments – Fair value by option	0	0	0	0
- Bonds and other fixed-income securities – Trading	6,412	282	266	6,960
- Bonds and other fixed-income securities – Fair value by option	51	0	407	458
- Equities and other variable-income securities – Trading	968	0	0	968
- Equities and other variable-income securities – Fair value by option	384	0	1,843	2,227
- Loans and receivables due from credit institutions – Fair value by option	0	0	0	0
- Loans and receivables due from customers – Fair value by option	0	0	0	0
- Derivatives and other financial assets – Trading	104	2,297	536	2,937
Derivatives used for hedging purposes	0	536	23	559
TOTAL	**18,103**	**4,572**	**4,500**	**27,175**

Financial liabilities				
Trading/Fair value by option				
- Due to credit institutions - Fair value by option	0	0	0	0
- Amounts due to customers - Fair value by option	0	0	0	0
- Debt securities - Fair value by option	0	0	0	0
- Subordinated debt - Fair value by option	0	0	0	0
- Derivatives and other financial liabilities – Trading	2,311	2,288	581	5,180
Derivatives used for hedging purposes	0	2,200	14	2,213
TOTAL	**2,311**	**4,488**	**595**	**7,393**

The instruments in the trading portfolio classified within level 2 or 3 comprise mainly securities judged to be illiquid and derivatives. There are uncertainties surrounding the measurement of all these instruments, which result in value adjustments reflecting the risk premium that a market participant would incorporate when establishing the price.
Said valuation adjustments facilitate the inclusion, in particular, of risks not taken into account by the model, of liquidity risks associated with the instrument or parameter concerned, and specific risk premiums designed to offset certain additional costs that would result from the dynamic management strategy associated with the model under certain market conditions and the counterparty risk present in the fair value of over-the-counter derivatives. The methods used may change. The latter include the own counterparty risk present in the fair value of over-the-counter derivatives.
When value adjustments are calculated, each risk factor is considered individually and no diversification effect between risks, parameters or models of a different nature is taken into account. A portfolio approach is most often adopted for a given risk factor.

Breakdown of level 3 – Equities and other variable-income securities – Fair value by option

	Start of period	Purchases	Sales	Gains and losses recorded in profit and loss	Other movements	Dec. 31, 2016
Equities and other variable-income securities – Fair value by option	1,556	518	(307)	182	(107)	1,842

31.12.2016	Level 1	Level 2	Level 3	Total
Financial assets				
Available for sale (AFS)				
- Government securities and similar instruments	5,323	1	0	5,324
- Bonds and other fixed-income securities	5,291	1,220	1,108	7,619
- Equities, portfolio activity securities and other variable-income securities	21	0	181	202
- Investments and other long-term securities	28	4	216	248
- Investments in subsidiaries and associates	0	6	233	239
Trading/Fair value by option				
- Government securities and similar instruments – Trading	750	115	0	865
- Government securities and similar instruments - Fair value by option	0	0	0	0
- Bonds and other fixed-income securities - Trading	5,231	739	270	6,240
- Bonds and other fixed-income securities - Fair value by option	49	0	302	351
- Equities and other variable-income securities – Trading	666	0	0	666
- Equities and other variable-income securities – Fair value by option	406	0	1,556	1,962
- Loans and receivables due from credit institutions – Fair value by option	0	0	0	0
- Loans and receivables due from customers – Fair value by option	0	0	0	0
- Derivatives and other financial assets – Trading	473	2,959	521	3,953
Derivatives used for hedging purposes	0	800	27	827
TOTAL	**18,238**	**5,844**	**4,414**	**28,496**

Financial liabilities				
Trading/Fair value by option				
- Due to credit institutions - Fair value by option	0	0	0	0
- Amounts due to customers - Fair value by option	0	71	0	71
- Debt securities - Fair value by option	0	0	0	0
- Subordinated debt - Fair value by option	0	0	0	0
- Derivatives and other financial liabilities – Trading	2,388	3,076	632	6,096
Derivatives used for hedging purposes	0	3,283	17	3,300
TOTAL	**2,388**	**6,430**	**649**	**9,467**

Note 6: Derivatives used for hedging purposes

	31.12.2017		31.12.2016	
	Assets	Liabilities	Assets	Liabilities
Derivatives designated as cash flow hedges	0	0	0	0
- Of which, changes in value recognized in equity	*0*	*0*	*0*	*0*
- Of which, changes in value recognized in income				
Derivatives designated as fair value hedges	559	2,213	827	3,300
TOTAL	**559**	**2,213**	**827**	**3,300**

A fair value hedge is a hedge of the exposure to changes in the fair value of a financial instrument attributable to a specific risk. Changes in the fair value of the hedging instrument and the hedged item, for the portion attributable to the risk being hedged, are taken to income.

Note 7: Available-for-sale financial assets

	31.12.2017	31.12.2016
Government securities	3,956	5,268
Bonds and other fixed-income securities		
- Quoted	7,086	7,304
- Not quoted	341	293
Equities and other variable-income securities		
- Quoted	74	73
- Not quoted	133	130
Long-term investments		
- Investments in non-consolidated companies		
Quoted	1	2
Not quoted	61	61
- Other long-term investments		
Quoted	30	26
Not quoted	167	158
- Investments in subsidiaries and associates		
Quoted	0	0
Not quoted	300	232
- Translation adjustment	0	0
- Loaned securities	0	0
Accrued interest	52	85
TOTAL	**12,201**	**13,632**
Of which unrealized capital gains and losses (net of tax) on bonds, other fixed-income securities and government securities recognized directly in shareholders' equity	*(40)*	*(108)*
Of which unrealized capital gains and losses (net of tax) on equities, other variable-income securities and long-term investments recognized directly in shareholders' equity	*167*	*74*
Of which, impairment of bonds and other fixed-income securities	*(13)*	*(14)*
Of which, impairment of equities and other variable-income securities and of long-term investments	*(152)*	*(60)*

Impairment of equities

Equity holdings were reviewed in order to identify any impairment losses. Impairment provisions are raised for quoted equities in the event of a significant (a decrease of at least 50% in its value compared with its acquisition cost) or prolonged (36-month) decline of the share price to below its cost.

As regards impairment losses and the reversal of impairment losses recognized in the income statement, in 2017 there was a net charge of €3 million compared with a net reversal of €6 million in respect of 2016.

At December 31, 2017, the cost of impaired equities came to €215 million and the corresponding impairment amounted to €152 million. They had a market value of €63 million.

Note 7a: List of main investments in non-consolidated companies

		% held	Equity	Total assets	Net banking income or sales	Net income
Foncière des Régions	Quoted	< 5%	8,468	19,500	815	**1,119**
Crédit Logement	Not quoted	< 5%	1,857	10,601	218	**108**

The figures above relate to fiscal year 2016 (except those for the percentage interest held).

Note 7b: Exposures to sovereign risk

Sovereign exposures

Net outstandings as of December 31, 2017 */**	Portugal	Ireland	Spain	Italy
Financial assets at fair value through profit or loss	8		33	98
Available-for-sale financial assets	52	85	8	252
TOTAL	**60**	**85**	**41**	**350**
Residual contractual term				
Less than 1 year	50			200
1 to 3 years		85	6	52
3 to 5 years	2			33
5 to 10 years	5			54
More than 10 years	3		35	11
TOTAL	**60**	**85**	**41**	**350**

Net outstandings as of December 31, 2016*/**	Portugal	Ireland	Spain	Italy
Financial assets at fair value through profit or loss	31		35	353
Available-for-sale financial assets	68	85	39	665
TOTAL	**99**	**85**	**74**	**1,018**
Residual contractual term				
Less than 1 year	14		39	456
1 to 3 years	50	85		375
3 to 5 years			6	49
5 to 10 years	22			129
More than 10 years	13		29	9
TOTAL	**99**	**85**	**74**	**1,018**

* Capital markets activities are shown at market value and other businesses at par value.
** Outstandings are shown net of credit default swaps used to purchase protection.

Note 8: Loans and receivables due from customers

	31.12.2017	31.12.2016
Performing loans		
- Commercial loans	6,391	5,499
Of which, factoring accounts	*5,350*	*4,512*
- Other loans and receivables		
- Home loans	73,565	70,495
- Other loans and receivables	70,143	69,395
- Repurchase agreements	8,109	7,314
Accrued interest	228	239
Securities not quoted on an active market	309	340
Individually-impaired receivables	4,864	4,948
Individual impairment	(2,305)	(2,345)
Collective impairment	(149)	(155)
Sub-total	**161,155**	**155,730**
Finance leases (net investment)		
- Equipment	6,565	6,150
- Real estate	4,043	3,985
Individually-impaired receivables	324	341
Individual impairment	(135)	(143)
Sub-total	10,797	10,333
TOTAL	**171,952**	**166,063**
Including non-voting loan stock	*5*	*8*
Including subordinated loans	*14*	*15*

Finance lease transactions with customers

	Start of period	Acquisitions	Disposals	Other	End of period
Gross	10,475	1,300	(832)	(12)	10,931
Impairment of non-recoverable lease payments	(142)	(25)	33	0	(134)
Net	**10,333**	**1,275**	**(799)**	**(12)**	**10,797**

Maturity analysis of minimum future lease payments receivable under finance leases

	Less than 1 year	More than 1 year and less than 5 years	More than 5 years	Total
Minimum future lease payments receivable	3,013	5,969	2,295	11,277
Present value of future lease payments	2,903	5,815	2,247	10,965
Unearned finance income	**110**	**154**	**48**	**312**

Note 9: Remeasurement adjustment on interest-rate risk hedged portfolios

	31.12.2017		31.12.2016		Change in fair value	
	Assets	Liabilities	Liabilities	Liabilities		
Fair value of portfolio interest rate risk	**367**	**(282)**	486	(607)	(119)	325

Note 10: Held-to-maturity financial assets

	31.12.2017	31.12.2016
Government securities	0	0
Bonds and other fixed-income securities	27	74
Accrued interest	0	0
TOTAL GROSS	**27**	**74**
Impairment provisions	(18)	(11)
TOTAL NET	**9**	**63**

Note 10a: Movements in provisions for impairment

	Start of period	Additions	Reversals	Other	End of period
Loans and receivables due from credit institutions	0	0	0	0	0
Loans and receivables due from customers	(2,643)	(613)	650	17	(2,589)
Available-for-sale securities	(74)	(97)	7	(1)	(165)
Held-to-maturity securities	(11)	(6)	0	(1)	(18)
TOTAL	**(2,728)**	**(716)**	**657**	**15**	**(2,772)**

NOTE 10b: Financial instruments – Reclassifications

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.

	31.12.2017	31.12.2016
Carrying amount of assets reclassified	**1,675**	**2,826**
Loans and receivables portfolio	378	590
AFS portfolio	1,297	2,236
Fair value of assets reclassified	**1,714**	**2,857**
Loans and receivables portfolio	417	621
AFS portfolio	1,297	2,236

	31.12.2017	31.12.2016
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 provision allocations/reversals for loan losses) relating to reclassified assets	213	62

Note 10c: Details of securitization outstandings

As requested by the banking supervisor and the markets regulator, an analysis is provided below of sensitive exposures based on the FSB's recommendations.
The *trading* and *AFS* portfolios were valued at market price based on external data sourced from organized markets, leading *brokers* or, when no price was available, based on comparable securities quoted in the market.

Summary	31.12.2017	31.12.2016
RMBS	3,002	2,798
CMBS	49	51
CLO	1,897	2,075
Other *ABS*	2,042	1,640
RMBS hedged by *CDS*	0	0
CLO hedged by *CDS*	0	5
Other *ABS* hedged by *CDS*	0	0
ABCP *program liquidity lines*	185	185
TOTAL	**7,175**	**6,754**

Unless otherwise indicated, securities are not hedged by *CDS*.

Exposures: Residential mortgage-backed securities (RMBS), commercial mortgage-backed securities (CMBS), collateralized loan obligations (CLO) and other *asset-backed securities (ABS)*

31.12.2017	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	600	919
Spain	91		26	25	142
United Kingdom	194		150	225	569
Europe excluding France, Spain and the United Kingdom	316	49	308	1,113	1,786
USA	2,214		417	43	2,674
Other	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	3,704
AA	168		84	526	778
A	51		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**
Origination 2005 and earlier	107	49			156
Origination 2006-2008	423		8	31	462
Origination 2009-2011	70				70
Origination 2012-2017	2,402		1,889	2,011	6,302
TOTAL	**3,002**	**49**	**1,897**	**2,042**	**6,990**

31.12.2016	RMBS	CMBS	CLO	Other ABS	Total
Trading	762		113	47	922
AFS	1,501	51	1,814	1,367	4,733
Loans	535		148	226	909
TOTAL	**2,798**	**51**	**2,075**	**1,640**	**6,564**
France	130		58	412	600
Spain	72			116	188
United Kingdom	295		85	162	542
Europe excluding France, Spain and the United Kingdom	450	51	436	950	1,887
USA	1,850		894		2,744
Other	1		602		603
TOTAL	**2,798**	**51**	**2,075**	**1,640**	**6,564**
US agencies	1,451				1,451
AAA	686		1,990	972	3,648
AA	157		48	425	630
A	62		22	13	97
BBB	31	51	4	230	316
BB	31				31
B or below	380				380
Not rated			11		11
TOTAL	**2,798**	**51**	**2,075**	**1,640**	**6,564**
Origination 2005 and earlier	150	51			201
Origination 2006-2008	650		45	32	727
Origination 2009-2011	136				136
Origination 2012-2016	1,862		2,030	1,608	5,500
TOTAL	**2,798**	**51**	**2,075**	**1,640**	**6,564**

Note 11: NOTE 11 - Current or payable taxes

	31.12.2017	31.12.2016
Assets	753	485
Liabilities	260	238

Current income tax expense is calculated based on the tax rules and tax rates applicable in each country where the group has operations for the period in which the related revenue was earned.

Note 12: Deferred taxes

	31.12.2017	31.12.2016
Deferred tax assets (through profit and loss)	268	321
Deferred tax assets (through shareholders' equity)	23	58
Deferred tax liabilities (through profit and loss)	282	257
Deferred tax liabilities (through shareholders' equity)	16	13

Analysis of deferred taxes (income statement) by major category

	31.12.2017		31.12.2016	
	Assets	Liabilities	Assets	Liabilities
Temporary differences on:				
Provisions	43		118	
Finance leasing reserves		(144)		(158)
Income from flow-through entities	1		1	
Remeasurement of financial instruments	180	(143)	418	(382)
Accrued expenses and accrued income	54		80	
Other temporary differences		(5)		(13)
Netting	(10)	10	(296)	296
TOTAL	**268**	**(282)**	**321**	**(257)**

The deferred tax rate for the French companies is 34.43%.

Note 13: Accruals and other assets

	31.12.2017	31.12.2016
Accruals		
Collection accounts	99	48
Currency adjustment accounts	0	109
Accrued income	403	356
Other accruals	1,172	1,100
Sub-total	**1,674**	**1,613**
Other assets		
Securities settlement accounts	69	106
Security deposits paid	4,402	5,557
Miscellaneous receivables	3,330	3,450
Inventories and similar	3	5
Other	13	13
Sub-total	**7,817**	**9,131**
TOTAL	**9,491**	**10,744**

Accruals and miscellaneous receivables consist mainly of suspense accounts relating to interbank payment systems.
Accrued expenses and accrued income consist of payroll costs and general operating expenses, but do not include accrued interest not yet due on loans and borrowings, which is recognized as related accrued interest.

Note 14: Investments in associates

Share of net assets of associates

	31.12.2017				31.12.2016			
	Share of capital held	Value under equity onsolidation method	Share of net income/ (loss)	Dividends received	Share of capital held	Value under equity onsolidation method	Share of net income/ (loss)	Dividends received
Groupe ACM[1] - not quoted	20.52%	1,807	134	52	20.52%	1,730	135	52
CM-CIC Asset Management - not quoted	23.54%	13	0	1	23.53%	14	1	1
TOTAL		**1,820**	**134**	**53**		**1,744**	**136**	**53**

(1) Comprises goodwill of €54 million.

Financial data published by the group's main associates

31.12.2017	Total assets	Net banking income	Operating income before provisions	Net income	OCI	Equity
ACM Group	100,064	1,678	1,186	682	1,176	9,022
CM-CIC Asset Management	97	57	4	2	3	58

31.12.2016	Total assets	Net banking income	Operating income before provisions	Net income	OCI	Equity
ACM Group	97,698	1,421	949	684	1,206	8,377
CM-CIC Asset Management	84	57	5	4	2	59

Reconciliation between the summarized information and the value under the equity consolidation method

31.12.2017	Group equity	Consolidation adjustments	Restated equity	Impact of percentage interest	Goodwill	Impairment	Value under equity consolidation method
ACM Group	8,520	24	8,544	(6,791)	54		1,807
CM-CIC Asset Management	58	(1)	57	(44)			13
TOTAL	**8,578**	**23**	**8,601**	**(6,835)**	**54**	**0**	**1,820**

31.12.2016	Group equity	Consolidation adjustments	Restated equity	Impact of percentage interest	Goodwill	Impairment	Value under equity consolidation method
ACM Group	8,118	51	8,169	(6,493)	54		1,730
CM-CIC Asset Management	59	(1)	58	(44)			14
TOTAL	**8,177**	**50**	**8,227**	**(6,537)**	**54**	**0**	**1,744**

Note 15: Investment property

	Start of period	Increases	Decreases	Other movements	End of period
Historical cost	56	2	0	0	58
Depreciation and impairment	(24)	(2)	0	0	(26)
Net	**32**	**0**	**0**	**0**	**32**

The fair value of investment property carried at cost is comparable to its carrying amount.

Note 16: Property and equipment

	Start of period	Increases	Decreases	Other movements	End of period
Historical cost					
Land used in operations	320	1	(1)	0	320
Buildings used in operations	2,607	85	(99)	5	2,598
Other property and equipment	560	36	(70)	(13)	513
TOTAL	**3,487**	**122**	**(170)**	**(8)**	**3,431**
Depreciation and impairment					
Land used in operations	0	0	0	0	0
Buildings used in operations	(1,703)	(95)	87	(4)	(1,715)
Other property and equipment	(451)	(20)	33	8	(430)
TOTAL	**(2,154)**	**(115)**	**120**	**4**	**(2,145)**
Net	**1,333**	**7**	**(50)**	**(4)**	**1,286**

Note 17: Intangible assets

	Start of period	Increases	Decreases	Other movements	End of period
Historical cost					
Internally developed intangible assets	0	0	0	0	0
Purchased intangible assets	324	17	(4)	(2)	335
- Software	*76*	*14*	*0*	*(3)*	*87*
- Other	*248*	*3*	*(4)*	*1*	*248*
TOTAL	**324**	**17**	**(4)**	**(2)**	**335**
Amortization and impairment					
Internally developed intangible assets	0	0	0	0	0
Purchased intangible assets	(138)	(20)	1	2	(155)
- Software	*(58)*	*(10)*	*0*	*2*	*(66)*
- Other	*(80)*	*(10)*	*1*	*0*	*(89)*
TOTAL	**(138)**	**(20)**	**1**	**2**	**(155)**
Net	**186**	**(3)**	**(3)**	**0**	**180**

Note 18: Goodwill

	Start of period	Increases	Decreases	Other movements	End of period
Gross goodwill	33	0	0	0	33
Impairment provisions	0	0	0	0	0
Net goodwill	**33**	**0**	**0**	**0**	**33**

Goodwill is tested for impairment on an annual basis.

	Start of period	Increases	Decreases	Other movements	End of period
Banque Transatlantique	6				6
Transatlantique Gestion	6				6
CM-CIC Investissement SCR	21				21
TOTAL	**33**	**0**	**0**	**0**	**33**

Notes to the statement of financial position - liabilities and shareholders' equity

Note 19: Due to central banks – Due to credit institutions

	31.12.2017	31.12.2016
Due to central banks	0	0
Due to credit institutions		
Current accounts	1,726	4,015
Other borrowings [1]	53,286	55,943
Repurchase agreements	13,345	16,106
Accrued interest	94	98
TOTAL	**68,451**	**76,162**

(1) Including €48,158 million due to BFCM as of December 31, 2017 and €47,404 million as of December 31, 2016.

Note 20: Financial liabilities at fair value through profit or loss

	31.12.2017	31.12.2016
Financial liabilities held for trading	5,180	6,096
Financial liabilities accounted for under the fair value option	0	71
TOTAL	**5,180**	**6,167**

Note 20a: Financial liabilities held for trading

	31.12.2017	31.12.2016
Short sales of securities		
- Government securities	0	0
- Bonds and other fixed-income securities	917	864
- Equities and other variable-income securities	1,194	975
Debts in respect of securities sold under repurchase agreements		
Derivatives held for trading	2,972	4,182
Other financial liabilities held for trading	97	75
- Of which, debts in respect of borrowed securities	*97*	*75*
TOTAL	**5,180**	**6,096**

Note 20b: Financial liabilities accounted for under the fair value option

	31.12.2017			31.12.2016		
	Carrying amount	Amount due on maturity	Difference	Carrying amount	Amount due on maturity	Difference
Securities issued	0	0	0	0	0	0
Subordinated debt	0	0	0	0	0	0
Interbank borrowings	0	0	0	0	0	0
Amounts due to customers	0	0	0	71	71	0
TOTAL	**0**	**0**	**0**	**71**	**71**	**0**

Note 21: Amounts due to customers

	31.12.2017	31.12.2016
Regulated savings accounts		
- Demand	31,475	29,803
- Term	12,240	11,391
Accrued interest	1	1
Sub-total	**43,716**	**41,195**
Current accounts	73,002	65,354
Term deposits and borrowings	25,282	30,393
Repurchase agreements	2,017	1,575
Accrued interest	117	255
Sub-total	**100,418**	**97,577**
TOTAL	**144,134**	**138,772**

Note 22: Debt securities

	31.12.2017	31.12.2016
Retail certificates of deposit	113	200
Interbank instruments and money market securities	17,463	20,729
Bonds	4,108	2,612
Accrued interest	78	97
TOTAL	**21,762**	**23,638**

Note 23: Accruals and other liabilities

	31.12.2017	31.12.2016
Accruals		
Accounts unavailable due to recovery procedures	280	256
Currency adjustment accounts	54	14
Accrued expenses	680	654
Deferred income	391	390
Other accruals	1,499	1,553
Sub-total	**2,904**	**2,867**
Other liabilities		
Securities settlement accounts	67	92
Outstanding amounts payable on securities	79	231
Miscellaneous creditors	1,554	1,333
Sub-total	**1,700**	**1,656**
TOTAL	**4,604**	**4,523**

Further details of accruals and other liabilities are provided in Note 13.

Note 24: Provisions

	Start of period	Additions	Reversals (utilized provisions)	Reversals (surplus provisions)	Other movements	End of period
Provisions for counterparty risks						
On signature commitments	95	32	0	(34)	(1)	92
Provision for risk on miscellaneous receivables	8	4	(1)	(2)	(1)	8
On financing and guarantee commitments	0	0	0	0	0	0
Other provisions for counterparty risks	0	0	0	(1)	1	0
Other provisions						
Provisions for retirement costs	204	28	(4)	(6)	(26)	196
Provisions for claims and litigations	14	3	(1)	(3)	0	13
Provision for home savings accounts and plans	54	2	0	(2)	1	55
Provision for taxes	37	5	0	(10)	(1)	31
Provisions for miscellaneous contingencies	285	33	(12)	(137)	107	276
Other provisions [1]	395	85	1	(27)	(126)	328
TOTAL	**1,092**	**192**	**(17)**	**(222)**	**(46)**	**999**

(1) Other provisions mainly include provisions for French economic interest groups (EIG) totaling €314 million.

Note 24a: Retirement and other employee benefits

	Start of period	Additions	Reversals	Other movements [1]	End of period
Defined benefit plans not covered by retirement funds					
Retirement bonuses	97	1	(3)	(1)	94
Top-up payments	38	4	(7)	0	34
Obligations for long-service awards (other long-term benefits)	38	17	0	1	56
Sub-total	**173**	**22**	**(10)**	**0**	**184**
Supplementary defined benefit pensions covered by pension funds					
Provision for pension fund shortfalls [2]	31	7	0	(26)	12
Sub-total	**31**	**7**	**0**	**(26)**	**12**
TOTAL	**204**	**29**	**(10)**	**(26)**	**196**

(1) The other movements resulted from the change in the discount rate.
(2) The provisions for pension fund shortfalls relate to the group's foreign entities.

Assumptions used	31.12.2017	31.12.2016
Discount rate [1]	1.5%	1.2%
Salary inflation rate [2]	Minimum 0.7%	Minimum 0.5%

(1) The discount rate used is the yield on long-term bonds issued by top-tier companies, based on the IBOXX index.
(2) The annual increase in salaries is the estimated cumulative future salary inflation rate. It is also based on the age of employees.

Movement in the CIC banks' provision for retirement bonuses

Retirement bonuses	Start of period	Impact of discounting	Financial income	Cost of services rendered	Other including past service cost	Change in actuarial gains or losses [1]	Payment to beneficiaries	Insurance contributions	Dec. 31, 2016
Commitments	214	3		11	(1)	(1)	(17)		209
Insurance policy	129		3		(1)		(10)	5	126
Sub-total: banks insured by ACM	**85**	**3**	**(3)**	**11**	**0**	**(1)**	**(7)**	**(5)**	**83**
Other French entities	0								0
Foreign entities	12								11
TOTAL	**97**								**94**

(1) Including €2 million concerning demographic assumptions and €12 million concerning financial assumptions.

Additional information for the French entities insured by ACM

- The term of the commitments is 18 years.
- In respect of the fiscal year ending December 31, 2016, the group expects costs of services rendered of €12 million and financial costs of €3 million.

Analysis of the sensitivity of the commitments to the discount rate

Discount rate	1.00%	1.50%	2.00%
Commitments	222	209	197

Analysis by maturity of retirement bonuses	1 to 5 years	6 to 10 years	11 to 15 years	15 to 20 years	21 to 25 years	26 to 30 years	Over 30 years	Total	Total discounted
Retirement bonuses: expected flows	60	77	49	58	81	96	139	560	213

Breakdown of the ACM insurance policy assets	31.12.2017			31.12.2016		
	Assets quoted on an active market	Assets not quoted on an active market	Total	Assets quoted on an active market	Assets not quoted on an active market	Total
Debt securities	55%	2%	57%	80%	0%	80%
Equity instruments	38%	0%	38%	11%	0%	11%
Real estate	1%	2%	3%	1%	4%	5%
Other	2%	0%	2%	4%	0%	4%
TOTAL	**96%**	**4%**	**100%**	**96%**	**4%**	**100%**

The assets are valued at fair value.

Defined contribution retirement benefits

Provisions for top-up payments

The group's French banks have in the past implemented additional supplementary retirement plans, which are now closed. The banks' commitments under these plans totaled €23 million at December 31, 2017, compared with €25 million at December 31, 2016. The amount paid in respect of benefits was €3 million and the amount in respect of the change in assumptions was a negative €1 million.

Individual retirement savings plan entered into with ACM

A supplementary defined benefit retirement agreement has been implemented with ACM for the French entities that have adopted the group-wide benefits platform. These entities paid €30 million during the year under the terms of this contract.

Note 24b: Provisions for risks arising from commitments on home savings accounts and plans

	31.12.2017	31.12.2016
Home savings plans		
Contracted between 0 and 4 years ago	1,635	4,996
Contracted between 4 and 10 years ago	4,110	1,999
Contracted more than 10 years ago	4,472	2,515
TOTAL	**10,217**	**9,510**
Amounts outstanding under home savings accounts	630	595
TOTAL	**10,847**	**10,105**

Home savings loans	31.12.2017	31.12.2016
Balance of home savings loans giving rise to provisions for risks reported in assets	37	55

Home savings provisions	Start of period	Net additions	Other movements	End of period
On home savings accounts	4			4
On home savings plans	49	1		50
On home savings loans	1			1
TOTAL	**54**	**1**	**0**	**55**
Maturity analysis				
Contracted between 0 and 4 years ago	31			4
Contracted between 4 and 10 years ago	13			25
Contracted more than 10 years ago	5			21
TOTAL	**49**			**50**

Home savings accounts ("CEL") and home savings plans ("PEL") are government-regulated retail products sold in France. Account holders receive interest on amounts paid into these accounts over a certain period (initial savings phase), at the end of which they are entitled to a mortgage loan (secondary borrowing phase). Home savings products generate two types of obligation for the bank:

- an obligation to pay interest on paid-in amounts at a fixed rate (in the case of PEL accounts only, as interest on CEL accounts is regularly revised on the basis of an indexation formula and is therefore treated as a variable rate);
- an obligation to grant loans to customers at their request, at a rate set on inception of the contract (both PEL and CEL products).

The cost represented by these obligations has been estimated on the basis of behavioral statistics and market data.

A provision is recognized in liabilities to cover the future costs relating to the risk that the terms of such products may be potentially unfavorable to the bank, i.e. where the bank offers different interest rates than those on similar non-regulated products. This approach is managed based on generations of regulated PEL savings products with similar characteristics. The impact on income is included in interest paid to customers.

The change in the provision was related to the change in market rates and the increase in outstandings in respect of PEL products.

Note 25: Subordinated debt

	31.12.2017	31.12.2016
Subordinated debt	0	287
Non-voting loan stock	153	153
Perpetual subordinated loan stock	26	26
Other debt	1,916	1,175
Accrued interest	3	3
TOTAL	**2,098**	**1,644**

Subordinated debt representing more than 10% of total subordinated debt at December 31, 2017:

Main subordinated debt issues	Issue date	Issue amount	Currency	Rate	Maturity	Early redemption feature	Early redemption conditions
Non-voting loan stock	28.05.1985	€137m	EUR	a	b		
Subordinated notes	03.24.2016	€414m	EUR	3-month Euribor + 2.05%	03.24.2026		
Subordinated notes	11.04.2016	€700m	EUR	3-month Euribor + 1.70%	11.04.2026		

(a) Minimum 85% (TAM+TMO)/2 Maximum 130% (TAM+TMO)/2.
(b) Non-amortizable and repayable at borrower's discretion as from May 28, 1997 at 130% of the face value incremented at the rate of 1.5% for each subsequent year.

Note 26a: Unrealized or deferred gains and losses

	31.12.2017	31.12.2016
Unrealized or deferred gains and losses* relating to:		
Translation adjustments	(12)	97
Available-for-sale financial assets:		
- Equities	167	74
- Bonds	(40)	(108)
Actuarial gains and losses on defined benefit plans	(36)	(56)
Derivatives designated as cash flow hedges	0	0
Real estate assets (IAS 16)		
Share of unrealized gains and losses of associates	242	248
TOTAL	**321**	**255**
Unrealized or deferred gains and losses		
Attributable to owners of the company	321	255
Non-controlling interests	0	0
TOTAL	**321**	**255**

* Balances net of tax.

NOTE 26b: Additional information on movements in unrealized or deferred gains and losses

Movement in gains and losses recognized directly in shareholders' equity

	31.12.2017	31.12.2016
Translation adjustments		
Reclassification in income	0	(66)
Other movements	(109)	3
Sub-total	**(109)**	**(63)**
Remeasurement of available-for-sale financial assets		
Reclassification in income	3	5
Other movements	159	43
Sub-total	**162**	**48**
Remeasurement of hedging derivatives		
Reclassification in income	0	0
Other movements	0	0
Sub-total	**0**	**0**
Remeasurement of non-current assets	0	0
Actuarial gains and losses on defined benefit plans	19	(12)
Share of unrealized or deferred gains and losses of associates	(6)	35
TOTAL	**66**	**8**

Movement in gains and losses recognized directly in shareholders' equity

	2017			2016		
	Gross	Tax	Net	Gross	Tax	Net
Translation adjustments	(109)		(109)	(63)		(63)
Remeasurement of available-for-sale financial assets	194	(32)	162	69	(21)	48
Remeasurement of hedging derivatives	0	0	0	0	0	0
Remeasurement of non-current assets			0			0
Actuarial gains and losses on defined benefit plans	25	(6)	19	(16)	4	(12)
Share of unrealized or deferred gains and losses of associates	(6)		(6)	35		35
TOTAL MOVEMENT IN GAINS AND LOSSES RECOGNIZED DIRECTLY IN EQUITY	**104**	**(38)**	**66**	**25**	**(17)**	**8**

Note 27: Commitments given and received

Commitments given	31.12.2017	31.12.2016
Financing commitments		
To credit institutions	315	300
To customers	33,066	30,976
Guarantees		
To credit institutions	1,224	725
To customers	12,899	12,653

Commitments and guarantees received	31.12.2017	31.12.2016
Financing commitments		
From credit institutions	208	251
Guarantees		
From credit institutions	42,202	40,528

NOTE 27a - Transfers of financial assets

Assets given as collateral for liabilities

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-recovery of the securities.

The other assets given as collateral for liabilities relate to derivatives for which margin calls are paid when their fair value is negative. These amounts comprise the initial margins and those paid subsequently.

The fair value of assets sold under repurchase agreements was €15.355 billion at December 31, 2017 compared with €17.611 billion at December 31, 2016.

	31.12.2017	31.12.2016
Loaned securities	0	0
Security deposits on market transactions	4,402	5,556
Securities sold under repurchase agreements	15,387	17,701
TOTAL	**19,789**	**23,257**

NOTE 27b: Financial assets/liabilities that are offset or subject to an enforceable master netting agreement or similar agreement

31.12.2017	Gross amount of financial assets/ liabilities recognized	Gross amount of financial assets/ liabilities recognized and set off in the statement of financial position	Net amount of financial assets/ liabilities presented in the statement of financial position	Financial instruments Impacts of master agreements	Financial instruments received or given as collateral	Cash received *(cash collateral)*	Net amount
Financial assets							
Derivatives	3,496	0	3,496	(1,825)	0	(793)	878
Repurchase agreements	16,183	0	16,183	(507)	(15,418)	(44)	214
TOTAL	**19,679**	**0**	**19,679**	**(2,332)**	**(15,418)**	**(837)**	**1,092**
Financial liabilities							
Derivatives	5,186	0	5,186	(1,866)	0	(2,886)	434
Repurchase agreements	15,387	0	15,387	0	(15,183)	(203)	1
TOTAL	**20,573**	**0**	**20,573**	**(1,866)**	**(15,183)**	**(3,089)**	**435**

Note 27b (contd)

31.12.2016	Gross amount of financial assets/ liabilities recognized	Gross amount of financial assets/ liabilities recognized and set off in the statement of financial position	Net amount of financial assets/ liabilities presented in the statement of financial position	Financial instruments Impacts of master agreements	Financial instruments received or given as collateral	Cash received *(cash collateral)*	Net amount
Financial assets							
Derivatives	4,779	0	4,779	(2,331)	0	(1,904)	544
Repurchase agreements	15,482	0	15,482	0	(15,267)	(80)	135
TOTAL	**20,261**	**0**	**20,261**	**(2,331)**	**(15,267)**	**(1,984)**	**679**
Financial liabilities							
Derivatives	7,481	0	7,481	(2,337)	2	(4,619)	523
Repurchase agreements	17,701	0	17,701	0	(17,434)	(266)	1
TOTAL	**25,182**	**0**	**25,182**	**(2,337)**	**(17,436)**	**(4,885)**	**524**

The aim of this information, which is required by an amendment to IFRS 7, is to facilitate comparability with the treatment applicable under the accounting principles generally accepted in the United States (US GAAP), which are less restrictive than the IFRS.
The group does not practice accounting offsetting, in accordance with IAS 32, which explains why there is no amount in the second column.
The column headed "Impact of master netting agreements" corresponds to outstanding transactions under enforceable contracts but not subject to accounting offsetting. This covers, in particular, those transactions for which the right to offset applies in the event that one of the parties to the contracts defaults, becomes insolvent or bankrupt. It covers derivatives and repurchase agreements, whether or not processed via clearing houses.
The column headed "Financial instruments received or given as collateral" comprises the collateral exchanged in the form of securities at their market value.
The column headed "Cash received/paid (*cash collateral*)" includes the guarantee deposits received or given as consideration for the positive or negative market values of the financial instruments. They are recognized in the statement of financial position in the other asset and liability accounts.

Notes to the income statement

Note 28: Interest income and expense

	2017		2016	
	Income	**Expense**	**Income**	**Expense**
Credit institutions and central banks	329	(553)	278	(509)
Customers	6,436	(3,453)	6,624	(3,526)
- Of which, finance leases	*2,959*	*(2,716)*	*2,856*	*(2,601)*
Financial assets/liabilities accounted for under the fair value option	0		0	
Derivatives used for hedging purposes	930	(1,738)	408	(1,105)
Available-for-sale financial assets	259		206	
Held-to-maturity financial assets	1		3	
Debt securities		(284)		(277)
Subordinated debt		0		(1)
TOTAL	**7,955**	**(6,028)**	**7,519**	**(5,418)**

Note 29: Commission income and expense

	2017		2016	
	Income	Expense	Income	Expense
Credit institutions	4	(5)	3	(5)
Customers	949	(10)	911	(10)
Securities transactions	519	(25)	481	(30)
Derivatives	3	(4)	3	(4)
Currency transactions	15	(1)	18	(1)
Financing and guarantee commitments	4	(2)	3	(16)
Services provided	1,147	(552)	1,037	(483)
TOTAL	**2,641**	**(598)**	**2,456**	**(549)**

	2017	2016
Commissions on financial assets and liabilities not carried at fair value through profit or loss (including demand accounts)	958	913
Commissions for management services provided to third parties	481	445

NOTE 30: Net gains/(losses) on financial instruments at fair value through profit or loss

	2017	2016
Trading instruments	320	424
Instruments accounted for under the fair value option [1]	355	261
Ineffective portion of hedges	9	5
Foreign exchange gains	40	41
TOTAL CHANGES IN FAIR VALUE	**724**	**731**

(1) Of which €254 million from the private equity business at December 31, 2017 compared to €195 million at December 31, 2016.

Note 30a: Ineffective portion of hedges

	2017	2016
Change in fair value of hedged items	(947)	(149)
Change in fair value of hedging instruments	956	154
TOTAL INEFFECTIVE PORTION OF HEDGES	**9**	**5**

Note 31: Net gains/(losses) on available-for-sale financial assets

	2017				2016			
	Dividends	Realized gains and losses	Impairment	Total	Dividends	Realized gains and losses	Impairment	Total
Government securities, bonds and other fixed-income securities		248	0	248		131	0	131
Equities and other variable-income securities	65	(58)	1	8	53	(49)	(1)	3
Long-term investments	43	5	(3)	45	30	(19)	6	17
Other	0	(1)	0	(1)	0	0	0	0
TOTAL	**108**	**194**	**(2)**	**300**	**83**	**63**	**5**	**151**

Note 32: Income/expenses on other activities

	2017	2016
Income from other activities		
Investment property	0	0
Rebilled expenses	80	77
Other income [1]	108	166
Sub-total	188	243
Expenses on other activities		
Investment property	(2)	(2)
Other expenses	(189)	(146)
Sub-total	(191)	(148)
TOTAL	**(3)**	**95**

(1) Including €89 million received in respect of VISA compensation recognized in the first half of 2016.

Note 33: General operating expenses

	2017	2016
Payroll costs	(1,739)	(1,720)
Other expenses	(1,233)	(1,211)
TOTAL	**(2,972)**	**(2,931)**

Note 33a: Payroll costs

	2017	2016
Wages and salaries	(1,028)	(1,037)
Social security contributions [1]	(448)	(431)
Employee profit-sharing and incentive bonuses	(123)	(114)
Payroll-based taxes	(136)	(136)
Other	(4)	(2)
TOTAL	**(1,739)**	**(1,720)**

(1) Including income in respect of the Tax Credit for Competitiveness and Employment (*Crédit d'impôt pour la compétitivité et l'emploi* – CICE) totaling €27 million for the year ended December 31, 2017 compared with €22 million for the year ended December 31, 2016.
This amount corresponds to 7% of the salaries eligible for this measure as of December 31, 2017.
The CICE has enabled the group to maintain, and even to increase, its financing of employee training at a level well in excess of the regulatory requirements and to improve the group's overall competitiveness by the following initiatives, in particular:
• investment, particularly in new technologies such as digital tools (tablets) and videoconferencing systems;
• IT developments, in particular the development of a virtual assistant, based on cognitive technology and designed to improve still further the quality of our customer service;
• development of new telephone payment methods and related services;
• development of new services for the group's retailer customers;
• • the roll-out of the remote electronic signing of contracts.

Note 33b: Average number of employees (full-time equivalent)

	2017	2016
Banking staff	10,683	10,723
Managerial staff	9,290	9,187
TOTAL	**19,973**	**19,910**
Analysis by country		
France	18,379	18,367
Rest of the world	1,594	1,543
TOTAL	**19,973**	**19,910**

Note 33c: Other general operating expenses

	2017	2016
Other taxes and duties	(190)	(187)
External services	(1,073)	(1,045)
Rebilled expenses	31	23
Other miscellaneous expenses	(1)	(2)
TOTAL	**(1,233)**	**(1,211)**

"Other taxes and duties" comprises a charge of €68 million in respect of the contribution to the Single Resolution Fund for the year ended December 31, 2017. The corresponding charge for the period ended December 31, 2016 was €51 million.

Note 33d: Statutory auditors' fees

Amounts excluding VAT	2017 PriceWaterhouseCoopers Audit		Ernst & Young et Autres		KPMG	
Statutory audit						
- Issuer	0.48	10%	0.48	31%	0.48	23%
- Fully consolidated subsidiaries	1.98	42%	1.05	67%	1.07	51%
Services other than the statutory audit						
- Issuer	0.14	3%				
- Fully consolidated subsidiaries	2.12	45%	0.03	2%	0.54	26%
TOTAL	**4.72**	**100%**	**1.56**	**100%**	**2.09**	**100%**
- Of which fees paid to the statutory auditors in France for the statutory audit of the financial statements	*1.67*		*1.40*		*0.73*	
- Of which fees paid to the statutory auditors in France for services other than the statutory audit of the financial statements	*0.15*		*0.00*		*0.00*	

Amounts excluding VAT	2016 PriceWaterhouseCoopers Audit		Ernst & Young et Autres		KPMG	
Statutory audit						
- Issuer	0.45	17%	0.45	24%	0.45	31%
- Fully consolidated subsidiaries	1.90	73%	1.38	74%	0.53	36%
Services other than the statutory audit						
- Issuer						
- Fully consolidated subsidiaries	0.27	10%	0.04	2%	0.49	33%
TOTAL	**2.62**	**100%**	**1.87**	**100%**	**1.47**	**100%**

The above amounts correspond to the amounts recognized as charges during the fiscal year.
In 2017, the services other than the statutory audit of the financial statements correspond mainly to assignments related to the MiFID project.

Note 34: Depreciation, amortization and impairment of property, plant and equipment and intangible assets

	2017	2016
Depreciation and amortization		
Property and equipment	(115)	(120)
Intangible assets	(13)	(16)
Impairment		
Property and equipment	0	0
Intangible assets	(3)	(4)
TOTAL	**(131)**	**(140)**

Note 35: Net provision allocations/reversals for loan losses

	Additions	Reversals	Loan losses covered by provisions	Loan losses not covered by provisions	Recovery of loans written off in prior years	Total	2016
Credit institutions	0	16	0	0	2	18	9
Customers							
- Finance leases	(4)	5	(3)	(1)	1	(2)	(3)
- Other customer items	(572)	603	(216)	(40)	14	(211)	(186)
Sub-total	**(576)**	**624**	**(219)**	**(41)**	**17**	**(195)**	**(180)**
Held-to-maturity financial assets	6	0	0	0	0	(6)	0
Available-for-sale financial assets	0	4	(2)	(12)	6	(4)	(5)
Other, including financing and guarantee commitments	(36)	38	0	0	0	2	0
TOTAL	**(618)**	**666**	**(221)**	**(53)**	**23**	**(203)**	**(185)**

Note 36: Net gains/(losses) on disposals of other assets

	2017	2016
Property and equipment and intangible assets		
Losses on disposals	(12)	(8)
Gains on disposals	9	20
Gains/(losses) on disposals of shares in consolidated entities	0	0
TOTAL	**(3)**	**12**

Note 37: Corporate income tax

	2017	2016
Current taxes	(475)	(566)
Deferred tax income and expense	(75)	7
Adjustments in respect of prior years	(1)	(1)
TOTAL	**(551)**	**(560)**

Including a charge of €485 million in respect of companies located in France and a charge of €66 million for companies located elsewhere.

