REGISTRATION DOCUMENT & ANNUAL FINANCIAL REPORT

2016

CIC

Construisons dans un monde qui bouge.

Building the future in a changing world

Chairman's statement

Our businesses are changing and CIC is transforming

In a rapidly changing environment, the group continued to develop its commercial activity in 2016, offering its 4.9 million customers banking products, insurance products and services that specifically meet their evolving needs. At a time of low interest rates, regulatory pressure and heightened competition, this strategy translates into significant growth in loans and deposits, as well as in insurance, telephone services and remote surveillance.

The CIC group ends the year with net income of €1.361 billion, an increase of 21.8%.

It continues to rely on the latest technology to make customer relationships, whether physical or digital, the focal point of its strategy. For example, in 2016 the group redesigned its website to offer a more functional customer area and a straightforward line of products and services tailored to all activities.

As a bank for self-employed professionals and corporates – one in three companies is a customer – through its development strategy the CIC group continued to support the vitality of the real economy in an effort to boost growth, productivity, profitability and employment simultaneously. For example, thanks to this policy the "corporate" branches offer health insurance policies that do not require their employees to pay their healthcare costs in advance.

As a bank for private individuals and associations, the CIC group continued to support the development of projects rooted in its customers' day-to-day lives and in today's and tomorrow's society by developing a comprehensive range of products and services for every stage of life. For example, the launch of "CIC Auto" in 2016 allows customers to take advantage of negotiated prices at the time of purchase from a network of dealers and provides financing and insurance options.

What sets the CIC group apart is its ability to successfully combine technological innovation and respect for the customer, always with the same goal: to build for the long term in a way that benefits the real economy. To achieve this, it draws on the commitment and professionalism of its employees, who support their customers every day by using technology to build a relationship of trust.

It also owes its success to the fact that it is part of a solid group - the Crédit Mutuel group – which was ranked as the number one French bank and the fourth best bank in the euro zone following the stress tests (unfavorable scenario) conducted by the European Central Bank in 2016 for its CET1 solvency ratio.

Thanks to the commitment and competence of its employees, its capacity for technological innovation that supports the real economy and the vitality of the regions and its ability to maintain strong relations with its customers in a complex world, the CIC group is looking to the future with confidence and determination.

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.

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

Its operations are organized into five businesses:
- retail banking
- financing activities,
- capital markets activities,
- private banking,
- private equity.

CIC PROFILE

4,953,615 customers*, including:

4,029,786 individuals

101,493 associations

692,160 self-employed professionals

130,176 corporates

19,991 employees**

1,982 branches in France

4 foreign branches

34 foreign representation offices

18 foreign private banking offices

Figures as of December 31, 2016.
* Banking network.
** Full-time equivalent.

KEY CONSOLIDATED FIGURES

Capital in € millions

	2016	2015	2014
Net banking income	4,985	4,782	4,410
Operating income after provisions	1,729	1,570	1,293
Net income attributable to owners of the company	1,352	1,111	1,116
Cost/income ratio[1]	61.6%	62.8%	66.0%

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) Managed savings (life insurance, employee savings plans and UCITS) and customers' securities in custody.
(3) Month-end outstandings.

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%

Presentation of CIC

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BUSINESS LINES

RETAIL BANKING[1]

Retail banking continued to grow in 2016. With net banking income of €3.5 billion, operating expenses of €2.272 billion and net provision allocations/reversals for loan losses of €164 million, retail banking posted pre-tax income of €1.204 billion.

Retail banking: key figures (€ millions)	2016	2015	Change 2016/2015	2015 restated*	Change* 2016/2015
Net banking income	3,500	3,514	(0.4%)	3,494	0.2%
General operating expenses	(2,272)	(2,254)	0.8%	(2,254)	0.8%
Operating income before provisions	1,228	1,260	(2.5%)	1,240	(1.0%)
Net provision allocations/reversals for loan losses	(164)	(194)	(15.5%)	(194)	(15.5%)
Income before tax	1,204	1,202	0.2%	1,182	1.9%
Net income attributable to owners of the company	826	790	4.6%	778	6.2%

* Offsetting of €20 million in capital gains on securities realized by CIC EST.
Source: consolidated financial statements.

Retail banking, CIC's core business, continued to grow in 2016 and today has 4,953,615 customers.