Reconciliation between the corporate income tax charge recorded in the accounts and the theoretical tax charge

	2017	2016
Theoretical tax rate	**34.4%**	**34.4%**
Impact of corporate surtax	4.6%	-
Impact of preferential "SCR" and "SICOMI" rates	(4.0%)	(2.8%)
Impact of changes in tax rates	- 1.4%	(0.1%)
Impact of tax consolidation	(1.2%)	1.1%
Impact of corrections relating to prior years	0.8%	(0.3%)
Impact of different tax rates paid by foreign subsidiaries	(0.5%)	(0.5%)
Impact of reduced rate on long-term capital gains	(0.5%)	0.2%
Impact of tax credits and tax deductions	(0.4%)	(0.3%)
Impact of tax provisions	(0.4%)	0.2%
Impact of permanent differences	0.4%	(0.2%)
Other	0.5%	0.4%
Effective tax rate	**32.3%**	**32.1%**
Taxable income[1]	1,705	1,741
TAX CHARGE	**(551)**	**(560)**

(1) Sum of pre-tax income of fully-consolidated companies.

CIC has set up a tax group with its main subsidiaries (more than 95%-owned) and the regional banks.
The entities it includes are shown with an (i) after their name in the list of consolidated companies (see note 2a).

Note 38: Earnings per share

	2017	2016
Net income attributable to the group	1,275	1,352
Number of shares at beginning of year	37,797,752	37,797,752
Number of shares at end of year	37,795,782	37,797,752
Weighted average number of shares	37,796,767	37,797,752
Basic earnings per share (in €)	**33.72**	**35.77**
Additional weighted average number of shares assuming full dilution	0	0
Diluted earnings per share (in €)	**33.72**	**35.77**

CIC's share capital amounts to €608,439,888, made up of 38,027,493 shares with a par value of €16 each, including 231,711 treasury shares.

Note 39: Fair value of financial instruments carried at amortized cost

The estimated fair values presented are calculated based on observable parameters at December 31, 2017 and are obtained by computing estimated discounted future cash flows using a risk-free yield curve. For asset items, the yield curve factors in a credit spread calculated for the Crédit Mutuel-CM11 group as a whole, which is revised on a yearly basis.
The financial instruments discussed in this note relate to loans and borrowings. They do not include non-monetary items (e.g. equities), trade accounts payable, other asset accounts, or other liability and accrual accounts. Non-financial instruments are not discussed in this section.
The fair value of financial instruments repayable on demand and regulated customer savings deposits equals the amount that may be requested by 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.
The reader's attention is drawn to the fact that, excluding held-to-maturity financial assets, financial instruments carried at amortized cost are not sellable or in practice are not sold prior to maturity. Accordingly, capital gains and losses are not recognized.
However, if financial instruments carried at amortized cost were to be sold, their sale price could
differ significantly from the fair value calculated at December 31, 2017.

Note 39 (contd)

31.12.2017	Market value	Carrying amount	Unrealized capital gains/ (losses)	Hierarchy level 1	Hierarchy level 2	Hierarchy level 3
Assets						
Loans and receivables due from credit institutions	23,357	23,405	(48)	0	23,357	0
Of which, debt securities – credit institutions	*306*	*302*	*4*	*0*	*306*	*0*
Of which, loans and advances – credit institutions	*23,051*	*23,103*	*(52)*	*0*	*23,051*	*0*
Loans and receivables due from customers	175,432	171,952	3,480	60	5,175	170,197
Of which, debt securities - customers	*304*	*308*	*(4)*	*60*	*18*	*226*
Of which, loans and advances - customers	*175,128*	*171,644*	*3,484*	*0*	*5,157*	*169,971*
Held-to-maturity financial assets	9	9	0	0	9	0
Liabilities						
Due to credit institutions	69,588	68,451	1,137	0	69,588	0
Amounts due to customers	144,450	144,134	316	0	72,007	72,443
Debt securities	21,810	21,762	48	0	21,810	0
Subordinated debt	2,259	2,098	161	0	2,259	0

31.12.2016	Market value	Carrying amount	Unrealized capital gains/ (losses)	Hierarchy level 1	Hierarchy level 2	Hierarchy level 3
Assets						
Loans and receivables due from credit institutions	22,374	22,458	(84)	44	11,917	10,413
Of which, debt securities – credit institutions	*461*	*462*	*(1)*	*44*	*416*	*1*
Of which, loans and advances – credit institutions	*21,913*	*21,996*	*(83)*	*0*	*11,501*	*10,412*
Loans and receivables due from customers	170,919	166,063	4,856	91	5,048	165,780
Of which, debt securities - customers	*339*	*340*	*(1)*	*91*	*14*	*234*
Of which, loans and advances - customers	*170,580*	*165,723*	*4,857*	*0*	*5,034*	*165,546*
Held-to-maturity financial assets	65	63	2	56	9	0
Liabilities						
Due to credit institutions	76,949	76,162	787	0	73,659	3,290
Amounts due to customers	139,604	138,772	832	0	67,036	72,568
Debt securities	23,745	23,638	107	0	11,624	12,121
Subordinated debt	1,754	1,644	110	0	396	1,358

Note 40: Related party transactions

	31.12.2017 Associates (companies accounted for using the equity method)	31.12.2017 Parent company	31.12.2016 Associates (companies accounted for using the equity method)	31.12.2016 Parent company
Assets				
Loans, advances and securities				
- Loans and receivables due from credit institutions	0	8,929	0	7,990
- Loans and receivables due from customers	960	146	1,311	47
- Securities transactions	0	0	0	51
Other assets	8	146	3	184
TOTAL	**968**	**9,221**	**1,314**	**8,272**
Liabilities				
Deposits				
- Due to credit institutions	0	48,521	0	49,456
- Amounts due to customers	25	165	293	167
Debt securities	350	1,789	544	1,535
Subordinated debt	0	2,046	0	1,593
Other liabilities	7	277	15	400
TOTAL	**382**	**52,798**	**852**	**53,151**
Financing and guarantee commitments				
Financing commitments given	0	0	0	0
Guarantee commitments given	0	23	0	22
Financing commitments received	0	0	0	39
Guarantee commitments received	0	3,103	0	3,503

Income statement items concerning related party transactions	2017 Associates (companies accounted for using the equity method)	2017 Parent company	2016 Associates (companies accounted for using the equity method)	2016 Parent company
Interest income	0	294	0	329
Interest expense	(6)	(439)	(11)	(432)
Commission income	457	20	427	14
Commission expense	0	(97)	0	(142)
Other income and expenses	54	37	54	107
General operating expenses	(57)	(398)	(60)	(399)
TOTAL	**448**	**(583)**	**410**	**(523)**

The parent company is BFCM, the majority shareholder of CIC, and Caisse Fédérale de Crédit Mutuel (CFCM), the entity controlling BFCM, and all their subsidiaries.
Transactions carried out with the parent company mainly cover loans and borrowings taken out for the purposes of treasury management, as BFCM is the group's refinancing vehicle, as well as IT services billed with the Euro Information entities.
Companies accounted for using the equity method comprise CM-CIC Asset Management and the Assurances du Crédit Mutuel group.

Relations with the group's key executives (see "Corporate governance" on page 53 *et seq.*).

Total compensation paid to the group's key executives	Fixed salary	Variable salary	Benefits-in-kind	Sundry adjustments	Total 2017	Total 2016
Key executives	0.3	0.0	0.0	0.0	0.3	0.3

The group's key executives benefit from the arrangements for group personal insurance and from the group supplementary pension scheme.
They did not receive any other specific benefits nor any equity securities, warrants or options to purchase BFCM or CIC shares. Furthermore, they are not entitled to attendance fees relating either to their positions in group companies or to those in other companies by reason of their positions in the group. The group's key executives may also hold assets with, or take out loans with, the group's banks on the same terms as those offered to employees in general. As at December 31, 2017 they had no loans of this kind.

STATUTORY AUDITORS' REPORT

on the consolidated financial statements

Year ended December 31, 2017

To the shareholders,

Opinion

In fulfillment of the assignment entrusted to us by your shareholders' meetings, we have audited the consolidated financial statements of Crédit Industriel et Commercial – CIC for the year ended December 31, 2017, as attached to this report.

We certify that the consolidated financial statements provide a true and fair view of the results of the operations during the previous year and of the financial position and assets and liabilities, at the end of the year, of the group formed by the entities included in the consolidation scope, in accordance with IFRS as adopted by the European Union.

The opinion expressed above is consistent with the content of our report to the Group Audit and Accounts Committee.

Basis for the opinion

Audit standards

We conducted our audit in accordance with the professional standards applicable in France. We believe that the information we have gathered is sufficient and appropriate to provide a basis for our 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 consolidated financial statements."

Independence

We 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

In accordance with the provisions of Articles L. 823-9 and R. 823-7 of the French Commercial Code concerning 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 consolidated financial statements, as well as our responses to these risks.

These assessments formed part of the audit of the consolidated financial statements as a whole and enabled us to form our opinion expressed above. We have no opinion regarding elements of these consolidated financial statements taken separately.

Credit risk

Identified risk	Audit response
The group's banks are exposed to credit risk which is inherent in their activities and incurred by: • corporate banking for credit risk on companies primarily located in Europe, North America or Asia; and • retail banking for credit risk on companies which, for the most part, are located in France. Impairment is recognized for loans and receivables to cover these risks. Impairment is recorded when an event that is liable to result in full or partial non-recovery of the loan or receivable occurs, or on portfolios of receivables and loans with similar characteristics that are not in default but are considered sensitive (note X). At December 31, 2017, this impairment totaled €2,305 million. Management uses its judgment in estimating impairment for credit risk by: • assigning internal ratings which may or may not result in loans being downgraded; and • calculating impairment of downgraded loans. Since an error in judgment may have a significant effect on impairment amounts, we considered credit risk to be a key point of the audit.	We reviewed the processes and controls implemented by the group to assign internal ratings related to loans and receivables that have a verified risk of default or are considered sensitive, as well as the procedures used to determine the amount of the related impairment. We reviewed: • with the help of our IT specialists, the measures taken to ensure the quality of the data used by the rating and impairment models; and • the classification of loans into performing and non-performing. With regard to credit risk on companies and in corporate banking, we: • reviewed the records of the decisions taken by the group's governance regarding impairment; • on a test basis, reviewed impaired loans to verify the documentation of the credit rating and the impairment level applied; and • where applicable, assessed the relevance of the adjustments made manually to the internal credit ratings. With regard to credit risk in retail banking in France, we: • calculated changes over time in the following key indicators: ratio of non-performing and sensitive loans to total loans and rate of coverage of non-performing loans by impairment. Whenever an indicator deviated from the average, we analyzed these deviations; and • where applicable, on a test basis, reviewed impaired loans to verify the documentation of the credit rating and the impairment level applied.

Measurement of complex financial instruments classified as level 2 and 3

<table>
<tr><th>Identified risk</th><th>Audit response</th></tr>
<tr><td>As part of its proprietary trading and group treasury activities and in connection with the services offered to customers, the group holds financial instruments for trading purposes.

These derivatives are financial assets or liabilities recognized at fair value. The gain or loss on remeasurement of these financial instruments in the statement of financial position on the closing date is recognized in profit or loss.

In our opinion, the measurement of complex financial instruments classified as level 2 and 3 entailed a significant risk of material misstatements in the consolidated financial statements as it requires the exercise of judgment, particularly regarding:
• the determination of measurement inputs not observable on the market for the same instrument and the categorization of the instruments according to the fair value hierarchy for financial assets and liabilities;
• the use of internal, non-standard measurement models;
• the estimation of the main valuation adjustments to take into account counterparty or liquidity risks, for example;
• an analysis of any measurement differences with counterparties in connection with margin calls or sales of instruments.</td><td>We assessed the processes and controls implemented by the group to identify and measure complex derivatives, including:
• Governance as it relates to the measurement models and valuation adjustments;
• The explanation and independent validation of the results recorded on these operations; and
• The controls related to the collection and archiving of the inputs needed to measure complex financial instruments classified as level 2 and 3.

Our audit team included specialists in the measurement of complex financial instruments. With their assistance, we also:
• conducted counter-valuation tests on a sample of complex financial instruments;
• analyzed the internal processes for identifying and validating the main valuation adjustments applied to financial instruments and their changes over time. Our analysis entailed reviewing the methodologies used for market reserves and valuation adjustments and the governance system implemented by the company to control adjustments made.
• For measurements of derivatives using internal models and/or unobservable inputs, we reviewed the assumptions, methodologies and models used by the bank to estimate such measurements.
• We reviewed the main existing margin call variances and the losses and/or gains on sales of complex financial instruments in order to assess the appropriateness of the measurements.
• We analyzed the criteria used in the fair value hierarchy as described in note 5d "Fair value hierarchy".</td></tr>
</table>

Measurement of the private equity division's complex or level 3 investments

Identified risk	Audit response
Through the private equity subsidiaries, the group has investments classified at inception at fair value through profit or loss in accordance with the option provided by IAS 39. The instruments included in this category are recognized at fair value at the time of their initial recognition and subsequently up to the date of their disposal. Changes in fair value are taken to the income statement under "Net gains/(losses) on financial instruments at fair value through profit or loss". If the financial instrument is traded on an active market, the fair value is the quoted price. To calculate the fair value of securities not traded on an active market, the group estimates the fair value of these investments according to a multi-criteria approach on the basis of unobservable inputs, as indicated in the section "Financial instruments at fair value through profit or loss - Securities" of note 1 "Accounting principles, valuation and presentation methods". Given the use of judgment in determining fair value and the complexity of modeling it, we consider the measurement of investments in non-consolidated companies to be a key point of the audit.	We reviewed the processes and controls implemented by the group related to the measurement of private equity investments. Our work entailed analyzing, with the help of our experts, the methods and unobservable measurement inputs estimated by the company. Our work also entailed assessing, with the help of our experts, whether the estimation of the fairs values determined by the company was based on one of the documented measurement methods, and according to the securities in question: • for investments measured using a multi-criteria approach and unobservable inputs, analyzing the measurement methods used by the company; • for investments measured on the basis of multiples, analyzing the measurements made by the group; • for investments measured on the basis of multiples and those based on discounted net assets, we analyzed, with the help of our experts, the measurements made by the group; • for measurements based on transaction price, verifying that the measurement used by Management is comparable to the price observed during a recent transaction.

Verification of information about the group provided in the management report

As required by law and in accordance with the professional standards applicable in France, we also verified the information about the group provided in the group's management report.

We have no matters to report as to its fair presentation and consistency with the consolidated financial statements.

Information resulting from other legal and regulatory requirements

Appointment of the statutory auditors

We were appointed as statutory auditors of Crédit Industriel et Commercial – CIC by the shareholders' meeting on May 25, 2016 for KPMG S.A., on May 26, 1999 for Ernst & Young et Autres and on May 25, 1988 for PricewaterhouseCoopers Audit.

At December 31, 2017, this was the second consecutive year of KPMG S.A.'s assignment, the 19th year for Ernst & Young et Autres and the 30th year for PricewaterhouseCoopers Audit, i.e. two, 19 and 30 years, respectively, since the entity came under the definition of PIE (Public Interest Entity) as defined by the European regulations.

Responsibilities of management and those charged with corporate governance regarding the consolidated financial statements

It is the responsibility of management to prepare consolidated financial statements that give a true and fair view in accordance with the IFRS as adopted by the European Union and to implement internal control as it deems necessary for the preparation of consolidated financial statements that contain no material misstatements, whether such misstatements are the result of fraud or errors.

When preparing the consolidated 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 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.

The consolidated financial statements have been approved by the Board of Directors.

Responsibilities of the statutory auditors regarding the audit of the consolidated financial statements

Objective and audit approach

Our responsibility is to prepare a report regarding the consolidated financial statements. Our objective is to obtain reasonable assurance that the consolidated 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 all material misstatements. 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements and determines whether they fairly present the underlying transactions and events;
- concerning the financial information of the persons or entities included in the scope of consolidation, he/she collects information that he/she considers sufficient and appropriate to express an opinion on the consolidated financial statements. He/she is responsible for the management, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on the financial statements.

Group Audit and Accounts Committee

We are submitting a report to the 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 are also informing 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 Group Audit and Accounts Committee includes the risks of material misstatement which, in our opinion, are the most significant for the audit of the consolidated financial statements and are therefore the key points of the audit, which it is our duty to describe in this report.

We are also submitting to the 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 are discussing with the Group Audit and Accounts Committee the risks regarding our independence and the precautionary measures taken.

The statutory auditors

Paris-La Défense, April 18, 2018	Paris-La Défense, April 18, 2018	Neuilly-sur-Seine, April 18, 2018
KPMG S.A.	Ernst & Young et Autres	PricewaterhouseCoopers Audit
Arnaud Bourdeille	Hassan Baaj	Jacques Lévi
Partner	*Partner*	*Partner*

COMPANY FINANCIAL STATEMENTS

The statutory auditors have audited the company financial statements.

BOARD OF DIRECTORS' REPORT ON THE COMPANY FINANCIAL STATEMENTS

The company financial statements are prepared in accordance with regulation 2014-03 on the French general chart of accounts, as amended by regulation 2015-06, and regulation 2014-07 on the financial statements of banking sector companies. These regulations were issued by the French accounting standards authority (*Autorité des normes comptables* - ANC) .

Highlights of the fiscal year

- Sale of the Singapore and Hong Kong private banking activities.
- Transfer of the bank subsidiaries and group treasury activities, previously allocated to corporate banking and capital markets activities respectively, to holding company services.

CIC Greater Paris region network

The Greater Paris region network was made up of 300 branches at December 31, 2017.

The number of customers was 1.8% higher at 764,625. Outstanding loans increased by 3.9% compared with end-2016 and totaled €17.8 billion. They included home loans of €12.1 billion (up 3.8%). Deposits rose by 7.8% to €24.0 billion. At €11 billion, savings were 3.1% higher than at December 31, 2016.

Financing and capital markets

Outstanding loans were 0.6% higher than at end-2016 and totaled €24.3 billion. The corresponding amount at end-December 2016 was restated at €24.2 billion, excluding the bank subsidiaries and group treasury activities (€249.2 million). Deposits increased by 16% to €11.7 billion compared with €10.1 billion at December 31, 2016, excluding deposits of the bank subsidiaries and group treasury activities, which totaled €1.6 billion at December 31, 2016.

2017 results

Net banking income decreased from €1,815 million in 2016 to €1,720 million in 2017, which included a €21 million provision for the fine in respect of check image transfer fees and a €26 million capital gain on the sale of the private banking activity in Singapore and Hong Kong. In 2016 net banking income included compensation of €28 million 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. After restatement, the decrease was 3.9%.

Dividends received from subsidiaries and equity interests came to €648.1 million, compared with €577.3 million in 2016, the majority being derived from the regional banks and Crédit Mutuel CM11 group subsidiaries.

Net commission income increased by 7.8% to €399 million.

General operating expenses totaled €828 million compared with €813 million in 2016.

The average number of full-time equivalent employees in 2017 was 3,717 compared with 3,614 in 2016.

Operating income before provisions was 10.9% lower at €892 million compared with €1,002 million in 2016.

Net additions to/reversals from provisions for loan losses fell by 4.9% and represented a net charge of €39 million (€41 million in 2016).

The net gain on disposals of non-current assets amounted to €130 million compared with €95 million in 2016 due to the net disposals of held-to-maturity securities (€138 million in 2017 compared with €108 million in 2016).

CIC's total tax charge includes corporate income tax payable on CIC's net income and the net benefit from tax consolidation.

The company's net income fell by 3.2% to €853 million in 2017 compared with €882 million in 2016.

Equity amounted to €8,979 million at December 31, 2017 (€8,464 million at December 31, 2016).

Details of executive compensation are provided on pages 53 to 55 of the report on corporate governance.
Information relating to CIC's stock ownership structure as at December 31, 2017 as well as changes during the year and dividends paid is provided on pages 35 to 39 of the section entitled "Presentation of CIC - capital and market for the company's stock".
The operations of CIC's subsidiaries are described on pages 302 to 308.

Law on the Modernization of the Economy (LME) - Payment terms

Articles L441-6-1 and D441-4 of the French Commercial Code require companies whose financial statements are certified by a statutory auditor to disclose specific information about payment terms granted to suppliers and customers. The information concerned is set out below:
The following table provides details of the invoices received and issued that were unpaid and overdue at December 31, 2017 (Article D.441-4 § I).

	Article D 441-4 1*: invoices received, unpaid and overdue at the reporting date						Article D 441-4 2*: invoices issued, unpaid and overdue at the reporting date					
	Due in 0 days (indicative)	Due between 1 and 30 days	Due between 31 and 60 days	Due between 61 and 90 days	Due 91 or more days	Total (1 or more days)	Due in 0 days (indicative)	Due between 1 and 30 days	Due between 31 and 60 days	Due between 61 and 90 days	Due 91 or more days	Total (1 or more days)
(A) Overdue payment categories												
Number of invoices concerned	0					600	0					182
Total amount of invoices concerned (including taxes)	0.00	1,062,423.82	978,705.39	3,732,964.19	24,652.27	5,798,745.67	0.00	397,486.65	382,201.28	59,568.30	506,748.69	1,346,004.92
Percentage of total purchases for the year (including taxes)	0.00%	18.32%	16.88%	64.38%	0.43%	100.00%	0.00%	29.53%	28.40%	4.43%	37.65%	100.00%
Percentage of revenue for the year (including taxes)												
(B) Invoices excluded from (A) relating to payables and receivables in dispute or not recognized												
Number of excluded invoices												
Total amount of excluded invoices												
(C) Benchmark payment terms used (contractual or legal payment terms - Article L 441-6 or Article L 443-1 of the French Commercial Code).												
Payment terms used to calculate overdue payments	Contractual payment terms: 30 days • Statutory payment terms: unless specified otherwise in the sales terms or terms agreed between the parties, the payment term is set at 30 days following receipt of the goods or execution of the service.						Contractual terms: 30 days • Statutory payment terms: unless specified otherwise in the sales terms or terms agreed between the parties, the payment term is set at 30 days following receipt of the goods or execution of the service.					

Invoices received and issued for which payment was late during the year (Article D.441-4 § II): There were no (non-banking) transactions of material amounts for which payment was late during 2017. The few outstanding liabilities at end-2017 which were due in more than 61 days were all of non-material amounts and represented amounts remaining due as a result of a dispute, an omission or, in certain cases, liabilities in respect of notary fees or taxes due to the tax authorities in connection with the acquisition or construction of buildings.

FINANCIAL STATEMENTS

Consolidated statement of financial position

(in € millions)	Notes	December 31, 2017	December 31, 2016
Cash and amounts due from central banks		24,722	33,202
Government securities	2	2,433	3,298
Interbank loans and advances	3	17,244	15,353
Customer transactions	4	42,640	43,246
Bonds and other fixed-income securities	5	14,630	13,239
Equities and other variable-income securities	6	1,163	1,842
Investments in subsidiaries and other long-term investments	7	88	86
Investments in subsidiaries and associates	8	5,610	5,361
Lease financing			
Intangible assets	9	51	57
Property and equipment	10	495	504
Subscribed capital unpaid			
Treasury shares	11	10	9
Other assets	12	7,184	8,782
Accruals and other assets	13	4,778	6,060
TOTAL ASSETS		**121,048**	**131,039**

Off-balance sheet

(in € millions)	Notes	December 31, 2017	December 31, 2016
Commitments and guarantees received			
Financing commitments			
Commitments received from credit institutions		208	251
Guarantees received			
From credit institutions		9,859	10,775
Securities commitments received			
Optional repurchase agreements			
Other commitments and guarantees received		450	737

Liabilities and equity

(in € millions)	Notes	December 31, 2017	December 31, 2016
Due to central banks			
Due to credit institutions	14	42,697	52,029
Customer transactions	15	37,091	35,431
Debt securities	16	19,578	20,928
Other liabilities	12	4,757	5,009
Accruals and other liabilities	13	4,905	6,314
Provisions	17	1,138	1,205
Subordinated debt	18	1,524	1,280
General banking risks reserve	19	379	379
Equity	19	8,979	8,464
- Subscribed capital		*608*	*608*
- Share premiums		*1,088*	*1,088*
- Reserves		*6,167*	*5,668*
- Revaluation reserve		*44*	*44*
- Untaxed provisions		*50*	*48*
- Retained earnings		*168*	*126*
- Net income for the year		*853*	*882*
TOTAL LIABILITIES AND EQUITY		**121,048**	**131,039**

Off-balance sheet

(in € millions)	Notes	December 31, 2017	December 31, 2016
Commitments and guarantees given			
Financing commitments			
Commitments given to credit institutions		295	293
Commitments given to customers		16,442	15,905
Guarantees given	22		
Guarantees given on behalf of credit institutions		3,584	3,474
Guarantees given on behalf of customers		7,411	7,598
Securities commitments given			
Optional resale agreements			
Other commitments and guarantees given		1,538	166

Income statement

(in € millions)	Notes	2017	2016
+ Interest income	27	2,350	1,568
+ Interest expense	27	(2,132)	(1,137)
+ Income from variable-income securities	28	648	577
+ Commission income	29	556	516
+ Commission expense	29	(157)	(146)
+/- Net gains/(losses) on trading account securities	30	332	389
+/- Net gains/(losses) on investment portfolio and similar transactions	31	123	29
+ Other banking income	32	69	37
+ Other banking expense	32	(69)	(18)
+/- Net income from other activities	32	0	0
= Net banking income		**1,720**	**1,815**
+ Payroll costs	33	(446)	(441)
+ Other general operating expenses		(349)	(341)
+ Depreciation, amortization and impairment		(33)	(31)
= General operating expenses		**(828)**	(813)
= Operating income before provisions		**892**	**1,002**
+ Net provision allocations/reversals for loan losses	34	(39)	(41)
= Operating income after provisions		**853**	**961**
+/- Gains/(losses) on non-current assets	35	130	95
= Income/(loss) before non-recurring items		**983**	**1,056**
+/- Non-recurring items	36	0	0
+ Corporate income tax	37	(128)	(172)
+/- Net allocations to general banking risks reserve			
+/- Net allocations to untaxed provisions		(2)	(2)
NET INCOME/(LOSS)		**853**	**882**

Five-year financial summary

Caption	2,013	2,014	2015	2016	2017
1. At December 31					
Share capital	608,439,888	608,439,888	608,439,888	608,439,888	608,439,888
Number of shares in issue	38,027,493	38,027,493	38,027,493	38,027,493	38,027,493
"A" series common shares	38,027,493	38,027,493	38,027,493	38,027,493	38,027,493
"D" series preferred shares	-	-	-	-	-
Preferred investment certificates	-	-	-	-	-
Ordinary investment certificates	-	-	-	-	-
2. Results of operations (in € thousands)					
Banking income	3,856,684	4,921,949	3,107,237	3,116,750	4,077,816
Net income before tax, depreciation and amortization	1,577,900	703,611	768,156	1,145,569	969,406
Provisions and non-recurring items	-	-	-	-	-
Corporate income tax	88,473	4,845	(115,266)	(171,757)	(127,744)
Net income/(loss)	1,303,166	830,721	831,162	881,555	853,171
Dividends	266,192	266,192	323,234	342,247	950,687
3. Earnings per share (in €)					
Income after tax but before depreciation, amortization and provisions	39.03	18.11	17.27	25.76	22.27
Net income/(loss)	34.48	21.98	21.99	23.32	22.57
Dividend per "A" series share	7.00	8.00	8.50	9.00	25.00
Dividend per "D" series share and investment certificates					
4. Employee information (excluding foreign branches) (in €)					
Number of employees (average full-time equivalents)	3,433	3,760	3,421	3,989	4,102
Total payroll	179,256,183	184,922,801	187,808,472	203,033,140	211,970,715
Total benefits (social security, company, etc.)	88,460,236	96,332,506	97,407,990	103,616,417	109,410,329

Notes to the company financial statements

Note 1 - Accounting policies, valuation and presentation methods

The company financial statements are prepared in accordance with regulation 2014-03 on the French general chart of accounts, as amended by regulation 2015-06, and regulation 2014-07 on the financial statements of banking sector companies. These regulations were issued by the French accounting standards authority (*Autorité des normes comptables* - ANC).

Crédit Industriel et Commercial – CIC - is fully consolidated into the consolidated financial statements of the CIC group (since it is the group's parent company), the Crédit Mutuel CM11 group and the Crédit Mutuel group.

Use of estimates in the preparation of the financial statements

Preparation of the financial statements may require the use of assumptions and estimates that are reflected in the measurement of income and expense in the income statement and of assets and liabilities in the balance sheet, and in the disclosure of information in the notes to the financial statements. This requires managers to draw upon their judgment and experience and make use of the information available at the date of preparation of the financial statements when making the necessary estimates. This applies in particular to:
- the impairment of debt and equity instruments;
- impairment tests performed on intangible assets;
- the measurement of provisions, including for retirement and other future employee benefit obligations;
- the valuation of financial instruments not quoted on an organized market.

Reclassification of financial assets

Transfers from trading securities to held-to-maturity securities and from available-for-sale securities are permitted in two instances:

a) when exceptional market conditions require a change of strategy;

b) when, subsequent to their acquisition, fixed income securities are no longer negotiable in an active market and if the bank has the intention and ability to hold these securities over the foreseeable future or until their maturity.

Recognition of changes in accounting methods

Changes in accounting methods are applied retrospectively, that is to say as if the new methods had always been applied. The impact resulting from the first-time application of a change in accounting method is recognized directly to equity at January 1, resulting in the restatement of the opening balance sheet.

In accordance with ANC regulation 2015-06, for fiscal years beginning on or after January 1, 2016, the accounting treatment of the technical loss resulting from a merger has changed: it was previously recognized in full under the "Business goodwill" heading and was not amortized.

From now onwards, for balance sheet recognition purposes, it will be allocated to the specific category of assets (other property and equipment, intangible or financial assets) to which it relates.

This allocation enables the same depreciation/amortization rules to be applied to the merger loss as are applied to the underlying assets (the loss allocated in full or in part to a depreciable/amortizable asset is henceforth depreciated/amortized in full or in part). However, as regards the portion of the loss allocated to business goodwill , the previous treatment continues to be applied, i.e. it is not amortized.

Loans and receivables

Loans are stated in the balance sheet at their nominal value plus accrued interest.

Commissions received on the granting of a loan and those paid to referral agents are recognized in the income statement over time in accordance with a method which involves treating them as if they were interest. This actuarial amortization is recognized in the income statement within net interest income/(expense). In the balance sheet, commissions received and the incremental transaction costs which are amortized are included within the balance of the loan concerned.

Accrued interest receivable and payable are included within the balance sheet asset or liability heading to which they relate.

With regard to credit risk, a distinction is drawn between performing loans, non-performing loans and impaired non-performing loans for accounting purposes.

Loans are monitored using the Crédit Mutuel group's internal credit risk rating system. This system assesses the counterparty's probability of default by means of an internal rating and the loss rate in accordance with the nature of the exposure. The internal rating scale comprises 12 levels, of which nine relate to performing counterparties and three relate to non-performing counterparties.

Reclassification of loans as non-performing or impaired non-performing loans

Loans are classified as non-performing when exposed to a proven risk, namely if 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), if it is probable the borrower will be unable to repay the full amount due, when an event of default has occurred, or where the borrower is subject to court-ordered liquidation.

In addition to the regulatory definition, loans may be reclassified as non-performing loans when there is a risk of loss highlighted notably by financial, economic and/or legal analyses of the customer's situation or by any other information indicating the customer is exposed to a risk of insolvency.

When a loan meets the criteria for reclassification, all amounts due by the customer (or by the group to which the customer belongs) as well as amounts due by other joint account holders or by co-borrowers are considered in the same light, by all federations and all banks of the Crédit Mutuel group.

Loans are reclassified as impaired non-performing loans if the prospects of collecting these loans have deteriorated sharply or if the write off of the loan must be envisaged. Impaired non-performing loans are classified as a distinct component of non-performing loans. Past due interest ceases to be recognized in respect of impaired non-performing loans.

In the case of loans previously classified as non-performing but whose borrowers now comply with the loans' contractual terms and for which the credit risk is no longer regarded as certain, they are reclassified as performing loans. The same applies to non-performing loans that have been restructured but are subject to a 12-month probationary period.

Recognition of impairment losses

Impairment is recognized when there is objective evidence of impairment as a result of an event occurring after inception of a loan or group of loans, 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, discounted at the original effective interest rate. For variable-rate loans, the last known contractual interest rate is used.

Impairment losses in respect of the principal are recognized by way of a provision, additions and reversals being reported as a component of provisions for loan losses except for the effect of changes in the time value linked to the discounting mechanism, which is treated as interest income, and therefore as a component of net banking income. Impairment losses in respect of the interest on non-performing loans are recognized under interest received.

The impairment provision is deducted from the asset concerned when it relates to loans and reported under liabilities as a component of provisions for contingencies when it concerns financing and guarantee commitments.

Restructured loans

When non-performing loans are restructured at off-market conditions and reclassified as performing loans, a discount is recognized immediately as an expense and reversed over the term of the loan as a component of the interest margin.

Loan segmentation

In the notes to the financial statements, loans have been segmented by geographical area based on the location of the permanent CIC establishment.

Debt securities and equity securities acquired

Government securities, bonds and other fixed-income securities (interbank securities, negotiable debt instruments and marketable securities) are classified as trading securities, available-for-sale securities or held-to-maturity securities. Equities and other variable-income securities are classified as trading securities, available-for-sale securities, portfolio activity securities, investments in subsidiaries, investments in associates or other long-term investments. Acquisition and disposal costs are recognized as expenses of the period in which the acquisition or disposal occurs.

Trading securities

Trading securities are securities purchased or sold for the purpose of being sold or repurchased in the near term or which are held by the bank because of its market-making activity. They are recognized at acquisition cost, excluding related costs but including any accrued interest. At each balance sheet date, trading securities are measured at their most recent mark-to-market value. Net unrealized gains or losses arising from fluctuations in market value are recognized in the income statement.

Available-for-sale securities

Available-for-sale securities are securities that have not been classified as trading securities, as held-to-maturity securities, as portfolio activity securities, as investments in subsidiaries, investments in associates or other long-term investments. They are recognized at acquisition cost, excluding related costs. Any discounts or premiums are spread over their residual life. At each balance sheet date, each holding is valued separately. Bonds are grouped together by homogeneous group. When the carrying amount exceeds the estimated realizable value, an impairment loss is recognized representing the unrealized loss. This is determined for each relevant holding or homogenous group. Unrealized gains are not recorded and unrealized gains and unrealized losses are not offset. Gains that result from hedges, within the meaning of Article 2514-1 of ANC Regulation 2014-07, that are in the form of purchases or sales of forward financial instruments, are taken into account in the calculation of impairment losses. Unrealized gains are not recognized and unrealized gains and unrealized losses are not offset. For equities quoted on a foreign market and for bonds, realizable value corresponds to the most recent market value preceding the valuation date.

Held-to-maturity securities

Held-to-maturity securities are securities which the bank has the positive intent to hold to maturity. They are recognized at acquisition cost, excluding related costs. The difference between cost and redemption value is spread over the remaining life of the security. These securities are hedged with regard to the principal or interest rate exposure.

An impairment loss is recognized if a deterioration in the financial situation of the issuer means that the securities might not be redeemed at maturity.

Portfolio activity securities

Portfolio activity securities represent investments made on a regular basis with the sole objective of generating a gain over the medium term without intervening for any length of time in the business or participating actively in its day-to-day management. These investments are made via special purpose vehicles, on a significant and permanent basis, the return on investment being generated mainly from the gains on disposal. These securities are recognized at their cost of acquisition. At the balance sheet date, the value of each holding is determined separately. 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 takes into account the issuer's general prospects and the expected period of ownership. For quoted securities, the average stock price over a sufficiently long period may be used.

Other long-term investments, investments in subsidiaries and investments in associates

Other long-term investments are made with the intention of promoting lasting business relationships with the issuer, without however influencing the issuer's management. Investments in non-consolidated companies are those which management judges to be useful to the group's activities over the long term, in that they enable the group to exercise influence over or to control the issuer.

They are recognized at acquisition cost, which may be revalued, or at merger or similar 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 stock market prices.

Securities sold under delivered repurchase agreements

On the balance sheet, securities sold under delivered repurchase agreements are not de-recognized as an asset whereas the liability to the transferee is recognized as such. The principles for their measurement and the recognition of income from these securities remain those of the asset category in which they are classified.

Reclassification criteria and rules

If the holding intention or ability to hold securities changes, they may be reclassified provided they satisfy the eligibility conditions and transfer rules. In the event of transfer, the securities are remeasured based on their original classification on the transfer date.

Derivatives: interest-rate and currency option, futures and forward contracts

The group trades on its own account in interest-rate and currency option, futures and forward contracts on various organized and over the counter markets as part of its risk management strategy covering interest-rate and currency positions resulting from its assets and liabilities.

Transactions on organized and similar markets

Option, futures and forward contracts on organized and similar markets are measured in accordance with the rules determined by the French banking regulatory committee. Contracts are remeasured at the year end based on listed prices on the applicable markets. Any resulting gain or loss is recognized through the income statement.

Transactions on over-the-counter markets

These transactions comprise in particular interest-rate and/or currency swaps, forward rate agreements, and options such as *caps* and *floors*. Transactions are allocated on origination to the portfolios concerned (open positions, micro-hedges, overall balance sheet and off-balance sheet management, specialized management).

Transactions allocated to open-position portfolios are measured at the lower of acquisition cost or market value.

Income and expenses in respect of transactions allocated to micro-hedge portfolios are recognized in the income statement symmetrically to the income and expenses in respect of the hedged item.

Income and expenses in respect of transactions allocated to overall interest-rate risk management portfolios are recognized in the income statement pro rata temporis.

Transactions allocated to specialized management portfolios are measured at market value. Changes in value are recognized in net banking income after adjustments to reflect counterparty risk and future management expenses.

Balances remaining after *netting* hedging derivatives are amortized over the residual term of the hedged items.

Structured products

Structured products are financial products created by bundling basic instruments – generally options – to exactly meet customers' needs. CIC offers various categories of structured products based on plain vanilla options, binary options, barrier options, Asian options, *lookback* options, options on several assets and index *swaps*.

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

Structured products are recognized at market value. 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 the parameters used are based on historical data.

If complex models are used to determine the value of certain instruments, the market parameters used for measurement purposes are adjusted in application of the prudence concept to take into account the degree of liquidity of the markets concerned and their relevance as regards long maturities.

Measurement of unlisted forward financial instruments
The parameters applied to measure the value of these instruments are determined using a system that provides a snapshot of market prices. Every day, at a fixed time, the bid and ask prices quoted by several market players, as displayed on the market screens, are recorded in the system. A single price is fixed for each relevant market parameter.

Property and equipment and intangible assets

Property and equipment and intangible assets are recognized at acquisition cost, which may be revalued, 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.
Subsequent to initial recognition, property and equipment and intangible assets are measured at amortized historical cost, which represents cost less accumulated depreciation, amortization and any accumulated impairment losses.
The depreciable amount of an asset is determined after deduction of its 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 on a straight-line basis 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. Assets that have an indefinite useful life are not amortized. Depreciation and amortization on property and equipment and intangible assets are recognized in "Depreciation, amortization and impairment" in the income statement.
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 method appropriate to that component. CIC has adopted the component approach for property used in operations and investment property.

These items are depreciated over the following useful lives:
- 40-80 years for the shell;
- 15-30 years for structural components;
- 10-25 years for equipment;
- 10 years for fixtures and fittings.

Intangible assets:
- Leasehold rights paid are not amortized but are tested for impairment;
- New occupancy fees paid to the owner are amortized over the life of the lease as additional rent;
- The other components of goodwill (e.g. acquired customer contract portfolios) are amortized over ten years.

Depreciable and amortizable assets are tested for impairment when evidence exists at the end of the reporting period that the items may be impaired. Non-depreciable and non-amortizable non-current assets are tested for impairment at least annually.

If there is an indication of impairment, the recoverable amount of the asset is compared with its carrying amount. If the asset is found to be impaired, an impairment loss is recognized in income, and the depreciable amount is adjusted prospectively. This loss is reversed in the event of a change in the estimated recoverable amount or if there is no longer an indication of impairment. Impairment is recognized in the income statement under "Depreciation, amortization and impairment".

Gains and losses on disposals of non-current assets used in operations are shown in the income statement under "Net gains on disposals of non-current 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".

Accrual accounts

For loans originated prior to December 31, 1999, issuance expenses were amortized in the year of issuance. In the case of issues subsequent to that date, issuance expenses are amortized over the term of the loan.
Bond redemption premiums are amortized on a straight-line basis over the term of loan.

Impairment provisions

Additions to and reversals from provisions are recognized by type in the corresponding expense accounts.
Provisions correspond to the best estimate of the outflow of resources required to extinguish the most probable amount of the corresponding obligation.

Provisions for country risk

Provisions are established to cover sovereign and emerging country risk, based on the economic position of the borrowing country. The allocated portion of such provisions is deducted from the corresponding asset.

General provisions for credit risk

Since fiscal year 2000, general provisions for credit risk have been constituted to cover risks arising but not yet recognized on performing loans and commitments given to customers.

They are determined:

- for credit activities other than specialized financing, using an average provision for loan losses that may be experienced over the long term, i.e. 0.5% of performing customer outstandings;
- for specialized financing and for foreign branches, using a provision for loan losses obtained on the basis of the rating of receivables combined with an average loss given default. This method enables the lower level of risk dispersion and the relatively high materiality of individual loans – and hence the greater volatility of such loans – to be taken into account.

General provisions for credit risks are reversed if the events they are intended to cover materialize.
A general provision for major risks to which the group is exposed has been included in this category since 2003.

Regulated savings

Home savings accounts (*comptes d'épargne logement* - "CEL") and home savings plans (*plans d'épargne logement* – "PEL") are government-regulated retail products sold in France. Account holders receive interest on amounts paid into these accounts over a certain period (initial savings phase), at the end of which they are entitled to a mortgage loan (secondary borrowing phase). Home savings products generate two types of obligation for the bank:

- an obligation to pay interest on paid-in amounts at a fixed rate (in the case of PEL accounts only, as interest on CEL accounts is regularly revised on the basis of an indexation formula and is therefore treated as a variable rate);
- an obligation to grant loans to customers at their request, at a rate set on inception of the contract (both PEL and CEL products).

When these obligations are potentially unfavorable to the bank, they are subject to provisions. These provisions cover contractual obligations existing on the provision calculation date; future home savings plan and account openings are not taken into account.
Future outstandings on home savings products are estimated on the basis of customer behavior statistics in a given interest-rate environment. PEL that are subscribed in the context of an overall offering of related products and do not meet the abovementioned behavioral laws are excluded from the projections. Provisions are constituted for at-risk outstandings as follows:

- for PEL deposits, based on the difference between probable savings balances and the minimum expected savings. The latter are determined using a 99.5% confidence interval for several thousand different interest rate scenarios;
- for loans granted in connection with home savings products, future volumes depend on the likely exercise of vested rights and on the level of current outstandings.

Future losses are assessed in relation to non-regulated rates for term savings deposits and for standard home purchase loans. This approach is managed based on generations of regulated PEL and CEL savings products with similar characteristics, with no set-off between generations. Future losses are discounted using rates derived from the average of the last 12 months' data for the zero coupon *swap* against 3-month Euribor rate curve. Future loss provisions are based on the average loss observed in several thousand interest-rate scenarios generated using a stochastic modeling technique. The impact on income is included in interest paid to customers.

Assets and liabilities denominated in a foreign currency

Assets and liabilities denominated in a currency other than the local currency are translated at the official year-end exchange rate. The resulting unrealized foreign currency gains and losses are recognized in the income statement along with realized exchange gains or losses on transactions during the year.
As an exception, translation differences on held-to-maturity securities, available-for-sale securities and investments in non-consolidated companies and subsidiaries denominated in a foreign currency and financed in euros are not recognized in the income statement. However, if the securities are to be sold or redeemed, a provision is recognized for the amount of any unrealized foreign currency loss.

General banking risks reserve

A general banking risks reserve has been set up for prudential reasons to cover the general and indeterminate risks inherent in any banking activity. Additions to and reversals from this reserve are determined by senior management and are recognized in the income statement.

Interest, fees and commissions

Interest is recognized *pro rata temporis* in the income statement.
Fees and commissions are recognized when received, other than those on financial transactions which are recognized on closure of the issue concerned or when billed.
Interest is not recognized as income on impaired non-performing loans.
Fees and commissions comprise income from banking operations remunerating services provided to third parties, other than income in the nature of interest, i.e. calculated as a function of the term and amount of the credit or commitment given.

Retirement and similar obligations

Pursuant to ANC regulation 2013-02, retirement and similar obligations are provisioned and changes in these provisions are recognized in the income statement for the year. The group uses the following assumptions to calculate its retirement and equivalent obligations:

* a discount rate determined by reference to long-term market rates applicable to highly-rated corporate bond issues at the end of the reporting period
* a rate of increase in salaries assessed on the basis of an estimate of long-term inflation and of increases in actual salaries.

Post-employment benefits covered by defined benefit plans

Obligations are calculated using the projected unit credit method and a range of assumptions to determine the discounted amount of the obligation and the cost of service for the fiscal year. The effect of changes in these assumptions and experience adjustments (differences between the previous actuarial assumptions and actual outcomes) give rise to actuarial gains and losses.

Plan assets are measured at fair value and the expected return on these assets is recognized in the income statement. The difference between the expected return on plan assets and the actual return gives rise to an actuarial gain or loss.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized in the income statement when they occur.

Supplementary pensions covered by pension funds

Under the terms of the AFB transitional agreement dated September 13, 1993, the banking industry pension schemes were discontinued and bank employees joined the government-sponsored Arrco and Agirc schemes effective from January 1, 1994. The three CIC group pension funds that pay the various benefits provided for by the transitional agreement were merged on January 1, 2008 in order to pool their reserves.

Subsequent to the merger, the merged entity's reserves covered all the obligations, which had been fully reassessed during the year. To bring the merged entity into compliance with the Fillon Act of August 23, 2003 and the Social Security Financing Act 2008-1330 of December 17, 2008, in 2009 it was converted into a French supplementary pension management institution (*Institution de Gestion de Retraite Supplémentaire*) and its reserves and obligations were transferred to an insurance company.

Other post-employment benefits covered by defined benefit plans

Obligations in respect of future retirement bonuses and supplementary pensions (including special retirement regimes) are either covered by insurance policies or are provisioned for the portion not covered by such policies.

Premiums for future retirement bonuses paid annually take into account rights vested at December 31 of each year, weighted by coefficients for staff turnover and life expectancy.

The commitments are calculated using the projected unit credit method in accordance with IFRS. This method specifically takes into account life expectancy, staff turnover rates, wage increases, the rate of social security charges in stipulated cases and the discount rate.

Retirement bonuses falling due and paid to employees during the year are reimbursed by the insurer to the extent of the portion covered by the policy.

Retirement bonuses are determined based on the contractual provisions relating to normal retirement at the employee's initiative, when he has reached the age of 62.

Defined contribution post-employment benefits

A collective agreement was concluded in 1994 to create a supplementary collective capitalization retirement plan for group employees, particularly those from the former CIC Paris. This plan was extended to employees of the former Union Européenne CIC when the two institutions were merged in 1999.

Other long-term benefits

Employees receive a long-service award after 20, 30, 35 and 40 years of service. This obligation is fully provisioned in the company's accounts and is measured using the principles applied to the measurement of retirement bonuses.

Tax credit for competitiveness and employment (*Crédit d'impôt pour la compétitivité et l'emploi* – CICE)

The amount of the Tax Credit for Competitiveness and Employment (*Crédit d'impôt pour la compétitivité et l'emploi* – CICE), which is non-taxable, is credited to a sub-account withinpayroll costs.

Presence in countries or territories that do not cooperate in efforts to combat fraud and tax evasion

The bank has no direct or indirect presence in any country or territory covered by article L.511-45 of the French monetary and financial code and included in the list drawn up in the order of February 12, 2010.

Information concerning amounts in the balance sheet, off-balance sheet and in the income statement

The notes to the financial statements are presented in millions of euros.

Note 2: Government securities

	31.12.2017				31.12.2016			
	Trading	Available-for-sale	Held-to-maturity	Total	Trading	Available-for-sale	Held-to-maturity	Total
Securities held	865	879	668	2,412	865	1,155	1,242	3,262
Loaned securities								
Translation adjustments								
Accrued interest		2	19	21		10	26	36
Securities for which impairment provision recognized								
Gross amount	**865**	**881**	**687**	**2,433**	**865**	**1,165**	**1,268**	**3,298**
Impairment provisions								
Net amount	**865**	**881**	**687**	**2,433**	**865**	**1,165**	**1,268**	**3,298**
Unrealized capital gains		58		58		163		163

The positive or (negative) differences between the redemption price and the purchase price for available-for-sale and held-to-maturity securities are respectively €0 million and €(98) million.

There were no transfers between categories in the case of government securities.

Note 3: Interbank loans and advances

	31.12.2017		31.12.2016	
	On demand	Term	On demand	Term
Current accounts	1,852		2,200	
Loans, amounts received under repurchase agreements	1,406	6,438	1,084	4,550
Securities received under repurchase agreements		7,522		7,489
Accrued interest	11	15	15	15
Non-performing loans				0
Impairment provisions				0
TOTAL	**3,269**	**13,975**	**3,299**	**12,054**
TOTAL INTERBANK LOANS AND ADVANCES		**17,244**		**15,353**
Including non-voting loan stock		*40*		*40*
Including subordinated loans		*245*		*262*

Non-performing loans and advances do not include impaired non-performing assets.
Performing loans do not include restructured loans.

Note 3b: Interbank loans and advances by geographic area

	France	USA	United Kingdom	Singapore	Hong Kong	Total
Total gross outstandings at Dec. 31, 2017 [*]	15,605	36	17	1,518	41	17,217
Including non-performing loans						
Including impaired non-performing loans	*0*					*0*
Impairment provisions						
At Dec. 31, 2016	0					0
Additions						
Reversals	0					0
Cumulative translation adjustment						
At Dec. 31, 2017	0					0

(*) Excludes accrued interest.

Note 4: Customer loans and receivables

	31.12.2017	31.12.2016
Commercial loans	214	153
Accrued interest	0	0
Other loans and receivables		
- Loans and advances	32,479	33,763
- Securities received under resale agreements	8,092	7,314
- Accrued interest	79	82
Current accounts in debit	1,326	1,448
Accrued interest	1	0
Non-performing loans	812	845
Impairment provisions	(363)	(359)
TOTAL	**42,640**	**43,246**
Including receivables eligible with the European Central Bank	*2,873*	*3,030*
Including subordinated loans	*11*	*11*

Non-performing loans include €435 million of impaired loans, for which an impairment provision of €247 million has been recognized. Customer loans and receivables include €217 million of forborne loans including €179 million on non-performing outstandings.

Note 4b: Customer loans and receivables by geographic area

	France	USA	United Kingdom	Singapore	Hong Kong	Total
Total gross outstandings at Dec. 31, 2017 [*]	36,109	2,067	1,518	2,413	816	42,923
Including non-performing loans	*310*	*32*	*29*	*6*		*377*
Including impaired non-performing loans	*435*					*435*
Impairment provisions						
At Dec. 31, 2016	(323)	(26)	(10)	0		(359)
Additions	(82)	(15)	(14)	(6)		(117)
Reversals	84	18	6			108
Cumulative translation and other adjustments	4			1		5
At Dec. 31, 2017	(317)	(23)	(18)	(5)		(363)

(*) Excludes accrued interest.

Note 4c: Impairment provisions on non-performing loans and receivables

	31.12.2016	Additions	Reversals	Other movements	31.12.2017
Assets					
On interbank loans and advances	0				0
On customer loans and receivables	359	117	(107)	(8)	361
On finance leases and operating leases					
On bonds and other fixed-income securities	80	3	(14)	(8)	61
On other assets	1				1
TOTAL	**440**	**120**	**(121)**	**(16)**	**423**

Non-performing customer loans and receivables totaled €812 million compared with €845 million at December 31, 2016. They are covered by asset impairment provisions totaling €363 million, representing a coverage ratio of 44.7% compared with 42.5% one year earlier.
Impairment and other provisions for credit risk represent 1.60% of gross customer outstandings, compared with 1.63% in 2016.
Non-performing loans and receivables are covered by these impairment provisions, which exclude country risk provisions and general provisions for credit risk, which are based on performing loans and receivables.

Note 5: Bonds and other fixed-income securities

	31.12.2017				31.12.2016			
	Trading	Available-for-sale	Held-to-maturity	Total	Trading	Available-for-sale	Held-to-maturity	Total
Securities held - quoted	6,951	6,755	92	13,798	6,232	5,884	275	12,391
Securities held – not quoted		426	13	439		332	22	354
Loaned securities								
Accrued interest	5	14	2	21	4	16	3	23
Non-performing loans[1]		141	317	458		155	424	579
Gross amount	**6,956**	**7,336**	**424**	**14,716**	**6,236**	**6,387**	**724**	**13,347**
Impairment provisions		(27)		(27)		(29)		(29)
Provisions		(1)	(58)	(59)		(1)	(78)	(79)
Net amount	**6,956**	**7,308**	**366**	**14,630**	**6,236**	**6,357**	**646**	**13,239**
Unrealized capital gains		*14*		*14*		*10*		*10*
Including subordinated bonds								
Including securities issued by public institutions				*2,005*				*1,842*

(1) Non-performing loans and advances include impaired non-performing loans and advances totaling €131 million.

The positive or (negative) differences between the redemption price and the purchase price for available-for-sale and held-to-maturity securities are respectively €(25) million and €(3) million.
Trading and available-for-sale securities have been marked to market based on external data obtained from organized markets or, for over-the-counter markets, using key *broker* prices. If prices are not available, they have been measured based on comparable securities quoted on the market.

NOTE 5b: Bonds and other fixed-income securities – Monitoring of transfers made between categories in 2008 pursuant to CRC regulation 2008-17 amending CRB regulation 90-01.

Due to the exceptional situation brought on by the deterioration in global financial markets, CIC transferred securities from the trading and available-for sale categories. These reclassifications were carried out on the basis of valuations dated July 1, 2008.

Reclassified assets:	Carrying amount on the day of the transfer	Carrying amount in the closing balance sheet	Value at closing date if transfers had not occurred	Unrealized capital gains/ (losses)
From trading securities to held-to-maturity securities	18,443	936	1,543	607
From trading securities to available-for-sale securities	349	3	3	
From available-for-sale securities to held-to-maturity securities	421	71	76	5
TOTAL	**19,213**	**1,010**	**1,622**	**612**

Note 6: Equities and other variable-income securities

	31.12.2017				31.12.2016			
	Trading	Available-for-sale	Portfolio activity	Total	Trading	Available-for-sale	Portfolio activity	Total
Securities held - quoted	968	37		1,005	667	1,017		1,684
Securities held – not quoted		159		159		161		161
Loaned securities								
Accrued interest								
Gross amount	**968**	**196**		**1,164**	**667**	**1,178**		**1,845**
Impairment provisions		(1)		(1)		(3)		(3)
TOTAL	**968**	**195**		**1,163**	**667**	**1,175**		**1,842**
Unrealized capital gains								

There were no transfers between portfolios during 2017.

Note 7: Investments in subsidiaries and other long-term investments

	31.12.2016	Acquisitions Additions	Disposals Reversals	Transfers	Other movements	31.12.2017
Other long-term investments						
- Quoted						
- Not quoted	86		(1)			85
Investments in non-consolidated companies						
- Quoted	0					0
- Not quoted	9	1			(1)	9
Sub-total	**95**	**1**	**(1)**		**(1)**	**94**
Translation adjustments						
Loaned securities						
Accrued interest						
Calls for funds and current account advances to non-trading real estate companies (SCI)						
Gross amount	**95**	**1**	**(1)**		**(1)**	**94**
Impairment provisions						
- Quoted securities	0					0
- Non-quoted securities	(9)	(1)	1		3	(6)
Sub-total	**(9)**	**(1)**	**1**		**3**	**(6)**
Net amount	**86**				**2**	**88**

Note 8: Investments in subsidiaries and associates

	31.12.2016	Acquisitions Additions	Disposals Reversals	Transfers	Other movements	31.12.2017
Gross amount	5,410	372	0		(27)	5,755
Translation adjustments	(4)				3	(1)
Loaned securities						
Accrued interest						
Calls for funds and current account advances to non-trading real estate companies (SCI)						
Impairment provisions	(45)	(100)	1		0	(144)
Net amount	5,361	272	1		(24)	5,610
Gross carrying amount for investments in non-quoted credit institutions	3,084					3,060
Gross carrying amount for investments in quoted associates						
Gross carrying amount for investments in non-quoted associates	5,409					5,754

Transactions with associates

	31.12.2017		31.12.2016	
	Total	Of which, subordinated	Total	Of which, subordinated
Assets				
Interbank loans and advances	7,897	245	5,810	262
Customer loans and receivables	1,339		2,277	
Other miscellaneous receivables	154		178	
Bonds and other fixed-income securities				
Swaps	1,151		1,745	
Liabilities				
Due to credit institutions	24,562		27,303	
Due to customers	475		1,200	
Other liabilities	1,120		1,605	
Swaps	382		354	
Debt securities	1,823	1,486	1,916	1,243
Off-balance sheet				
Commitments given				
Credit institutions (1)	2,525		2,908	
Customers	1,311		1,458	
Commitments and guarantees received				
Credit institutions	1,201		1,378	

Transactions with other related entities are not significant.

(1) Commitments given to associates concern, in particular, guarantees given to the regional banks on their certificates of deposit and medium term note issues.

Related party transactions
All related party transactions were carried out on normal market terms, i.e. those that are normally used for transactions with third parties, such that the beneficiary of the agreement does not enjoy more advantageous terms than those granted to a third party of the company, given the terms normally adopted by companies in the same sector.

Note 9: Intangible assets

	31.12.2016	Acquisitions Additions	Disposals Reversals	Other movements	31.12.2017
Gross amount					
Goodwill	59		(3)		56
Set up costs	1				1
Research and development					
Other intangible assets	69		(1)		68
Gross amount	**129**		**(4)**		**125**
Amortization					
Goodwill	(55)				(55)
Set up costs	(1)				(1)
Research and development					
Other intangible assets	(16)	(2)			(18)
Total amortization	**(72)**	**(2)**			**(74)**
Net amount	**57**	**(2)**	**(4)**		**51**

Note 10: Property and equipment

	31.12.2016	Acquisitions Additions	Disposals Reversals	Other movements	31.12.2017
Gross amount					
Land used in operations	199	1	0		200
Land not used in operations	0				0
Buildings used in operations	779	25	(24)	6	786
Buildings not used in operations	2				2
Other property and equipment	136	7	(17)	(14)	112
Gross amount	**1,116**	**33**	**(41)**	**(8)**	**1,100**
Depreciation					
Land used in operations					
Land not used in operations					
Buildings used in operations	(493)	(24)	22	(6)	(501)
Buildings not used in operations	0	0		0	0
Other property and equipment	(119)	(4)	9	10	(104)
Total depreciation	**(612)**	**(28)**	**31**	**4**	**(605)**
Net amount	504				495

Note 11: Treasury shares

	31.12.2017	31.12.2016
Number of shares held	231,711	229,741
Proportion of capital stock	0.61%	0.60%
Carrying amount	9	9
Market value*		40

CIC's treasury share holding is derived from the CIC Banque CIAL partial asset contribution carried out in 2006.

*CIC was delisted during 2017.

Note 12: Other assets and liabilities

	31.12.2017		31.12.2016	
	Assets	Liabilities	Assets	Liabilities
Option premiums	232	219	696	700
Securities settlement accounts	41	29	93	68
Debts in respect of borrowed securities		2,210		1,915
Deferred taxes				1
Miscellaneous debtors and creditors	6,910	2,298	7,992	2,323
Non-performing loans	1		1	
Accrued interest	1	1	1	2
Impairment provisions	(1)		(1)	
TOTAL	**7,184**	**4,757**	**8,782**	**5,009**

Note 13: Accruals

	31.12.2017		31.12.2016	
	Assets	Liabilities	Assets	Liabilities
Collection accounts	1	41	1	51
Currency adjustment accounts and off-balance sheet	3,826	3,985	5,191	5,235
Other accruals	951	879	868	1,028
TOTAL	**4,778**	**4,905**	**6,060**	**6,314**

In 2010, CIC was fined €21 million for entering into an illegal competition agreement in respect of check processing fees.
This decision was overturned on appeal in 2012.
In 2015, the Cour de cassation (highest court of appeal) issued a judgment overturning this decision on formal grounds without calling into question the background information on which it was based.
Following this reversal, in September 2015, the case was once again remanded to the Court of Appeal.
On December 21, 2017, the Court passed judgment and confirmed the 2010 decision of the French antitrust authorities.

Note 14: Due to credit institutions

	31.12.2017		31.12.2016	
	On demand	Term	On demand	Term
Current accounts	13,750		18,159	
Term deposits		14,872		17,212
Amounts received under resale agreements				
Securities sold under delivered repurchase agreements		14,023		16,607
Accrued interest		52		51
TOTAL	**13,750**	**28,947**	**18,159**	**33,870**
TOTAL DUE TO CREDIT INSTITUTIONS		**42,697**		**52,029**

Note 15: Due to customers

	31.12.2017		31.12.2016	
	On demand	Term	On demand	Term
Regulated savings accounts	7,002	2,040	6,605	1,886
Accrued interest				
TOTAL - REGULATED SAVINGS ACCOUNTS	**7,002**	**2,040**	**6,605**	**1,886**
Other liabilities	19,455	6,554	18,451	6,818
Securities sold under delivered repurchase agreements	6	2,011	37	1,578
Accrued interest		23		56
TOTAL – OTHER LIABILITIES	**19,461**	**8,588**	**18,488**	**8,452**
TOTAL DUE TO CUSTOMERS ON DEMAND AND AT MATURITY		**37,091**		**35,431**

Note 16: Debt securities

	31.12.2017	31.12.2016
Retail certificates of deposit	16	66
Interbank instruments and money market securities	15,372	17,032
Bonds	4,107	2,615
Other debt securities	15	1,146
Accrued interest	68	69
TOTAL	**19,578**	**20,928**

Note 17: Provisions

	31.12.2016	Additions	Reversals	Other movements	31.12.2017
Provisions for counterparty risks					
- on signature commitments	19	2	(2)		19
- on financing and guarantee commitments					
- on country risks					
- general provisions for counterparty risks	326	12	(27)	(20)	291
- other provisions for counterparty risks	1			(1)	
Provisions for losses on forward financial instruments	**19**		**(12)**	**(1)**	**6**
Provisions on subsidiaries and equity interests	**0**			**0**	**0**
Other provisions for contingencies and charges (excluding counterparty risks)					
- provisions for retirement costs	44	4	(1)		47
- provisions for home savings accounts and plans	8				8
- other provisions [1]	788	170	(174)	(17)	767
TOTAL	**1,205**	**188**	**(217)**	**(39)**	**1,138**

Recommendation 2013-02 issued by the French accounting standards authority (*Autorité des normes comptables*) on the rules for valuing retirement commitments in accordance with IAS 19R.

(1) At December 31, 2017, includes €494 million of provisions linked to tax consolidation temporary differences.

Note 17b: Provisions for risks on commitments in respect of home savings

	31.12.2017		31.12.2016	
	Outstandings	Provisions	Outstandings	Provisions
Home savings plans	1,651	8	1,541	8
Home savings accounts	84	1	75	1
Home savings loans	2		4	

Note 17c: Provision for retirement bonuses

Retirement bonuses	Start of period	Impact of discounting	Financial income	Cost of services rendered	Change of accounting method	Change in actuarial gains and losses	Payment to beneficiaries	Insurance contributions	Dec. 31, 2016
Commitments	52	1		3	(1)	1	(4)		52
Insurance policy	31		1		(1)	0	(2)	2	31
Excess assets/ commitments									
Provision	**21**	**1**	**(1)**	**3**	**0**	**1**	**(1)**	**(2)**	**21**

Note 18: Subordinated debt

	31.12.2016	Issues	Redemptions	Other movements	31.12.2017
Subordinated debt	1,114			244	1,358
Non-voting loan stock					
Perpetual subordinated loan stock	163				163
Accrued interest	2				2
TOTAL	**1,280**			**244**	**1,524**

	Issue date	Issue amount	Amount at year end	Rate	Maturity
Non-voting loan stock	5/28/1985	€137m	€137m	a	b
Subordinated notes	3/24/2016	€414m	€414m	3-month Euribor + 2.05%	03.24.2026
Subordinated notes	Nov. 4, 2016	€700m	€700m	3-month Euribor + 1.70%	11.04.2026

a) Minimum 85% (TAM+TMO)/2 Maximum 130% (TAM+TMO)/2
b) Non-amortizable and repayable at borrower's discretion as from May 28, 1997 at 130% of the face value incremented at the rate of 1.5% for each subsequent year.

Note 19: Equity and general banking risks reserve

	Capital	Additional paid-in capital	Reserves(1)	Revaluation reserve	Untaxed provisions	Retained earnings	Net income for the year	Total	General banking risks reserve
Balance at Jan. 1, 2016	**608**	**1,088**	**668**	**44**	**46**	**4,616**	**831**	**7,901**	**379**
Net income for the year							882	882	
Appropriation of prior year earnings			5,000			(4,169)	(831)		
Dividends paid						(323)		(323)	
Other movements					2	2		4	
Balance at Dec. 31, 2016	**608**	**1,088**	**5,668**	**44**	**48**	**126**	**882**	**8,464**	**379**
Balance at Jan. 1, 2017	**608**	**1,088**	**5,668**	**44**	**48**	**126**	**882**	**8,464**	**379**
Net income for the year							853	853	
Appropriation of prior year earnings			500			382	(882)		
Dividends paid						(342)		(342)	
Other movements					2	2		4	
Balance at Dec. 31, 2017	**608**	**1,088**	**6,168**	**44**	**50**	**168**	**853**	**8,979**	**379**

(1) At December 31, 2017, reserves comprised: the legal reserve for €61 million, the special long-term capital gains reserve for €287 million, retained earnings for €5,695 million, statutory reserves for €124 million and the special reserve pursuant to Article 238bis of the French Tax Code for €1 million.

At December 31, 2017 CIC's capital comprised 38,027,493 shares with a par value of €16 each.
CIC generated net income of €853,170,878.84.
The shareholders' general meeting is asked to appropriate the amount of €1,021.0 million, comprising the net income of €853.2 million and retained earnings of €167.9 million, as follows:

Dividends relating to the 2017 fiscal year	950.7
Addition to retained earnings	70.3
TOTAL DISTRIBUTABLE AMOUNT	**1,021.0**

Note 20: Breakdown of certain assets/liabilities by residual term

	Within 3 months and on demand	> 3 months < 1 year	1 year or more, within 5 years	More than 5 years	Perpetual	Accrued interest	Total
Assets							
Interbank loans and advances [1]	12,172	1,554	2,585	907		26	17,244
Customer loans and receivables [2]	10,968	4,886	12,980	13,370		79	42,283
Bonds and other fixed-income securities [3]	195	305	2,316	4,469		14	7,299
Liabilities							
Due to credit institutions[4]	32,496	2,867	5,624	1,659		52	42,697
Due to customers	30,729	3,633	2,146	560		23	37,091
Debt securities							
- Retail certificates of deposit	0	5	11			0	16
- Interbank instruments and money market securities	5,566	8,912	894			14	15,386
- Bonds	37	333	1,890	1,847		54	4,161
- Other	10	5				1	16

(1) Excluding non-performing loans and receivables and impairment provisions.
(2) Excluding amounts not allocated, non-performing loans and receivables and provisions for impairment.
(3) Concerns exclusively available-for-sale and held-to-maturity securities (excluding non-performing assets).
(4) Excluding other amounts due.

Note 21: Equivalent value in millions of euros of foreign currency assets and liabilities

The equivalent value of foreign currency assets and liabilities at December 31, 2017 was, respectively, €25,481 million and €27,373 million. CIC does not hold any material operational positions in foreign currency.

Note 22: Guarantee commitments given

In connection with the Crédit Mutuel CM11 group's refinancing operations (mortgages and covered securities), certain customer loans granted by CIC form part of the assets given as guarantee for these refinancing operations carried by non-group entities. At December 31, 2017, they amounted to €6,225 million.

The bank obtains refinancing from Caisse de refinancement de l'habitat by issuing promissory notes that securitize receivables covered by Article L.313-42 of the French Monetary and Financial Code, which totaled €125 million at December 31, 2017. On the same date, home loans guaranteeing these promissory notes amounted to €691 million.

Note 23: Commitments on forward financial instruments

Transactions in forward financial instruments (based on the concepts of micro/macro-hedging and the management of open positions/specialist management of forward commitments and options)

	2017 Hedging	2017 Position management	2017 Total	2016 Hedging	2016 Position management	2016 Total
Forward commitments						
Organized markets						
- Interest rate contracts	2,108	136,892	139,000	5,119	42,450	47,569
- Foreign exchange contracts						
- Other commitments		4,676	4,676		510	510
Over-the-counter markets						
- Forward rate agreements		12,493	12,493		6,771	6,771
- *Interest rate* swaps	4,766	135,340	140,106	8,862	145,795	154,657
- *Financial* swaps	630	9,719	10,349	754	15,803	16,557
- Other commitments		301	301		281	281
- *Swaps* - other		12,995	12,995		12,735	12,735
Options						
Organized markets						
- Interest rate options						
• Purchased						
• Sold					57	57
- Foreign exchange options						
• Purchased					13	13
• Sold					13	13
- Equities and other options						
• Purchased						
• Sold						
Over-the-counter markets						
- Interest rate caps and floors						
• Purchased		11,814	11,814		11,149	11,149
• Sold		11,741	11,741		11,049	11,049
- Interest rate, foreign exchange, equity and other options						
• Purchased		13,050	13,050		12,450	12,450
• Sold		13,038	13,038		12,430	12,430
TOTAL	**7,504**	**362,059**	**369,563**	**14,735**	**271,506**	**286,241**

Breakdown of over-the-counter interest rate instruments by portfolio type

2017	Isolated open position	Micro-hedging	Global interest rate risk	Specialist management	Total
Forward commitments					
Purchases				3,959	3,959
Sales				8,835	8,835
Swaps		4,171	1,224	158,054	163,449
Options					
Purchases				24,864	24,864
Sales				24,779	24,779
2016					
Forward commitments					
Purchases				4,027	4,027
Sales				3,025	3,025
Swaps	3,919	8,274	1,341	170,414	183,949
Options					
Purchases				23,599	23,599
Sales				23,479	23,479

During 2017, no transfers were made from the hedging *swaps* portfolio to the *trading swaps* portfolio.

Note 24: Breakdown of forward instruments by residual term

	Less than 1 year	1 year or more, within 5 years	More than 5 years	Total
Interest rate instruments				
Organized markets				
- Purchases	27,983	22,155	21,021	71,159
- Sales	22,585	24,251	21,006	67,842
Over-the-counter markets				
- Purchases	7,915	6,212	1,496	15,623
- Sales	13,205	6,090	1,129	20,424
- *Interest rate* swaps	35,639	67,728	36,738	140,105
Foreign exchange derivatives				
Organized markets				
- Purchases				
- Sales				
Over-the-counter markets				
- Purchases	10,119	3,080	1	13,200
- Sales	10,108	3,080	1	13,189
- *Financial* swaps	1,964	7,856	529	10,349
Other forward financial instruments				
Organized markets				
- Purchases	386	1,893	136	2,415
- Sales	456	1,805		2,261
Over-the-counter markets				
- Purchases				
- Sales				
- *Swaps*	5,204	7,308	483	12,995
TOTAL	**135,564**	**151,458**	**82,540**	**369,562**

Note 25: Forward financial instruments – Counterparty risk

The counterparty risk related to forward financial instruments is estimated based on the method used for the calculation of prudential ratios.

Credit risks on forward financial instruments	31.12.2017	31.12.2016
Gross exposure		
Risks on credit institutions	1,157	1,026
Risks on companies	1,401	2,408
TOTAL	**2,558**	**3,434**

Fair value of forward financial instruments	31.12.2017		31.12.2016	
	Assets	Liabilities	Assets	Liabilities
Fair value of forward financial instruments	4,360	5,175	5,991	7,354

Note 26: Other off-balance sheet commitments

	31.12.2017	31.12.2016
Foreign exchange commitments		
Amounts receivable	1,838	1,697
Amounts payable	1,475	1,810
Commitments on forward financial instruments		
Commitments made on organized and similar markets		
Forward foreign exchange commitments		
- Hedging	11,106	14,904
- Other	87,251	80,361
Financial foreign exchange *swaps*		
- Isolated open position		
- Micro-hedging	630	754
- Global interest rate risk		
- Specialist management	9,719	15,803
Finance leasing commitments		
Remaining lease payments on property finance leases		
Remaining lease payments on equipment finance leases		

Note 27: Interest income and expense

	2017		2016	
	Income	Expense	Income	Expense
Credit institutions	1,083	(1,573)	274	(547)
Customers	931	(185)	951	(199)
Finance leases and operating leases				
Bonds and other fixed-income securities	249	(257)	188	(240)
Other	87	(117)	155	(151)
TOTAL	**2,350**	**(2,132)**	**1,568**	**(1,137)**
Including expenses relating to subordinated debt		*(18)*		*(6)*

Note 28: Income from variable-income securities

	2017	2016
Available-for-sale securities	5	(1)
Portfolio activity securities		
Equity interests and other long-term investments	10	6
Investments in subsidiaries and associates	633	572
Income from investments in non-trading real estate companies		
TOTAL	**648**	**577**

Note 29: Commission income and expense

	2017		2016	
	Income	Expense	Income	Expense
Treasury and interbank transactions	2	(4)	1	(5)
Customer transactions	200	1	200	1
Securities transactions	3	(9)	3	(11)
Foreign exchange transactions	3	(1)	3	(1)
Off-balance sheet transactions				
- Commitments on securities	9		9	
- Forward financial commitments	3	(4)	3	(4)
- Financing and guarantee commitments				
Financial services	336	(27)	300	(27)
Means of payment		(98)		(85)
Other commission (including income retroceded)		(15)	(3)	(14)
TOTAL	**556**	**(157)**	**516**	**(146)**

Note 30: Net gains on trading account securities

	2017	2016
On securities held for trading	234	341
On foreign exchange trading	22	26
On forward financial instruments		
- Interest rates	106	22
- Foreign exchange	19	30
- On other financial instruments, including equity instruments	(61)	(38)
Sub-total	**320**	**381**
Additions to impairment provisions on financial instruments		
Reversals from impairment provisions on financial instruments	12	8
TOTAL	**332**	**389**

Note 31: Net gains/(losses) on available-for-sale and similar securities

	2017	2016
Available-for-sale securities		
- Gains on disposals	144	43
- Losses on disposals	(24)	(20)
- Additions to impairment provisions		(1)
- Reversals from impairment provisions	3	7
Portfolio activity securities		
- Gains on disposals		
- Losses on disposals		
- Additions to impairment provisions		
- Reversals from impairment provisions		
TOTAL	**123**	**29**

Note 32: Other banking income and expense

	2017		2016	
	Income	Expense	Income	Expense
Incidental income	1		1	
Transfer of expenses				
Net additions to provisions	37	(22)	6	(3)
Other income and expense relating to banking activities	31	(47)	30	(15)
Net income (expense) from other activities				
TOTAL	**69**	**(69)**	**37**	**(18)**

Note 33: Payroll costs

	2017	2016
Wages and salaries	(261)	(261)
Social security contributions	(116)	(116)
Retirement benefit expense	(2)	(1)
Employee profit-sharing and incentive bonuses	(28)	(26)
Payroll-based taxes	(36)	(37)
Net addition to provisions for retirement benefits	(3)	
Other net additions to provisions		
TOTAL	**(446)**	**(441)**

The Tax Credit for Competitiveness and Employment (*Crédit d'impôt pour la compétitivité et l'emploi* – CICE), which amounted to €4.7 million in respect of the fiscal year 2017, was credited to payroll costs.
The CICE has enabled the group to maintain, and even to increase, its financing of employee training at a level well in excess of the regulatory requirements and to improve the group's overall competitiveness by the following initiatives, in particular:
- investment, particularly in new technologies such as digital tools (tablets) and videoconferencing systems;
- IT developments, in particular the development of a virtual assistant, based on cognitive technology and designed to improve still further the quality of our customer service;
- development of new telephone payment methods and related services;
- development of new services for the group's retailer customers;
- • the roll-out of the remote electronic signing of contracts.

Note 34: Net provision allocations/reversals for loan losses

	2017	2016
Additions to non-performing loan impairment provisions	(119)	(104)
Reversals from non-performing loan impairment provisions	121	98
Loan losses covered by impairment provisions	(43)	(41)
Loan losses not covered by impairment provisions	(24)	(26)
Recovery of loans written off in prior years	12	16
Balance of loans	**(53)**	**(57)**
Additions to impairment provisions	(15)	(17)
Reversals from impairment provisions	29	33
Balance of risks	**14**	**16**
TOTAL	**(39)**	**(41)**

Note 35: Net gains/(losses) on disposals of non-current assets

	2017					2016
	Government securities and similar instruments	Bonds and other fixed-income securities	Equity interests and other long-term investments	Investments in subsidiaries and associates	Total	
On non-current financial assets						
- Gains on disposals		140	1		141	108
- Losses on disposals		(2)	(1)		(3)	(31)
- Additions to impairment provisions			(1)	(100)	(101)	(25)
- Reversals from impairment provisions			94	1	95	42
Sub-total		**138**	**93**	**(99)**	**132**	**95**
On property and equipment and intangible assets						
- Gains on disposals					1	2
- Losses on disposals					(3)	(2)
Sub-total					(2)	
TOTAL					**130**	**95**

Note 36: Net non-recurring items

	2017	2016
Merger deficit	-	-
Provision	-	-
TOTAL	**-**	**-**

Note 37: Corporate income tax

	2017	2016
Current taxes - excluding effect of tax consolidation	(29)	13
Current taxes – accruals relating to prior years		
Current taxes – effect of tax consolidation	(99)	(185)
TOTAL	**(128)**	**(172)**
Relating to operating activities	(128)	(172)
Relating to non-recurring items		
TOTAL	**(128)**	**(172)**

CIC has been the head of the tax consolidation group since January 1, 1995.
Each company in the tax consolidation group has its tax liabilities calculated as if it had been taxed as a separate entity.
Any tax saving or additional tax liability resulting from the difference between the tax due by the consolidated subsidiaries and the tax calculated on a consolidated basis is recognized by CIC.

Note 38: Breakdown of income statement items by geographic area

	France	USA	United Kingdom	Singapore	Hong Kong	Total
Net banking income	1,463	96	42	115	4	1,720
General operating expenses	(704)	(45)	(10)	(65)	(3)	(827)
Operating income before provisions	759	51	32	50	1	893
Net provision allocations/reversals for loan losses	(52)	18	(9)	10	(6)	(39)
Operating income after provisions	707	69	23	60	(5)	854
Net gains/(losses) on disposals of non-current assets	130					130
Income/(loss) before non-recurring items	837	69	23	60	(5)	984
Non-recurring items						
Corporate income tax	(101)	(20)	(4)	(4)		(129)
Additions to/reversals from untaxed provisions	(2)					(2)
Net income/(loss)	**734**	**49**	**19**	**56**	**(5)**	**853**

Note 38b: Breakdown of income statement by business segment

	Network	Private banking	Financing	Headquarters and holding company services	Total
Net banking income	549	65	531	575	1,720
General operating expenses	(397)	(43)	(306)	(81)	(828)
Operating income before provisions	152	22	224	493	892
Net provision allocations/reversals for loan losses	(23)		(12)	(4)	(39)
Operating income after provisions	130	22	212	489	853
Net gains/(losses) on disposals of non-current assets	(1)		135	(4)	130
Income/(loss) before non-recurring items	128	22	347	485	983
Non-recurring items					
Corporate income tax	(49)		(99)	20	(128)
Additions to/reversals from untaxed provisions				(2)	(2)
Net income/(loss)	**80**	**22**	**248**	**504**	**853**

Note 39: Average number of employees

	2017	2016
Banking staff	1,874	1,851
Managerial staff	2,228	2,138
TOTAL	**4,102**	**3,989**

Note 40: Total compensation paid to the group's key executives

	Fixed salary	Variable salary	Benefits-in-kind	Sundry adjustments	Total 2017	Total 2016
Key executives	0.3	0	0	0	0.3	0.3

Members of the board of directors did not receive any compensation.
No advances or loans were granted to any members of the board of directors during the fiscal year.

Note 41: Earnings per share

At December 31, 2017, CIC's share capital amounted to €608,439,888, made up of 38,027,493 shares with a par value of €16 each, including 231,711 treasury shares which are not taken into account in the calculation of earnings per share. Thus, earnings per share in respect of 2017 totaled €22.57 compared with €23.32 in respect of 2016.

Note 42: assets deposited with the *Caisse des dépôts et consignations* and dormant accounts

	Number of accounts	Amounts in euros
Accounts identified, as referred to in Article L. 312-19 II of the French monetary and financial code (*Code monétaire et financier*)	25,455	51,642,425.17
Accounts deposited, as referred to in Article L. 312-20 of the French monetary and financial code	2,276	2,867,902.74

In accordance with law no. 2014-617 of June 13, 2014 on dormant bank accounts and unclaimed life insurance policies.

Note 43: Statutory auditors' fees

	2017					
Amounts excluding VAT	**PriceWaterhouseCoopers Audit**		**Ernst & Young**		**KPMG**	
Statutory audit	0.48	77%	0.48	100%	0.48	100%
Services other than the statutory audit	0.14	23%	0	0%	0	0%
TOTAL	**0.62**	**100%**	**0.48**	**100%**	**0.48**	**100%**

	2016					
Amounts excluding VAT	**PriceWaterhouseCoopers Audit**		**Ernst & Young**		**KPMG**	
Statutory audit	0.45	100%	0.45	100%	0.45	100%
Services other than the statutory audit	0	0%	0	0%	0	0%
TOTAL	**0.45**	**100%**	**0.45**	**100%**	**0.45**	**100%**

The above amounts correspond to the amounts recognized as charges during the fiscal year.
In 2017, services other than the statutory audit correspond mainly to the certification of revenue and net banking income figures for CIC's branches and transfer pricing.

INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES AT DECEMBER 31, 2017

Company and address	Capital	Equity less capital, excluding 2017 income
Detailed information about investments in French and foreign companies with a gross value representing more than 1% of CIC's share capital.		
A / SUBSIDIARIES (more than 50% of the share capital owned by CIC)		
A.1 CREDIT INSTITUTIONS		
French subsidiaries		
CIC Ouest - 2 avenue Jean-Claude Bonduelle, 44000 Nantes - Siren 855 801 072	83,780	459,366
CIC Nord Ouest - 33 avenue Le Corbusier, 59800 Lille - Siren 455 502 096	230,000	366,416
CIC Est - 31 rue Jean Wenger-Valentin, 67000 Strasbourg - Siren 754 800 712	225,000	429,976
Banque Transatlantique - 26 avenue Franklin D. Roosevelt, 75008 Paris - Siren 302 695 937	29,372	81,500
CIC Sud Ouest - 20 quai des Chartrons, 33000 Bordeaux - Siren 456 204 809	155,300	110,942
CIC Lyonnaise de Banque - 8 rue de la République, 69001 Lyon - Siren 954 507 976	260,840	456,537
CM-CIC Epargne Salariale - 12 rue Gaillon, 75002 Paris - Siren 692 020 878	13,524	9,450
CM-CIC Bail - 17 bis Place des Reflets Tour D2, 92988 Paris la Défense Cedex - Siren 642 017 834	26,188	(3,204)
CM-CIC Lease - 48 rue des Petits Champs, 75002 Paris - Siren 332 778 224	64,399	28,664
Foreign subsidiaries		
Banque de Luxembourg - 14 boulevard Royal L-2449 Luxembourg	104,784	876,108
Banque CIC Suisse - 11-13 Marktplatz CH4001 Switzerland	CHF 125,000	CHF 240,491
CM-CIC Market Solution Inc - 520 Madison Avenue 37th Floor, New York 10022, USA	USD 13,431	USD (11,667)
A.2 OTHERS		
CM-CIC Investissement - 28 avenue de l'Opéra, 75002 Paris - Siren 562 118 299	1,655,177	79,946
Adepi - 6 rue Gaillon, 75002 Paris - Siren 331 618 074	244,193	444,753
CIC Participations - 4 rue Gaillon, 75002 Paris - Siren 349 744 193	8,375	14,624
CIC Associés - 4 rue Gaillon, 75002 Paris - Siren 331 719 708	15,576	1,837
Caroline 3 - 4 rue Gaillon, 75002 Paris - Siren 493 154 272	8,112	(7,931)
Caroline 4 - 4 rue Gaillon, 75002 Paris - Siren 493 154 140	7,712	(7,519)
Caroline 5 - 4 rue Gaillon, 75002 Paris - Siren 493 154 249	7,697	(7,421)
Caroline 6 - 4 rue Gaillon, 75002 Paris - Siren 493 154 264	7,437	(7,131)
Caroline 10 - 4 rue Gaillon, 75002 Paris - Siren 493 154 371	15,187	(1,771)
Caroline 11 - 4 rue Gaillon, 75002 Paris - Siren 493 154 389	15,648	(1,190)
Caroline 13 - 4 rue Gaillon, 75002 Paris - Siren 493 154 405	8,952	(7,658)
Caroline 24 - 4 rue Gaillon, 75002 Paris - Siren 501 427 223	7,712	(6,694)
Caroline 35 - 4 rue Gaillon, 75002 Paris - Siren 501 428 189	7,897	(4,740)
B/ASSOCIATES (10% to 50% of the share capital held by CIC)		
French associates	0	0
Foreign associates	0	0
C/GENERAL INFORMATION ON OTHER SUBSIDIARIES AND ASSOCIATES (more than 10% of the capital stock owned by CIC and whose gross value does not exceed 1% of CIC's capital stock)		
SUBSIDIARIES		
French subsidiaries		
Foreign subsidiaries		
ASSOCIATES		
French companies		
Foreign companies		

The table is in currency thousands.

* Net banking income in the case of banks.
** 26.20% directly by CIC and 26.20% indirectly by CIC.