The number of customers in the banking network, which consists of 1,982 points of sale, increased by 86,441 or 1.8%.

The network's total commitments increased by 4.2%, new investment loans by 4.9%, new consumer loans by 5.1% and new lease financing by 12%.

Customer savings ended the year up by 5.3% thanks to home savings accounts (up 13.3%) and customer deposits (up 25.1%).

Life insurance outstandings increased by 3.2%, with a 6.3% rise in Euro-UL life insurance.

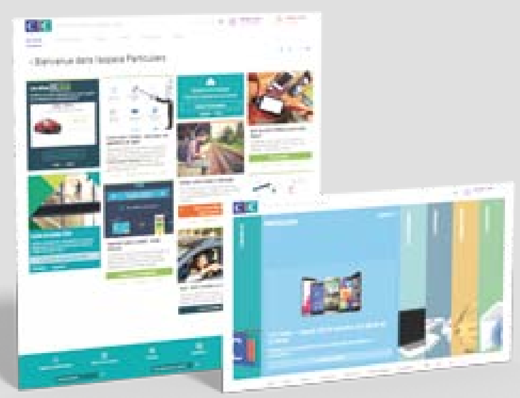
In property insurance, the number of policies grew by 11.7%, of which 11.3% were for auto and 6.7% for home.

The number of mobile phone contracts reached 447,421, an increase of 1.8%.

Service activities associated with electronic payment systems also posted strong growth:

- number of cards in circulation up by 3.9% including high value added cards for individuals up by 4.5%;
- number of active merchant payment terminals up by 4.6% to 133,994 units;
- flow of card payments with merchants and corporates up by 6%.

(1) Outstandings are cumulative average outstandings.



cic.fr

Clearer, more straightforward, more accessible and more personalized: we have completely redesigned the CIC website to better meet our customers' needs.

Retail banking markets

Personal banking customers 2016

New customers

The personal banking customers segment currently has 4,029,786 customers (up 1.3%), an increase of 50,726 customers. Those aged 18 to 25 accounted for the highest rate of growth at 3.4%.

Customer deposits

Savings balances grew by €401.7 million or 1.3%. Overall savings book balances rose by 0.7% to €18.9 billion – after decreasing by 2.3% in 2015 – thanks to an increase in Livret A balances of 3% (i.e. €161.2 million). Home savings accounts continued to grow: up 13.1% for a net change in outstandings of €1 billion. Net outflows of €715 million were recorded on term deposits. Sight deposits continued their 2015 growth with an increase of €1.5 billion (13.8%).

Managed savings

Securities account outstandings fell by 8.4% to €9.2 billion.
All securities accounts decreased by 10.9%, with the exception of share savings plans which were down 4.3%.
Life insurance outstandings rose by 3% to €28.3 billion, with a 6.7% increase in Euro-UL policies versus a 3.4% decrease in euro policies.

Lending

Outstanding home loans rose by 4.5% to €49.2 billion. This increase was mainly due to conventional loans given that home savings loans were down by 30.7%.
New lending fell by 18.6% compared to 2015, which had been an unusual year with a 91.3% increase following the repayments and renegotiations of real estate loans resulting from the decrease in interest rates. New lending in 2016 was significantly higher than in 2014 (€10.2 billion versus €6.6 billion).
The total amount of early repayments (€6.1 billion), although less than in 2015 (€8.4 billion), was higher than in 2014 (€4.5 billion).
Outstanding consumer loans and revolving credits rose by 5.3% to €4 billion, thanks mainly to standby credits, which reached €2 billion (up 15.5%).

Service contracts and remote banking

The total number of contracts was 1,374,947. This number grew at a much higher rate than the number of customers (up 5% vs. 1.3%). The Global Personal Contract accounted for 53% of family contracts, up 6%, and the Adjustable Personal Contract continued to grow substantially by 22.8%.
The year 2016 was also marked by a sharp increase in the number of people enrolled in remote banking with 63% of subscribers.

CIC: A NETWORK THAT OFFERS MULTIPLE OPTIONS

Nearly 2,000 points of sale at end-2016

Service contracts and remote banking: more than 2.2 million users

The total number of personal contracts in all markets was 1,600,838 (+5.4%). This increase reflects the success of the global contract offered to customers and of the "adjustable" contract offering (+222,385 subscribers in 2016). Moreover, the appropriateness of the multi-channel customer relations approach resulted in a very sharp increase in the number of people enrolled in remote banking. Currently, 2.2 million people (+8.8%) have a remote banking services contract.

ATMs: 2,377 ATMs and 1,342 dedicated deposit terminals

In 2016, more than 103 million transactions were completed at the CIC group's ATMs, including 68 million withdrawals and 21 million deposits.
Touch screen ATMs[2] accounted for 43% of the ATMs in place at the end of 2016.
Thanks to recent technological advances, CIC's ATMs have been greatly enhanced and now allow customers to view "prepaid card" transactions and access a cash deposit solution with automatic bill counting.
These advances will also impact 2017 directly with the opening of the group's ATMs to cards associated with the JCB (Japan) network and the addition of Japanese and Korean to the languages proposed to customers.

2,386,689 bank cards held by individuals

The total number of cards for individuals increased to 2,386,689, including 392,029 high-end cards (+4.6%).

Mobile phone service: 447,421 subscribers (+1.8%).

cic.fr: 396 million connections

The year was marked by two major changes: the addition of budgeting to the smartphone apps and the redesign of the CIC website (cic.fr).
However, the highlight of 2016 was the sharp increase in the number of connections via smartphone apps (+24.4% in a year). Today, about one out of two connections is made via our smartphone or tablet apps.

(2) ATMs that feature a touch screen.

Self-employed professionals

A dedicated sales force

A team of 2,280 account managers specialize in the management of self-employed professionals to respond appropriately to the needs of the various market segments.

In 2016, 692,160 self-employed professionals[1], in the broadest sense of the term, benefited from CIC's expertise.

New customers

Campaigns targeting self-employed professionals resulted in the acquisition of 68,403 new customers. The total number of customers rose by 3.3% in 2016.

In the farming sector, 3,362 new customers were added in 2016, bringing the portfolio to 38,194.

Lending

Loans outstanding to self-employed professionals rose by 4.4% thanks in particular to the loans made available in 2016 for our business customers, which totaled €6.902 billion.
New investment loans reached €3.198 billion for a 4.9% one-year increase, while new equipment leasing loans also rose by 7.7% to €469 million.

The €2.826 billion in new home loans made available to self-employed professionals represented 21.3% of CIC network's total new lending.

Action in support of entrepreneurs led to the issuance of 5,053 loans benefiting from a Bpifrance guarantee as part of the business creation initiative.

For customers in the farming sector, the amount of loans made available passed the €500 million threshold, bringing the total amount of commitments to €2.5462 billion (up 6.2%).

Savings

In 2016, total savings increased significantly by 6.9% to €25.6 billion. This includes an increase in sight deposits of €1.6 billion (up 19.1%) and in life insurance of €161 million (up 3.6%). Savings accounts remained stagnant and 2016 saw a negative change in securities of our business customers of €188 million (down 7.1%).

Customer loyalty

Products and services were actively marketed:
- the total number of remote banking contracts passed the 300,000 mark, increasing by 21,721 (7.7%) to 301,312;
- the number of business contracts reached the 200,000 threshold, rising by 13,481 (7.0%) to 206,012.

In the banking network, electronic payments grew by 6% as a result of an increase in both the number of active terminals (up 4.6%) and the number of transactions carried out (up 10.2%); at €31.104 billion, the amount of payments made on electronic payment terminals therefore exceeded the €30 billion mark.

(1) Professionals, farmers and others excluding associations.

Employee savings management

A total of 4,614 new contracts were signed in 2016, bringing the overall amount to 29,958.

Life, health and personal protection insurance

Self-employed professionals accounted for €4,676 billion (13.5%) of total life insurance business. The subscription of 3,707 individual health insurance policies and 16,207 personal protection insurance policies brought the total number of policies outstanding to 14,049 (up 11.6%) and 76,386 (up 7.8%) respectively.
In terms of group health and personal protection insurance policies, account managers for self-employed professionals were responsible for the signing of 7,127 new policies in 2016.
A total of 2,066 Madelin plans (pension savings plans providing a retirement annuity) were sold.

Partnerships

Agreements with branded networks continued and totaled 139.

Communication

Sales drives included a radio campaign aimed at all self-employed professionals, while CIC took part in several events designed for this customer segment (trade fairs, conferences, etc.).