Share of capital held (%)	Carrying amount of securities held Gross	Net	Advances granted by CIC	Guarantees and securities given by CIC	Revenue excluding taxes* for last fiscal year	Net income for last fiscal year	**Dividends received in 2017 by CIC**
100	366,583	366,583	0		497,345	95,016	80,743
100	313,940	313,940	0		520,960	105,257	107,525
100	231,132	231,132	0		663,193	150,810	135,225
100	119,665	119,665	0		104,559	32,036	35,520
100	220,670	220,670	100,000		304,451	35,117	28,536
100	341,811	341,811	0		777,105	150,183	148,090
99.94	31,958	31,958	0		29,474	4,713	3,492
99.22	250,288	250,288	0		2,462,810,378	(195,339)	0
**54.08	22,310	22,310	0		586,985	14,402	2,760
100	902,298	902,298	0	144,109	247,435	63,438	35,014
100	CHF 338,951	CHF 338,951	0	CHF 1,942,946	CHF 130,878	CHF 23,401	
100	USD 8,251	USD 639	0		USD 2,070	USD -1,105	
100	1,912,744	1,912,744	0		7,734	4,116	4,331
100	474,937	474,937	0		0	50,869	50,670
100	40,268	23,000	0		0	180	0
100	19,788	17,413	0		0	2	0
100	8,112	0	0		5,599	(75)	0
100	7,712	0	0		6,384	(90)	0
100	7,697	0	0		6,499	(94)	0
100	7,437	0	0		6,928	(102)	0
100	15,187	2,900	0		5,523	(945)	0
100	15,648	3,065	0		5,292	(1,359)	0
100	8,952	701	0		7,575	(341)	0
100	7,712	720	0		7,609	(222)	0
100	7,897	2,737	0		6,819	(610)	0
0	0	0	0		0	0	0
0	0	0	0		0	0	0
	78,354	31,013					250
	35	0					0
	9,678	9,564					790
	1,322	1,322					5,075

Businesses and results of subsidiaries and associates

Regional banks [1]

CIC Nord Ouest

(Financial data in € millions)	2017 Company – French GAAP	2016 Company – French GAAP
Number of employees at December 31	2,508	2,546
Total assets	22,095	20,782
Equity attributable to owners of the company including general banking risks reserve	702	704
Customer deposits	16,285	15,771
Customer loans	18,800	17,491
Net income/(loss)	**105**	**111**

CIC Est

(Financial data in € millions)	2017 Company – French GAAP	2016 Company – French GAAP
Number of employees at December 31	3,223	3,273
Total assets	26,548	26,069
Equity attributable to owners of the company including general banking risks reserve	806	790
Customer deposits	20,393	19,383
Customer loans	22,242	21,545
Net income/(loss)	**151**	**139**

CIC Lyonnaise de Banque

(Financial data in € millions)	2017 Company – French GAAP	2016 Company – French GAAP
Number of employees at December 31	3,676	3,685
Total assets	33,487	32,501
Equity attributable to owners of the company including general banking risks reserve	868	865
Customer deposits	24,276	22,739
Customer loans	27,863	26,264
Net income/(loss)	**150**	**153**

Banque CIC Sud Ouest

(Financial data in € millions)	2017 Company – French GAAP	2016 Company – French GAAP
Number of employees at December 31	1,720	1,719
Total assets	14,737	13,823
Equity attributable to owners of the company including general banking risks reserve	301	294
Customer deposits	9,461	8,987
Customer loans	12,503	11,485
Net income/(loss)	**35**	**31**

Banque CIC Ouest

(Financial data in € millions)	2017 Company – French GAAP	2016 Company – French GAAP
Number of employees at December 31	2,517	2,533
Total assets	21,301	21,681
Equity attributable to owners of the company including general banking risks reserve	638	624
Customer deposits	15,543	15,730
Customer loans	18,396	17,990
Net income/(loss)	**95**	**84**

(1) Customer deposits do not include certificates of deposit or repurchase agreements.
Customer loans do not include resale agreements but include lease financing transactions.

Specialist subsidiaries – Retail banking

CM-CIC Épargne Salariale

(Financial data in € millions)	2017 Company – French GAAP	2016 Company – French GAAP
Number of employees at December 31	131	131
Total assets	82	65
Equity	23	23
Assets under management (excluding current bank accounts)	8,196	7,809
Net income/(loss)	**4.7**	**3.7**

CM-CIC Bail

(Financial data in € millions)	2017 Consolidated*	2016 Consolidated*
Number of employees at December 31	244	233
Total assets**	8,615	7,792
Equity**	480	464
Assets under management (excluding current bank accounts)**	7,896	7,467
Net income**	**18.3**	**26.7**

* CM-CIC Bail, CM-CIC Leasing Benelux and CM-CIC Leasing GMBH.
** Financial information.

CM-CIC Lease

(Financial data in € millions)	2017 Company – French GAAP*	2016 Company – French GAAP*
Number of employees at December 31	50	51
Total assets	4,456	4,401
Equity	87	84
Assets under management (excluding current bank accounts)	4,100	4,042
Net income/(loss)	**14.2**	**9.3**

* Financial information.

CM-CIC Factor

(Financial data in € millions)	2017 Company – French GAAP	2016 Company – French GAAP
Number of employees at December 31	345	354
Total assets	7,580	6,773
Equity	155	147
Factored receivables	34,164	33,811
Assets under management (excluding current bank accounts) *	6,485	5,787
Net income/(loss)	**7.8**	**4.3**

*Including Dailly receivables.
Assets under management are net of provisions.

Specialist subsidiaries – Private banking

CIC Banque Transatlantique[1]

(Financial data in € millions)	2017 Consolidated IFRS	2016 Consolidated IFRS
Number of employees at December 31	400	397
Total assets	4,524	3,959
Equity attributable to owners of the company including general banking risks reserve	182	184
Customer funds invested in group savings products	29,902	26,820
Customer deposits	3,679	3,119
Customer loans	3,043	2,608
Net income (consolidated/attributable to owners of the company)	**34.1**	**34.1**

(1) Customer deposits do not include certificates of deposit or repurchase agreements.
Customer loans do not include resale agreements but include lease financing transactions.

CIC Suisse

Key figures prepared using local accounting standards (Financial data in CHF millions)	2017 Company	2016 Company
Number of employees at December 31	355	338
Total assets	8,408	7,647
Equity	389	360
Assets in custody	5,030	4,101
Net income/(loss)	**23.4**	**17.9**

Banque de Luxembourg

Key figures prepared using local accounting standards (Financial data in € millions)	2017 Company	2016 Company
Number of employees at December 31	844	815
Total assets	13,087	13,429
Equity including general banking risks reserve *	1,048	994
Assets in custody and deposits	73,727	68,690
Net income/(loss)	**63.5**	**63.1**

* Equity includes untaxed provisions.

Specialist subsidiaries – Private equity

CM-CIC Investissement

(Financial data in € millions)	2017 Company – French GAAP	2016 Company – French GAAP
Number of employees at December 31	43	29
Total assets	1,767	1,519
Equity	1,739	1,489
Portfolio valuation	1,541	1,462
Net income/(loss)	**4.1**	**4.8**

CM-CIC Capital*

(Financial data in € millions)	2017 Company – French GAAP	2016 Company – French GAAP
Number of employees at December 31	11	13
Total assets	323	149
Equity	140	36
Portfolio valuation	265	145
Net income/(loss)	**3.9**	**3.1**

CM-CIC Investissement SCR

(Financial data in € millions)	2017 Consolidated**	2016 Consolidated**
Number of employees at December 31	40	46
Total assets	2,009	1,873
Equity	1,974	1,831
Portfolio valuation	2,353	1,963
Net income/(loss)	**141.1**	**98.7**

CM-CIC Conseil

(Financial data in € millions)	2017 Company – French GAAP	2016 Company – French GAAP
Number of employees at December 31	18	15
Total assets	11	11
Equity	7	8
Portfolio valuation	0	0
Net income/(loss)	**(0.9)**	**(2.6)**

* Formerly CM-CIC Capital et Participations - Change of name in 2017.
** 2016: CM-CIC Investissement SCR + CM-CIC Innovation + CM-CIC Proximité. 2017: CM-CIC Investissement SCR + CM-CIC Innovation. - Absorption of CM-CIC Proximité by CM-CIC Investissement SCR in 2017.

STATUTORY AUDITORS' REPORT

on the company financial statements

Year ended December 31, 2017

To the shareholders:

Opinion

In fulfillment of the assignment entrusted to us by your shareholders' meetings, we have audited the annual financial statements of Crédit Industriel et Commercial – CIC for the year ended December 31, 2017, as attached to this report.

We certify that the annual financial statements provide a true and fair view of the results of the company's operations for the previous year and of its financial position and assets and liabilities at the end of said year, in accordance with French accounting rules and principles.

The opinion expressed above is consistent with the content of our report to the Audit Committee.

Basis for the opinion

Audit standards

We conducted our audit in accordance with the professional standards applicable in France. We believe that the information we have gathered is sufficient and appropriate to provide a basis for our 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 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

In accordance with the provisions of Articles L. 823-9 and R. 823-7 of the French Commercial Code concerning 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.

Credit risk

(Notes XX and YY... to the consolidated financial statements)

Identified risk	Audit response
The company is exposed to credit risks that are inherent in its corporate financing and retail banking activities. Impairment is recognized for loans and receivables to cover these risks, on an individual basis, in the form of loan impairments and provisions for off-balance sheet commitments. Impairment is recorded when an event that is liable to result in full or partial non-recovery of the loan or receivable occurs. At December 31, 2017, this impairment and provisions totaled €XX million and €XX million, respectively. Management uses its judgment in estimating impairment for credit risk by: • assigning internal ratings which may or may not result in loans being downgraded; and • calculating impairment of downgraded loans. Since an error in judgment may have a significant effect on impairment amounts, we considered credit risk to be a key point of the audit.	We reviewed the processes and controls implemented by your company associated with the assignment of internal ratings related to loans and receivables that have a verified risk of default, as well as the procedures used to determine the amount of the related impairment. We reviewed: • with the help of our IT specialists, the measures taken to ensure the quality of the data used by the rating and impairment models; and • the classification of loans into performing and non-performing. With regard to credit risk on companies, we: • reviewed the records of the governance decisions regarding impairment; • on a test basis, reviewed impaired loans to verify the documentation of the credit rating and the impairment level applied; and • where applicable, assessed the relevance of the adjustments made manually to the internal credit ratings. With regard to credit risk in retail banking, we: • calculated changes over time in the following key indicators: ratio of non-performing loans to total loans and rate of coverage of non-performing loans by impairment. Whenever an indicator deviated from the average, we analyzed these deviations; and • where applicable, on a test basis, reviewed impaired loans to verify the documentation of the credit rating and the impairment level applied.

Risk regarding the measurement of complex financial instruments

Identified risk	Audit response
As part of its proprietary trading activities and in connection with the services offered to customers, Crédit Industriel et Commercial holds complex financial instruments. Derivatives and trading securities are recognized at market price and the gain or loss on remeasurement is taken to the income statement: • Trading securities are measured at their most recent market price based on external data and, when no price is available, based on comparable quoted securities. Net differences from fluctuations in market price are recognized in the income statement as income or expense. • If complex models are used to determine the value of certain instruments, the market parameters used for measurement purposes take into account the degree of liquidity of the markets concerned and their relevance as regards long maturities. In our opinion, the measurement of complex financial instruments entailed a significant risk of material misstatements in the annual financial statements as it requires the exercise of judgment, particularly regarding: • the determination of measurement inputs not observable on the market for the same instrument; • the use of internal, non-standard measurement models; • the estimation of the main valuation adjustments to take into account counterparty or liquidity risks, for example; • an analysis of any measurement differences with counterparties in connection with margin calls or sales of instruments.	We assessed the processes and controls implemented by Crédit Industriel et Commercial to identify and measure complex derivatives, including: • Governance as it relates to the measurement models and valuation adjustments; • The explanation and independent validation of the results recorded on these operations; and • The controls related to the collection and archiving processes needed to measure complex financial instruments. Our audit team included specialists in risk modeling and quantitative techniques. With their assistance, we also: • conducted counter-valuation tests on a sample of complex financial instruments; • paid close attention to the internal processes for identifying and validating the main valuation adjustments applied to financial instruments and their changes over time. Our analysis entailed reviewing the methodologies used for valuation adjustments and the governance system implemented by the company to control adjustments made. • We reviewed the main existing margin call variances and the losses and/or gains on sales of complex financial instruments in order to assess the appropriateness of the measurements.

Verification of the management report and the other documents sent to shareholders

We also performed, in accordance with the professional standards applicable in France, the specific verifications required by law.

Information provided in the management report and in the other documents sent to shareholders on the financial position and annual financial statements

We have no comments as to the fair presentation and the consistency with the annual financial statements of the information provided in the Board of Directors' management report and in the other documents sent to shareholders on the financial position and annual financial statements.

Corporate governance report

We certify that the Board of Directors' corporate governance report includes the information required by Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code.

As regards the information provided pursuant to Article L. 225-37-3 of the French Commercial Code on compensation and benefits paid to corporate officers and commitments made to them, we verified the consistency of this information with the financial statements or with the data used to draw up the financial statements and, where applicable, with the information obtained by your 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.

Other information

As required by law, we ensured that information regarding acquisitions of equity and controlling interests, the identity of shareholders or holders of voting rights and cross-shareholdings was provided to you in the management report.

Information resulting from other legal and regulatory requirements

Appointment of the statutory auditors

We were appointed as statutory auditors of Crédit Industriel et Commercial – CIC by the shareholders' meeting on May 25, 2016 for KPMG S.A., on May 26, 1999 for Ernst & Young et Autres and on May 25, 1988 for PricewaterhouseCoopers Audit.

At December 31, 2017, this was the second consecutive year of KPMG S.A.'s assignment, the 19th year for Ernst & Young et Autres and the 30th year for PricewaterhouseCoopers Audit, i.e. two, 19 and 30 years, respectively, since the entity came under the definition of PIE (Public Interest Entity) as defined by the European regulations.

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 Audit 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.

The 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 all material misstatements. 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 Audit Committee

We are submitting a report to the Audit Committee which presents the scope of the audit and the work program implemented, as well as the conclusions of our audit. We are also informing 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 Audit 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 are also submitting to the Audit 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 are discussing with the Audit Committee the risks regarding our independence and the precautionary measures taken.

The statutory auditors

Paris-La Défense, April 18, 2018	Paris-La Défense, April 18, 2018	Neuilly-sur-Seine, April 18, 2018
KPMG S.A.	Ernst & Young et Autres	PricewaterhouseCoopers Audit
Arnaud Bourdeille	Hassan Baaj	Jacques Lévi
Partner	*Partner*	*Partner*

Construisons dans un monde qui bouge.
Building the future in a changing world

COMMITTED

TO... BUILDING A SOCIETY THAT VALUES PEOPLE AND THE ENVIRONMENT

4 CORPORATE SOCIAL RESPONSIBILITY

Nicolas Théry

Daniel Baal

STATEMENT FROM THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Understanding CIC's social and environmental impact, and its commitments to sustainable development, is an integral aspect of the Crédit Mutuel CM11 group's work. This goes beyond the French Grenelle II Act, as part of a longstanding policy defined by its parent company Crédit Mutuel, where democracy, proximity, listening, responsibility, solidarity and economic and social development are part of the DNA.

As an extension of the new Social and Mutualist Responsibility adopted by the Crédit Mutuel CM11 group, in 2017 CIC conducted a survey of actions taken, in order to define its priorities for the coming years.

CIC is a leading employer – with 20,332 employees at December 31, 2017[1] – that pursues responsible human resources management as a matter of course. Against the background of business transformation in the sector and digitization of relationships, it dedicated 6.2% of its payroll to training, so that 82% of employees were able to acquire new skills or strengthen existing ones. It launched its School of Directors and remote training platform (Formad) with this same purpose.
In the area of human resources, it signed the agreements creating a common status for employees in the Crédit Mutuel CM11 group. This major advance took effect on January 1, 2018, providing all employees with expanded career opportunities and an improved framework for family and retirement benefits.

CIC is a responsible economic agent that contributes to financing the economy in its regions via its network of banking branches. It serves entrepreneurs, assists in developing business creation, and supports innovation. It also promotes socially responsible investment, as indicated by the support provided to investors in financing the energy transition and the fight against climate change. With CM-CIC Asset Management, a group subsidiary with 16 funds that received SRI certification this year, it expanded its offer in June 2017 to include the CM-CIC Green Bonds fund. CIC also finances environmental projects, both of major scope (installation of photovoltaic farms) and specific projects aimed at individual consumers (renewable energy installations, financing for hybrid or electric vehicles).

(1) HR data.

In terms of societal impact, a Purchasing policy memo was introduced in 2017. It applies to all entities of the Crédit Mutuel CM11 group and includes economic, quality, technical and ESG criteria. A supplier charter was also developed to foster responsible purchasing as part of long-term supplier relationships.

As a participant in cultural and social life, CIC sponsors initiatives across its territories and supports cultural and heritage preservation projects. These include the centennial commemoration of the US landing in France (The Bridge), and the renewal of its partnerships with the Musée de l'Armée, and with the Aix-en-Provence Easter Festival of which it is a founder, and support for young artists as part of the Victoires de la Musique Classique. It sponsors actions in the social, health, integration and environment arenas. It also conducts initiatives related to access to banking services and to counter banking exclusion.

In the environmental arena, the "Eco-citizens at work!" initiative, deployed at the end of 2017 on the intranet for the banks and some subsidiaries, informs employees of current initiatives and encourages them to take simple and efficient actions to protect the environment and reduce the group's energy footprint.

Lastly, in terms of risk management and as an engaged player in financing the energy transition, CIC has implemented a framework and continues to improve the rules governing its intervention in polluting sectors, in particular via specific policies for the coal-fired power plants, mining, civil nuclear energy and defense sectors.

In a profoundly changing world, marked by rapidly changing businesses and the explosion of new technologies, CIC is constantly adapting to better serve its customers. It maintains a steady dedication to its values and purpose, conducting itself daily as a responsible business, respectful of people and of the environment.

Nicolas Théry	Daniel Baal
Chairman of the board of directors	CEO

PREAMBLE

This section presents the social and environmental impacts of our business as well as the company's social commitments in support of sustainable development, in accordance with the requirements of Article 225 of the French Grenelle II Act of July 12, 2010 and its application decree of April 24, 2012, respectively modified by order no. 2017-1162 of July 12, 2017 and decree no. 2017-1174 of July 18, 2017, Articles 70 and 173 of the French Green Growth Energy Transition Act of August 17, 2015, Article 14 of the French Anti-Food Waste Act of February 11, 2016, and Article L225-102-4 of the French Parent and Ordering Company Duty of Vigilance Act of March 27, 2017.

The actions of the Crédit Mutuel group in the area of social and environmental responsibility are described in a CSR report published by the Confédération Nationale du Crédit Mutuel, and those of the Crédit Mutuel CM11 group[1] are published in the registration document.

NB: unless otherwise indicated by an *, the comments below apply to the quantitative data provided in the indicator tables below.

In addition, certain subsection titles include a code, such as SOCXX, SOTXX or ENVXX, to make it easier to locate the relevant material in the cross-reference table for information required by Article 225 of the Grenelle II Act at the end of this section.

Description of the company's commercial model.
Exercising all banking, finance and insurance activities, the CIC group is a full-service bank that continues to diversify its offer of banking and non banking services. Against a background of multiple economic, social, technological, competitive and regulatory challenges, the CIC group's priorities remain its development, adaptability, innovation and service quality, as well as managing its expenditures and cost of risk.
The group's strategy is described in the statement of the Chairperson in the registration document; its businesses, customers, products and services, communication and distribution channels, customer relations and financial elements are presented in the registration document.

(1) Crédit Mutuel-CM11 group: groups that belong to the Caisse Fédérale de Crédit Mutuel: Caisses de Crédit Mutuel Centre Est Europe, Sud-Est, Île de France, Savoie-Mont Blanc, Midi-Atlantique, Loire-Atlantique et Centre-Ouest, Centre, Normandie, Dauphiné-Vivarais, Méditerranéen et Anjou - Caisse fédérale commune (CFCM) - Banque Fédérative du Crédit Mutuel, and its main subsidiaries: CIC, the ACMs, Targobank, Cofidis, BECM, CIC Iberbanco, Euro Information, etc.

CIC AND SUSTAINABLE DEVELOPMENT

CIC's sustainable development policy is integrated into that of the Crédit Mutuel group.
Community, responsibility and solidarity are the values that the Crédit Mutuel group has promoted since its creation.
In 2015 the Crédit Mutuel group joined Comité 21, a network of players engaged in operational implementation of sustainable development.
(ENV01) In 2017, the Crédit Mutuel CM11 group decided to better organize its CSR approach – renamed Social and Mutualist Responsibility (SMR) – and to roll out an active policy based on five ambitions and 15 commitments:

AMBITION	COMMITMENT
CUSTOMER SHAREHOLDERS AND CUSTOMERS	1 - Listen to our customers and customer shareholders 2 - Foster banking inclusion 3 - Manage risks in the conduct of business
GOVERNANCE	4 - Support efficient operation of governance bodies 5 - Promote cooperative governance
SOCIAL	6 - Formalize a responsible purchasing policy 7 - Maintain responsible relations with our partners 8 - Contribute to regional development 9 - Enhance our local initiatives
EMPLOYMENT	10 - Foster diversity and equal opportunity 11 - Strengthen support for careers, synergies in developing internal mobility and skills development 12 - Make life at work and internal communication a strategic lever for engagement and employees 13 - Strengthen labor dialogue
ENVIRONMENTAL	14 - Reduce our environmental impact 15 - Promote quality products and responsible services

A self-evaluation questionnaire was sent to all group entities, including CIC entities, to survey the current state of deployment of the five ambitions. Based on the results of this questionnaire, priorities will be defined and initiatives conducted in the coming years.

CIC's mission is to continue its commitment to the sustainable development of the regions in which it operates, through, among other things, responsible management, the services it offers, and support for initiatives with a positive social and environmental impact.
Alongside the group policy, work groups and committees dedicated to specific topics and actions may be formed in some group entities. Initiatives in this area may also be approved by management committees, and reflected in commitments by some group entities. For example, Banque de Luxembourg is a member of the IMS Luxembourg business network, the national branch of the CSR Europe organization that works to promote the development of CSR policies in Luxembourg.
CIC's communications with its main stakeholders in the context of its business are described in this CSR report (ENV02):

- relations with shareholders and executives: involvement of the CIC group in the SMR approach described above (approval of sector policies by the boards of directors), shareholders' general meetings (see the shareholders section in the legal components of the CIC group registration document);
- with respect to employees and employee representative bodies: see section I - Responsible human resources management, below;
- with individual, professional, non-profit and business customers: these are discussions during the design phase of a product or service, contract signatures, responses to calls for tender, responses to questionnaires (see section II - A responsible economic player, paragraphs 1 to 6);
- with suppliers, subcontractors, integration-based companies and companies in the adaptive sector (supporting workers with disabilities): relations are established at the level of the group's business centers for some supplier relationships (logistics, IT) and at the level of each entity for other suppliers. These are detailed in paragraph 7 - Subcontracting and suppliers, of section II - A responsible economic player;
- non-profits, foundations, partners, universities, civil society: section III - Involvement in cultural and social life;
- professional organizations in the field of business of each group entity: regular contact;
- administrations, control and regulatory authorities, rating agencies: transmission of information.

Relationships with non financial rating agencies and NGOs in times of controversy are addressed at the Crédit Mutuel CM11 and Confédération Nationale du Crédit Mutuel level.

GENERAL INFORMATION

I – RESPONSIBLE HUMAN RESOURCES MANAGEMENT

Employees' commitment and dedication is a key factor in the success of the group's development and in its financial performance. CIC's employment policy seeks to create the foundations to best support the profound transformations impacting the group's businesses, and to meet financial, regulatory and behavioral challenges by fostering career development and well-being at work.

This past year, agreements were signed to create a common status for employees of the Crédit Mutuel CM11 group, and harmonize the status of group employees. Some elements of the common status already existed, such as the employee savings, personal protection and healthcare agreements. This single status described in paragraph 6.3 removes barriers to mobility and includes some benefits for employees of the CIC group, in particular with respect to overall compensation, work hours, medical coverage, health insurance and employer retirement contributions. It took effect on January 1, 2018.

1 - Staffing levels

1.1 A leading employer

As of December 31, 2017, the CIC group had 20,332* employees on the payroll[1], which breaks down as follows:

- banks: 17,438;
- French subsidiaries: 1,204;
- branches/offices and subsidiaries abroad: 1,690.

The total workforce is stable overall (-0.8%), as compared to 2016 (20,496 employees).
The banks registered a decrease in their workforce of 81 employees (-0.5%).
The French subsidiaries increased their workforce by nine employees. The workforce of establishments abroad decreased by 92 employees, due to the disposal of the private banking activities in Singapore and Hong Kong in early December 2017.
The breakdown of the workforce by age and gender is provided on page 357 for the consolidated reporting scope as described in the methodological note on page 355.

1.2. Stable jobs

The scope used for the indicators below (entities located in France and Banque de Luxembourg) includes 19,543 employees (individuals), of whom 96.4% were on permanent contracts. CIC's turnover rate was 3.9%. Data on new hires and dismissals is provided in the employment indicators table on page 358.

(1) HR data.

1.3 Compensation

Quantitative data on compensation is presented on page 359 (SOC 73, SOC 107 to 109 and SOC 80 indicators). Gross payroll for these permanent employees was €880.2 million, a 2% increase over 2016.

1.4 Individual Employment Benefit Report

An Individual Employment Benefit Report (*Bilan Social Individuel* - BSI) has been emailed to all employees for the past three years. This gives employees information about the components of their overall compensation over the past year, and how they have changed. It also details the other benefits they receive as group employees and tells them where to find additional information. The BSI is available in DOCRH, the tool where employees can access their employment documents (BSI, electronic pay slips, training certificates, etc.). Employees also have access to the "Employee Universe" intranet pages, where they can find various tools and documents.

1.5 Working time and absenteeism

Working time and absenteeism and its causes are presented on pages 358 and 359 (SOC29 to 32 indicators for organization of working time; SOC38 to 40 and SOC43 for absenteeism). The proportion of employees working part-time is 5.9%. Absenteeism excluding maternity/paternity leave rose by 5.8%, with 165,438 working days of absence during the fiscal year.

The new agreement on working time took effect on January 1, 2018. This agreement allows the group entities to adapt their organization to customers' changing habits and to apply flexibility in modulating the reduction in work hours. It takes into account employee health and safety requirements, and must allow employees to balance their private and work lives. Given the diversity of businesses and the organizational limitations imposed on companies by the new agreement, several possible work formulas have been defined, with accumulation of days of leave when work hours exceed 35 in the week (hors cycle). Practices within the group have been harmonized and simplified, such as the reference period utilized for acquisition of paid leave.

1.6 Integration

Employees who have been recently hired to work in the branch network take part in a job training program that combines theoretical instruction, days of work experience and practical application in branches, and self-training. In addition, CIC continues to develop close ties with numerous higher education institutions, in particular through job fairs, recruitment days, business and finance seminars, etc. In the subsidiaries, specific training or tutoring is also implemented for new recruits.

2 - Strategic workforce planning

In March 2016, a group agreement on strategic workforce planning was signed for three years. It will enable the companies involved in the agreement to always have available the competencies they need for their business(es), their evolution and their development. Strategic workforce planning tools are also available to employees to acquire and update the skills they need for their job, and to acquire new competencies to evolve in their position or into a new function as part of their overall career management.

2.1 Anticipating changing professions

The single job nomenclature adopted by the group has made it possible to begin monitoring evolutions in our professions and the skills required to exercise them. Actions are launched based on the needs of the companies in terms of jobs or competencies, as well as training or adaptation needs for employees whose jobs are evolving. These measures may involve workforce adjustment, mobility, and where necessary adaptation or reconversion training, in compliance with work-place equality goals. A tracking committee comprising group labor union delegates has been formed. Its role is to examine interim reviews once a year and make action plan proposals, track job evolutions, issue an opinion on the tools and support measures implemented, make suggestions for improvement and for training as part of strategic workforce planning which may where applicable be integrated into the training plans.

2.2 Employees, leaders in their own career plans

The professional interview aims to evaluate the employee's skill level and define improvement pathways within the position, as well as to facilitate future promotion based on progress made and successes achieved. It may include a functional and/or geographic mobility component. The TalentSoft application that structures this interview and is open to all employees is also used to manage the employee interview held upon returning to work after an absence.

2.3 Promoting mobility

The group's employees have access to the "JOBS" application, which simplifies searching for job offers published anywhere, including abroad, and can create alerts informing users of new opportunities that meet their criteria. The single job nomenclature also makes it easier to understand the positions offered. An archive of the group job/skills descriptions is also available on the employee intranet. The descriptions are divided into 12 families and present for each job: the mission, the primary activities, the skills required to exercise these activities and the main related jobs (those from which an employee can transfer to take this position, and those that the employee may move on to after successfully occupying this position). Both a summary description and a comprehensive description are available for each position, the latter including the levels of skills required, the list of professional skills, and definitions of the general skills. A guide to facilitate employee procedures and define the associated practical rules for group mobility is available on the intranet.

As part of the agreements creating the common status signed this year (see paragraph 6.3), bargaining was opened at the end of 2017 to reach a group agreement on professional mobility.

3 - SOC50 – Training to support employee adaptation and development

The purpose of training is to support the group's strategic evolution to maintain its competitiveness, meet regulatory requirements and support employees' career evolution by helping them adapt to the changes in their profession.

For employees in the sales network, training is a priority that is rolled out in three areas:

- vital strategic actions related to the acquisition of new skills (new offerings, regulations and technologies, etc.) or over a multi-year period related to skills enhancement (technical, methodological and behavioral skills);
- the early stages of a career and career development;
- individual skill enhancement measures.

A large portion of training is offered by CM-CIC Formation, the Crédit Mutuel CM11 group's professional center. This involves the creation of training courses that closely meet the needs of employees to ensure long-term skills acquisition.

CM-CIC Formation favors a blended learning approach that combines classroom-based and remote training. The eLearning modules, eVideos, network classes, etc., are viewed as complementary to classroom-based training, which is more aimed at allowing trainees to experience situations, share experiences and co-develop rather than acquire knowledge. Since late 2016, the group has had three training centers, located in the Bas-Rhin, Essonne and Loire-Atlantique regions, so that cohorts of employees who exercise the same profession can be brought together for training courses to share their experiences and practice together.

The CIC School of Directors was launched in 2017 to further enhance career development. This five-month training cycle combines theory and practice. It is intended for future branch directors and seeks to give them a detailed understanding of the developments and issues facing the banks of tomorrow.

The new FORMAD remote training platform was made available to all employees via internet in early 2017. It offers simple, intuitive navigation. In particular it allows for greater personalization by the user (personalized homepage, targeted training catalogue based on the job held). In 2017, new eLearning courses were made available online, including one on the regulatory framework governing financially insecure customers and basic banking services.

The strategic workforce planning agreement also details training modalities for the other professions, training not related to the technical specific to a given job, and individual employee-initiated training options: individual training leave, recognition of prior learning, the skill review and career evolution consultation, and the individual training account.

In 2017, the training budget equaled 6.2% of total payroll and 16,118 employees (82% of employees) received a total of more than 611,000 hours of training (including classroom-based training and eLearning modules only if they were a prerequisite for classroom-based training).

Quantitative data on training is presented on page 359 (SOC46 to SOC50).

4 - Foster diversity and equal opportunity

Combating all forms of discrimination (SOC69) and respect for gender equality at work (SOC56) are among the commitments of the group's managers. They are presented in the intranet publication titled: "*Managing*: best practices." A charter addressing anti-discrimination, diversity and integration, as well as retaining workers with disabilities within the group was published in June 2016. In addition, in all group entities, HR employees in charge of recruiting took this year or will take in early 2018 training in non-discrimination in hiring, in order to comply with the French Equality and Citizenship Act no. 2017-86 of January 27, 2017 (Article 214).

4.1 SOC56 Gender equality policy

The strategic workforce planning agreement includes the goal of workplace gender equality. It stipulates that close attention be paid to balanced representation of men and women in the various jobs. Where appropriate, a company must implement a policy of encouragement or solicitation with respect to men or women when they are underrepresented in a given job, in particular if this job offers career development potential.
At the level of the banks and some subsidiaries, agreements or commitments exist or have been integrated into broader agreements such as that of CIC Ouest on quality of life at work and workplace equality, or that of CIC Nord Ouest with an agreement concerning workplace equality, non-discrimination and quality of life at work. In the area of gender equality, these agreements are monitored. They involve the promotion of workplace gender equality at the time of recruitment, equal treatment with regard to experience, classification, compensation and work-life balance. Specific individual budgets to reduce identified wage gaps have been defined as part of the agreements on the mandatory annual bargaining sessions.

With its "Impact f" initiative, Banque de Luxembourg encourages women to take responsibilities and recognize the strengths they have to offer the company and can highlight in their professional lives. This initiative includes personal development seminars, awareness campaigns for all employees and mentoring.

The REV REM application (for REView of REMuneration) provides detailed information on the history and level of compensation of each employee, and enables managers to enter proposals in the framework of the annual budget allocation. REV REM generates reports that can be used to check that proposals maintain or improve gender equality.

Female executives or managers under permanent contract numbered 3,948, a 2.7% increase compared with 2016. In 2017, women accounted for 40.5% of management promotions, compared with 40.8% in 2016.

4.2 SOC69 Employment of seniors

A 2016-2018 generation contract action plan is in place. It continues to pursue the objectives of the previous plan: long-term employment of young people and maintaining senior employees in their jobs by fostering employability and adaptability of all employees via training and support for change. Group management is committed in particular to maintaining older employees in their jobs by keeping their proportion equal to that registered at December 31, 2015.

Seniors' career tracks are also secured via the professional interview and career evolution interviews.

The strategic workforce planning agreement also seeks to achieve balanced representation of generations. It highlights the importance for every work unit of not losing skills when an employee retires. Every company consults with personnel representatives to take the necessary measures as defined in the generation contract action plan.

At CIC Lyonnaise de Banque, retirement preparation training is offered to seniors the year of their departure, with a focus on administrative procedures and adapting to change. Banque de Luxembourg employees due to retire and their managers are supported in a program that promotes the transfer of knowledge for a successful transition and prepares the way for new life goals.

4.3 SOC69 Actions in favor of diversity

Some companies pursue their own initiatives:

- CIC Nord Ouest is continuing its efforts to diversify the profiles of job applicants as part of the agreement on workplace equality, non-discrimination and quality of life at work. In addition, its partnership with the Mozaïc RH agency, specialized in recruiting diverse graduates with a view to diversifying applicant pools, continued in 2017.
- CIC Est is working to facilitate employment of youth from disadvantaged neighborhoods as part of the Douna association's "J'y'V-Jeunes Volontaires" initiative. The bank offers internships and jobs, and participates in meetings and discussions with youth.
- CIC Lyonnaise de Banque supports the *100 chances, 100 emplois* ("100 opportunities, 100 jobs") system (participation in interview sessions and meetings in the Marseille area), which aims to accompany young adults towards employment via a network of local businesses, to fight against discrimination and to foster diversity.
- Banque de Luxembourg has signed the Lëtzebuerg diversity charter whose aim is to encourage companies to respect and promote diversity. For Diversity Day 2017, employees of various nationalities who have chosen to live in Luxembourg shared their stories in the bank's internal newsletter.

4.4 SOC70 Employment and integration of people with disabilities

Introduced in June 2016, the group charter addressing anti-discrimination, diversity and integration, and maintaining employment for workers with disabilities, stipulates the group's goals in the area of disability:

- foster the recruitment and integration of workers with disabilities;
- maintain employment for workers whose disability occurs or progresses over the course of their career;
- enable workers with disabilities to access training under the same conditions as any other employee;
- promote assistance and support measures for workers with disabilities;
- create internal communication to inform employees about disability.

Following the adoption of this charter, a series of disability awareness videos was published in the "video" section of the Employee Universe.

As an extension of this charter, an agreement on the integration and retention of workers with disabilities was signed by CIC Est in January 2017. The broader agreement signed by CIC Nord Ouest in October 2016 and mentioned in paragraph 4.1 also includes specific commitments in this area.

In the absence of specific agreements, systems are in place to foster the integration of workers with disabilities. These are primarily measures to support employees with disabilities, and involve contributing to the purchase of adaptive equipment, providing support with and granting time off for administrative formalities, paying for and modifying workstations, adjusting working hours if required because of the disability and adapting the physical conditions of professional training to workers' disabilities.

CIC in Île de France has a disability officer and a disability work group. Awareness sessions were held in 2017 in Île de France for HR managers, with respect to hiring, and with employees (meetings with an outside provider or workshops within the banking network, and for European Disability Employment Week [EASPD], an intranet video campaign and posters in well frequented areas). CIC also participates in the French Employment and Disability Forum. The goal is to communicate with employees and raise awareness of perceptions of disability, explain the purpose of the RQTH[1] process for retaining employees, help employees gain worker with disabilities status, and provide advice concerning attitudes and behaviors with respect to disability issues. Similar actions were conducted at CIC Est (which has two disability officers and one monitoring committee), as well as initiatives to favor direct recruiting of employees with disabilities.

Additionally, certain work is subcontracted to centers and companies that employ workers with disabilities (ESAT and EA sector in France).

4.5 Promotion of and compliance with the provisions of the International Labor Organization's fundamental conventions

- SOC67 Respect for freedom of association and the right to collective bargaining: the group's entities (except where exempted by size) regularly meet with employee representative bodies (works council, health, safety and working conditions committee, employee representatives). No employees of the entities within the scope of the indicators have been convicted of the crime of obstructing the functioning of employee representative institutions. The agreements in effect – the group trade union bargaining agreement[4] and the agreement on the functions of CIC union representatives and on trade union and employment communication – describe in particular the resources made available to group[2] and CIC group union representatives, the career protection and development measures they benefit from, and the resources made available for trade union and employment communication.
- SOC64 Elimination of employment and professional discrimination: In accordance with the law, CIC's employment policy focuses on highlighting and eliminating discrimination, particularly through the actions described in paragraphs 4.1 to 4.4.
- SOC65 Elimination of forced or involuntary labor and SOC66 Effective abolition of child labor: CIC does not use forced or involuntary labor or child labor in its branches or subsidiaries abroad.

(1) Recognition of worker with a disability status.
(2) Companies subject to the collective labor agreement of Crédit Mutuel and the CIC companies that are part of the scope of application of the CIC single status.

5 - SOC45 – A company that cares about its employees' working conditions

In *Capital* magazine's exclusive "Best Employer 2017" list, CIC ranked second in the bank and financial services sector based on scores given by its own employees, as well as those who work in the same field.

5.1 Employee health and safety prevention and tracking

For all the companies that apply the CIC single status, there is:

- an action plan for stress prevention at work: The proposed actions to prevent, reduce and eliminate stress at work take into account the conclusions of the working group and of the employee survey conducted by an outside company. Preventive actions involve workstation arrangement and equipment, intranet adaptations, use of text messaging, the role and training of managers, training and support offered to employees, and work organization.
- Appended to the internal rules of each company: a charter on preventing and combating harassment and violence (an information leaflet on prevention of harassment and violence at work is distributed to employees);
- a safety charter that sets out the rules applicable to all group employees and authorized persons who have access to sites, IT resources and information provided or used by the group. A safety booklet describes the safety procedures and instructions to apply in the various situations that might arise. This guide covers several topics and in particular the safety of premises and people. It is available to employees on the company intranet.

The comprehensive occupational risks assessment document and work hardship analysis scale are updated annually, for the applicable companies. To prevent certain risks specific to the business (armed robbery, physical aggression, rude behavior), safety procedures are updated and communicated regularly.

Concerning ill-mannered behavior from customers, employees have a computer application for registering incidents of bad behavior, which includes recommendations for the measures to be taken with regard to these employees. Training on how to handle offensive behavior is mainly provided for reception staff in the branches. These employees must first complete a self-training module on this subject.

Various documents are available on the intranet: the safety booklet, the safety guidelines and group network safety guide, "Acting Together Against Rude Behavior (in customer relations)," "Preventing Harassment and Violence at Work," etc., as well as the self-training modules "Fire and safety prevention" and "Safety awareness – protection of people and property." Fire evacuation and other risk prevention exercises, such as putting up anti-flood barriers in Paris, are conducted regularly.

Preventive health initiatives are also conducted:
CIC Est has extended an anonymous and confidential survey for identifying depression to all employees of the company. Banque de Luxembourg organized information meetings on "Better anticipating and identifying burnout for you and your teams," and "Staying healthy in times of stress." Information is also shared on the intranet about what to do in case of extreme heat and heatwave, first aid basics in partnership with the French Red Cross, and flu vaccination; a medical and health library is on the intranet in Île de France, etc.
In addition, any specific difficulties in balancing family and professional responsibilities are addressed during the professional interviews.

Broader initiatives are also implemented in certain group entities, such as the creation of a "Working together" space on the CIC Ouest intranet for employees at headquarters, which presents the rules for daily operations and safety in the building. A life charter has been drafted. It involves employees and is based on four principles: respect for others, responsibility for the quality of the workplace, prioritizing the safety of people and property, and sharing the environmental responsibility approach (CSR).

CIC declared 137 workplace accidents resulting in lost time (including relapses).

CIC actively contributes to employees' healthcare, personal protection insurance and pension coverage. All of the arrangements are posted in the "Employee Universe" menu on the intranet.

5.2 Improving the workstation and workspace environment

This involves ergonomic furniture and equipment and taking into account positioning with regard to equipment and light. At Banque de Luxembourg, an initiative was launched in 2017 to raise staff awareness of preferred behavior in open-space work areas, to reduce noise and unwanted communication as much as possible. After awareness sessions, two pilot groups in two departments then worked on establishing these best practices. This initiative will be offered in all departments with large teams working in open-space offices.

5.3 Promoting the group's managerial values

A group Management Charter defined in 2014 aims to support quality of life at work by promoting the group's managerial values. Management fact sheets were made available to managers. Each of these fact sheets summarizes a specific management situation, presents the recommended practices and suggests possible actions. All of these documents are available on the intranet and accessible to all.

5.4 Seeking life balance

The strategic workforce planning agreement also stipulates that the professional interview is the time to ask about balancing personal and professional life. Solutions are sought in case of difficulties. As indicated in section 4.1, some agreements signed by CIC group entities include measures to improve work-life balance, in particular surrounding the organization and adjustment of working times.

An agreement on the gifting of days off established in 2015 provides for the establishment of a joint fund to pool donations made by employees of the group and not only, as the law stipulates, the donation of days off solely between employees of the same company. Accordingly, employees who need a donation have the same opportunities regardless of the size of the company they work in. In addition, the possibility of recourse to gifted days off has been extended to cases of especially serious sickness, disability, or accident affecting a spouse or civil partner.

Measures can also be taken to enable employees to deal with difficulties related to geographic mobility, beyond the moving costs provided for in the agreements in effect within the group's companies.

As part of the agreements forming the common status signed this year (see paragraph 6.3), bargaining on the right to disconnect began at the end of 2017.

6 - Labor dialogue*

6.1. Employees have the opportunity to share in CIC's overall performance

Results generated in 2016 enabled the group to pay, in 2017, both profit sharing and incentive bonuses. Thus, in the case of CIC entities covered by the single status, 20,273 employees received a total amount of €109.6 million in profit sharing and incentive bonuses, i.e., 13.6353% of the 2016 payroll, which breaks down as 11.1585% in profit sharing and 2.4768% in incentive bonuses.

Employees who made at least one deposit into their group savings plan received a total of €14.9 million in employer contributions.

Complete information about employee savings is made available to all staff on the intranet (video, self-training, documentation).