Corporates

New customers

CIC's strategy is based on direct contact between account managers and their customers. Even though online banking offers new functionality that allows customers to play a more active role, the account executive remains informed of how they use it in order to provide appropriate advice at the right time. For CIC, the best way to meet customers' needs is to make every effort to find solutions. The group is therefore committed to adapting its products and services to customers' priorities. The innovative capacity and expertise of the business centers are prerequisites for responding to all their needs. The account executive, who is at the heart of the customer relationship, guarantees the quality and effectiveness of a one-to-one relationship based on mutual trust. and a single commitment: service first.
The total number of customers rose by 2.6%.
In all, 11,278 companies joined the corporate network in 2016.

Lending

The modest recovery supported by government measures, particularly the extension of the additional depreciation rule for new investments, and record low interest rates boosted investments. New medium- and long-term lending continued to grow in 2016, taking outstandings to €14,440.2 billion (up 6.1%). Equipment leasing totaled €1,387.4 billion and real estate leasing €234 million, confirming the constant growth of the lease financing offering.
Operating loan outstandings rose by 0.7%.
Overall, the corporate network's commitments grew by 4.3% to €35,584.7 million.

Treasury management and financial investment

In 2016, CIC continued to adapt its solutions to meet companies' security, liquidity, transparency and performance needs in a context of record low interest rates.
The effects of the *Quantitative Easing* policy continued to be felt. There is ample liquidity, which is held in the accounts.
Against this backdrop, total savings rose by 8.3% to €36.874 billion, driven mainly by current accounts with credit balances (€15.5209 billion in savings, an increase of 36.1%).

Payments

Ensuring payment security is a priority. This is reflected in the proactive shift towards strong authentication to validate payments and the adoption of the innovative Safetrans solution which replaced the BAC. Promoting the K-Sign RGS** electronic signature solution also allows secure authentication. In addition, CIC continues to focus on the development of electronic payments via the Monetico Paiement online payment platform, which increases sales.

International

Relying on the group's network of branches and 34 representative offices worldwide, CM-CIC Aidexport offers companies "tailor-made" solutions to support them internationally.
For transaction processing, the international business center operates a performance and quality improvement process. Financing solutions for import and export activities are offered by the group's experts and regional specialists to meet the needs associated with developing operations in foreign markets and ensuring secure transactions.
In 2016, a new "Parent Companies/Subsidiaries" marketing campaign was launched to help customers expand through the subsidiaries in Germany and Spain and thanks to the partnerships with Desjardins in Canada and BMCE in Morocco.

Employee benefit schemes

CIC now offers managers more ways in which to actively involve their employees in their company's development, while controlling the management of employment-related costs (incentive plans, profit-sharing, employee savings plan).
In 2016, the financial benefits of the Macron Law encouraged companies to sign contracts to support and expand their business activity. Group health insurance, boosted by the new regulation resulting from the national multi-industry agreement (ANI), rounds out the new schemes. The rollout of the Monetico Resto electronic restaurant card solution now complements the paperless systems used in every area.
In this context, employee savings balances rose 3% in 2016 to €2.0772 billion.

Associations

With appropriate banking products, seasoned specialists who have real knowledge of the market and technology to better serve its customers, over the years CIC has become a leading bank in this market. This is supported by excellent results in recent years.

In 2016, this trust resulted in a 10.3% increase in the number of customers that are associations, foundations and other non-profit organizations, for a total of 101,493.

In terms of capital management, loan outstandings grew steadily to €839.9 million and total cash management balances increased by 7.5%, reaching €7.6 billion at December 31, 2016.

Finally, the solidarity-based savings products offered by CIC to its customers are becoming increasingly popular which benefits the partner associations.

retail banking support services

Insurance

CIC markets the insurance product lines designed and managed by Groupe des Assurances du Crédit Mutuel (GACM), whose overall portfolio consisted of 28.6 million policies at December 31, 2016. GACM's premium income in 2016 was €10,644 million, €3,799 million of which was achieved in the CIC network.

The year was marked by a record number of new auto and home insurance policies. After two less productive years, personal protection insurance performed well thanks in particular to the marketing campaigns.

Gross life insurance inflows were down slightly by 1.2%, but with continued growth of 12.7% in unit-linked policies.

Total commissions paid amounted to €1.228 billion, up 4.9%, including €341.7 million paid to CIC.