No stock subscription or purchase option plans have been established for CIC executives.

6.2. Schemes to optimize employee pensions

In addition to the mandatory basic social security and supplementary ARRCO-AGIRC schemes, employees of the CIC group benefit from a supplementary capitalization retirement plan called "CIC Retraite," funded entirely by the employer. They have the opportunity to make voluntary contributions and to allocate entitlements from the working time account to the scheme. Each year, a statement of entitlements is sent to employees,

who may also view their accounts online and carry out simulations of entitlements based on their leaving date.
In a second scheme employees are able to build up extra retirement savings following an agreement establishing a group pension savings plan. This plan may be funded through incentive bonuses, profit sharing, voluntary contributions or the transfer of entitlements arising from the working time account.

*6.3. Industrial relations and summary of collective bargaining agreements**

In accordance with the French Rebsamen Act on labor dialogue and employment, the rules for consulting and informing employee representative bodies changed in 2017, with the creation of three key annual consultations of the works council for all relevant entities:

- consultation on the company's economic and financial situation;
- consultation on the company's strategic orientations;
- consultation on the company's labor policy, working conditions and employment.

Ad hoc consultations continue as well. However, collective bargaining agreement proposals, and their revision or termination, are no longer subject to consultation with the works council.

The shared economic and employment database (French acronym: BDU) provides the information needed for these consultations to the works councils and health, safety and working conditions committees of some of the group's French entities, within the defined deadlines. All individuals authorized to consult the database are informed whenever a document is uploaded. Other data is provided monthly, in particular on the workforce, part-time workers, fixed term contracts, etc.

Concerning works council information, its frequency (annual, half-yearly, ad hoc) is variable depending on the size of the workforce in the group entity.

These new rules have been presented to the employee representative bodies.

SOC83 Agreements signed in 2017

Several agreements relating to the global Crédit Mutuel CM11 scope were signed between employees and management.
Among these, four agreements signed on July 6, 2017 finalize the common status for employees of CM11 and CIC:

- a group collective bargaining agreement that replaces the Crédit Mutuel collective bargaining agreement and the CIC single status agreement;
- a group agreement on working time within the companies subject to the group collective bargaining agreement;
- a group agreement on the working time account;
- an agreement governing implementation of all these measures.

Presentations, videos and chats were organized to inform employees.

As agreed during negotiation of the agreements forming the common status, bargaining for a group agreement on professional mobility, and for a group agreement on the right to disconnect, was begun during the final quarter of 2017. Negotiations to reach a group agreement on labor rights were also planned for the same time period. These were postponed to 2018, to take account of French order no. 2017-1386 of September 22, 2017 concerning the new organization of labor and economic dialogue in business, and favor the exercise and enhancement of union responsibilities.

Another agreement was completed in December 2017 on wage negotiations.

Specific agreements have also been signed by some CIC entities.

SOC84 Agreements signed in the area of occupational health and safety:

A health, safety and working conditions committee is convened in all group establishments with at least 50 employees to contribute to protecting employee health and safety and improving working conditions.

In the area of personal protection insurance, the amendment signed in 2016 modifies the guarantees of the CM-CIC employee personal protection insurance plan with the inclusion of:

- new situations such as blended families receiving death benefits with the payment of the supplement per dependent child paid directly to the dependent children;
- the lower retirement age, with the adaptation of spousal benefit calculation formulas to prevent situations where older employee spouses received no life annuity;
- extension of the education allowance with a payment to children who continue their studies or have disabilities until age 28 instead of age 26.

An amendment to the 2010 group agreement on the personal protection and healthcare cost plan was signed with labor partners in May 2017, to bring the healthcare cost plan into compliance with the requirements of the relevant contracts.
In the area of healthcare, the new common status improves some benefits starting on January 1, 2018, including salary maintenance in case of illness.
No safety agreements were signed in 2017.

6.4. SOC87 Employee satisfaction

Satisfaction surveys conducted in 2017 primarily concerned the quality of services provided by network support businesses (business subsidiaries) or the quality of tools made available to employees to do their work.

6.5. Raising employee awareness of CSR factors

- Internally, the action begun in 2017 to organize the group's CSR engagement was shared in the *#Initiatives* internal magazine. In addition, the CM group CSR newsletter containing an informative general and competition watch and highlighting best practices is published weekly on the CIC intranet of the regional banks and some subsidiaries.
  In 2017, awareness initiatives addressed disability (see paragraph 4.4) and good eco-citizenship practices (creation of the "Eco-citizens at work" intranet space, rollout of waste sorting in the buildings).
  In France, company commute plans are also in place in some entities, and since April 2016, wage slips are no longer printed but delivered digitally (while leaving the option of paper wage slips). Employee restaurant vouchers are also digitized since August 2016, in the form of the Monetico Resto card.
- At the level of the businesses, employees are made aware of CSR via SRI and solidarity savings, and through responsible investment:
  - SRI and solidarity savings: The "SRI bulletin" in the weekly "Economy and markets" memo published on the intranet provides updates about SRI events. Employees have access to an SRI employee savings plan approved by the Inter-Union Employee Savings Plan Committee (CIES). The SRI features are mainly explained to employees when they receive their account statements.
  - Responsible investment in growth capital: employees are informed with updates on ESG issues in their business line.

Certain aspects of CSR are also very much present in CIC's business lines, particularly in terms of compliance and risk management.

II – A RESPONSIBLE ECONOMIC PLAYER

CIC is an active player in the development of the economic and social ecosystem in the regions where it is located. It shows its commitment in the financing it provides, and through its offer of products and services that meet the needs of its many customers, while also taking into consideration the issues and principles related to sustainable development, ethics and moral conduct.

1 - Geographical, economic and social impacts of CIC's business (SOT09)

CIC contributes directly and indirectly to the economic development of the regions, particularly through its regional presence, with a network of points of sale spread across France, and its sustainable support to business development and employment in the regions.

1.1 A robust bank that actively contributes to financing the economy

With a Common Equity Tier 1 capital ratio of 13.7%[1] at December 31, 2017 for CIC and of 16.5% for Crédit Mutuel-CM11, among the highest in French banking, the group's refinancing capability is high. In 2017, outstanding[2] installment loans from the banking network rose by 5.4%, including increases of 4.1% for housing loans, 3.5% for consumer or revolving loans and 8.3% for investment loans. As part of the expansion of lending to entrepreneurs, a Prêt Privilège Entreprise loan for self-employed professionals, farmers and associations and a Prêt Privilège PME et GME loan for small businesses are available with a special refinancing rate granted by the ECB. CIC also partners with the European Investment Bank to finance SME projects. CIC supports companies in their international strategy by offering suitable financing, secure and efficient international payments, country information days, advisory and partner search teams, and online distribution of a bimonthly information letter, *Latitude Internationale*.

(1) Excluding net profit and 2017 dividends.
(2) Amounts outstanding at the end of the month.

1.2 Financing solutions and initiatives to develop entrepreneurship

1.2.1 Supporting start-ups, sole proprietors and business acquisitions

Almost 80% of new customers in the Corporate market had revenues below €1.5 million in 2017. With CréaCIC, CIC offers:

- continuous support via a network of account managers trained in business creation and acquisition, a regular schedule of business review meetings, partnerships with multiple networks (Initiative France, Boutiques de Gestion, ADIE, etc.),
- specific financing solutions,
- insurance formulas,
- appropriate rate reductions on means of payment and account management.

Sole proprietors also benefit from a specific offer.

A company creation charter supplements the systems in place for entrepreneurs who found or acquire new companies, and provides for effective and specialized service, with frequent and regular monitoring during the first three years of the new company's life.

In 2017, a new offer was formulated to support young people's entrepreneurial ambitions: the Start Étudiants Entrepreneurs CIC loan, for students under 28 years of age who are developing a business idea, to help them with their initial steps.

1.2.2 Supporting innovation

CIC is committed to innovative entrepreneurs by offering, among others, the Prêt Entreprise Innovante loan with deferred payment for up to two years to allow the project time to succeed.

To further support startups and innovative companies, in 2016 CIC Lyonnaise de Banque created the connected "CIC Innovation Market" with specific tools dedicated to these companies. Depending on their needs, owners of innovative projects may be connected with entrepreneurs, regional innovation players (such as incubators), financing consultations or group expertise. An innovation track has been created and rolled out in the network, with customer relationship managers dedicated to this segment in every region.

CIC Sud Ouest has also offered tailored solutions to "Innovative Sprouts," since 2015. These are young companies in sectors with high growth potential (new technologies, new services), which are connected to the local ecosystem and supported at each stage of their growth, with dedicated "innovation agents" as their contacts. Agreements have been signed with innovation partners (incubators and clusters) such as Bordeaux UNITEC (technopole in Pessac).

CM-CIC Innovation finances companies with an innovative technological project with seed capital (finalizing the prototype), early-stage capital (first sales achieved) and growth capital (growth, international development).

CM-CIC Innovation joined forces with the INNOV8 group in 2016 to support innovative companies in the area of connected objects. This *start-up* accelerator called INVST I/O makes available to these companies a distribution network and the resources and skills necessary for accelerating their business project from the earliest stages of development. For example, an investment was made in a company that sells connected objects that support innovative musical listening.

To help network staff better understand the universe of innovative companies, a dedicated portal on the intranet provides both general and technical information.

1.2.3 Encouraging entrepreneurial initiatives

CIC proposes a space dedicated to business creation on the www.cic.fr website, and an "Entreprenons.fr" online space to founders of companies and all entrepreneurs (microenterprises, artisans, retailers, sole proprietors, etc.) to help them with their administrative needs by providing quality practical, legal, tax and employment information free of charge, along with expert advice and answers.

1.2.4 A player that actively supports the development of SMEs over the long term

CM-CIC Investissement and its subsidiaries across all of France support the network's companies over the long term, at every stage of their development: venture capital, growth capital, buyout capital and M&A advisory services.

At December 31, 2017, €2.3 billion of equity capital was invested in almost 380 investments, of which 89% in unlisted companies. The CM-CIC Transactions PME solution supports manager shareholders wishing to transfer their small cap company (company value less than or equal to €7 million). In 2017, CM-CIC Investissement launched its "SME Expansion" offer designed to meet equity and quasi equity needs of less than €1 million for SMEs with a growth or buyout project.

1.3 Support companies' CSR approach

As part of the overall mobilization of stakeholders in the Pays de Loire region, and of the system created to support companies in their CSR efforts, CIC Ouest launched its "CSR Objective" offer in 2017 to finance:

- audit by the network of the actions required to achieve the status of "CSR" company;
- investments to be made based on the audit recommendations.

1.4 Helping young people find their way

For every important phase in a young person's life (apprenticeship, studying in France or abroad, driver's license, first home, first job, starting a company, etc.), CIC offers tailored solutions.

In particular, customers with a Prêt Études CIC student loan benefit from job search assistance (search strategy, CV and cover letter, interview preparation, etc.).

For apartment rentals, CIC offers to advance the required deposit and to provide the landlord with a rental guarantee in case of non-payment of rent and utilities with its Accès Locatif and Loca-Pass products.

CIC provides practical measures to help young people embarking on working life, including the "Objective First Employment" (*Objectif Premier Emploi*) package which offers free banking for one year, specialized insurance policies and an attractive interest rate for financing equipment or new home expenses.

CIC also offers a driver's license loan at a rate of €1 per day to help pay for driving lessons for two-wheeled vehicles and cars (license categories A1, A2 and B), the cost of which can form a significant barrier to finding a job. Loans granted in the banking network remained stable at €5.1 million in 2017.

The group also maintains a Facebook *blog* titled *Jeunes Expat'* ("young expats"), which is the CIC webpage for young people who have traveled or want to travel abroad for their studies, an internship or a job.

1.4 Supporting the non-profit sector (SOT40)

The banking network's number of non-profit customers grew 11.4% in 2017 compared to 2016. CIC in particular proposes donation management services for associations (Dynaflux Global'Collect), with outsourcing that can comprise the entire donation chain, from donation requests to envelope intake, depositing checks and issuing receipts, as well as entering donations into the files. The Pack Associations package gives community organizations the ability to let their members pay by bank card even without a website. In 2017, CIC launched the Lyf Pay application, a secure, mobile-based electronic donation collection solution that enables non-profits to create and develop their donor relationships using mobile as a new communication channel. The app also helps simplify the organization and management of their events, with an inclusive solution ranging from ticket sales to payments.

Financing and investment products adapted to their needs are also available including lease financing.

Some associations benefit in addition from the interest-paid-to-charity savings accounts and cards offered by CIC to its customers (see section 2.3).

CIC's commitment is also reflected in partnerships with associations in various fields (see "Involvement in cultural and social life" section). CIC participated in the 12th National Associations & Foundations Forum in France, partnering with a practical workshop on "Managing resources and developing donations for your organization using mobile."

1.5 Expanding farmers' access to renewable energy equipment

An expert supports farmers with their plans to acquire renewable energy equipment. In 2017, investments of this type financed by CIC for farmers amounted to €6.8 million. Photovoltaic and methanization unit projects account for 33% and 65% of this financing, respectively.

2 - A responsible product and service offer

2.1 Promoting Socially Responsible Investment (SRI) (SOT28)

CM-CIC Asset Management (CM-CIC AM) presented at the group's supervisory council for multi-company employee savings funds, whose theme this year was SRI. It also took part in a conference on responsible banking as part of the retail customers fair organized by CIC Sud Ouest and aimed at promoting SRI among staff involved in the retail market. CM-CIC AM was also able to promote SRI among wealth management and private banking specialists with CIC Nord Ouest, CIC Ouest and CIC in Île de France. It participated in the third edition of the SRI and Performance event organized by Option Finance, with a presentation on "The growing role of ESG issues in asset management: which investment strategies should be used?" Lastly, it signed the "Towards generalization of non financial ratings" market declaration of December 8, 2017, inviting issuers to communicate their ESG (Environment, Social and Governance) rating along with their financial rating.

Active and rigorous approach to the selection of sovereign issuers and companies is based on:

- excluding companies involved in manufacturing or selling antipersonnel mines and cluster bombs (Ottawa Convention and Oslo Treaty) as well as states that do not comply with international standards and agreements;
- selecting companies whose business contributes to sustainable development, by the nature of the company or its products and/or services;
- shareholder activism (monitoring controversies, liaising with companies to improve their social responsibility policy, systematically voting at shareholder meetings);
- the *best in class* approach: CM-CIC AM's SRI approach rests above all on extra-financial analysis of companies based on environmental, social and governance (ESG) criteria, together with consideration of the company's social policy and commitment to a responsible approach. Specific features related to business sector are taken into account, and regular meetings are held with the companies' directors. Factors considered with regard to states are: legal framework, respect for fundamental freedoms, education and health, protection of the environment and living circumstances, and economic well-being. This analysis is then compared to those of agencies specialized in socially responsible investment. A selection is made that retains only 50% of the initial securities, and then the fund portfolio is formed by selecting the securities presenting the best stock market performance potential.

Following a survey of 230 major French securities on how conflicts of interest are addressed by listed companies, contact was made with those groups whose responses indicated gaps leading to risks for CM-CIC AM's investments. The aim is to achieve commitments to change.

CM-CIC AM is:

- a member of the French SIF (Social Investment Forum) since 2004, and of EuroSIF (European Association of SIFs);
- a member of the CDP water program (former *Carbon Disclosure Project*) since 2010, involved in its carbon program since 2011 and its forest program since 2013;
- and a member of the ICGN (*International Corporate Governance Network*) since 2011;
- a participant in the AFG-FIR transparency code since its creation;
- a member of the *Green Bonds Principles* initiative since 2015;
- a signatory of the PRI (Principles for Responsible Investment) since 2012,
- and a signatory of the Paris Pledge for Action on climate since December 2015 within the framework of COP21.
- and, since July 2017, of the *Access to Medicine Index*.

In the annual evaluation report by PRI, CM-CIC AM obtained the highest possible rating of A+ ("Strategy and governance" module) for the third consecutive year. This score reflects the success of CM-CIC AM's strategy of integrating ESG (environmental, social and governance) factors into the management of its range of funds.

The CM-CIC AM offer includes two SRI ranges:
- the "best in class" SRI funds: CM-CIC Objectif Environnement, CM-CIC Obli ISR, and CM-CIC Moné ISR for individual and institutional investors;
- the range of inter-company "Social Active" SRI funds, created by CM-CIC AM and CM-CIC Épargne Salariale, approved by the Inter-Union Employee Savings Plan Committee (CIES).

Dedicated SRI funds are also offered.

In 2017, CM-CIC AM obtained three-year SRI certification for 16 funds:
- CM-CIC Objectif Environnement;
- CM-CIC Moné ISR;
- CM-CIC Obli ISR;
- and the 13 funds in the Social Active range: Social.Active Actions ISR, Social.Active Diversifié ISR, Social.Active Monétaire ISR, Social.Active Obligations ISR, Social.Active Solidaire ISR, Social.Active Actions, Social.Active Diversifié, Social Active Monétaire, Social Active Obligations, Social Active Tempéré Solidaire, Social Active Dynamique Solidaire, Social Active Obli Solidaire, Social Active Equilibre Solidaire. This certification indicates to investors which SRI products meet strict specifications, not only with respect to transparency and the quality of SRI management, but also in terms of demonstrating concrete environmental or societal impact. These funds have assets totaling €1.1 billion.

SRI assets with CIES certification managed by CM-CIC AM rose 36% over the 2016 figure, to €1.3 billion.[1]

This range of responsibly managed funds was supplemented in 2017 with the launch of CM-CIC Green Bonds, which obtained French TEEC (energy and ecological transition for the climate) certification. This fund is targeted for retail customers, employee savings and institutional customers, with the goal of contributing to financing the energy transition with an approach focused on projects with high environmental benefit. Assets at December 31, 2017 comprised 98.1% investments in green bonds. These bonds are selected in compliance with the *Green Bonds Principles* and environmental, social and governance criteria, and consideration of the benefit of the project being financed.

SRI is included in the weekly *Economy and Markets* newsletter distributed to customers and made available on the CIC intranet by CM-CIC AM via the "SRI bulletin."
In addition, CM-CIC AM took part in drafting the H1 2017 issue of *Cahiers d'un monde qui bouge*, a half-yearly publication of CIC Banque Privée for its customers and prospects, on the theme of "Responsibility." Socially responsible investment was listed in the contents under the topic: "Can we combine responsibility and performance?"

(1) Including feeder funds.

Another fund, BL Equities Horizon (Ethibel Excellence certified), is offered by Banque de Luxembourg in partnership with VIGEO and Ethibel.

BLI-Banque de Luxembourg Investments,[1] the asset management subsidiary of Banque de Luxembourg, signed the United Nations Principles for Responsible Investment charter (UNPRI) in 2017.

2.2 Responsible investment: a commitment by the capital division

CM-CIC Investissement and its major subsidiaries have signed the AFIC charter of growth investors' commitments. This commits them, beyond the rules already established in the industry's code of conduct, to the AMF's regulatory framework in terms of economic, social and human, environmental and good governance issues. Additionally, CM-CIC Investissement SCR is a shareholder in the agency LUCIE, which awards its CSR certification to organizations based on the ISO 26000 standard.

2.3 Encouraging solidarity savings and investment

The interest-paid-to-charity savings account (*Livret d'Epargne pour les Autres*) has received solidarity certification from Finansol. Either 50, 75 or 100% of annual interest is paid in the form of a donation to one to four partner associations working in the fields of humanitarian emergencies (Action contre la Faim, Secours Catholique (Caritas France), Médecins du Monde), children's aid (Petits Princes Association and UNICEF), social housing (Abbé Pierre Foundation, Habitat et Humanisme), or medical research (Curie Institute). In addition, use of the *Carte pour les Autres* entitles these same partners to a donation whenever purchases are made with this card. Thanks to the donations collected during 2017 with these two solidarity products, the amount paid out by CIC to the partner non-profits remained at similar levels to 2016.

CIC also offers a solidarity fund in support of employment, CM-CIC France Emploi (Finansol certified), for which half of earnings are donated to the association France Active, which supports and funds solidarity companies that create or consolidate jobs and people in employment difficulty who create their own company. Within the "Sociale Active" SRI range dedicated to employee savings, approved by the Inter-Union Employee Savings Plan Committee (CIES), four FCPE funds are solidarity funds (obli solidaire, équilibre solidaire, tempéré solidaire, dynamique solidaire).

2.4 Insurance: Promoting green driving

For car insurance, individuals who adopt environmentally friendly behaviors benefit from attractive offers: a reduced rate if the vehicle travels less than 6,000 km per year, if a driver under the age of 28 completes a driving course, and extension of physical injury cover if the driver uses means of transport other than his or her car (public transportation or bicycle) for their work commutes. Damage to the bicycle is also covered. Automobile legal protection also covers disputes concerning public transportation subscriptions or bicycle rentals. When insuring an electric vehicle, the battery and charging cable are covered under the policy. For vehicles older than three years, policyholders who accept the use of guaranteed previously used parts in case of accident for the repair of their car also benefit from a reduced rate.

Careful driving is also rewarded with young drivers receiving preferential terms if they obtain their license through accompanied driving or take part in a "Prevention Day" training course to develop good driving reflexes.

2.5 Support for vulnerable individuals (SOT39)

2.5.1 Beneficiaries of the special basic banking offer and service:

2.5.1.1 CIC has implemented regulatory measures arising from the French Banking Act of July 25, 2013 and the Charter for Banking Inclusion and Prevention of Insolvency which came into force on November 13, 2014. These measures are designed to identify and support individuals, not acting in a business capacity, in situations of financial distress:

- by providing since October 2014 an offer designed to limit missed payment fees (under the trade name "Welcome Service") to customers identified as being in financial distress; since October 16, 2017, detection and management of financially fragile individuals has been fully automated with the COMPLY compliance application;
- by capping bank fees for customers subject to the special offer and customers with basic banking services (right of access to banking services);
- by including the Welcome Service and Basic Banking Services offer in the tariff agreement for the retail market;
- by rolling out during 2016 an Athéna self-training module for employees about persons in financial difficulty.

2.5.1.2 In 2017, CIC completed regulatory *reporting* by transmitting the quantitative and qualitative data required by the authorities (to the ACPR via the questionnaire on commercial practices and customer protection, and to the Observatoire de l'Inclusion Bancaire).

New parameters involving the right to an account, customers in financial distress and basic services, based on the EU PAD directive that took effect on June 23, 2017, have been integrated into operations.

2.5.2 In the area of insurance, low-income individuals have access to government systems for their supplemental health cover. Based on a resource criteria determined by the Sécurité Sociale, they may benefit from a CMU-C policy or have access to the "ACS Supplemental Health" policy reserved for customers eligible for supplemental medical assistance.

(2) Subsidiary not consolidated.

Since January 2017, CIC borrowers insured by ACM for a loan linked to their primary residence, can benefit from maintenance of medical acceptance. Taking out an ACM borrower's insurance policy also gives them the possibility, under the same conditions of medical acceptance, of future coverage for a new loan in case of a change of primary residence. This possibility is offered without any additional medical documentation, even if they have experienced health problems since that time.
Borrowers can also fulfill their medical requirements online since 2017. This development is part of the aim to improve customer service and the ease of medical requirements for coverage.

In addition, CIC complies with the "AERAS" agreement, designed to facilitate access to insurance and credit for people with an increased health risk.
The French Health Act of January 26, 2016 establishes a "right to be forgotten" under which former cancer patients are to be exempted, under certain conditions, from having to declare their previous condition when applying for loan insurance.
Long-term care insurance allows people in disadvantaged circumstances to finance their future needs in this area. Additionally, isolated individuals may find in our funeral product a solution for financing their funeral services via an insurance mechanism accompanied by a guarantee that these will be organized in accordance with their wishes.

2.6 Budget management assistance

CIC offers a "CIC Alerts" application that can help with better budget management via email or text alerts concerning accounts (balance, transactions, etc.), payment transactions, and payment instruments (payment card balances, etc.). The frequency, thresholds and triggers for these alerts are configured by the customer. In addition, the budget function offered on mobile applications, which presents a graphic summary of spending and income, was rolled out on cic.fr in 2017. Loan simulators are also available at all CIC banking sites. Consolidating several existing loans into a single loan may also be proposed, after examination, which facilitates management with a single monthly payment and a single contact. Lastly, a sector-based policy was established in 2017 for consumer credit, setting rules in terms of marketing practices, sales, acceptance and financing, collections, money laundering and terror financing prevention, personal data processing and complaints processing.

3 - Financing of projects of an environmental nature

3.1 Specific products (SOT59)

In the area of real estate, aside from zero-interest eco-loans (Éco PTZ and supplemental Éco PTZ), sustainable development loans are offered for certain specific residential energy performance improvement work in older buildings, long-term (outstandings: €2.6 million) and short-term (outstandings: €5.4 million) for work subject to the tax credit in buildings completed more than two years ago. Eco Energy Loans (Alsace, Burgundy Franche Comté, Nouvelle Aquitaine, and other regions) are an addition to these three existing products. CIC has joined forces with Direct Énergie to help finance energy savings modifications, offering individuals a free energy assessment of their home and financing at preferential rates on the cic.fr website.

Moreover, CIC proposes housing insurance that covers renewable energy installations (heat pumps, geothermal and aero-thermal equipment, photovoltaic solar panels, etc.) along with the properties where they are installed. It also offers electricity generation civil liability coverage for the sale of electricity from declared photovoltaic panels.

Regarding vehicles, CM-CIC Bail offers solutions for hybrid and electric vehicles and public transport vehicles (lease financing for the purchase of electric vehicles at the end of December 2017 was 39% higher than end-December 2016, and for public transport it rose 3.3% over that time). A file on clean vehicles is available on the CM-CIC Bail website. It highlights alternatives to gasoline and diesel vehicles in light of environmental issues and changes in legislation in this area.

3.2 Financing of programs and "major projects" (SOT60)

At the end of 2017, the CIC group signed a four-year agreement with the EIB to create a refinancing budget for wind and solar power projects. In addition to financing, the EIB will assume 50% of the risk for the projects selected.
Regional projects financed in 2017 primarily involved the installation of photovoltaic farms, for which outstandings at December 31, 2017 had risen almost 65%. The CIC group also took part in larger projects in France and abroad in various fields (see section 5.1).

3.3 Investment

CM-CIC Investissement and its subsidiaries also participate in project development by investing in companies whose products respect the environment and have low energy consumption (manufacture of biomass furnaces, multi-use solar panels, aerovoltaic panels able to simultaneously produce electricity and heat, expertise in electricity generation and climate engineering to support the design of reliable, low energy consumption or autonomous renewable energy installations). An investment was also made in a company specialized in delivering "green" fruit and vegetable baskets (organic and integrated farming).

4 - Financing of projects of a social nature (SOT72)

CIC takes part in putting together financing for the construction of social housing. CIC offers a solution to social housing management companies for processing collections on payment notices for rents and other charges, with Dynaflux Immobilier CIC and the Euro TVS subsidiary.

5 - Risk management (SOT88)

CIC is aware of the social and environmental impacts of the activities of the companies to which it grants loans.

5.1 Project financing [1]

To improve management of social and environmental risks, any new project financing is now subject to external due diligence and formal analysis of its environmental impact by the department concerned, and to annual reporting.

In 2017, the CIC project financing department financed 29 projects, of which 17 were in renewable energies: 11 wind power projects (nine in France including one with storage in Martinique, one in Canada, one in Australia), five photovoltaic projects (three in France and two in the United States), and one biomass plant in Guadeloupe.

Several infrastructure projects were also financed, including telecommunications infrastructures in Germany and a fiber optic network in eastern France, road infrastructures in Australia, a waste recovery plant in Spain, heating networks in Sweden, gas and LNG (liquid natural gas) plants in the United States and Malta. These projects are in strict compliance with existing environmental standards.

CIC applies an internal evaluation methodology that utilizes the "Equator Principles" classification scale.

- Category A projects – Projects with potential significant adverse social or environmental impacts which are diverse, irreversible or unprecedented.
- Category B projects – Projects with limited adverse social or environmental impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures.
- Category C projects – Projects with minimal or no adverse social or environmental impacts.

The 29 projects are classified in category B, except the two telecom and fiber optic network projects which fall into category C.

(1) "Project financing" is understood here as a specific category of corporate financing, known as specialized financing (defined in particular by Article 147.8 of EU regulation 575/2013) and meeting specific criteria. These criteria, as authorized by the ACPR in October 2012, are used to determine the eligibility of transactions in the CM-CIC Financements portfolio of projects.

Projects are selected on the basis of a set of criteria that incorporate inter alia social, environmental and ethical factors in selected business sectors and countries. Particular attention is paid to social utility factors (for example, how strategic a project is for a country, the alignment of the interests of the various stakeholders and the overall economic rationality of the project are analyzed), local acceptance (known opposition of environmental defense groups or the local population, noise pollution, landscape impacts, etc.), and environmental criteria (compliance with current and foreseeable standards).

In the energy sector, CIC supports its customers in financing the energy transition, and is committed to reducing greenhouse gas emissions via its financing choices.

In the anti-corruption area, conditioning disbursement of the funds on satisfactory completion of KYC procedures and on obtaining a certificate issued by a trusted third party (independent technical expert) is a powerful mechanism for controlling the reality of expenditures. The department's internal strategy is to focus on sectors it knows well and whose collective utility arises from meeting basic needs (supply or production of energy, means of communication, telecommunications, leisure activities, conversion industries and public service concessions).

Ordinarily, the department finances projects in countries where political and solvency risk is limited (i.e. "designated countries" within the meaning of the Equator Principles). When it does business in more fragile countries, both politically and with respect to environmental standards, it partners with banks that have signed these principles or with multilateral agencies. For all of these projects, social and environmental impacts are not only taken into account when the operation is chosen, but also monitored throughout the life of the project (for example, obligation to have an independent engineer monitor the construction stage and its environmental impact if justified by the size of the project; contractual obligation imposed on the borrower to comply with standards and future amendments thereto).

CIC has been expanding its presence in the renewable energies sector for over ten years. At the end of 2017, loans outstanding in this area reached the significant threshold of more than €1 billion. The financed EnR[2] portfolio primarily comprises wind and solar projects with good diversification, and risks that are almost always shared with other banking partners.

5.2 Sector policies

Of the five existing sector policies (defense, civil nuclear energy, mining, coal-burning power plants, private banking), those for the mining and coal-burning power sectors were revised in 2017. These can be viewed at cic.fr and on the intranet. Two new sector policies, one for consumer credit and the other concerning the group's purchasing policy, were added in 2017.

(1) Renewable energies (French acronym)

A CSR review must be included in all loan committee applications of the financing bank for the sectors for which a sector policy has been published.

5.3. Considering environmental impact in financing corporate real estate leasing

CM-CIC Lease requests an environmental study from buyers, which may comprise various phases depending on the situation:

- upstream: an environmental statement based on documentary evidence;
- phase 1: an environmental statement comprising at least a document review and a site tour by an expert to identify any site-specific risk factors;
- phase 2: an environmental statement comprising an in-depth investigation of the site that might include ground surveys, verification of underground water, etc.

5.4 Incorporating CSR criteria into the investment policy

The corporate social responsibility of CM-CIC Investissement is incorporated into its investment doctrine. A questionnaire evaluating social and environmental responsibility policy is submitted to some of the companies in its portfolio. This questionnaire is used when studying any new investment project. Improvement areas identified are subject to monitoring during the entire period that the equity investment is held.

5.5 Criteria for forming external business relationships

The Crédit Mutuel CM11 group has adopted an internal policy for forming business relationships that applies to all its entities in France and abroad.

The group supports its customers in achieving their goals, while paying attention to risk management, in particular risks to image. It refuses on principle any relationship with third parties of whom one might reasonably think that they conduct or promote, explicitly or implicitly, practices that are illegal or contrary to its values, such as:

- advocating or inciting to terrorism;
- inciting hatred, violence or crimes against individuals;
- discrimination, in particular of a racist or homophobic nature;
- pedophilia or sexual procurement;
- active or passive corruption, money laundering;
- illegal labor or tax fraud.

Moreover, due to the specific risks they cause the bank, no relationships are accepted with persons or corporations connected with certain activities, such as prostitution or pornography, sects, divination or astrology, arms trading, etc.

More generally, the bank does not pursue relations with third parties where the economic or social interest and/or local or regional proximity of such relationships are not apparent, nor when the conditions for transparency and trust are not (or no longer) present.

5.6 Business relationships and customers from "critical" countries

- The system in place for management of transactions and customers located in "critical" countries was strengthened beginning in 2016.
- The compliance department is responsible for identifying countries by their degree of criticality, and establishing and disseminating the corresponding lists within the group: green (standard procedure for forming relationships), orange (enhanced procedure) and red (exceptional procedure).
- The goal is to define progressive levels of diligence or prohibitions applied to relationships with customers who reside in the countries identified.
- Countries that do not practice automatic information exchange according to OECD standards are on the red list. For these countries, relationships are only authorized by duly approved exception following a strictly defined procedure. Forming relationships with politically exposed persons residing in a red-list country is never authorized.
- Absolute rigor is applied to the use of offshore structures, i.e. entities with no real economic activity domiciled in tax havens.
- No direct or indirect relationships may be formed with offshore domiciliary companies or consulting companies offering offshore structures, nor may such companies be recommended to customers.

6 - A relationship grounded in respect for customers

6.1 Focus on providing quality service (SOT73)

The "Customer Priority 2018" IT and organizational project launched at the end of 2016 seeks to give the group the means to continue its development in the face of challenges related to the evolving banking environment and customer behaviors.

With a network of branches that remains the cornerstone of multichannel contacts with customers, CIC's aim is to facilitate and strengthen its relationship with and proximity to customers by anticipating their expectations. It seeks to offer new services that are relevant, simple and continuously available, as an anchor for a long-term relationship of trust.

This aim is pursued with:

6.1.1 strengthened employee skills: the adviser remains central to the physical, telephone and online relationship with customers. A budget of more than 6% of payroll (up one point from 2016 to 2017) funds multiple training programs, on orientation, listening, diagnostics, relevant offers and professional tools. Three training modules covering remote and digital banking were developed in 2017 as part of the "Customer Priority 2018" project, and others will follow in 2018. Specialists may also be called on to provide support in meeting specific customer needs, including remotely via webinar as of this year.

Digital officers have been appointed to support branch employees in the field and ensure that they keep up with all the group's digital changes. A store was also created to support corporate customer relationship managers, providing them with videos and interactive downloadable PDF files for customer interviews.

6.1.2 a more personalized customer relationship: the cic.fr website now includes enhanced personalization of advice and content based on customer profiles. Customers may register in favorites all the transactions they use the most often, and personalize their profile with display preferences. They can also connect with their advisor in a dedicated space using the remote banking app available on their computer, smartphone or tablet. An application was developed in 2017 to allow customers to declare their own projects and areas of interest from their customer space. In this way, advisors are able to propose suitable offers at the right time, and customers benefit from even more personalized navigation.

It should be noted that customer relationship managers are not paid commission on the sales of products they offer, so that their sole motivation is to offer customers the products that best meet their needs.

6.1.3 innovative services that simplify customers' lives: Among the new services offered this year:

- the **www.cic-immobilier.fr website** dedicated to marketing real estate offers was launched by CM-CIC Agence Immobilière to better meet its customers' expectations. This site provides a selection of geolocated real estate products from new programs in partnership with developers throughout France. For each property, a turnkey budget with options (financing, insurance, etc.) is proposed, adjustable in terms of monthly payments or financing methods. This new site provides extreme personalization: proximity to schools, shops or workplace, virtual tours, etc.

Among the services that simplify lives, we can cite, under insurance products:

- **"Home Service" car insurance**, in case of a claim without fault and if the vehicle in question can still be driven, the damaged vehicle can be picked up from and returned to the person's home or workplace - and **"Mortgage Payment Reimbursement"** insurance for homeowners if a residence becomes inhabitable following a claim for up to six months, excluding natural disasters, technological disasters and terror attacks, for which only legal provisions apply.

6.1.4 An efficient and responsive approach: the banking network's decentralized structure supports high responsiveness to customer demands. Around 90% of decisions to grant loans in the consumer market are taken locally and autonomously. Tools are also in place to help advisors optimize contacts, such as the email analysis tool used in the branches. Two additional virtual assistants now support customer relationship managers by answering recurring questions about automotive and fire and casualty insurance and about savings plans for individuals. For its part, CM-CIC Épargne Salariale has a live chat function synchronized with management of incoming emails, which fosters direct conversations on its website.

6.1.5 Align with increasingly connected and autonomous customers:

CIC is adapting to new lifestyles by offering customers a fluid and continuous relationship via the communication methods they prefer in their relationship with the bank.

- Since deploying electronic signatures on tablets, remote electronic signatures, and quality guest WiFi for prospects and customers, **more and more digital transactions** can be conducted on the internet and mobile applications, such as online estimates for home insurance, savings simulations on mobile apps, etc. Customers can also generate a car insurance quote from their smartphone. A new version of the insurance space was rolled out in CIC smartphone applications at the end of 2017, to facilitate access to all policies held and the related services.
- In the area of **consumer credit**, more transactions can now be conducted remotely by the customer under certain conditions: simulation, application, release of an amortizing consumer loan, instant release of funds from a smartphone for customers with an existing credit reserve, raised ceiling for bank card spending for a "must-have" purchase, with payment in cash or by applying for consumer credit within 30 days. The advisor remains at the heart of the relationship, monitoring simulations and applications begun or completed by their customers, interacting with them and, after the risk assessment, finalizing the loan.
- In addition, the **new remote banking advisory space** has been repositioned to become a true connector for advisors and their customers.
- To more closely link mobile and banking, the**Compte CIC Mobile** offer was launched at the end of 2017. It includes a current account, remote management tools, an international payment card and mobile phone package that meets new customer expectations in terms of simplicity and connectivity.

6.1.6 Measuring quality: New offers are more and more frequently co-designed with the future users – customers and network staff. Employees may also be asked for their input as users. Customers are asked not only about their satisfaction, but also about the design of applications developed for them in terms of graphics, functionality and ergonomics. External surveys are conducted regularly to measure customer satisfaction (barometers). As part of the quality initiative, satisfaction surveys have been widely used for new retail and self-employed professional customers. These surveys evolved in 2017 to take greater account of banking mobility, remote banking, etc., and the questionnaire was simplified. At the branches, a dashboard – Involvement and mobilization for the quality action plan – displays various quantitative, and since 2017 also qualitative indicators related to the quality of the customer relationship. This helps in identifying problems and generating alerts in case of difficulty. The quality of virtual assistants is regularly tracked. Surveys are also conducted by subsidiaries that support the network. A satisfaction survey of financing by CM-CIC Bail for vehicles under long-term lease or with purchase option was conducted with customers. Another covering employee savings was also conducted in 2017. CM-CIC Aidexport, the CIC subsidiary that supports companies with their international development, again ran its quality survey of customers as well as corporate and international sales representatives. CIC also participates in external satisfaction studies. Furthermore, some services provided by subsidiaries or business centers are ISO 9001 certified, such as CM-CIC Épargne Salariale. CM-CIC Services monitors the quality of its services using a monthly dashboard made available to its members, and sets annual improvement goals by business line.

6.1.7 Personal data protection

Certain information about the customer must be collected, used and stored to support knowledge of the customer and their relationship with the bank. Collection, use and storage of this data is protected and also subject to confidentiality in business.

- The relevant entities of the Crédit Mutuel group comply with the principle of relevance and proportionality of the data collected with respect to the purpose of processing, to ensure compliance with the principles of the French Act of January 6, 1978 as modified.[1]
- Customers are given clear and educational information, in particular about:
  - the identity of the party responsible for processing;
  - the purpose of processing, excluding overly generic formulations;

(1) French Data Protection Act no. 78-17 of January 6, 1978.

- the obligatory or optional nature of responses and the consequences of a missing response;
- the recipients of this information;
- their access, opposition and correction rights.

Information about personal data protection is distributed to customers in remote banking and in contracts for opening accounts.

On April 27, 2016, the European Parliament and Council adopted the regulation on the protection of natural persons with regard to the processing of personal data and on the free movement of such data. This regulation, which takes effect on May 25, 2018, will strengthen personal data protection. The group has prepared for these major regulatory changes by adapting its tools and systems as follows:

- creation of a processing activities registry;
- development of an impact analysis for processing that may present a high risk to the rights and freedoms of natural persons;
- implementation of internal mechanisms and procedures to demonstrate compliance with data protection rules;
- appointment of a data protection representative;
- application of the principle of personal data protection from the time of processing design;
- individual rights.

6.1.8 Complaint processing

The complaint processing system utilized in the commercial network of the Crédit Mutuel CM11 group entities comprises three levels:

- customer advisors and branch/bank directors are in charge of processing complaints at the first level. This first level of analysis thus occurs where knowledge of the customer is most complete, to provide the most suitable response possible to their request.
- in each region, a specialized customer relationship department offers recourse to customers for whom the level one response was not satisfactory.
- once this level has been exhausted, the customer may turn to the CIC's consumer mediator. The mediator relies on the mediation secretariat at the confederation level.

Customers are informed of the existence of this system and its organization, in particular via the websites. There they can find the contact information for the regional customer relationship specialist, as well as a toll-free number. They can also consult the mediation charter. All of these elements are also available in banks/branches upon request.

In 2017, the group mediator and the AMF mediator signed an agreement giving customers the possibility of presenting any complaint falling under the scope of the AMF, to either the AMF mediator or the group mediator, with this choice being final.

During 2018, customers will be given the opportunity to submit their complaints in the secure remote banking environment. They will be able to track processing of their complaints to the group, whatever channel was used.

6.2 Ombudsman (SOT74 to SOT78)

Consumer mediation, which took effect on January 1, 2016, has led to a new organization of mediation at CIC and the creation of a specific ombuds website in mid-2016 to give customers online access (https://www.lemediateur-cic.fr/).

The mediator is on the list of mediators provided to the European Commission by the French Mediation Evaluation and Control Commission. It also signed an agreement to share financial disputes with the French financial market authority (AMF) mediator.

The mediator's annual report can be viewed on its website, which also presents the mediation system.

The number of complaints was stable in 2017.[1]

However, the number of eligible files (eligible for mediation, with internal resolution pathways exhausted) grew considerably, by 28%.[2]

6.3 Fair operating practices (SOT79)

CIC is a subsidiary of Crédit Mutuel, whose development model is based on the values of solidarity, community and social responsibility.

6.3.1 Actions undertaken to prevent corruption

The Crédit Mutuel CM11 group ethics charter is implemented by each group entity including CIC. This reference document annexed to the internal regulations summarizes the primary regulatory, legal and contractual provisions that apply in the area of ethics. It lists the general principles with which every group employee must comply in their work, such as:

- internal regulations, standards and procedures;
- data protection (confidentiality in business);
- the quality of service owed the customer (duty to advise and inform);
- the duty of vigilance in conducting customer transactions;
- integrity and probity;
- preventing conflicts of interest.

It references the obligations of employees occupying "sensitive" positions, in particular in the capital markets, financing and investment, portfolio management and financial analysis businesses, whose employees are exposed to the risk of conflicts of interest or liable to have access to confidential or privileged information. They are

(2) Banks and Banque Transatlantique and CM-CIC Épargne Salariale scope.
(3) Data from files processed at 1/31/2018.

subject to rules that define and limit their personal financial instrument transactions.

The new version of the ethics charter, updated and expanded in November 2017, will take effect as soon as the legally required consultation of labor partners is complete. The main changes involve:

- the addition of anti-discrimination provisions, which highlight that employees may not treat customers differently or refuse to provide a product or a service based on discriminatory criteria;
- the development of anti-corruption issues which is now the subject of a detailed section comprising a code of conduct in this area (see below).

Management is required to ensure compliance with these principles, and application thereof is regularly verified by the control departments.

CIC has also implemented **anti-money laundering and terrorist financing measures that** comply with regulatory requirements and are tailored to the risks generated by its various businesses, both in France and abroad. These measures comprise a set of procedures and tools that are applied by staff who are specially trained and employed in the detection of suspicious transactions. These measures are themselves subject to internal controls and regular assessment by the supervisory authorities.

In this context, CIC's objective is to comply with regulatory requirements, which consist of:

- having the highest level of knowledge of its customers and their transactions and assessing money-laundering risks with the aim of avoiding entering into a business relationship with any customer whose identity or activities are ill-defined;
- carrying out monitoring proportional to said risks, based on the type of customer, location, products and distribution channels, the origin of the funds deposited and/or the transactions executed on behalf of each customer, in order to detect unusual or atypical transactions;
- involving all staff in money laundering prevention by means of regular training and awareness initiatives.

CIC does not operate in so-called "non-cooperative" countries or **territories**, the list of which is published on a regular basis by the French government. Transactions that customers may carry out involving countries that the Financial Action Task Force (FATF) identifies as having inadequate provisions in this respect are also subject to reinforced monitoring measures.

Anti-corruption measures

The French Transparency, Anti-Corruption and Modernization of the Economy Act, known as the Sapin II Act and adopted on November 8, 2016, took effect on June 1, 2017. It stipulates new measures aimed at combating corruption in companies and groups with at least 500 employees and consolidated revenue of more than €100 million. These companies are required to take measures to prevent and detect acts of corruption or influence peddling in France and abroad.

CIC, and the Crédit Mutuel-CM11 group as a whole, have strengthened their anti-corruption systems in compliance with the new legislative provisions. For this purpose, the following measures and procedures have been or are soon to be implemented:

- create a code of conduct, integrated into the Ethics Charter (see above) that defines and illustrates the different types of behaviors to be prohibited as liable to characterize corruption or influence peddling;
- adapt the current internal alert system[1] designed to gather notifications from employees, to expand it to outside authorities and improve protection for the individuals submitting alerts;
- create a regularly updated risk mapping to identify, analyze and rank the company's risks of exposure to corruption, based in particular on the sectors and geographic regions in which it does business;
- in addition to the procedures already in place for evaluating customer situations, systematically assess leading intermediaries and suppliers;
- consolidate internal and external accounting control procedures aimed at ensuring that books, registers and accounts are not used to hide corruption or influence peddling;
- provide training to managers and staff that are most exposed to risks of corruption and influence peddling;
- implement an internal control and evaluation system for these measures.

This system relies on a disciplinary regime integrated into the internal regulations that provides for sanctions for company employees who violate the internal regulations.

The commitment to combat any corruption within the Crédit Mutuel-CM11 group and to not tolerate any act of this type will be announced to employees, customers and business partners. This policy will apply to all employees, whether technicians or managers, to all executives and to any outside persons contracted with the company.

The compliance department is responsible for ensuring the deployment of anti-corruption procedures, verifying compliance with them, organizing any necessary investigations in case of suspected corruption, and answering employee questions on situations with any potential or actual corruption concerns. Compliance has the necessary independence and resources to fulfill its mission in complete impartiality.

(1) Measure to take effect on January 1, 2018 in accordance with French decree no. 2017-564 of April 19, 2017.

6.3.2 Advocates

The Sapin II Act created a specific system for advocates, supervised by the French High Authority for Public Sector Transparency (HATVP), that stipulates:

- the obligation to apply strict rules of ethics;
- the obligation to be registered in an ad hoc digital directory to inform citizens of their activities;
- the establishment of an annual report.

These provisions took effect on July 1, 2017. The Crédit Mutuel group's framework procedure for advocates, established under the guidance of CNCM, is the reference document that applies uniformly to the different regional groups that comprise it. Some ten entities are potentially concerned for the Crédit Mutuel CM11 group. The CNCM general secretariat is in charge of registering the entities meeting the required criteria in the HATVP's digital directory, and for sending their respective annual reports to the HATVP.

6.3.3 Vigilance plan

The French "Duty of Vigilance" Act[1] requires large companies to create and implement a vigilance plan to prevent serious breaches of human rights, of the right to personal health and safety, and damage to the environment caused by their activities and those of their subcontractors or suppliers with whom they have a long-term commercial relationship.

In accordance with the law, the plan that will be implemented at CIC includes primarily the five following measures:

- mapping to identify, analyze and prioritize risks;
- regular procedures to evaluate the situation of subsidiaries, subcontractors or suppliers with whom there is an established commercial relationship, with respect to the risk map. These procedures cover for example the outsourcing of essential services, the collection of documents and information concerning suppliers, calls for tender, etc.
- suitable actions for risk mitigation or prevention of serious violations. A series of measures of this type has been introduced with customers (project financing, sector policies, socially responsible investment, etc.), suppliers (group purchasing policy, supplier relations charter, etc.) and employees (multiple preventive procedures and methods).
- a mechanism for alerts and to identify signs of the existence or occurrence of risks (see the anti-corruption system, above);
- a system to monitor the measures implemented and evaluate their effectiveness.

(1) French Duty of Vigilance of Parent and Ordering Companies Act no. 2017-399 of March 27, 2017

6.3.4 Measures taken to improve customer health and security (SOT80):

- In the area of health, via its insurance business, CIC offers individual health, death and disability and long-term care insurance policies for individuals and non-salaried workers, and group policies for companies. An additional supplemental health insurance (*"Intégral Santé"*) is offered beyond the adaptable supplemental medical insurance for all private-sector employees. This latter offer is intended to ensure continuity of services for policyholders, since the coverage provided under the standard system often proves inadequate for employees and their families. These products come with dedicated services. The Avance Santé card can be used by policyholders to pay for medical costs without needing to advance the funds. Medical insurance customers have the option of transmitting their not otherwise electronically transmitted quotes and bills (photos) from their cell phone, to obtain a quick response concerning coverage. CIC also proposes a remote assistance service, Senior Assistance CIC, to help isolated or medically fragile people remain independent and in their homes.
  Concerning borrowers' insurance, starting this year CIC is offering **maintenance of medical acceptance** (see paragraph 2.5.2 of section II). In addition, when a borrowers' insurance application is submitted to formal medical review (health declaration, health questionnaire, medical testing, medical report, etc.), **the electronic medical acceptance service** provides the borrower with a secure internet space for fulfilling these medical formalities. In this way, customers can fill out the forms when and where it is most convenient for them, and receive a quick response.
- In terms of physical safety, CIC offers Theft Protection (protection of goods and persons) that was supplemented in 2017 with an **offer of remotely monitored carbon monoxide detection**, as poisoning by this gas is a primary cause of accidental death by poisoning. Furthermore, starting this year, **electronic claims** provide a new, rapid process for car and home insurance claims via computer and/or smartphone, available to retail customers 24/7.
- In the area of computer security, significant resources have been deployed to secure banking transactions. Messages to raise customer **awareness** are repeatedly included in the remote banking personal spaces, along with permanent content such as the "Security" section. And this year, CIC Lyonnaise de Banque, CIC Nord Ouest and CIC Est organized information sessions on cybercriminality for their customers.

Secure **online banking solutions** (Safetrans, K-sign certificate personal code card, confirmation code sent by SMS or interactive voice service, and mobile confirmation)

are offered for customer authentication for CIC's remote banking services and for conducting sensitive transactions. As part of efforts to combat fraud in online card transactions, customers can suspend the use of their payment card for online transactions for as long as they wish, from their personal web space or mobile applications. A dynamic cryptogram card was also launched at the end of 2017. This card replaces the three digits in the cryptogram printed on the back of the card with a small screen that generates a new code every hour. Given its processing of sensitive banking data and the many services offered, Euro-Information, the IT subsidiary of the Crédit Mutuel CM11 group, is particularly attentive to all aspects of information system security. The system is updated every year to adapt to new risks and strengthen our defenses. An information security management system was deployed in 2016 across all production and hosting sites, which enabled Euro-Information to obtain ISO 27001 certification in 2017.
The basic principles remain the following:

- availability: provide a reliable system with permanent accessibility;
- confidentiality: secure access, processing and data;
- integrity: guarantee data reliability;
- proof: have a traceability and audit system to view actions on the system.

All of these security elements taken together provide the Monético Paiement retail payment solution with annual certification since November 2007, at PCI-DSS level 1 (the highest level of security). This certification guarantees to customers the quality of execution of this solution on the Euro-Information technological infrastructure for storing, processing and transmitting payment card information.

Security of customer personal data and processing compliance are subject to the rules of the French National Commission on Information and Freedoms (CNIL). An IT development representative has been appointed at each site to pilot the changes needed to comply with new European data protection regulations taking effect in 2018. A general project coordinator has been designated at Euro-Information.
Employees are also made aware of the most common types of fraud through training and notes on the intranet, and of the ethical rules that apply, particularly regarding the use of computer applications and messaging. In addition, an IT security newsletter published by Euro-Information is now distributed in the intranet of all group employees. It includes a "Security tip of the week" section for employees.

7 – Subcontracting and suppliers (SOT81)

A significant share of purchases is made through business centers that supply the Crédit Mutuel CM11 group, such as Euro Information, Sofedis and CM-CIC Services.
A Purchasing policy sector policy memo was introduced in 2017. It applies to all purchases of Crédit Mutuel CM11 group entities, for responsible purchasing in the framework of long-term relationships. A supplier charter was also developed to express each supplier's commitment to the group's values in terms of human rights, right to employment, data protection, anti-corruption and the duty of vigilance.
A vigilance plan for the group's activities, and those of its subcontractors and suppliers with whom it has an established commercial relationship, is being drafted and prepared for deployment. It is published in paragraph 6.3.3.
Finally, in accordance with the order of November 3, 2014 on internal control of banking sector, payment service and investment service companies subject to ACPR supervision, outsourced activities are subject to a system of control that is reinforced in the case of the performance of services rated as critical or important. These controls primarily seek to verify contract compliance and assess the quality of services, in particular with respect to providers from outside the group.
Central control functions also conduct regular monitoring of the group's main business supply centers.

For example, the incorporation of CSR criteria in CM-CIC Services general services' dealings with its suppliers translates into the following:

- due diligence requirements and the company's CSR policy included in the drafting of tender specifications;
- the inclusion of analysis grids in tender responses that determine the weight given in the overall quote to companies' responses on environmental and social considerations according to the type of activity, such as cleaning, recycling or front desk;
- the inclusion of employment considerations in monitoring and control reviews in accordance with the French Employment Code (particularly in connection with combating illegal labor);
- specific paragraphs on CSR considerations incorporated into standard contracts;
- an annual requirement for all general services managers with decision-making powers regarding suppliers to declare any gifts valued at €1 or more.

Among suppliers, integration-based companies and companies in the adaptive sector are used in particular for waste collection and recycling.

For Euro Information, the supplier process is part of the ISO 9001 certified quality processes that are monitored and audited by AFAQ (most recent audit in June 2017). The process is written and published and shows the various stages in initiating, contractualizing and managing the supplier relationship.
Under this process, suppliers are assigned categories, of which the main one is "critical and sensitive suppliers" (economic or

strategic importance for Euro Information or for customers). For calls for tender and on a regular basis, the purchasing teams ask these suppliers to provide documents attesting to and describing their CSR approach. In 2017, only two entities in this category did not have a declared CSR approach, due to their size, although they communicate about safety and charitable actions. This process is applied to equipment and software purchasing, and now also to purchases from IT services and computer engineering companies. Regular updates are undertaken.
Euro TVS, a subsidiary of Euro-Information dedicated to digitization and computer processing of documents and means of payment, has also implemented environmental management with ISO 14001 certification.

For entities abroad, Banque de Luxembourg has defined a purchasing policy that includes consideration of environmental and social issues.

III – INVOLVEMENT IN CULTURAL AND SOCIAL LIFE

1 - Sponsorships and partnerships (SOT57)

1.1 Long-term support for cultural and heritage conservation projects (SOT55)

True to its policy of supporting heritage and cultural initiatives, CIC is a founding partner, together with CIC Ouest and Banque Transatlantique, of The Bridge 2017 project, in which a major maritime event was reflected in sports, music and history. This historic event, a commemoration of the centennial of the American landing in Saint-Nazaire in 1917, celebrated 100 years of French-American friendship with a transatlantic race between the Queen Mary II and a fleet of giant trimarans, following the symbolic path of the landing from Saint-Nazaire to New York. This Atlantic crossing highlighted the social upheaval and economic awakening caused by the passage of these millions of soldiers, in particular the explosion of jazz and the arrival of basketball in France.
Since 2003, CIC has been a major partner to Hôtel National des Invalides (Musée de l'Armée), which it actively supports in its heritage initiatives (restoration work) and cultural activities (concerts and musical events), as well as all its temporary exhibitions (in 2017, "France-Germany(s) 1870-1871. War, the Commune, and memories" and "In a soldier's skin. From ancient Rome to today").
CIC is also a founding partner of the Aix-en-Provence Easter Festival, which has become internationally renowned after five iterations and has a strong economic impact locally. CIC has renewed its support through 2022.

In 2017, CIC continued to partner with the France 3 television show *Des racines et des ailes* ("Roots and wings") with 30 topics programmed during the year.It also supports "jaimemonpatrimoine.fr," a website where users can learn about, explore, share and enjoy cultural heritage in all its forms (both tangible – monuments, landscapes, objects, etc. – and intangible – *savoir-faire*, tradition, gastronomy, etc.).

1.2 Support for young artists:

CIC's partnership with Victoires de la Musique Classique helps young virtuosos become known to a wider audience via concerts performed at the Hôtel National des Invalides and numerous venues in France. CIC has also loaned a cello crafted by Francesco Goffriller in 1737 to Ophélie Gaillard since 2005.
For the new five-year cycle of the Easter Festival, to salute and spotlight the action of Michel Lucas, former CIC Chairman and founder of the festival together with Renaud Capuçon and Dominique Bluzet, Nicolas Théry, CIC Chairman and Daniel Baal, CEO, created the CIC Michel Lucas award. This annual award recognizes the talent, excellence and hard work of young musicians from all over France.
CIC Sud Ouest continues to promote contemporary artistic creation and up-and-coming young artists via its support for the Mezzanine Sud award. This prize is offered in collaboration with Abattoirs de Toulouse museum, honoring four young artists from the southwest of France and allowing them to exhibit in the popular Mezzanine Sud space of the Abattoirs.
CIC Nord Ouest has supported the Royaumont Foundation for more than ten years. This foundation offers specialized education opportunities for young artists, and promotes their professional integration via the production of concerts at Royaumont and outside. In 2017 the bank sponsored the Chopin "Cello sonata" concert.

1.3 Patronage and sponsorship initiatives throughout France

Principal regional cultural and sports projects financed in 2017	Beneficiaries	Sponsors/Partners
Fine arts		
"Un été au Havre 2017" event	GIP Le Havre 2017	CIC Nord Ouest
Lille Métropole Museum of Modern, Contemporary and Outsider Art	LAM Lille Métropole	CIC Nord Ouest
"Boisgelou, l'atelie normand de Picasso" exhibit	Rouen Fine Arts Museum	CIC Nord Ouest
"Attention au réel" exhibit	Caen Fine Arts Museum	CIC Nord Ouest
CIC Nord Ouest: support for the creation of the "History of Roubaix" room as part of the expansion of the museum and the Carolyn Carlson exhibit Dubly Douilhet Gestion: promotion and support for the museum's general interest projects and participation in the business salon work.	Roubaix La Piscine – André Diligent Art and Industry Museum	CIC Nord Ouest and Dubly Douilhet Gestion
Scientific and cultural museum project	Pont-Aven Museum	CIC Ouest
Lyon Fine Arts Museum	Saint-Pierre Museum Club	CIC Lyonnaise de Banque
2017 Contemporary Art Biennale	La Biennale de Lyon	CIC Lyonnaise de Banque
Artistic and cultural activities of the Regards de Provence Marseille Museum	Regards de Provence association	CIC Lyonnaise de Banque
Promotion and expansion of the collections of six Luxembourg museums – Production of a reference work and promotional films	Les Amis des Musées	Banque de Luxembourg
Musée Dhondt-Dhaenens exhibit (modern and contemporary art)	Fondation Dhondt-Dhaenens	Banque de Luxembourg
Music		
Musical projects	Lille National Orchestra	CIC Nord Ouest
Support for "Cosi fan tutte" and "Vaisseau Fantôme" and for the "Place aux Jeunes !" youth program	Lille Opera	CIC Nord Ouest
Musical projects	Rhine-Strasbourg National Opera	CIC Est
Besançon Franche-Comté Music Festival	Besançon Music Festival	CIC Est
Colmar International Festival	Colmar Tourism Office – City of Colmar	CIC Est
Classical music festival and cultural events	Les Flâneries Musicales de Reims	CIC Est
Support for the "Youth at the opera" initiatives and video transmission project in the Auvergne Rhône-Alpes region	Lyon Opera	CIC Lyonnaise de Banque
Aix-en-Provence International Festival of Lyric Arts	Association pour le Festival d'Aix-en-Provence	CIC Lyonnaise de Banque
Classical concerts for social, cultural and educational purposes	La Folle Journée de Nantes	CIC Ouest
Funding for certain projects of the Bordeaux National Opera	Arpeggio Association for the promotion of the Bordeaux National Opera	CIC Sud Ouest
Maguelone music festival	Friends of the Maguelone Festival	CIC Sud Ouest
Initiatives to provide access to music to socially disadvantaged, ill, disabled elderly and other persons	Écouter pour mieux s'entendre Foundation	Banque de Luxembourg
Concerts	Philharmonics - Luxembourg Philharmonic Orchestra	Banque de Luxembourg
Tomorrow's theater and circus art		
"Gianni Schicchi" - Théâtre Impérial de Compiègne	Centre d'animation culturelle de Compiègne et du Valois	CIC Nord Ouest
"Le syndrome de l'écossais" performance	Les amis du Théâtre de Cambrai	CIC Nord Ouest
Support for Théâtre-Sénart	Théâtre-Sénart, National stage	CIC Est
International Circus Festival Basel - Young Stage	Young Stage	CIC Suisse
History		
"Les Rendez-vous de l'histoire" Festival in Blois - "L'économie aux Rendez-vous de l'histoire" discussion cycle - Historical novel award - Bank readers' favorite award	Les Rendez-vous de l'Histoire endowment fund	CIC Ouest
Architecture and heritage protection		
Cultural events on the topics of architecture, engineering, town planning and architectural history and heritage as well as other disciplines involved in construction process	Luxembourg Center for Architecture	Banque de Luxembourg
Conservation, restoration and promotion of French architectural and cultural heritage	French Heritage Society	Banque Transatlantique
Cinema		
"Sport, literature and cinema" festival	Institut Lumière	CIC Lyonnaise de Banque
Sarlat film festival	Sarlat film festival	CIC Sud Ouest
Sport		
Cycle race	Les 4 jours CIC Bretagne de Plouay	CIC Ouest
World tennis tournament for age 14 and under	Les Petits As	CIC Sud Ouest

1.4 A responsible commitment (SOT53)

1.4.1 CIC is present through partnerships nationally:

- In the area of solidarity (SOT48): in September 2017, the CIC banks joined in the donation collection campaign organized by Crédit Mutuel to help those impacted by Hurricane Irma. Customers were able to make a donation from their personal space at www.cic.fr. These funds were donated to the Solidarité Crédit Mutuel Antilles association, which decides how to allocate the funds and directly coordinates resources provided in the field.

In projects aimed at developing entrepreneurship among young people:

- as a major partner to WorldSkills France for the eighth consecutive year, for the Olympiades des Métiers competition, which brings together young talents from more than 50 technical, artisanal and service professions every two years.
- CIC continued its partnership with MoovJee (movement for young people and student entrepreneurs), whose "Moovjee Award" supports students who create businesses or have start-up projects with grants and an individual mentoring program;
- CIC also partners with WPROJECT, a key platform for French entrepreneurs abroad.

1.4.2 Partnerships are also formed at regional level.

Examples of partnerships:

- **in health** (prevention, support for research, assistance to patients): CIC Lyonnaise de Banque is a founding patron of Fondation Hospices Civils de Lyon, which achieved French public interest status in 2017 and supports projects that accelerate medical research and innovation, enhance arrival and comfort in the hospital, and support patients and their families beyond treatment. The bank also participated in the construction of the Maison du Répit in 2017, which in a year will be home to patients and individuals with disabilities, and provides its support to the Neurodis Foundation's "CIC - Brain and Mental Health" chair. This chair highlights the link between the brain and psychiatry and seeks to form connections between the neurosciences, mental health and society.

CIC Ouest is a founding member of the Pays de Loire Gene Therapy corporate foundation and is involved with Santé Dige foundation in Nantes to support advances in the treatment of hepatic and digestive illnesses.

Banque Transatlantique is a founding member of the Medical Academy Foundation.

CIC Nord Ouest is engaged in the partnership with the DigestScience foundation to support research on digestive diseases and nutrition.

The Singapore branch supports the Cerebral Palsy Alliance Singapore.

CIC Suisse took part in the development of a talking bracelet for people with vision impairment.

The group's companies sometimes go beyond corporate partnership by encouraging employee involvement in events organized by associations: CIC Nord Ouest team participation in the Foulées de Bondues organized by Ludopital, CIC Est employees at the Marathon du Vignoble d'Alsace for the "Together against melanoma" initiative with the Gustave Roussy Institute. The same is true of employees of Banque Transatlantique who are invited each year to take part in a race benefiting an association they have chosen to support via the Transatlantique Capital Fund. In 2017, their support went to the Primo Levi Center dedicated to caring for victims of torture and political violence who are refugees in France. Banque de Luxembourg contributed, as it does every year, to the success of Fondation Cancer's "Relais pour la Vie" by offering financial support and the volunteer efforts of around 100 employees along with two teams of runners.

- **social**: In 2017, CIC Ouest joined forces with the Toit à Moi association that helps the homeless with housing and integration assistance. CIC Est supported the Les Foulées du Sourire association, which works to combat domestic violence, school violence and indifference. In a different area, CIC Lyonnaise de Banque in 2017 partnered in the renovation of a powerboat owned by the Marseille National Sea Rescue Society and in promoting this organization's initiatives. This bank is also a member of the companies in solidarity with Fondation de France Centre Est, which supports regional initiatives in favor of shared causes, including housing and housing difficulties, better community, etc. CIC Nord Ouest helps purchase new toys for Ludopital. This organization works with the pediatric departments of hospitals in the Nord region, collecting and donating toys and funding improvement projects. CIC Nord Ouest also helps finance projects for Alefpa, an organization serving children and adults experiencing social challenges or with disabilities. Banque de Luxembourg continued its support for the Frienship Luxembourg association, which supports the poorest communities living in the most isolated regions of Bangladesh with medical assistance, an education and good governance program, sustainable economic development, natural disaster prevention and emergency assistance, and river conservation efforts.
- **education**: The CIC group offers its support to projects promoting equal opportunity. CIC Lyonnaise de Banque, for example, participates in the Les Entreprises pour la Cité association's *Déployons nos Elles* program, which seeks to counter stereotypes by helping girls learn about "male" professions. The bank also supported the 2017 "Excellence interviews in Lyon" event, to inform, advise and help orient young people from disadvantaged economic areas. Banque Transatlantique and its endowment fund work with the Abc Domino association, which helps children in the southern villages of Madagascar access education.

In addition, CIC provides support to numerous higher education institutions (SOT44).

It notably partners with teaching programs to promote family entrepreneurship, with a particular focus on sharing best practices for the transmission of family companies, such as:

- Audencia in Nantes with CIC Ouest: "Family Businesses and Society, Between Continuity and Change" chair. Developed with the support of teams from the "Family Businesses and Society" chair, Audencia and CIC Ouest launched a specific continuing education program for young people working in family businesses, for a certificate titled "Future Family Company Manager – Strategy, Governance and CSR";
- ICHEC Brussels Business School: "Families in Business" chair, through which Banque de Luxembourg offers an annual support program for young people from family companies;
- EM Strasbourg: CIC Est is part of the "Young managers of family companies" pathway launched by the school at the end of 2016 and headed up by the Governance and Company Transmission chair.

CIC also supports research and teaching programs on innovation, such as the "Management Innovations: Providing Meaning to Manage Differently" chair at Audencia, with the participation of CIC Ouest.

CIC also takes part in employment forums, shares internship offers with higher education institutions, and trains apprentices. It is attached to the values embodied in sports and supports numerous regional sporting events and organizations.

Partnership may take the form of support for initiatives of secondary establishments, such as Banque de Luxembourg's participation in the Global Issues Network annual conference titled "Facilitating Sustainable Change through Education and Integration," which was held at the International School of Luxembourg (ISL).

- **Integration and reintegration** (SOT45): along with the outsourcing of some work to ESAT centers for employment assistance to disabled workers, CIC has maintained its partnerships with associations that promote integration, including:
  - CIC Nord Ouest's partnership with the Lille Foundation's *Bourses de l'Espoir* ("scholarships of hope" to support the careers and commitments of individuals in the field of education and vocational training as part of an equal opportunity initiative), with Areli Émergence (contributing to the professional and social advancement of deserving students), and its commitment to the Alliances network, which uses its Squad Emploi and networks for sharing best practices to support employment for young graduates from diverse backgrounds.
  - CIC Ouest is a partner to the association 60,000 Rebonds Grand Ouest, which seeks to support and assist entrepreneurs following a bankruptcy, and also positions itself as a permanent laboratory for rebounding after a business failure, with the desire of profoundly changing attitudes towards failure in France. Starting this year the bank is contributing to solidarity employment via the La Similienne athletic association, in particular to sustain subsidized jobs and expand training for young members and volunteers in the basketball section. It also works with Nos Quartiers ont des Talents, an organization that provides effective individualized support to young graduates from disadvantaged backgrounds in finding work.
  - CIC Lyonnaise de Banque supports the Sport dans La Ville association for integration via sports, with its "L dans la Ville" program that supports girls' personal development and professional integration. This program offers a range of events such as dedicated sports activities, cultural outings, exploratory trips and professional encounters. The bank also partners with the Nos Quartiers ont des Talents organization.

- **Emerging projects:** Numerous initiatives were conducted in 2017 in support of business creation and innovation.
  - CIC Lyonnaise de Banque was a partner and founding member of the Enterprise of the Future Congress, which supports small and mid-sized companies with their digital transformation. It partners with the Victoires de l'Innovation, and in September launched a collaborative competition for startups and innovative companies called "Innovating in a changing world," that aims to promote projects that respond to ten defined challenges in the fintech and cybersecurity fields. The partnership with Cuisine du Web, an organization that supports internet and digital entrepreneurship, continued. Together with CM-CIC Investissement, the bank is a founding member of the Émergences de Lyon Foundation, which helps business projects emerge and structure themselves to achieve economic autonomy.
  - CIC Est sponsored the 2017 edition of the Bizz & Buzz digital festival in Alsace, which allows professionals to share experiences and learn to use digital in their own businesses. It was also a part of the Grand Est et Numérique association's Business and Digital - #GEN event;
  - CIC Ouest continued its support for the activities of the Cantine association (formerly Réseau Atlantic 2.0), which brings together web and digital innovation players in the Pays de la Loire region and was a part of the Nantes Digital Week. The bank also participates in events organized by Atlanpole (forum, breakfasts), which works to foster the creation and development of innovative companies with high growth potential.
  - CIC Nord Ouest renewed its partnership with LMI Innovation, which supports and finances innovative company founders in the Nord-Pas-de-Calais region.

- Other forms of assistance to business incubators, and support structures for new business startups are also provided.
  - CIC Nord Ouest formed a partnership with the Eurasanté GIE at the end of 2016 for the Matinales events of the Eurasanté bio incubator, which tracks the creation of innovative companies in the health sector in the Hauts-de-France region.
- CIC Lyonnaise de Banque signed a partnership with Minalogic, global excellence cluster for digital technologies in Auvergne-Rhône-Alpes. It is also an associate member of Lyonbiopôle, a health sector excellence cluster in the Auvergne-Rhône-Alpes region, and in 2017 joined the board of directors of the Lyon French Tech association, whose mission is to strengthen Lyon's positioning as a flagship European city for innovation.
- CIC Ouest is a member of the partners club for the Valorial agri-food excellence cluster.

• **Support for philanthropy**:
  - Banque de Luxembourg devotes most of its corporate sponsorship budget to promoting philanthropy, social entrepreneurship and *impact investing* in the countries in which it does business. Its action primarily takes the form of intentional dialogue with the Luxembourg government on measures for developing an environment in the Grand Duchy that fosters the commitment of every resident to projects for the general good, as well as national awareness initiatives. The bank was recognized by the Swiss Philanthropy Foundation for its commitment to promoting philanthropy. Participants in the Young Leaders Trip organized by the bank for the first time this year also received awards. The goal of this trip to Bangladesh was to invite young family entrepreneurs to explore different dimensions of leadership, by meeting with local family businesses, learning about the work of an NGO with longstanding support from the bank, and holding discussion workshops. Banque de Luxembourg renewed its support for the "Impuls" national social and solidarity business creation pathway.
  - Banque Transatlantique partners with the French Funds and Foundation Center in the Cercle des Fondations Familiales program, to promote individual philanthropy. It organizes events to foster connections among philanthropists, and between donors, foundations and non-profits.
  - As part of the bank's philanthropic development, Banque Transatlantique Belgium has partnered since 2015 with the Saint-Luc Foundation, which funds clinical research, technological innovation and training for specialist physicians and healthcare professionals. In particular, every year it awards the Banque Transatlantique Belgium grant to a researcher to help speed up their research, and it participated in producing a fundraising film for cancer research. This film received a Dauphin d'Argent at the 2017 Cannes Corporate Media & TV Awards Festival, in the "Fundraising, non-profit, CSR" category. The bank regularly communicates on the Saint-Luc Foundation's actions with its customers, partners and employees. Science luncheons and research center tours are organized to involve them in the foundation's events.
  - Events are also held to raise customer awareness around philanthropy, such as that organized this year by CIC Lyonnaise de Banque with La Fondation des Apprentis d'Auteuil on the topic of "Entrepreneur philanthropist and philanthropist entrepreneur."

• **Environmental protection** (SOT46)
  - Banque Transatlantique is a donor to Océanides, a scientific, educational and humanist project that aims to provide scientific evidence that the oceans are at the heart of political, economic and social challenges, to enrich global maritime policy and to train future generations.

1.5 Skills contributions (SOT58)

The group practices skills contributions: CIC-Lyonnaise de Banque managers sponsor youth in the "L dans la ville" program. In 2017, some employees also took part in the "Take a banker to school" initiative, a financial education workshop.

Banque de Luxembourg employees involved in solidarity and education projects can apply to the bank's *hëllef hëllefen* (helping to help) committee for a subsidy. Banque de Luxembourg is generally attentive in all its partnerships to maintaining a balance between financial support and skills donations. This approach has benefited the following associations in the areas of governance, communication, *fundraising* and *risk management*: Luxembourg Red Cross, Luxembourg Center for Architecture, Fondation Écouter pour Mieux s'Entendre and the NGO Friendship Luxembourg. For the Banque Transatlantique Solidarity Days, 32 bank employees took part in a mutual assistance day with the Aurore organization and the Télémaque Institute, on the topics of integration and equal opportunity in education.

1.6 Sponsorships also bring benefits to employees

Both nationally and regionally, employees can take advantage of free tours or reduced rates with sponsored organizations:

• free access to the Hôtel National des Invalides (permanent collections of the Musée de l'Armée, temporary exhibits, the Dome Church, Napoleon I's tomb, etc.) and special rates for Easter Festival concerts for all CIC group employees;
• free access to the exhibits at the Musée de la Piscine de Roubaix for CIC Nord Ouest employees and their families, and free passes to two concerts at Opéra National de Lille;
• free access for Banque de Luxembourg employees to museums located within the city of Luxembourg and their activities (exhibit openings, guided tours, etc.);
• reduced rates for CIC Lyonnaise de Banque employees to attend performances as part of Opéra de Lyon sponsorship, etc.

- Partnerships may also result in exhibits or an art work being displayed at the bank. In 2017, at the initiative of the Lyon BD Festival, of which CIC Lyonnaise de Banque is a sponsor, an exhibit presenting the work of graphic novelists was held at the bank's headquarters. For the 14th Lyon Contemporary Art Biennale, the totemic work "Le bozart baz'art" by Ben was also exhibited at the bank,
- Lastly, meetings may be organized between employees and the associations.

2 - Support banking accessibility

Efforts to promote accessibility focus on:

- banking products and services and support for people in financial difficulty (mentioned above in the section on responsible products).
- access to banks: updating branches that are not yet accessible to people with disabilities (in accordance with regulations, a public accessibility registry was installed at branches on October 1, 2017 to inform the public of the premises' level of accessibility and of the measures taken to allow everyone, in particular people with disabilities, to access services at the branch), adapting ATMs to people with vision impairments, with almost 99% of ATMs now accessible, provision of bank statements in braille, designing bank and subsidiary websites to be accessible to all.

The website is also designed for universal accessibility, including by the elderly, people with disabilities and people with functional differences.

A remote sign language interpretation service is available to customers with hearing impairment. Operators assist customers free of charge via *chat* or video to connect with the services they need. Customers can take advantage of this assistance in the branch using the mobile app. As part of its engagement on behalf of people who are deaf and hard of hearing, CIC Sud Ouest was a 2017 partner to the "What's up Doc?" European Forum of Sign Language Interpreters, organized by the French association of sign language interpreters and translators (AFILS) in Toulouse.

In another area, CIC adheres to the common designation applied to the main bank charges and services set out in the Decree of March 27, 2014, which aims to simplify consumer access to price information.

In addition to the rate schedule, glossaries from the financial sector consultation committee and financial education guides ("The keys to the bank") from the Fédération Bancaire Française can be accessed at the cic.fr website.

3 - Countering banking exclusion and support for microfinance

The six banks each provide ADIE with an annual credit line of €800,000 to finance micro-entrepreneurs. In 2017, CIC also took part in the microcredit week and contributed to ADIE's support for micro-entrepreneurs.

The CIC group is also a partner to the Initiative network. This year, CIC Ouest assisted Initiative Pays de Loire in creating a new loan fund more specifically dedicated to financing company transmissions and acquisitions.

Banque de Luxembourg participated in European Microfinance Week 2017, an event for microfinance professionals. It is also the main private-sector supporter of the ADA association supporting autonomous development, which plays a driving role in promoting microfinance in the Grand Duchy.

4 - Human rights (SOT82)

CIC is committed to maintaining human rights, in particular the rights covered by the main ILO conventions (see 4.5 of section I "Responsible human resources management" and 6.1.7 on the protection of customers' personal information in Section II "A responsible economic player").

CIC Est partners with the Regards d'Enfants association whose purpose is to provide children with information, training and education in citizenship and human rights. The bank supported the "Celebrating human rights together" contest in 2017. Young people were invited to express their vision of human rights.

Other actions in the area of solidarity, health, social issues and education were undertaken by CIC in 2017 (see 1.4 "Responsible commitment" of the "Involvement in cultural and social life" section).

IV – AN ENVIRONMENTALLY FRIENDLY APPROACH

(ENV01) The approach taken by the Crédit Mutuel CM11 group, described on page 319, comprises two group commitments in the environmental arena:

- reducing the group's environmental impact;
- promoting quality products and responsible services.

The "Eco-citizens at work" space rolled out at the end of 2017 on the intranets of the banks and some subsidiaries encourages employees to apply best practices in protecting the environment. Alongside this approach, working groups are also sometimes formed in CIC entities and lead to internal initiatives, in particular employee awareness actions during meetings or via memos, intranet videos or internal newsletter messaging. Due to a highly decentralized organization, at this time, the calculation of human resources devoted to CSR can be approximate only.

1 – Reducing the direct environmental footprint

The Crédit Mutuel-CM11 group of which CIC is a part is a signatory of the Paris Pledge for Action on climate, and therefore works to support a safe and stable climate in which the rise in temperature is limited to less than two degrees Celsius.

In accordance with regulations, CIC, CIC Nord Ouest, CIC Ouest, CIC Lyonnaise de Banque, CIC Est, and CIC Sud Ouest published a second greenhouse gas (GHG) emissions report covering the year 2014 in December 2015 at: https://www.cic.fr/cic/fr/banques/le-cic/institutionnel/publications/responsabilite-societale-de-l-entreprise.html

GHG emissions calculated primarily concern direct energy consumption (scope 1) and indirect consumption (scope 2). Concerning other indirect emissions (scope 3), only paper consumption is currently included in the calculations.

The "operational control" method is used for all member entities of the Crédit Mutuel CM11 group concerned.

CIC's greenhouse gas emissions report is not consolidated.

Greenhouse gas reduction targets were revised to 5% for the next three years in view of the measures already taken.

These targets may be part of longer term regional commitments: for example, in 2017 the Saint-Étienne regional management of CIC Lyonnaise de Banque signed the charter committing to the Saint-Étienne regional climate plan (PCET). This plan seeks to lower greenhouse gas (GHG) emissions:

- by mitigating climate change in particular by reducing GHG emissions in the region by at least 20% by 2020,
- and by adapting to climate change by reducing the region's vulnerability to climate change effects.

The approach is based on an eco-responsibility charter at the level of regional management.

To reduce the direct impact of its activities, CIC is committed to:

1.1 Measuring and reducing or optimizing energy consumption in buildings (ENV03)

CM-CIC Services continued work to optimize electricity consumption in the buildings under its purview. Modifications of the building centralized technical management tool developed by CM-CIC Services and Euro-Information are being considered, with a view in particular to supporting better centralization of consumption data, so as to make improvements to those aspects of the infrastructure that most need them.

Furthermore, in accordance with French Act 2013-619 of July 16, 2013, introducing an obligation for large companies to carry out a first energy audit no later than December 5, 2015, CM-CIC Services Immobilier arranged for energy audits to be performed in 2015 on 111 branches and 27 central buildings of the CIC banks and Banque Transatlantique. They were submitted to the ADEME platform in 2016 (ENV41). Some of the recommended actions are measures that have already been mentioned above: a switch to LED lighting, heating and cooling systems, temperature control, timers for air handling units and economic computer management, etc. A study was conducted in late 2017 to measure the impacts of introducing an ISO 50001 certified energy management system.

During major renovations, the laws, regulations and standards in force are applied and the energy systems are reviewed. Heat distribution, roof insulation, roof repair work and the installation of double flow ventilation are also planned. In this way, the expansion of the CIC Nord Ouest headquarters should also lead to certification of the new building. In addition to RT 2012 thermal regulation compliance, the building will receive thermal certifications from outside organizations: BBC Rénovation low consumption building certification for the existing portions, and Effinergie+ certification for the new additions and the new fifth floor extension.

No HQE certification is planned, but close attention will be paid to the HQE targets for:

- low impact construction (demolition waste, construction waste, acoustics),
- and user comfort (thermal, acoustic, visual),

with technical specifications included in the project definition.

The environmental footprint of new buildings is taken into account when units are moved. In 2017, the factoring and leasing branches, including CM-CIC Factor and CM-CIC Bail, respectively, and the reception platforms including CIC Acceuil, were grouped together and moved into a new tower equipped with air purifiers instead of air conditioning, automatic lighting and low energy bulbs. This tower is certified HQE, Passport Excellent service buildings, BBC RT 2005, RT2012 compliant and BREEAM Very Good.

(ENV40) Consumption of renewable or "green" energy is expanding primarily via the use of urban heat and cold networks. For some CIC headquarters buildings (Gaillon buildings), a feasibility study is underway for connection to the Climespace network. Connections to this network already exist in the Paris region, northern France (Lille, Roubaix) and Nantes. At Banque de Luxembourg, all of the energy used by its buildings comes from renewable sources (hydroelectric and wind power), and at the CIC Lyonnaise de Banque head office the geothermal equipment is serviced regularly to improve its efficiency (ENV38).

Additional systems have been implemented to reduce energy consumption: lighting presence detectors, replacement of floor lamps, ceiling or emergency exit sign lighting with LED-based systems, etc. Nighttime building lighting complies with requirements for turning off lighting systems (French decree no. 2012-118 of January 30, 2012 on outdoor advertising and signage) and in some branches, certain electrical circuits (lighting, electrical outlets) are programmed to turn off at night and over weekends.

Employees are also called to contribute to good energy management in the buildings they occupy, such as through rapid notification of AC issues and by respecting the rules for keeping offices cool.

The process for automatically turning off branch computer monitors at night, which has been in place since 2015, was reviewed in 2017. Powering up, which was automatic, will become manual. Automatic nighttime extinguishing of computer monitors at headquarters is also being studied.
Since 2013 the hardware selected and approved by Euro-Information has been monitored and compared on energy performance. The new hardware installed by Euro-Information Services is both more efficient and consumes fewer resources. Around 20% of the hardware base is upgraded each year.

1.2. Travel optimization (ENV37)

Corporate commute plans exist in several CIC group entities, including CIC Ouest for the Nantes headquarters (commute plan jointly adopted with other Crédit Mutuel-CM11 entities), CIC Nord-Ouest for the Lille urban area reviewed in 2015, and CIC Lyonnaise de Banque.

- At CIC Est, a comprehensive intranet section on "Working in Wacken" is partly devoted to the corporate commute plan (limited to the Wacken head office in Strasbourg) and initiatives to promote cycling, public transport and carpooling. Elsewhere, for travel between work and home, the use of public transportation, bicycles and carpooling is encouraged. Incentives are in place at Banque de Luxembourg to encourage the use of public transport. The group's other entities of more than 100 employees developed a mobility plan in 2017 as part of an urban commuter plan, in compliance with the requirements of Article 51 of the French Energy Transition for Green Growth Act of August 17, 2015.

The tax on private vehicles in the CIC and regional banks scope continues to fall (-2%). The CO_2 emission rate for the automobile fleet is decreasing (-2.5% in one year). The group's corporate vehicle charter was reviewed in 2017. Environmental aspects were integrated: considering all energy variants in choosing vehicles, including electric and some hybrid models, creation of an "SMR" ecology bonus of €3,000 for clean cars (hybrid and electric), and capping vehicle CO_2 emissions.
Electric charging stations are available in the parking areas for electric and rechargeable hybrid vehicles.

On-line conferences and unified communication tools also help to limit travel. Employees can use Skype to organize or take part in videoconferences directly from their workstations. With respect to training, self-training modules enable employees to receive training at their workstations, without the need to travel.

In terms of mail transport, Crédit Mutuel-CM11 group is a major user of La Poste's "green" mailing options (i.e. postal service that does not use air transportation or night work). Sixty-nine percent of the mail of group entities whose mail is managed by CM-CIC Services was green stamped in 2017. Intersite shuttles between group entities have been reduced by pooling certain transport.

1.3. Reducing resource consumption (ENV39)

Given its business, CIC's actions are focused on:

- **water consumption**: open water circuit air conditioning systems are replaced whenever possible to streamline water consumption. Other systems continue to be used: presence detectors, restricted water flow, water fountains connected to faucets rather than tanks that have to be transported, fitting diffusers on faucets, introduction of an automated sprinkling system with moisture sensors to optimize watering across all green spaces, etc. Educating employees to detect abnormal water consumption (rapid notification and repair of leaks, notification of abnormally high bills) is another method used.
- **paper and ink consumption**: internally through two-sided and black and white default configuration for document printing, electronic document management, switching to individual network printers, and dual screens at certain workstations to work directly on digital documents. Employees are also made aware of the use of recycled paper

via intranet. This is highlighted the Sofedis group purchasing platform catalogue. In 2017, deployment of the WATCHDOC printing management software began with multifunction copiers and network printers. This system aims to simplify management of the printer base, as well as measure the environmental footprint of this activity that consumes natural resources, and help users be accountable for their environmental impact with personalized data.

Most group employees have opted for electronic pay slips (93.7% are now paperless compared with 92.2% one year earlier). The Individual Employment Benefit Report and meal vouchers, as well as the internal magazine *#Initiatives* have also been made paperless (ENV43).

Intragroup supplier invoices are also kept in electronic form for viewing in an internal group application (FACTUR). Invoices for public sector customers (government, local municipalities, public administrations) are now required to be paperless. For other suppliers, digitization of invoices is gradually expanding.

Electronic account statements continue to gain ground over paper statements for customers and employees, thanks to specific initiatives targeting customers. Since June 2016, new customer accounts are automatically signed up for online statements instead of paper statements. Replacing paper copies and statements with digital versions available online led to an almost 50% reduction in the use of paper as at end-December 2017, compared with 42% at end-December 2016. Lastly, customers who want to keep their paper statements are encouraged to have statements for all members of a family or of a third party or group of third parties in a single envelope, and to optimize scheduling of bank statement distribution. The rate of streamlined postal envelopes was 62.4% for the banking network at the end of 2017.

The expansion of remote services and the possibility of using electronic signatures, including in the branches, offer new opportunities for reducing paper consumption. Signed and attached documents are archived electronically (EDM) and in the customer's remote banking center ("Documents and contracts").

CIC also offers solutions for professionals and businesses to help reduce paper consumption, such as:

- SEPAMail RUBIS (universal immediate bank payment & SEPA) offers customer companies who issue invoices a service for distributing invoices electronically, with a file of payable invoices generated using the SEPAMail standard, and offers customers receiving the invoice a solution for confirming acceptance or rejection of invoices received, associated with automatic payment by bank transfer.
- The electronic services package offered by CM-CIC Factor, the subsidiary specialized in receivables management and factoring. Its offer for small and mid-sized companies includes 100% digitized and secure management of their accounts receivable.
- the Monetico Resto card (payment card replacing paper restaurant vouchers),

Lastly, the extension of the lifetime of all CIC cards from two to three years notably results in a reduction in plastic consumption.

Some publications for customers are also paperless and available in the customer webspace.

1.4. Waste re-use and management (ENV39)

Initiatives are also implemented to encourage the use of recycled, PEFC or FSC certified paper. Since mid-2015, small-format checkbooks have been manufactured using FSC mix paper (representing 241 tons of FSC mix paper in 2017).

Recycling and waste sorting (paper, cartridges, metal, glass, plastic) continue to expand. In 2017, CM-CIC Services continued to deploy a waste and equipment recycling optimization policy at collection points at all central sites and in the CIC networks that it serves:

- standardization of removal containers, globalized removal for all types of waste (compost, glass, plastic, metal, plastic films), with a single provider for removal and recycling at CIC Est;
- replacement of individual baskets with voluntary drop-off points with six bins (paper, household waste, cups, metal cans, empty ink cartridges) in the CIC Nord Ouest headquarters temporary buildings;
- introduction of voluntary sorting at headquarters and the entire network of CIC Lyonnaise de Banque, with specific stations and trash containers replaced by mini trash cans. Used paper and cartridges are collected and recycled at all branches and at headquarters; the same is true of cans, cups and plastic bottles at headquarters and some central sites.
- rollout of selective sorting, first in the branches, with different procedures for paper, regular industrial waste, cardboard and ink cartridges, at CIC Sud Ouest.
- replacing plastic cups with reusable mugs is also under study for the central sites. Mugs are already used with hot beverage machines at CIC Ouest.

- meanwhile, Banque de Luxembourg's national SuperDreckskëscht waste management certification was renewed (annual audit). This quality label is recognized by the European Commission, which awarded it the "Best practice" label in the area of natural resources safeguarding and climate protection.

Electrical and electronic equipment waste is processed in accordance with the requirements stipulated by French decree 2016-288 of March 10, 2016.

Concerning recycling of computer equipment, Euro Information Services uses parts from decommissioned equipment to extend the life of older equipment that is still in use. The resale of the various product ranges that are still re-usable is organized on an ad hoc basis via a *broker*. A recycling solution is offered for telephones sold to customers. Euro-Information conducts annual monitoring of end of life management for all equipment, by type of action applied: resale, destruction, refurbishment, awaiting allocation.

The share of equipment refurbished by Euro-Information for CIC group entities for which it is responsible, compared with broken, destroyed or returned equipment, was 33% in 2017 as in 2016.

The obligation to recycle is also a concern for CM-CIC Service Immobilier, which has incorporated it into standard maintenance contracts for elevating devices. The service provider must supply the reprocessing slip for Waste from Electrical and Electronic Equipment (W3E) and Special Industrial Waste (new equipment packaging, aerosol cans, adhesives and sealants and paint residues).

Food waste: most of the restaurants in the central buildings are managed by corporate catering companies. The different waste containers are clearly marked and made available to employees for sorting. At CIC Est, organic waste is now composted, and at Banque de Luxembourg, food waste is collected and processed in a biogas installation.

1.5. Food waste (ENV54)

Most food services are provided by catering companies, so CIC has little direct interaction with food waste. However, new habits are spreading in this area with the catering providers taking greater note of employee expectations to prevent waste. Most food is portioned for a single individual, and the rapid preparation of small volumes of food helps adapt the offer to demand as meal service comes to a close. Catering orders are also adapted to the number of guests.

2 - Actions vis-à-vis suppliers (ENV42)

Particular attention is paid to the CSR policy of

- direct suppliers;
  - PEFC certification (a forest certification program that promotes sustainable forest management) for printers, some of which are also Imprim'Vert certified, which requires implementing actions to reduce the environmental impacts of their business activities (use of recycled paper);
  - and development of electronic billing.
- Via group business centers such as logistics or IT (see paragraph 7 of section II). Suppliers are asked to provide documentation supporting the use of a CSR approach. For example, suppliers' CSR policy is included in the annex to contracts with airline companies.

However, in light of economic and technical constraints, the CSR policy of suppliers cannot in all cases be a decisive factor in the choice of suppliers.

3 - Measures taken to directly limit environmental impacts: protection of the natural environment, discharges into the air, water and soil, noise pollution, offensive odors and waste (ENV45)

Numerous initiatives have been taken in terms of the CIC group's own operations, such as paper and ink cartridge recycling, waste sorting, and the addition of heat and sound insulation when air conditioning is installed, along with internal awareness initiatives directed towards employees. Such initiatives also target customers.

Lastly, use of the municipal heating and cooling networks is increasing and allows access to local renewable and recovered energy.

4 - General environmental policy: ground use (ENV49)

The group does not carry out any specific actions in this area.

5 - Measures taken to develop and preserve biodiversity (ENV50)

In-house, CIC contributes to protecting biodiversity via its purchasing policy (use of recyclable paper and green cleaning products), by reducing resource consumption (water management, paperless documents) and recycling (in particular paper, ink cartridges, collection of customers' used telephones in the branches).

In 2017 as in 2016, at CIC Lyonnaise de Banque, every new customer subscription to online statements resulted in a €2 donation to the association Cœur de Forêt to plant 15,000 trees in Madagascar. The types of tree to be planted were selected for their usefulness and added value.

Biodiversity protection is also taken into consideration in property management, for example at Banque de Luxembourg (green roof at the Royal site, delayed cutting of green spaces, etc.) or at CIC Lyonnaise de Banque (planting of indigenous species with low water needs at the Marseille Prado site).

In 2017, CM-CIC Investissement supported the Beauval zoo with research and animal conservation efforts.

Support for associations that work to protect biodiversity is another action area (see paragraph 1.4.2 - Environmental protection in section III).

At the level of the business lines, employment and environmental criteria are considered in the financing of large projects (respect for protected zones) and in investments made by CM-CIC Investissement and its subsidiaries, signatories of the AFIC Charter and thus committed to, among other things, promoting the establishment of best practices in protecting ecosystems and biodiversity in certain sectors. For example: CM-CIC Innovation's support for a company whose goal is to produce para-petroleum molecules (isobutene) from renewable resources, and in particular from non-food agricultural sources, or CM-CIC Investissement's support for companies specialized in collecting, sorting and recycling waste.

The SRI equity fund CM-CIC Objectif Environnement and the Green Bonds fund described in paragraph 6.3 are also a response to the preservation of biodiversity.

6 - Climate change and CIC businesses

CIC is involved in the climate change initiative undertaken by members of the Paris financial community, on which a statement was made at "Climate Finance Day" on May 22, 2015, seconded by another declaration on June 29, 2016 by the "Paris Green Financial Center".

6.1 Greenhouse gas emissions generated by the business (ENV51)

Until 2015, no quantification of GHG emissions was carried out for any of CIC's activities. In 2017, in accordance with Article 173 IV of the French Energy Transition Act, the ACMs and CM-CIC Asset Management disclosed within the deadlines, to their insured customers and in their annual report, the ways in which ESG (environment, social and governance) issues are taken into account in their investment policy, and notably as part of the "Environment" facet about measurement of greenhouse gas emissions for assets in the portfolio. GHG emissions generated indirectly by the other businesses (retail banking, financing and capital markets, private banking and growth equity) are not measured due to the difficulties encountered in developing a quantification method.

However, the breakdown of exposures by sector found in the section on information concerning Pillar 3 of Basel III in the 2017 registration document shows that CIC has a limited presence in very polluting activities (oil and gas, raw materials, industrial transport, building and construction equipment).

Measuring the environmental and carbon footprint and managing and reducing environmental impacts are among the questions addressed in the CSR questionnaire that CM-CIC Investissement submits to some of the companies in its portfolio (see paragraph 5.4 of section II). For project financing, environmental impact is included in project selection and monitoring.
Lastly, two key economic sectors producing GHG emissions (mining and coal-fired power plants) are addressed in sector memos.

6.2 Financial risks of climate change (ENV52)

Climate change exposes CIC, as it does the entire financial sector, to:

- physical risks resulting from natural disaster (100-year flooding, storm, hurricane, tornado, typhoon, earthquake) and environmental or accidental risks occurring as a result of a natural disaster (pollution, rupture of a dam, major fire, Seveso, nuclear catastrophe);
- transition risks that include risks caused by the transition to a low-carbon economy and are sectoral;
- reputation risk.

Beyond the physical impact on its own operations, the following impacts are also identified:

- risk of default by borrowers: for the retail bank and corporate banking (key accounts, project financing);
- risk of asset impairment for the investment bank and market transactions (bond issues), asset management and property and health insurance activities;
- risk of liability: from flawed advice and litigation related to fiduciary responsibility (asset management, insurance activities).

Physical risks have consequences in terms of operational risks:

- direct: on the bank's assets (real estate, vehicle fleet, etc.);
- derivative: on the bank's businesses (customers and on its own behalf).

Types of possible losses include in particular:
- loss of value of a real estate property or the cost of maintaining its value (cost of reconstruction, repair, impairment or loss of inventory, cost of soil decontamination);
- human losses (health, safety);
- financial losses (decreased or disrupted business, assessment fees);
- loss of income.

Transition risks result from the adjustments made to prepare for the transition to a low-carbon economy, in particular when these are incorrectly anticipated or occur suddenly. These risks are related to the new regulatory requirements.
Transition risks have consequences such as financial sanctions, in terms of operational risks.

All of these risks related to climate change are covered by an analysis to help understand the Crédit Mutuel group's exposure and evaluate the financial consequences. Potential consequences may be reduced thanks to PUPA[1] and mitigation measures (such as rational and diversified installations); they are also considered when calculating capital requirements for operational risk.

The Crédit Mutuel group's exposures in polluting sectors are identified since December 31, 2017 in the quarterly tracking by the CNCM risk department (general mining activities, coal and lignite extraction, coal, retail coal sales). Starting in 2017, the Crédit Mutuel group began mapping operational risks to climate risk, with the aim of describing risks related to the climate, understanding the group's exposure to these risks and evaluating their financial consequences. This cross-organizational mapping is based on data sourced primarily from mapping for real estate and other material assets, logistics and information systems.

The Crédit Mutuel group's exposures in polluting sectors are identified since December 31, 2017 in the quarterly tracking by the risk department of Confédération Nationale du Crédit Mutuel: general mining activities (ICB 017075), coal and lignite extraction (NACE 0510Z and NACE 0520Z), coal (ICB 017071), retail coal sales (NACE 4778B).
For the CIC group, the exposure to polluting sectors represented 0.12% of total gross customer exposures (consolidated scope – Basel calculator) at 12/31/17.

These business sectors are also subject to monitoring of national sectoral limits, a system that is part of the Crédit Mutuel group's risk monitoring and management and which is applied within each regional group.

(1) Emergency and business continuity plans (French acronym).

General mining activities, coal and lignite extraction and coal are included in the Oil & Gas sector, raw materials whose sectoral limit is 4%. Retail coal sales are included in the Distribution sector whose sectoral limit is 6%.

6.3 Adapting to the consequences of climate change (ENV53)
This adaptation involves supporting customers with their climate transition personally or via their professional activities.

– For individuals, CIC offers financing solutions to reduce energy consumption and gain access to renewable energies for their homes (section II.3.1) and insurance offers that support reduced fuel consumption (section II.2.4).
  CIC also offers SRI funds via employee savings plans (section II - paragraph 2.1), in particular:
  - the CM-CIC Objectif Environnement funds, which invest in companies that pay careful attention to the environmental footprint of their production methods and to the environmental value added of their products and services as well as to their corporate governance and labor issues.
  - and the CM-CIC TEEC certified Green Bonds, for which CM-CIC AM defined its own analysis model including ESG criteria for selecting its bonds in compliance with the Green Bonds Principles.

In the area of prevention, natural disasters (flooding, mudslide, avalanche, collapse, landslide) are covered by the multi-risk home insurance policies offered.

– For businesses, CIC finances projects for professionals, small businesses and large companies, concerning renewable energies or generating energy savings (section II - paragraphs 3.2, 3.3 and 5.1 and section IV paragraph 5) and fuel savings (section II - paragraph 3.1).
  In the area of prevention, a "harvest insurance" is offered to farmers to enable them to stay in business in case of a weather event (drought, hail, storm, frost, excess water).
  Supporting companies with their energy transition also takes the form of partnerships, such as that signed by CIC Est with the Vehicle of the Future cluster. This excellence cluster in the Alsace and Franche-Comté regions brings together industrial, academic and education players in the fields of future vehicles and mobility. One of its missions is to stimulate innovation via collaborative research and development projects, and to move them towards the automobile component, electric vehicle, hydrogen vehicle, recycling and mobility services markets.
  In terms of major projects, financing of equipment for renewable energy development is on the rise (see section II – paragraph 5.1).

- via its investments in innovative companies, CM-CIC Investissement and its subsidiaries also assist companies with their energy transition, for example:
- a company that offers next-generation lighting solutions and services based on low-energy LED technology (CM-CIC Innovation participation);
- an internet operator dedicated to SMEs which designed the first high ecological density data center reducing energy consumption by almost 35%, and is a member of the AGIT (Alliance Green IT) association for responsible IT (CM-CIC Capital Privé participation).

The application of Article 173 of the French Green Growth Energy Transition Act is also a factor that strengthens the action of CM-CIC AM and the ACMs to support companies' efforts to improve their environmental practices. For CM-CIC AM (signatory of the PRI and member of the water program of the CDP – formerly the Carbon Disclosure Project – associated with its carbon and forest programs), this results in particular in an approach of enhanced dialogue and shareholder engagement around climate and environment issues.

– Institutional investor customers have the option of investing in SRI funds (like associations) and in the CM-CIC Objectif Environnement CM-CIC Green Bonds funds.

– CIC has owned a stake since 2016 in the Méridiam Energy Transition fund, a pioneering long-term investment fund (15-20 years) dedicated to the energy transition. This fund, which raised €425 million from institutional investors, aims to finance projects of all sizes in the energy efficiency sector: public and private energy performance contracts, for local energy services (urban heat networks, waste-to-energy facilities), electrical and gas networks (smart meters, connections with bordering countries) and renewable energy projects (small hydraulic plants, floating wind power).
  In addition, actions conducted by the CIC businesses to protect biodiversity (section IV.5) can also contribute to attenuating climate change.

In second-half 2016, the group also contributed to the creation of the FBF brochure on "Successful energy transition financing" that defends the Green Supporting Factor, which recommends introducing an abatement factor in prudential regulations applicable to capital requirements associated with exposures to assets that favor the energy transition. Beneficiaries might be: financing or investments with counterparties whose activity involves energy transition, and financing or investments whose purpose is also in the field of energy transition.

V - GOVERNANCE

Governance aspects are discussed in the "Corporate governance" section of the CIC group's 2017 annual report.
Various indicators supplement the approach on page 365.

INDICATORS

I - METHODOLOGY

Generating CSR indicators is part of a larger process of obtaining information and communicating about the actions of CIC entities and their contributions to society in general.
CIC uses a measurement and *reporting* methodology that was prepared and updated by a national social and environmental responsibility working group that includes the various Crédit Mutuel regional federations and principal subsidiaries of the Crédit Mutuel group.

This methodology establishes the rules for collecting, calculating and aggregating indicators, determining their scope and deciding on controls to be carried out.

In particular, the process adopted for the methodology is based on:
- Article 225 of the French Grenelle II Act,
- French order of July 12, 2017 containing diverse measures to simplify and clarify information requirements for companies,
- the French NRE Act,
- Article 173 of the French Green Growth Energy Transition Act,
- producing greenhouse gas emission reports (French decree 2011-829 of July 11, 2011),
- the ILO,
- OECD guidelines,
- the Global Reporting Initiative (GRI),
- the Global Compact (member since 2003),
- the Principles for Responsible Investment (PRI),
- the transparency code of the French Financial Management Association – Responsible Investment Forum (AFG-FIR),
- the stamp of approval granted by the Inter-Union Employee Savings Plan Committee (CIES),
- public sector certification (ISR),
- Finansol certification for solidarity products,
- regular exchanges with stakeholders.

Requirements focus on four major areas:

Employment
- jobs;
- organization of working time;
- labor relations;
- health and safety;
- training;
- diversity and equal opportunity;
- promotion of and compliance with the provisions of the ILO's fundamental conventions in employment matters.

Social issues:
- geographical, economic and social impacts of the company's business;
- relationships with persons or organizations affected by business activities;
- subcontracting and suppliers;
- fair operating practices;
- other actions taken to promote human rights.

The environment:
- general policy on environmental matters;
- pollution and waste management;
- sustainable use of resources;
- energy consumption, measures taken to improve energy efficiency;
- climate change;
- preservation of biodiversity.

Governance

Reference periods for data collected:

Data corresponds to the calendar year.

Scopes and principal management rules

A tool is used for quantitative data collection. However, for certain indicators where the information collected was not deemed sufficiently reliable or was unavailable, it was considered preferable to list no data at all.

Employment indicators

The entities included in the scope are:
- mainland France CIC;
- banks and consolidated French subsidiaries,
- Banque de Luxembourg.

This scope covers 96% of the CIC group consolidated reporting scope employees.
Employment data is taken from the group's HR information system.
Most indicators concerning the workforce are expressed in numbers of employees "recorded" on the payroll.
Indicators include employees under all types of employment contracts, including summer worker contracts and contracts of service staff not covered by the AFB collective bargaining agreement.

Social indicators

The scope includes the banking network, Banque Transatlantique and Banque de Luxembourg.

Figures are taken from the group's management control information system CGW, except data on microloans (sources: France Active Garantie and France Initiative Network), data monitored by the Savings division of Euro Information Développement (donations made to associations pursuant to interest-paid-to-charity savings accounts (LEA)) and data on the work of the ombudsman taken from the SARA tool.
The patronage and *sponsorships* budgets have been calculated by inventorying the budgets of the various entities within the scope.

Environmental indicators

The scope includes:
- mainland France CIC;
- banks and consolidated French subsidiaries,
- Banque de Luxembourg.

Data on:

- water and energy: information for tracking energy and water consumption was not available for all CIC group buildings, in particular at the branch level; therefore a calculation system was utilized by CM-CIC Services to estimate consumption where necessary. Extrapolation was used to supplement:
- missing monthly consumption information (proportional to the months entered into the CONSOS tool);
- consumption missing from some meters (average consumption per square meter multiplied by the building surface area). In this way, 27% of the CIC group's total energy consumption is estimated, and 56% of its water consumption. In most cases, published data covers the period from November 1, 2016 to October 31, 2017.
- paper consumption for in-house use: this is calculated on the basis of information provided by Sofedis (the Crédit Mutuel-CM11 group's purchasing platform), CM-CIC Services for photocopying activities, external suppliers, if applicable, and the department in charge of magazine subscriptions for the CM group.
- paper consumption for external use: aside from Sofedis data, information transmitted by the entities of the group IT division is included: Euro-Information Production and Euro P3C (mailing of checkbooks, credit cards and account statements) and other suppliers, in particular with respect to the preparation of communication documents.
- travel: the number of kilometers traveled by the automobile fleets and the liters of diesel and gasoline consumed by these fleets were estimated using information provided by CM-CIC Services, which manages the fleets, on the basis of data obtained from fuel payment cards and internal monitoring actions by the fuel-consuming entities.

Energy consumption reduction objectives and actions planned to continue reducing energy consumption mainly involve the continuation of the following:

- optimizing energy consumption in the buildings based in particular on the recommendations arising from the energy audits carried out in 2015, and setting up computer shutdown and restart in the head office (after the branches);
- paperless documents and the use of electronic signatures in the branches for the signing of contracts by customers;
- making travel more efficient with a vehicle charter that favors vehicles with environmental incentives and the lowest CO_2 emission rates.

The company has already taken the following actions:

- providing information to employees to develop environmentally aware behavior. (best practice guide on the use of lighting, heating and air conditioning temperature control, etc.);
- incorporating energy issues into the design of our new branches in compliance with standards in force, as well as when older branches are refurbished;
- use of lighting systems that consume less energy and gradual replacement of standard light bulbs with energy efficient light bulbs;
- for paper: encouraging account statements and other documents to be sent electronically to customers; promoting use of the website and expanding the range of services available on the site; encouraging email exchanges with our customers; expanding use of electronic documents in-house (EDM), and use of printers able to print on both sides of the page;
- regarding the automobile fleet, attention should be given to stocking the fleet with cleaner vehicles at the time of renewal.

2017 CORPORATE SOCIAL RESPONSIBILITY REPORT – EMPLOYMENT INFORMATION

CIC entities located in France and Banque de Luxembourg (BdL)

Publication indicators		2017	2016 restated*	2016 published	Comments
WORKFORCE					
SOC01_bis	Individuals recorded as members of the workforce	**19,543**	19,586	18,771	
SOC06	*of which, men*	***7,921***	*8,015*	*7,579*	
SOC07	*of which, women*	***11,622***	*11,571*	*11,192*	
	of which, managers or equivalent	***8,823***	*8,764*	*8,447*	
SOC05	*of which, non managers or equivalent*	***10,720***	*10,822*	*10,324*	
SOC08	*of which, permanent*	***18,837***	*18,866*	*18,055*	
SOC08_ Non-managerial	*of which, permanent-contract non managers or equivalent*	***10,030***	*10,117*	*9,623*	
SOC12	*% of employees on permanent contracts*	***96.4%***	*96.3%*	*96.2%*	
Age pyramid (individuals)		**19,543**	19,586	18,771	
SOC88	under 25	**1,371**	1,333	1,318	
	of which, men	***506***	*517*	*506*	
SOC89	*of which, women*	***865***	*816*	*812*	
SOC90	25 to 29	**2,420**	2,416	2,364	
	of which, men	***951***	*902*	*871*	
SOC91	*of which, women*	***1,469***	*1,514*	*1,493*	
SOC92	30 to 34	**2,984**	3,004	2,911	
	of which, men	***1,056***	*1,077*	*1,031*	
SOC93	*of which, women*	***1,928***	*1,927*	*1,880*	
SOC94	35 to 39	**3,178**	3,162	3,013	
	of which, men	***1,142***	*1,164*	*1,090*	
SOC95	*of which, women*	***2,036***	*1,998*	*1,923*	
SOC96	40 to 44	**2,458**	2,309	2,163	
	of which, men	***982***	*926*	*843*	
SOC97	*of which, women*	***1,476***	*1,383*	*1,320*	
SOC98	45 to 49	**1,815**	1,764	1,603	
	of which, men	***811***	*804*	*724*	
SOC99	*of which, women*	***1,004***	*960*	*879*	
SOC100	50 to 54	**1,981**	2,158	2,024	
	of which, men	***883***	*967*	*901*	
SOC101	*of which, women*	***1,098***	*1,191*	*1,123*	
SOC102	55 to 59	**2,460**	2,542	2,483	
	of which, men	***1,125***	*1,181*	*1,141*	
SOC103	*of which, women*	***1,335***	*1,361*	*1,342*	
SOC104	60 and over	**876**	898	892	
	of which, men	***465***	*477*	*472*	
SOC105	*of which, women*	***411***	*421*	*420*	
Data in FTE					
SOC01	Total FTE workforce	**19,213**	19,223	18,451	FTE (full-time equivalent) employees recorded as members of the workforce as of December 31: • Regardless of the type of employment contract (fixed-term / permanent / work-study / summer workers), • Including if the employment contract has been "suspended" without any compensation being paid, • Excluding interns working under an internship agreement, • Excluding temporary workers and external service providers. Persons on disability leave are included.
SOC02	*of which, in France*	***18,389***	*18,430*	*18,430*	
	of which, abroad	***824***	*793*	*21*	

* including Banque de Luxembourg

Publication indicators		2017	2016 restated	2016 published	Comments
WORKFORCE - CHANGES					
Entries - Recruitment					
SOC13	Total number of individuals hired	**4,330**	4,497	4,442	All types of contracts (fixed-term – permanent – work-study – summer workers). Including conversions of fixed-term or temporary contracts into permanent contracts. Excluding interns and temporary workers.
SOC14	*of which, men*	***1,623***	*1,812*	*1,776*	
SOC15	*of which, women*	***2,707***	*2,685*	*2,666*	
SOC16	*of which, under permanent contracts*	***1,361***	*1,520*	*1,469*	
SOC17	*of which, on fixed-term contracts*	***2,969***	*2,977*	*2,973*	
DISMISSALS AND GROUNDS THEREFOR					
SOC19	Number of employees on permanent contracts who left the organization (individuals)	**1,285**	1,334	1,294	The following situations are deemed to end a permanent employment contract: resignation, termination during a probationary period (at the initiative of the employer or employee), termination by mutual agreement, dismissal, mobility within the group, retirement. Including death.
SOC20	*of which, dismissals*	***135***	*133*	*125*	Regardless of the grounds: disciplinary (just cause, gross negligence or willful misconduct) / layoffs / personal factors (inability to perform work required). Including settlement agreements preceded by a notice of dismissal. Excluding termination by mutual agreement.
SOC27	*Turnover*	**3.9%**	3.5%	3.5%	Resignations + dismissals + end of probationary periods + termination by mutual agreement/total workforce under permanent contracts
ORGANIZATION, WORKING HOURS AND ABSENTEEISM					
Organization of working time					
SOC29	Number of full-time employees (individuals)	**18,382**	18,310	17,663	Permanent and fixed-term employees whose working time is equal to the statutory work duration in the country. France: - 35 hours per week or 151.67 hours per month for non-managerial employees; - full-time (unreduced) work duration defined in days for managerial employees.
SOC30	Number of part-time employees (individuals)	**1,161**	1,276	1,108	Permanent and fixed-term employees whose working time is less than the statutory work duration in the country. France: - fewer than 35 hours per week or 151.67 hours per month for non-managerial employees; - full-time (reduced) work duration defined in days for managerial employees.
SOC31	% of full-time employees	**94.1%**	93.5%	94.1%	
SOC32	% of part-time employees	**5.9%**	6.5%	5.9%	

Publication indicators		2017	2016 restated	2016 published	Comments
Absenteeism and its causes					
SOC38	Total number of days of absence, in working days	**165,438**	156,382	151,829	Applies to days of absence of the entire workforce, regardless of employment contract (permanent / fixed-term / work-study) – Excluding interns and temporary workers. Excluding paid vacation days or days off under collective bargaining agreements (compensatory days pursuant to the reduction in working hours statutes, seniority, etc.). Absenteeism includes sick leave and absences due to workplace/commuting accidents. Maternity/paternity leave is excluded.
SOC39	*of which, due to sickness*	***159,756***	*151,074*	*146,543*	Excluding occupational illnesses
SOC40	*of which, workplace accidents*	***5,682***	*5,308*	*5,286*	Including commuting accidents and occupational illnesses.
SOC43	Number of occupational illnesses reported	**4**	3	3	Illnesses recognized as occupational illnesses by the social security office in charge of medical insurance (CPAM)
Health and safety conditions					
SOC44	Number of lost-time workplace accidents reported	**137**	104	99	Workplace and commuting accidents reported to CPAM (and considered as such by CPAM) that resulted in lost time, regardless of the number of days. Excluding workplace or commuting accidents that did not result in any lost time. Relapses are included.
COMPENSATION AND ITS PROGRESSION					
SOC73	Gross payroll (euros)	**880,180,071**	862,676,960	798,374,024	Total gross compensation of the establishment's employees (excluding employer's share of social security contributions). Compensation equals salaries and bonuses paid during the relevant year to all employees.
SOC107	Total gross annual compensation paid to employees on permanent contracts (euros)	**869,341802**	855,030,568	784,398,524	Employees on permanent contracts only – all categories of employees, including executive management.
SOC108	Total gross annual compensation paid to non-managerial employees on permanent contracts (euros)	**317,500190**	317,707,446	287,324,613	
SOC109	Total gross annual compensation paid to managerial employees on permanent contracts (euros)	**551,841,612**	537,323,122	497,073,911	
SOCIAL SECURITY CONTRIBUTIONS					
SOC80	Total social security contributions paid (euros)	**549,567,800**	549,146,011	540,189,011	Employer's share of social security contributions only.
TRAINING					
SOC46	Amount of payroll spent on training (in euros)	**54,987,690**	44,781,387	42,688,816	
SOC47	% of payroll spent on training	**6.2%**	5.2%	5.3%	
SOC48	Number of employees who have completed at least one training course	**16,118**	15,339	14,524	
SOC49	% of employees who received training	**82.5%**	78.3%	77.4%	
SOC50	Total number of hours spent on employee training	**611,385**	582,931	555,946	Including eLearning training that is a prerequisite for classroom-based training, but excluding training hours that are solely via eLearning.

Publication indicators		2017	2016 restated	2016 published	Comments
EQUALITY OF OPPORTUNITY					
Gender equality in the workplace					
SOC59	Number of female managers or equivalent on permanent and fixed-term contracts	**3,953**	3,851	3,743	Working in France or abroad
	Number of male managers or equivalent on permanent and fixed-term contracts	**4,870**	4,913	4,704	
SOC60	% of women among managers or equivalent on permanent and fixed-term contracts	**44.8%**	43.9%	44.3%	
SOC61	Number of managers or equivalent promoted to a more senior position during the year	**257**	223	194	
SOC62	of which, number of women	**104**	91	79	
	of which, number of men	**153**	132	115	
SOC63	% of women among managers or equivalent who are promoted	**40.5%**	40.8%	40.7%	
Employment and integration of disabled people					
SOC68	Number of disabled workers	**462**	479	479	Number of persons with disabilities (reported and recognized disabilities) within the entity, as a number of "individuals" and not full-time equivalent employees or "beneficiary units" (concept defined in the Mandatory Declaration of Employment of Disabled Workers (DOETH)).
SOC71	% of the total workforce who are disabled	**2.4%**	2.4%	2.6%	
LABOR DIALOGUE					
Promotion of and compliance with the provisions of the ILO's fundamental conventions					
SOC67	Number of convictions for the crime of obstructing the functioning of employee representative institutions (in France)	**0**	0	0	Final judgments only (not subject to appeal).
SOC78	Number of meetings with employee representative institutions (works councils, health, safety and working conditions committees, employee representatives, union representatives, etc.)	**N/A**	N/A	N/A	Due to their size, certain entities are not required to have employee representative institutions.
SOC79	Number of information procedures conducted with employee representative institutions (works councils, health, safety and working conditions committees, employee representatives, union representatives, etc.)	**N/A**	N/A	N/A	

2017 CORPORATE SOCIAL RESPONSIBILITY REPORT – SOCIAL INFORMATION

Banking network, Banque Transatlantique and Banque de Luxembourg (BdL)

Publication indicators		2017	2016 restated	2016 published	Comments
GEOGRAPHICAL, ECONOMIC AND SOCIAL IMPACTS					
Geographical impact					
SOT01	Number of banking network retail branches	**1,941**	1,982	1,982	
SOT01A	Other retail branches France	**1**	1	1	Banque Transatlantique
SOT01B	Other retail branches abroad	**3**	3		Banque de Luxembourg
Associations					
SOT40	Number of non-profit customers (associations, labor unions, works councils, etc.)	**113,408**	101,844	101,844	2016 figures revised. Refined management rules.
Patronage and sponsorships					
SOT52	Total patronage and sponsorship budget (euros)	**13,042518**	10,400,051	9,943,914	
Environmental impact					
SOT63	Number of zero-interest eco-loans granted during the year	**1,281**	1,121	1,121	
SOT65	Total amount of zero-interest eco-loans granted during the year (euros)	**23,374,274**	20,473,591	20,473,591	Annual volume (amounts outstanding at the end of the month). Volume of zero-interest eco-loans granted to customers to finance new constructions, under certain conditions, renovations and repairs to original condition, expansion or building-raising work.
SOT69	"Number of renewable energy projects financed (self-employed professionals and farmers)"	**145**	118	118	Financing projects for renewable energy equipment or systems actually carried out during the calendar year involving self-employed professionals, farmers and small companies. They include projects for improving energy efficiency.
MICROLOANS					
Personal microloans to assist transition into employment (partnerships)					
SOT10	Number of microloans granted during the year	**-**	-	-	CIC does not make personal microloans.
SOT13	Amount of microloans financed during the year (euros)	**-**	-	-	
Business microloans through intermediaries – Adie					
SOT16	Number of applications processed	**1,187**	607	607	
SOT17	Amount of credit lines provided	**4,800,000**	2,800,000	2,800,000	
Business microloans through intermediaries – France Active Garantie (FAG)					
SOT19A	Number of new microloans financed	**646**	632	623	SOT 19A to SOT 20B: Management rules modified in 2017 (corporate market). 2016 restated.
SOT20A	Amounts guaranteed (FAG + FGIF)	**12,158,603**	10,958229	10,716,679	
Business microloans through intermediaries – France Active (Nacre)					
SOT19B	Number of NACRE loans disbursed with a complementary loan from the group	**230**	379	383	
SOT20B	Amounts loaned	**975,666**	1,747140	1,760,880	Total amount of 2017 loans supplementing NACRE loans: €8,152,321 versus €11,457,617 in 2016.
Business microloans through intermediaries – Initiative France					
SOT22	Number of complementary bank loans granted	**N/A**	1,870	1,870	
SOT23	Amount of complementary bank loans granted	**N/A**	119,100,000	119,100,000	

Publication indicators		2017	2016 restated	2016 published	Comments
Other supported business microloans					
SOT201	Number of supported business microloans granted during the year (in the framework of a partnership)	**-**	-	-	
SOT202	Amount of supported business microloans granted during the year (in the framework of a partnership)	**-**	-	-	
Community-based microloans					
SOT26	Number of community-based microloans granted locally within the group	**-**	-	-	
SOT27	Amount of community-based microloans granted locally within the group (euros)	**-**	-	-	
RESPONSIBLE SAVINGS PRODUCTS					
SRI AND ESG					
SOT28	SRI loans outstanding (€ millions)	**4,870**	2,357	2,357	The amount of assets under management is for the entire CIC group, and is managed by CM-CIC Asset Management, Crédit Mutuel CM11's asset management company.
SOT28 LABEL	SRI certified assets under management (€ millions)	**1,055**	145	145	Total CM-CIC Asset Management. 2016: Novethic certification. 2017: SRI certification.
SOT87	Total funds invested using ESG selection criteria (€ millions) except SRI assets under management	**10,274**	15,758	15,758	CIC assets under management, managed by CM-CIC AM, in accordance with French Decree no. 2012-132 ("Decree 224") on information to be provided by asset management companies on social, environmental and quality of governance criteria in their investment policies (Article D.533-16-1).
SOT29	SRI - Voting policy - Resolution approval rate	**78.6%**	79.9%	79.9%	Shareholders' meetings in which CM-CIC AM took part
SOT29-R	SRI - Voting policy - Number of resolutions processed	**14,142**	14,134	14,134	
SOT29-RA	SRI - Voting policy - Number of resolutions approved	**11,080**	11,072	11,072	Excluding approved minority resolutions and including rejected minority resolutions
SOT30	SRI - Voting policy - Number of shareholders' meetings in which the company took part.	**1,009**	1,071	1,071	
Solidarity employee savings plans					
SOT37LCIES	Assets (€) in CIES-approved solidarity employee savings plans	**179,210,546**	151,702,299	151,702,299	
Solidarity savings					
SOT33 LFinansol	Assets in Finansol-approved savings products	**17,743,607**	17,743,607	17,743,607	
SOT33	*Of which, assets in interest-paid-to-charity savings accounts (LEA), excluding capitalized interest (euros)*	***24,499,133***	*17,485,352*	*17,485,352*	
SOT31	*Of which, France Emploi investment fund – Assets*	***252,379***	*258,255*	*258,255*	
SOT35	Amount from solidarity products paid to associations	**95,847**	95,847	95,847	
	of which, LEA donations	***85,070***	*86,328*	*86,328*	
	of which, Cartes pour les autres donations	***9,698***	*9,425*	*9,425*	
SOT32	*of which, France Emploi investment fund*	***0***	*94*	*94*	

Publication indicators		2017	2016 restated	2016 published	Comments
Products and services of a social nature					
SOT71	Amount of regulated social loans outstanding (PLS, PSLA)	**N/A**	N/A	/A	CIC banks have no outstanding social home rental loans (PLS) or social home purchase loans (PSLA) because, like for Crédit Mutuel, all such loans are managed at the federal bank level with respect to refinancing matters. Investment loans to local authorities by CIC banks totaled €88.7 million at December 31, 2017.
Quality of service					
SOT75	Number of eligible claims submitted to the bank ombudsman	**215**	168	168	Claims received by the customer service department in France that are to be resolved using the regulatory ombudsman program.
SOT77	Number of decisions in favor of customers and applied systematically	**93**	69	69	Data from files processed at 1/31/17 (186).
SOT78	Percentage of decisions in favor of customers, or partially in favor of customers, and applied systematically	**50%**	47.3%	47.3%	Statistics obtained from reviewing claims submitted to the ombudsman whose outcome was favorable to the customer, either systematically or after the ombudsman's decision.
Economic impact indicators available in management reports					
	Outstanding loans to customers (at the end of the month in € millions)	**119,730**	113,776	110,961	
SOT83	*Of which, to individuals*	***61,494***	*59,456*	*58,224*	
	- Housing loans	***72,173***	*69,104*	*67,640*	
SOT84	*Of which, to individuals*	***53,606***	*51,824*	*51,097*	
	- Consumer loans	***5,799***	*5,545*	*5,470*	
SOT85	*Of which, to individuals*	***4,668***	*4,460*	*4,385*	
SOT86	*- Equipment loans (microenterprises)*	***34,786***	*32,104*	*32,104*	
	Of which, to individuals	***2,741***	*2,665*	*2,665*	
	Of which, to farmers	***1,357***	*1,267*	*1,267*	
	Of which, to self-employed professionals	***12,579***	*11,833*	*11,833*	
	Of which, to businesses	***17,118***	*15,297*	*15,297*	
	Of which, not-for-profit organizations	***773***	*798*	*798*	

2017 CSR REPORT – ENVIRONMENTAL INFORMATION

CIC METROPOLE and Banque de Luxembourg.

Publication indicators		2017	2016 restated	2016 published	Comments
RESOURCE CONSUMPTION					
ENV04	Water consumption (m3)	**266,636**	219,815	206,394	
ENV05	Total energy consumption (kwh)	**145,841,902**	147,622,806	136,638,402	
ENV06	*of which, electricity (kWh)*	***116,817,397***	*114,479,891*	*107,241,095*	
ENV07	*of which, gas (kWh)*	***20,281,900***	*21,850,997*	*18,105,390*	
ENV08	*of which, fuel oil (kWh)*	***810,463***	*2,917,256*	*2,917,256*	
ENV05_1	*Of which, heat generated by steam supplied by municipal utilities (kWh)*	***5,578,736***	*5,713,938*	*5,713,938*	
ENV05_2	*of which, cold water supplied by municipal utilities (kWh)*	***2,353,405***	*2,660,724*	*2,660,724*	
ENV09	Overall paper consumption (metric tons)	**3,252**	3,459	3,428	This includes all paper-based supplies (white paper, calendars, etc.) and cardboard-based supplies (inserts, file folders, etc.), except cardboard packaging for such supplies (which is counted as waste).
MEASURES TO REDUCE ENVIRONMENTAL IMPACTS AND GREENHOUSE GAS EMISSIONS					
ENV15R	Purchased recycled paper consumption (metric tons)	**261**	277	277	
ENV15	Outgoing recycled used paper (waste) in metric tons	**2,845**	2,943	2,912	
ENV16	Used toner cartridges recycled after use (number)	**38,196**	31,661	31,289	
ENV30	Leaks of refrigeration gases from air conditioning equipment (air and water cooled condensers)	**N/A**	N/A	N/A	
ENV20	Business travel – Automobile fleets (km) GHG emissions measured	**47,532,793**	47,050,720	46,635,720	
	Of which automobile fleet – number of km in gasoline vehicles	***1,600,608***	*1,868,966*	*1,698,366*	
	Of which automobile fleet – number of km in diesel vehicles	***45,932,185***	*45,181,754*	*44,937,354*	
ENV23	Business travel using personal vehicles (km)	**11,392,900**	11,663,828	11,663,828	Except Banque de Luxembourg.
ENV44	Human resources assigned to CSR issues in FTE	**2.4**	2.2	2.2	
ENV32K	Number of traveled km prevented with videoconferences	**13,853,667**	5,892,510	5,892,510	Except Banque de Luxembourg.
ENV34	Digitized documents (metric tons of paper saved)	**909**	737	737	Except Banque de Luxembourg.
ENV47	Amount of environmental risk provisions and guarantees	**-**	-	-	
ENV48	Amount of compensation paid during the fiscal year pursuant to court decisions on environmental issues and actions taken to repair damage caused	**-**	-	-	

CIC holding company

Publication indicators		2017	2016
GOUV01	Number of members of the board of directors or supervisory board	**8**	11
GOUV02	Number of women members of the board of directors or supervisory board*	**2**	2
GOUV9-01	Number of directors in the board of directors or supervisory board by age bracket		
GOUV9-02	< 40 years	**0**	0
GOUV9-03	40/49 years	**1**	0
GOUV9-04	50/59 years	**4**	3
GOUV9-05	>60 years	**3**	9
GOUV25	Overall renewal rate of boards during the year (new members elected out of the total number of members)	**25%**	0%
GOUV26	Attendance rate at board meetings	**82%**	73%

* Except the director representing employees.

CROSS-REFERENCE TABLE

for information required by Article 225 of the Grenelle II act on employment, environmental and social matters

Article R225-105-1 of the French Commercial Code, decree 2012-557 of April 24, 2012, modified by decree 2016-1138 of August 19, 2016 - Article 1

	CIC group indicators included in the SER report (text and tables)
1° EMPLOYMENT INFORMATION	
a) Employment:	
- total workforce and breakdown of employees by gender, age and geographical area	SOC01_bis, SOC02, SOC05 to SOC08, SOC12 and SOC88 to SOC105
- new hires and dismissals	SOC13 to SOC17, SOC19, SOC20, SOC27
- compensation and its progression	SOC73, SOC80 and SOC107 to SOC109
b) Working time arrangements:	
- organization of working time	SOC29 to SOC32
- absenteeism	SOC38 to SOC40, SOC43
c) Labor relations:	
- organization of labor dialogue, in particular procedures for informing, consulting and negotiating with employees	SOC78, SOC79, SOC87
- review of collective bargaining agreements	SOC83 to SOC84
d) Health and safety:	
- workplace health and safety conditions	SOC45
- review of agreements signed with labor unions or employee representative institutions in the field of workplace health and safety	SOC84
- workplace accidents, in particular the frequency and gravity thereof, as well as occupational illnesses*	SOC44
e) Training:	
- training policies adopted	SOC46 to SOC49
- total number of hours of training	SOC50
f) Equality of treatment:	
- measures taken to promote gender equality	SOC56, SOC59 to SOC63
- measures taken to promote employment or transition to employment of persons with disabilities	SOC68, SOC70, SOC71
- anti-discrimination policy	SOC69
g) Promotion of and compliance with the provisions of the fundamental conventions of the International Labor Organization on:	
- respect for the freedom of association and the right to collective bargaining	SOC67, SOC78 and SOC79
- elimination of employment and professional discrimination	SOC64
- elimination of forced or involuntary labor	SOC65
- effective abolition of child labor	SOC66

... Cross-reference table with the information required by Article 225 of the Grenelle II Act on social, environmental and governance reporting

	CIC group indicators included in the SER report (text and tables)
2° ENVIRONMENTAL INFORMATION	
a) General environmental policy:	
- organization of the company to take account of environmental issues and, if applicable, environmental evaluation or certification procedures	ENV01 to ENV03, ENV41
- actions taken to train and inform employees on environmental protection	ENV37, ENV43
- resources devoted to preventing environmental risks and pollution	ENV44
- amount of environmental risk provisions and guarantees, provided this information will not seriously prejudice the company in ongoing litigation	ENV47
b) Pollution:	
- measures taken to prevent, reduce or remedy discharges into the air, water and soil that have serious environmental consequences	ENV32K, ENV37
- account taken of noise pollution and other forms of pollution specific to a business activity	ENV45
c) Circular economy:	
Waste prevention and management	
- prevention, recycling, reuse and other waste recovery and elimination measures	ENV39, ENV43
- actions to combat food waste	ENV54
Sustainable use of resources	
- water consumption and water supply based on local constraints	ENV04, ENV39
- consumption of raw materials and measures taken to improve efficient use thereof	ENV09, ENV15R, ENV39, ENV43
- energy consumption, measures taken to improve energy efficiency and use of renewable energies	ENV05 to ENV08, ENV40
- ground use	ENV49
d) Climate change:	
- significant areas of greenhouse gas emissions generated due to the company's activity, in particular through the use of the products and services it produces	ENV20, ENV23, ENV37, ENV51
- adapting to the consequences of climate change	ENV39, ENV38, ENV42, ENV52, ENV53
e) Preservation of biodiversity:	
- measures taken to preserve or develop biodiversity	ENV 50

	CIC group indicators included in the SER report (text and tables)
3° INFORMATION ON SOCIAL COMMITMENTS IN FAVOR OF SUSTAINABLE DEVELOPMENT	
a) Geographical, economic and employment impacts of the company's business:	
- in terms of employment and regional development	SOT01, SOT09, SOT59, SOT60, SOT63, SOT65, SOT69
- on neighboring or local populations**	SOT10, SOT13, SOT16, SOT17, SOT19A, SOT20A, SOT19B, SOT20B, SOT 22, SOT23, SOT26 to SOT31, SOT33, SOT37LCIES, SOT39, SOT40, SOT71, SOT72, SOT73, SOT74, SOT75, SOT77, SOT78, SOT83 to SOT88
b) Relationships with persons or organizations with an interest in the company's business, in particular associations that assist people to transition into employment, educational institutions, environmental protection associations, consumer associations and neighboring populations:	
- dialogue conditions with such persons or organizations	SOT 44, SOT45
- partnership or sponsorship actions	SOT46, SOT48, SOT52, SOT53, SOT55, SOT57 to SOT58
c) Subcontracting and suppliers:	
- extent to which social or environmental issues are taken into account in purchasing policies	SOT 81
- extent of subcontracting and extent to which the social and environmental responsibility of suppliers and subcontractors is taken into account in the relationships with them;	SOT 81
d) Fair operating practices:	
- actions undertaken to prevent corruption	SOT 79
- measures taken to increase customer health and security	SOT 80
e) Other actions undertaken under this section 3 to promote human rights	SOT82

Indicators not applicable to the CIC group's banking business.

* The frequency and gravity of workplace accidents are not specifically reported, but the figures required for the calculations are published.
** CIC's geographical impact is discussed in connection with its local establishments. However, its business does not have any impact on neighboring populations.

REPORT OF THE INDEPENDENT THIRD PARTY ENVIRONMENTAL AND SOCIAL INFORMATION

Year ended December 31, 2017

To the shareholders,

In our capacity as an independent third party accredited by COFRAC[1] under number 3-1050 and a member of the network of one of CIC's statutory auditors, we hereby report to you on the consolidated employment, environmental and social information for the year ended December 31, 2017, presented in the management report (hereinafter the "CSR Information"), in accordance with the provisions of Article L. 225-102-1 of the French Commercial Code.

The company's responsibility

The Board of Directors is responsible for preparing a management report containing the CSR Information required by Article R. 225-105-1 of the French Commercial Code in accordance with the frame of reference used by the company, which consists of the 2017 version of the environmental, employment, social and governance reporting procedures (hereinafter the "Frame of Reference"), a summary of which is provided in the "Social and Environmental Responsibility" section of the management report, and is available upon request at the company's registered office.

Independence and quality control

Our independence is defined by the regulations, the code of ethics of the profession and the provisions of Article L. 822-11-3 of the French Commercial Code. Furthermore, we have implemented a quality control system that includes documented policies and procedures intended to ensure compliance with ethical rules, professional standards and applicable laws and regulations.

Responsibility of the independent third party

On the basis of our work, it is our role:

- to certify that the required CSR Information is presented in the management report or, if not presented, that an explanation is provided in accordance with Article R. 225 105, paragraph 3, of the French Commercial Code (Attestation of presentation of CSR Information);
- to issue a limited assurance conclusion that the CSR Information, taken as a whole, is, in all material aspects, presented accurately, in accordance with the Frame of Reference (Reasoned opinion on the accuracy of the CSR Information).

However, it is not our role to determine compliance with other legal provisions that may be applicable, in particular those set out in Article L. 225-102-4 of the French Commercial Code (vigilance plan) and in the French Sapin II Act no. 2016-1691 of December 9, 2016 (anti-corruption).

Four people were involved in this work from December 2017 to March 2018, for a total period of approximately four weeks.

We performed the work described below in accordance with the professional standards applicable in France and the order of May 13, 2013 establishing the manner in which independent third parties are to perform their duties and, concerning the reasoned opinion on accuracy, with the international ISAE 3000 standard[2].

1 - Attestation of presentation of CSR Information

Nature and scope of the work

On the basis of interviews with the managers of the relevant departments, we reviewed the company's sustainable development strategy with respect to the employment and environmental impact of its activities and its social commitments and, where applicable, the resulting initiatives or programs.

We compared the CSR Information presented in the management report with the list provided for in Article R. 225-105-1 of the French Commercial Code.

If certain consolidated information was not provided, we verified that explanations were given in accordance with Article R. 225-105, paragraph 3, of the French Commercial Code.

We verified that the CSR Information covered the consolidated scope, i.e. the company and its subsidiaries within the meaning of Article L. 233-1 of the French Commercial Code, and the companies it controls within the meaning of Article L. 233-3 of the same Code, subject to the limitations described in the methodology note presented in the "Social and Environmental Responsibility" section of the management report.

Conclusion

On the basis of this work, and taking into account the limitations mentioned above, we certify that the required CSR Information is presented in the management report.

2 - Reasoned opinion on the accuracy of the CSR Information

Nature and scope of work

We conducted four interviews with those responsible for preparing the CSR Information in the finance departments, those in charge of data collection processes and, where applicable, those responsible for internal control and risk management procedures, in order to:

- assess the appropriateness of the Frame of Reference from the standpoint of its relevance, completeness, reliability, neutrality and understandability, taking into consideration, where applicable, industry best practices;

(1) Scope of accreditation available at www.cofrac.fr

(2) ISAE 3000 – Assurance engagements other than audits or reviews of historical information.

- verify that a collection, compilation, processing and control process was set up to ensure the completeness and consistency of the CSR Information and review the internal control and risk management procedures related to the preparation of the CSR Information.

We determined the nature and scope of our tests and controls based on the type and importance of the CSR Information from the standpoint of the company's characteristics, the social and environmental impacts of its activities, its sustainable development strategy and industry best practices.

For the CSR Information that we considered the most important[3]:

- at the parent company level, we consulted the source documents and conducted interviews to corroborate the qualitative information (organization, policies, actions, etc.), applied procedures to analyze the quantitative information and verified, on a test basis, the calculations and aggregation of the data, and verified the coherence of the data and its consistency with the other information presented in the management report;
- using a representative sample of entities that we selected on the basis of their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify that the procedures were properly applied and carried out spot tests, on the basis of samples, which entailed verifying the calculations performed and reconciling the data with the supporting documents. The sample selected represents on average 75% of the workforce and 77% of energy consumption, considered to be characteristic quantities for the employment and environmental aspects.

We assessed whether the other consolidated CSR information was consistent with our knowledge of the company.

Lastly, we assessed the appropriateness of the explanations given in the case of total or partial absence of some information.

We believe that the sampling methods and sample sizes that we used on the basis of our professional judgment enable us to issue a limited assurance conclusion; a higher level of assurance would have required more extensive work. Due to the use of sampling techniques and other limitations inherent in the functioning of any information and internal control system, the risk of not detecting a material misstatement in the CSR Information cannot be ruled out entirely.

Conclusion

On the basis of this work, we have not identified any material misstatement that could call into question the fact that the CSR Information, taken as a whole, is presented accurately in accordance with the Frame of Reference.

Paris-La Défense, April 18, 2018

Independent third party
Ernst & Young et Associés

Caroline Delerable
Sustainable Development Partner

Marc Charles
Partner

(3) **Employment information:**
- *Indicators (quantitative information)*: total workforce, new hires and number of employees under permanent contracts who left the organization, including dismissals, proportion of female managerial staff, gross annual salaries of employees under permanent contracts and salary increases, absenteeism, share of payroll spent on training, number of individuals who took at least one training course and total number of hours spent on employee training.

Environmental and social information:
- *Indicators (quantitative information)*: total energy consumption, SRI assets under management, total employee solidarity savings, number of non-profit customers, number and amount of business microloans through intermediaries;
- *Qualitative information*: customer personal data protection, customer satisfaction, customer complaint processing, implementation of sector policies in financing activities.

(4) CIC Lyonnaise de Banque, CIC Nord-Ouest, CIC Sud-Ouest, CIC Ouest, CIC Est and Banque de Luxembourg.

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Building the future in a changing world

5 LEGAL INFORMATION

SHAREHOLDERS

SHAREHOLDERS' GENERAL MEETINGS

All shareholders are entitled to attend shareholders' general meetings. There are no double voting rights.
Shareholders meet every year at ordinary general meetings held in the forms and within the deadlines set forth in French law and regulations in force.
All shareholders may vote by mail or appoint a proxy in the forms prescribed by the regulations.
Decisions are adopted under the conditions as regards majorities set forth in French law and are binding on all shareholders.

Appropriation of net income

The net income for the fiscal year consists of income in the fiscal year, after deducting general operating expenses and the company's other expenses, including any depreciation, amortization and impairment.

From this net income, less, where applicable, previous losses, at least 5% is drawn to form the legal reserve. This is no longer necessary when the legal reserve amounts to one-tenth of the share capital.
The balance, after deducting and appropriating the amount of long-term capital gains, increased by retained earnings, constitutes distributable income.
From this distributable income, shareholders' general meetings may draw any sums they consider appropriate for allocation to any optional reserve funds or to retained earnings. The balance, if any, is divided between all the shareholders in proportion to the number of shares they own.
Dividends are paid on the date set by the shareholders' general meeting or, failing this, on the date set by the board of directors.

SHAREHOLDERS' COMBINED ORDINARY AND EXTRAORDINARY GENERAL MEETING OF MAY 4, 2018

Resolutions

Resolutions submitted to the shareholders' ordinary general meeting

First resolution: approval of CIC's financial statements for the fiscal year ended December 31, 2017

After reviewing the board of directors' management report, and the appended report on corporate governance, the statutory auditors' report and the annual financial statements for the fiscal year ended December 31, 2017, the shareholders' general meeting approves said annual financial statements as presented to it, which show net income of €853,170,878.84.
The general meeting also approves the overall amount of expenses that may not be deducted from income subject to corporate income tax totaling €55,834 as well as the tax liability resulting from these expenses totaling €19,224.

Second resolution: approval of the consolidated financial statements for the fiscal year ended December 31, 2017

After reviewing the board of directors' management report, and the appended report on corporate governance, the statutory auditors' report and the consolidated financial statements for the fiscal year ended December 31, 2017, the shareholders' general meeting approves said financial statements as presented to it, which show net income attributable to owners of the company of €1,275 million.

Third resolution: appropriation of net income

The shareholders' general meeting notes that:
- the company's net income for the fiscal year amounts to: €853,170,878.84;
- retained earnings amount to: €167,852,913.83.
- as a result, distributable income amounts to: €1,021,023,792.67.

and decides to allocate this amount as follows:
- share dividend in respect of fiscal year 2017: €950,687,325.00;
- remaining balance to be allocated to retained earnings: €70,336,467.67

As a result, the shareholders' general meeting sets the dividend to be paid for each of the 38,027,493 shares at €25.00. However, the dividend that would otherwise be allocated to shares that are not eligible for dividends under French law will be appropriated to retained earnings.

The dividend will be paid on June 4, 2018.

The entire dividend distributed is eligible for the 40% tax abatement mentioned in point 2 of Article 158 (3) of the French Tax Code.

In accordance with the provisions of French law, the shareholders' meeting is reminded that:
- for 2014, a dividend of €304,219,944.00 was distributed i.e., €8.00 per share eligible for the 40% tax abatement mentioned in point 2 of Article 158 (3) of the French Tax Code;
- for 2015, a dividend of €323,233,690.50 was distributed i.e., €8.50 per share eligible for the 40% tax abatement mentioned in point 2 of Article 158 (3) of the French Tax Code;
- for 2016, a dividend of €342,247,437.00 was distributed i.e., €9.00 per share eligible for the 40% tax abatement mentioned in point 2 of Article 158 (3) of the French Tax Code.

Fourth resolution: agreements mentioned in Article L.225-38 of the French Commercial Code

After reviewing the statutory auditors' special report on the transactions and agreements mentioned in Article L.225-38 of the French Commercial Code, and deliberating on the basis of this report, the shareholders' general meeting approves the transactions and agreements referred to therein.

Fifth resolution: opinion on the total amount of compensation, as required by Article L.511-73 of the French Monetary and Financial Code

After reviewing the board of directors' report to the general meeting, and the board of directors' management report, the shareholders' general meeting issues a favorable opinion on the total amount of compensation of all types paid during the past fiscal year for the Crédit Mutuel-CM11 group, to the effective managers, within the meaning of Article L.511-13, and categories of staff that include risk takers, persons engaged in control functions, and any employee who, taking into account his or her total income, is in the same compensation bracket, and whose professional activities have a material impact on the risk profile of the company or group.

Sixth resolution: approval of the components of compensation paid or awarded to Nicolas Théry for the previous fiscal year, pursuant to Article L.225-100 as amended by Order 2017-1162 of July 12, 2017

The shareholders' general meeting, after reviewing the board of directors' report to the general meeting, approves the components of compensation paid or awarded to Nicolas Théry for the previous fiscal year.

Seventh resolution: approval of the principles and criteria for determining, allocating and awarding components of compensation to Nicolas Théry for the fiscal year, pursuant to Article L.225-37-2 as amended by Order 2017-1162 of July 12, 2017.

The shareholders' general meeting, after reviewing the board of directors' report to the general meeting, approves the principles and criteria for determining, allocating and awarding components of compensation to Nicolas Théry for the fiscal year.

Eighth resolution: approval of the components of compensation paid or awarded to Alain Fradin for the period from January 1 to May 31, 2017, pursuant to Article L.225-100 as amended by Order 2017-1162 of July 12, 2017

The shareholders' general meeting, after reviewing the board of directors' report to the general meeting, approves the components of compensation paid or awarded to Alain Fradin for that period.

Ninth resolution: approval of the components of compensation paid or awarded to Daniel Baal for the period from June 1 to December 31, 2017, pursuant to Article L.225-100 as amended by Order 2017-1162 of July 12, 2017

The shareholders' general meeting, after reviewing the board of directors' report to the general meeting, approves the components of compensation paid or awarded to Daniel Baal for that period.

Tenth resolution: approval of the principles and criteria for determining, allocating and awarding components of compensation to Daniel Baal for the fiscal year, pursuant to Article L.225-37-2 as amended by Order 2017-1162 of July 12, 2017.

The shareholders' general meeting, after reviewing the board of directors' report to the general meeting, approves the principles and criteria for determining, allocating and awarding components of compensation to Daniel Baal for the fiscal year.

Eleventh resolution: renewal of the term of office of the principal statutory auditor

After noting that the term of office as primary statutory auditor of the company PricewaterhouseCoopers et Autres, member company of the Compagnie des Commissaires aux Comptes de Versailles headquartered at 63 rue de Villiers, 92200 Neuilly sur Seine, France, will expire at the conclusion of this shareholders' general meeting, the shareholders' general meeting resolves to renew said term for a period of six fiscal years, i.e., until the conclusion of the shareholders' general meeting called to approve the financial statements for fiscal year 2023.

Eleventh resolution: non-renewal of the term of office of the alternate statutory auditor

After noting that the term of office as alternate statutory auditor of Étienne Boris will expire at the conclusion of this shareholders' general meeting, the shareholders' general meeting resolves not to renew said term and not to replace him (French Act 2016-1691 of December 9, 2016, Article 140).

Resolutions submitted to the shareholders' extraordinary general meeting

Thirteenth resolution

The shareholders' general meeting, voting in accordance with the *quorum* and majority requirements for shareholders' extraordinary general meetings, after having reviewed the board of directors' report resolves to set the minimum number of directors at three, to set the terms of office of directors, apart from directors elected by employees, at three years, instead of six, and to set the age limit of directors at seventy. It resolves to amend paragraphs I – II and V of Article 10 of the bylaws as follows:

Article 10 – Board of directors

I – Composition

Old version

The company is administered by a board of directors composed of no fewer than nine members and no more than eighteen members appointed by the shareholders' general meeting.../...

New version
.../... The company is administered by a board of directors composed of no fewer than **three** members and no more than eighteen members appointed by the shareholders' general meeting.../...

II – Term of office

Old version
.../...The term of office for directors is six years and they retire by rotation, one-third every two years. With this in mind, the term of office of the first directors appointed by the shareholders' general meeting will be two, four or six years.../...
Directors may be eligible for re-appointment for six-year terms.

New version
.../...The term of office for directors **other than those elected by employees** is **three** years, with one-third coming up for reappointment every year.../...
Directors may be eligible for re-appointment for **three-**year terms.

V - Age limit

Old version
No-one over the age of 70 can be appointed or elected as a director if this has the effect of bringing the number of directors over 70 to more than one-third of the total number of directors. If, as a result of a director passing the age of 70, the proportion of one-third is exceeded, the oldest director shall be deemed to have automatically resigned. For directors other than those elected by employees, such resignation shall take effect at the conclusion of the next shareholders' ordinary general meeting. For directors who are elected by employees, such resignation shall take effect at the conclusion of the next board meeting.../...

New version
.../...The age limit of members of the board of directors is set at 70.
Unexpired terms of office at that age shall end at the shareholders' general meeting following the anniversary date.

Fourteenth resolution

The shareholders' general meeting, voting in accordance with the quorum and majority requirements for shareholders' extraordinary general meetings, after having reviewed the board of directors' report, resolves to set the age limit of the Chairman at seventy. It resolves to amend Article 11 (1) of the bylaws as follows:

Article 11 – functioning of the board of directors

Old version
The Chairman's term of office shall expire no later than at the conclusion of the shareholders' ordinary general meeting following the date on which he or she reaches the age of seventy-five. However, the board of directors may, in the meeting that follows that shareholders' ordinary general meeting, extend that limit on one or more occasions to a total period not to exceed two years.../...

New version
The Chairman's term of office shall expire no later than at the conclusion of the shareholders' ordinary general meeting following the date on which he or she reaches the age of **seventy**.../...

Fifteenth resolution

The shareholders' general meeting, voting in accordance with the quorum and majority requirements for shareholders' extraordinary general meetings, after having reviewed the board of directors' report, resolves to extend the terms of office of general management and of the Chief Operating Officers to three years and to set the age limit at seventy. It resolves to amend paragraphs 2 and 3 of Article 12 of the bylaws as follows:

Article 12 – General management

General management

Old version
.../... The Chief Executive Officer is an individual chosen from among the directors or otherwise.
If the Chief Executive Officer is also a director, his or her term of office may not exceed that of his or her directorship.
The Chief Executive Officer's term of office shall expire no later than at the conclusion of the shareholders' ordinary general meeting following the date on which he or she reaches the age of seventy-five. However, the board of directors may, in the meeting that follows that shareholders' ordinary general meeting, extend that limit on one or more occasions to a total period not to exceed two years.../...

New version
.../... The Chief Executive Officer is an individual chosen from among the directors or otherwise.
The Chief Executive Officer is appointed by the board of directors for a renewable term of three years.
The Chief Executive Officer's term of office shall expire no later than at the conclusion of the shareholders' ordinary general meeting following the date on which he or she reaches the age of **seventy**.../...

Chief Operating Officers

Old version
.../... On the proposal of the Chief Executive Officer, whether that function is performed by the Chairman of the board of directors or by another person, the board of directors may appoint one or more individuals to assist the Chief Executive Officer, with the title of Chief Operating Officer.
The board of directors may choose the Chief Operating Officers from among the directors or otherwise and may not appoint more than five.
A Chief Operating Officer's term of office shall expire no later than at the conclusion of the shareholders' ordinary general

meeting following the date on which he or she reaches the age of seventy. However, the board of directors may, in the meeting that follows that shareholders' ordinary general meeting, extend that limit on one or more occasions to a total period not to exceed two years.

New version

.../... On the proposal of the Chief Executive Officer, whether that function is performed by the Chairman of the board of directors or by another person, the board of directors may appoint, **for a term of three years,** one or more individuals to assist the Chief Executive Officer, with the title of Chief Operating Officer.

The board of directors may choose the Chief Operating Officers from among the directors or otherwise and may not appoint more than five.

A Chief Operating Officer's term of office shall expire no later than at the conclusion of the shareholders' ordinary general meeting following the date on which he or she reaches the age of **seventy**.

Sixteenth resolution

The shareholders' general meeting, voting in accordance with the *quorum* and majority requirements for shareholders' extraordinary general meetings, after having reviewed the board of directors' report, resolves to set the terms of office of non-voting board members at three years, to set the age limit at seventy-five and to add a right to request asecond reading by the board. It resolves to amend Article 14 of the bylaws as follows:

Article 14 – Non-voting board members

Old version

On the proposal of its Chairman, the board of directors may appoint one or more non-voting board members.

Non-voting board members receive notice of board meetings and attend them in an advisory capacity.

They are appointed for six years and may be reappointed for further terms. The board of directors may terminate these appointments at any time.

They may be chosen from among the shareholders or elsewhere.

New version

On the proposal of its Chairman, the board of directors may appoint one or more non-voting board members.

Non-voting board members receive notice of board meetings and attend them in an advisory capacity.

They are appointed for **three** years and may be reappointed for further terms. The board of directors may terminate these appointments at any time.

They may be chosen from among the shareholders or elsewhere.

The age limit of a non-voting board member is set at seventy-five. Unexpired terms of office at that age shall end at the board meeting following the anniversary date.

They may, by a resolution adopted by a majority of the votes of non-voting board members present or represented, request a second reading by the board.

Resolutions submitted to the shareholders' combined ordinary and extraordinary general meeting

Seventeenth resolution: powers

The shareholders' general meeting gives full powers to the bearer of a copy or excerpt of the minutes of this meeting to carry out all legal and administrative formalities and make all filings and publications prescribed by the laws in force.

GENERAL INFORMATION

LEGAL INFORMATION ABOUT CIC

(See also the "Presentation of CIC" and "Corporate governance" sections)

Name and registered office

The company's name is:
Crédit Industriel et Commercial
Abbreviated to: **CIC**
This abbreviation can be used on its own.
Its registered office is located at: 6 avenue de Provence, 75009 Paris 9
Telephone: +33 (0)1 45 96 96 96.

Applicable legislation and legal form

A bank organized as a French société anonyme (corporation) governed by the statutes and regulations in force and, in particular, by the provisions of the French Commercial Code governing corporations and the provisions of the French Monetary and Financial Code.

A company governed by French law

Incorporation date and expiration date
The company was incorporated on May 7, 1859. Its term will expire on December 31, 2067, unless it is dissolved or its term is extended before that date.

Company purpose

(summary of Article 5 of the bylaws)
The purpose of the company, in France or abroad, is in particular:

- to carry out all banking operations and related operations;
- to provide all investment services and related services;
- insurance broking in all businesses;
- realtor activity;
- all professional training activities relating to the above matters;
- to acquire, hold and manage interests in all banking, financial, real estate, industrial and commercial companies in France or abroad.

Registration number and APE business identifier code

Paris Trade and Companies Register no. 542 016 381
Business identifier code: 6419Z (other financial brokerage activities).

Legal documents relating to the company

The company's bylaws, minutes of shareholders' general meetings and reports are available at the registered office located at 6 avenue de Provence - 75009 Paris (Corporate Secretary's office).

Fiscal Year

January 1 to December 31.

DEPENDENCY

CIC is not dependent on any patents, licenses or industrial, commercial or financial supply agreements for the conduct of its business.

MATERIAL CONTRACTS

As of the date hereof, CIC has not entered into any material contracts, other than those entered into during the normal course of its business, that create an obligation or a commitment that would have negative consequences for the group as a whole.

LEGAL AND ARBITRATION PROCEEDINGS

With regard to the case concerning check image transfer fees, the French antitrust authority appealed the February 2012 decision of the Paris Court of Appeal canceling the fines imposed on the banks by the authority on September 20, 2010. Following the ruling of April 14, 2015, the Cour de Cassation, 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 antitrust authority, the Court of Appeal had concluded that there were no grounds to examine the arguments put forth by two consumer associations in support of the position of the antitrust authority. 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 antitrust authority's decision of 2010.

There are no other pending or threatened government, judicial or arbitration proceedings, including any proceeding of which the company is aware, that may have or has had, during the past 12 months, material impacts on the financial position or profitability of the company and/or group.

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6 ADDITIONAL INFORMATION

DOCUMENTS AVAILABLE TO THE PUBLIC

(see also "Legal information about CIC")

This registration document is available on CIC's website (www.cic.fr) and on the website of the AMF (*Autorité des Marchés Financiers*, the French securities regulator). This is also the case for all past reports and financial information.

Anyone who wishes to obtain further information about CIC may, without making any commitment, request documents:

- by mail: CIC – External relations – 88-90 rue Cardinet, 75017 Paris
- by email: frederic.monot@cic.fr

The documents of incorporation, the bylaws, minutes of general meetings and reports may be consulted at CIC's registered office: 6 avenue de Provence - 75009 Paris (Corporate Secretary's office).

PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

Person with overall responsibility for the registration document

Mr. Daniel Baal, Chief Executive Officer

Declaration by the person responsible for the registration document

I hereby declare that, having taken all reasonable care to ensure that such is the case, the information contained in the registration document is, to the best of my knowledge, in accordance with the facts and no omission likely to affect its import has been made.

I further declare that, to the best of my knowledge, the financial statements have been prepared 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 the entities in the consolidation scope taken as a whole, and that the management report (the contents of which are provided in the cross-reference table on pages 386 to 388 of the annual financial report) provides a true and fair view of the development and performance of the business, the results and financial position of the company and of the entities in the consolidation scope taken as a whole as well as a description of the main risks and uncertainties that they face.

I obtained a statement from the statutory auditors at the end of their assignment, in which they state that they had verified the information relating to the financial position and the financial statements set out in this document, and had read the entire document.

Paris, April 18, 2018
Daniel Baal,
Chief Executive Officer

STATUTORY AUDITORS

The statutory auditors – PricewaterhouseCoopers Audit, Ernst & Young et Autres and KPMG S.A. – are members of the French Regional Institute of Chartered Accountants of Versailles.

Principal statutory auditors

Name: PricewaterhouseCoopers Audit
Address: 63, rue de Villiers, 92208 Neuilly-sur-Seine Cedex
Represented by Jacques Lévi
First term of office began on: May 25, 1988
Length of current term of office: six years from May 24, 2012
This term of office expires at the close of the shareholders' general meeting called to approve the financial statements for the year ended December 31, 2017.

Name: Ernst & Young et Autres
Address: Tour First, 1 place des Saisons, 92400 Courbevoie
Represented by Hassan Baaj
First term of office began on: May 26, 1999
Length of current term of office: six years from May 24, 2017
This term of office expires at the close of the shareholders' general meeting called to approve the financial statements for the year ending December 31, 2022.

Name: KPMG S.A.
Address: Tour Eqho – 2, avenue Gambetta, 92066 Paris La Défense Cedex
Represented by Arnaud Bourdeille
First term of office began on: May 25, 2016
Length of current term of office: six years from May 25, 2016
This term of office expires at the close of the shareholders' general meeting called to approve the financial statements for the year ending December 31, 2021.

Alternate statutory auditors

Étienne Boris, KPMG S.A.

CROSS-REFERENCE TABLE

Annex 1 of EU regulation no. 809/2004		Pages
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16.2	Service contracts between members of the administrative, management or supervisory bodies and the issuer or any of its subsidiaries	45
16.3	Information about the issuer's audit committee and compensation committee	46-49 / 52-55 / 79-81 / 83-85
16.4	Statement as to whether or not the issuer complies with its country of incorporation's corporate governance regime	45 / 53
17	**Employees**	
17.1	Number of employees	320
17.2	Directors' ownership interests and stock options	54
17.3	Arrangements for involving the employees in the capital of the issuer	NA
18	**Major shareholders**	
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18.2	Any differences in voting rights of the abovementioned shareholders	37 / 374
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19	**Related party transactions**	**263**
20	**Financial information concerning the issuer's assets and liabilities, financial position and profits and losses**	
20.1	Historical financial information	7 / 204-263 / 272-308
20.2	Pro forma financial information	NA
20.3	Financial statements	204-263 / 272-308
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20.6	Interim and other financial information	NA
20.7	Dividend policy	39
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22	**Significant contracts**	**379**
23	**Third party information and statements by experts and declarations of any interest**	**NA**
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Cross-reference table containing the information required in the annual financial report referred to in Section I of Article L.451-1-2d of the French Monetary and Financial Code and in Article 222-3 of the of the AMF General Regulations

		Articles of the French Commercial Code	Articles of the French Monetary and Financial Code	Articles of the French General Tax Code	Articles of the AMF's General Regulations	Pages
1	**Declaration by the person responsible for the registration document**					**383**
2	**Board of directors' report**					
2.1	Situation of the company and the group during the past fiscal year		L.232-1, L.233-26			7 / 64-76 / 204-263 / 272-308
2.2	Analysis of the business development, results and financial position of the company and the group		L.225-100-1			7 / 64-76 / 204-263 / 272-308
2.3	Financial and non-financial key performance indicators for the company and the group		L.225-100-1			64-76 / 204-263 / 272-308
2.4	Other information on the situation of the company and the group					
	Foreseeable development of the company and the group	L.232-1, L.233-26				76
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	Research and development activities	L.232-1, L.233-26				NA
	Existing branches	L.232-1				30 / 226
	Information on presence by country or territory		L.511-45, R.511-16-4			75-76 / 227-228
	Acquisition of holdings in or control of a company whose registered office is in France	L.233-6, L.247-1				NA
	Activity and results of the whole company, the subsidiaries of the company and the companies which it controls by sector of activity	L.233-6				66-76 / 204-263 / 272-308
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In accordance with Article 28 of European Regulation no. 809-2004 on prospectuses and Article 212-11 of the AMF's General Regulations, the following are incorporated by reference:

- the annual and consolidated financial statements, as well as the group management report for the fiscal year ended December 31, 2016 and the statutory auditors' reports on the annual and consolidated financial statements as of December 31, 2016, which are presented, respectively, on pages 219 to 257 and 74 to 217 and on pages 258 to 259 and 218 of registration document D.17-0398 filed with the AMF on April 19, 2017.
- the annual and consolidated financial statements, as well as the group management report for the fiscal year ended December 31, 2015 and the statutory auditors' reports on the annual and consolidated financial statements as of December 31, 2015, which are presented, respectively, on pages 179 to 217 and 74 to 177 and on pages 218 to 219 and 178 of registration document D.16-0369 filed with the AMF on April 20, 2016.

The chapters of registration documents D.17-0398 and D.16-0369 not referred to above are either not relevant for the investor, or are covered elsewhere in this registration document.

GLOSSARY

This glossary contains certain technical terms and abbreviations used throughout the document. The list is not exhaustive.

TERM	DEFINITION
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.
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.
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.
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.
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.
Add-on**	Additional requirement.
AFS	*Available for sale*.
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.
AGIRC	*Association générale des institutions de retraite des cadres* (pension plan for executives).
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).
ANI (*Accord National Interprofessionnel*)	This national multi-industry agreement, entered into by employees and management on January 11, 2013, amends the social rights of both parties. It makes advances on employee rights, such as universal access to a group insurance plan, and toughens conditions for the use of precarious work (by taxing short fixed-term contracts, for example). For the insurance business and with respect to access to supplemental coverage of health-care costs: funding for this insurance plan is divided evenly between employees and employers. The agreements negotiated entered into force at the affected companies no later than January 1, 2016.
AQR	*Asset quality review*. The EBA has recommended that national supervisors coordinate the bank asset quality reviews with the timetable for the European *stress test* exercise. The asset quality reviews will verify that assets have been classified and properly valued to remove any remaining doubts as to the quality of European banks' balance sheets. This work was completed prior to the *stress test* exercise.
Arbitrage Arbitration	On a market, a transaction involving the sale of a security, financial product or currency in order to buy a different one; for a life insurance policy, a transaction that involves transferring some or all of the savings from one vehicle to another. Legal term for a form of alternative dispute settlement. In arbitration, the resolution of a dispute is referred to a third party, the arbitrator, who is selected by the parties and whose decision is binding thereon (as opposed to mediation).
ARRCO	*Association pour le régime de retraite complémentaire des salariés* (supplemental pension plan for employees)
AT1**	Additional Tier 1 (AT1) capital consists of perpetual debt instruments, with no incentive or obligation to redeem (in particular step-ups in interest rates). AT1 instruments are subject to a loss absorption mechanism which is triggered when the CET1 ratio is below a minimum threshold of 5.125%. The instruments may be converted into shares or their nominal value may be reduced. Total payment flexibility is required: automatic payments are prohibited and coupon payments may be canceled at the issuer's discretion.
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.
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.
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.
Banking book**	All assets and off-balance sheet items not in the trading book.
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).
ECB	European Central Bank
Book	
Bps	*Basis points*
Broker	Market intermediary that buys and sells on behalf of its clients.

Liquidity buffer	Buffer required to meet cash outflows assuming the markets are closed and there is no access to any liquidity.
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.
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.
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.
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.
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**	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.
CHF	Swiss franc.
CHSCT	*Comité d'hygiène, de sécurité et des conditions de travail* (Committee for Hygiene, Safety and Working Conditions).
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.
NACE code	Statistical classification of economic activities in the European Community (from the French *Nomenclature statistique des activités économiques dans la communauté européenne*).
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."
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.
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.
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.
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.
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.
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.
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.
Net additions to/reversals from provisions for customer loan losses calculated on an individual basis as a proportion of total outstanding loans (expressed in % or basis points)	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).
Net additions to/reversals from provisions for loan losses calculated on an individual basis	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.
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.
Net customer loans	"Loans and receivables due from customers" item on the asset side of the consolidated statement of financial position.

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.
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.
Deposits	"Amounts due to customers" item on the liabilities side of the consolidated statement of financial position.
Impairment***	Accounting recognition of a probable loss on an asset.
Derivative*	Financial instrument whose price depends on the price of another instrument (share, bond, etc.) which professionals call the "underlying."
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.
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.
Capital requirement	The amount of the capital requirement is determined by applying a rate of 8% to risk-weighted assets (RWAs).
EL (expected loss)	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).
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.
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.
Insurance savings products	Life insurance outstandings held by our customers - management data (insurance company).
Bank savings products	Off-balance sheet savings outstandings held by our customers or held in custody (securities accounts, UCITS, etc.) — management data (group entities).
Customer funds invested in group savings products	Sum of bank deposits, insurance savings products and bank savings products.
Equity	*Private equity*.
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.
FTE	Full-time equivalent.
EU	European Union.
EUR	Euro.
Euribor	*Euro Interbank Offered Rate*: benchmark rate for the money market in the eurozone.
European Securities and Markets Authority (ESMA)	ESMA is one of the new European Supervisory Authorities (ESAs) that, along with the national supervisory authorities, make up the European System of Financial Supervisors.
Expected loss (EL)	See EL.
Gross exposure	Exposure before accounting for provisions, adjustments and risk mitigation techniques.
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.
FBF	*Fédération bancaire française* (French banking federation). Trade organization that brings together all banks in France.
FCPR	*Fonds commun de placement à risque* (venture capital fund).
Fed	*Federal Reserve System*/US central bank.
Financial Stability Board (FSB)	Established in 1999 at the G7's initiative as the *Financial Stability Forum* (FSF). It is made up of 26 national financial authorities (central banks, finance ministries, etc.) and several international organizations and bodies that develop financial stability standards. It facilitates cooperation in the supervision and oversight of financial institutions. Its secretariat is hosted by the Bank for International Settlements in Basel.
Tier 1 capital	This consists of Common Equity Tier 1 (CET1) capital and Additional Tier 1 (AT1) capital.
Tier 2 capital**	Tier 2 capital consists of subordinated debt instruments with a minimum maturity of five years. Incentives for early redemption are prohibited.
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.
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.
US144A format/US144A 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.
FRA	*Forward rate agreement*.
Operating expenses	See general operating expenses.
General operating expenses	See general operating expenses.
General operating expenses	These correspond to the sum of "Employee expenses" (note 33a to the consolidated financial statements), "Other general operating expenses" (note 33c) 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.

Front office	Traders on the trading floor who handle market, foreign currency and interest rate transactions.
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.
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.
FVA (Funding Valuation Adjustment)	Adjustment to the price of a financial product that accounts for funding costs. It concerns, in particular, trades in derivatives on the OTC market that are not hedged or imperfectly hedged and represents the *net present value* (NPV) of the additional funding cost to hedge these trades. FVAs are reflected in the accounts with a provision. Unlike the CVA, the risk reflected by the FVA is not subject to capital requirements.
GAAP**	*Generally accepted accounting principles*: Accounting standards in force in the United States, defined by the FASB.
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.
GBP	British pound.
G-SIFIs (Global Systemically Important Financial Institutions)	The 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.).
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.
Deferred tax asset	This arises from timing or temporary differences between accounting charges and tax charges.
IFRS	*International Financial Reporting Standards*.
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.
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.
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* approach: 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.
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.
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.
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.
SRI	Socially Responsible Investment — In France, SRI is generally described as the process asset management companies use to select the marketable securities that make up their portfolio by systematically taking into account the issuer's environmental, social and governance (ESG) practices, in addition to financial criteria. This type of management is ideally coupled with a dialogue with the company and active exercise of the voting rights attached to the securities.
iTraxx	Credit derivative index. It is made up of the most liquid names on the European and Asian markets.
Fair value	Market value. Price at which an asset can be sold if there is an open and active market for trading the asset.
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.*
AML-CTF	Anti-money laundering and counter-terrorist financing.
LCR	See Liquidity Coverage Ratio.
Leverage/Leveraged financing	Debt financing
LR	*See leverage ratio*
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* ***	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.
LTRO	*Long-Term Refinancing Operation*: Refinancing operations the ECB offers to eurozone banks.
Secondary market	Market on which securities that have already been issued are traded, also known as the stock exchange.
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.

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.
€m	In € millions
M&A	*Mergers and acquisitions*.
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.
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).
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).
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.
Netting	*Netting* systems are used to reduce the number of interbank settlements, the risks incurred on counterparties and the liquidity needs of participants.
NRE	*Loi sur les nouvelles réglementations économiques* (French law on New Economic Regulations).
NSFR	See Net Stable Funding Ratio
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").
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.
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.
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.
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.
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.
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.
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.
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.
Expected loss	See EL.
Loss Given Default	See LGD.
GDP	Gross domestic product.
SMEs	Small and medium-sized entities.
NBI	Net banking income.
Probability of default	See PD.
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.

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.
Net interest income	See interest margin.
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.
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.
CET1 ratio	Ratio of Common Equity Tier 1 to risk-weighted assets, in accordance with CRD 4/CRR rules.
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).
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).
Leverage ratio	This is the ratio of regulatory Tier 1 capital to accounting on- and off-balance sheet items, after certain items are restated.
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; calculated from note 8 to the consolidated financial statements: "Individual provisions"/"Individually impaired receivables."
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 8 to the consolidated financial statements: "Individual impairment" + "Collective impairment"/"Individually-impaired receivables".
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.
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.
Tier 1 ratio	The ratio of Tier 1 capital to total risk-weighted assets.
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.
Return on equity	Net income attributable to owners of the company as a percentage of opening shareholders' equity less dividends paid.
ESR	European solvency ratio.
Resecuritization	Securitization that has underlying securitization positions, typically in order to repackage medium-risk securitization exposures as new debt securities.
Net interest income	See interest margin.
Intermediation risk	Risk to investment services providers that provide performance guarantees for transactions in financial instruments.
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.
Credit and counterparty risk	Risk of loss due to the default of a customer or counterparty.
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.
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.).
Settlement risk	Risk that develops between the placement of an order, the timeline for settlement and the final receipt of the funds.
Solvency risk	Risk of not having sufficient capital to meet potential losses on loans, securities, etc. This risk may result from other risks.
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.
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.
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.
RMBS	*Residential Mortgage-Backed Securities*.
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.
RTT	*Réduction du temps de travail* (Reduction in working hours).
RW	*Risk weight*.
Risk-weighted assets (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.
SCPI	*Société civile de placement immobilier* (real estate investment company).
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.
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.
Small cap	Small market capitalization.
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.
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.
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.
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.
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.
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).
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).
Swap	Contract that is equivalent to swapping only the value differential.
Loss Given Default	See LGD.
Risk weight	Weighting of exposures that is applied to a specific exposure to determine the corresponding risk-weighted assets.
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.
Subordinated note	Security whose repayment ranks lower in priority than other claims if the issuer defaults.
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.
TMO	*Taux moyen obligataire* (fixed-rate bond index).
Microenterprises	Microenterprises.
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.
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.
TUP	*Transmission universelle de patrimoine* (transfer of assets and liabilities).
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.
Unit-linked (insurance)	In a life-insurance policy, this is the type of investment in marketable securities selected by the policyholder.
US	United States of America.
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.
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.
Value exposed to risk (EAD - Exposure at default)	See EAD.
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.
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.

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Published by
Institutional Communications

Designed and produced by
Bela Vista

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CIC's annual report is also published in English (free translation)

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