Property

Auto insurance benefited from the new product introduced in April 2015. This fully redesigned, more competitive product helped the network sell policies on a large scale, with the number of policies in the portfolio increasing by 5.3% to 2,786,627.

The product range covers the needs of all customer groups: individuals, self-employed professionals and businesses, from basic to fully comprehensive services, with support services options.

The home insurance product line launched in 2014 is now fully operational. The number of policies grew by 4.5% to 2,499,782.

The bad weather in May and June 2016 put a significant strain on the Constatel call center with nearly 20,000 insurance claims. The measures taken, particularly the payment of advances, the fast response and remote damage assessment, were intended to improve the service provided to policyholders.

Personal insurance

The number of personal protection policies (excluding bank personal protection) increased by 3.2% with 2,381,941 policies at year-end.

The borrower's insurance portfolio did not experience a significant increase in cancellations following the introduction of the Hamon Law and the continuous loan renegotiations. In this competitive environment, enrollment procedures were simplified and online medical acceptance procedures were implemented.

Assurance Santé continued to develop a range of services through partnerships with healthcare professionals. The insurance offered satisfies the specifications incorporated into industry agreements and products certified as supplemental health insurance assistance policies. The Avance Santé card, a means of payment associated with health insurance, continues to supplement third-party payer systems.

Life insurance

Gross life insurance inflows were €6.287 billion, down 1.1%.

Net inflows remained positive at €1.247 billion despite declining by 16.7% (as a reminder, €1.497 billion in 2015).

CIC's gross inflows totaled €2.771 billion, down 3.8%, and net inflows fell by 36.8% to €336 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

Several changes have been made to meet the property and personal insurance needs of self-employed professionals and corporates, with whom the network is actively engaged.

In terms of social welfare, companies of any size can benefit from pension, personal protection or supplemental health insurance policies tailored to their needs.

To meet the requirement imposed on all private-sector companies, a decision was made to add a healthcare component to the social protection scheme of National Collective Agreements. After being stalled for a while due to a lack of staffing, this approach generated a great deal of enthusiasm at the end of 2015. Plan Santé Entreprise offers automated solutions that satisfy the specifications defined. All policies enjoy the benefits of individual policies: electronic claims management, call centers and the Avance Santé card.

The revamping of the comprehensive insurance product line was well-received and improvements continue to be made to offer solutions tailored to a wide range of professions in a standardized framework that facilitates distribution through a banking network.

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. For personal insurance, they can obtain quotes, subscribe online, change certain coverage or choose between life insurance policies. These applications have been developed for tablets. On their smartphone, subscribers can also find useful telephone numbers, get advice in the event of an auto or home accident and view their health insurance coverage and most recent reimbursements.

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

Key figures for 2016

Revenue (€ millions)	**Groupe des Assurances du Crédit Mutuel**	**2016/2015**	**Of which: CIC**	**2016/2015**
Property	1,751.4	13.9%	362.6	8.7%
Personal insurance	2,604.9	4.0%	664.9	7.3%
Life insurance	6,287.5	(1.1%)	2,771.2	(3.8%)
Total insurance revenue	**10,643.7**	**2.3%**	**3,798.7**	**(0.9%)**
Number of policies				
Property	12,399,131	4.2%	3,487,812	5.5%
Of which: Auto	*2,786,627*	*5.3%*	*516,974*	*11.3%*
Of which: Home	*2,499,782*	*4.5%*	*611,056*	*6.7%*
Personal insurance	12,701,167	1.3%	3,675,900	2.7%
Of which: Personal accident and injury (excl. bank personal protection)	*2,381,941*	*3.2%*	*676,560*	*2.7%*
Of which: Loan guarantee insurance	*5,615,766*	*(0.4%)*	*1,462,375*	*2.1%*
Life insurance	3,459,729	3.2%	878,436	5.0%
TOTAL	**28,560,027**	**2.8%**	**8,042,148**	**4.2%**

Investment funds

In 2016, CM-CIC Asset Management, the business center for the Crédit Mutuel group's asset management and France's fifth largest asset manager, recorded 3.1% growth in assets under management in the French market, from €61.8 billion to €63.7 billion, with a 5.50% market share[1].

This increase was mainly due to net inflows of €1.112 billion in bond assets. With negative short-term interest rates, the group's cash funds, among the highest rated in the market[2] at December 31, 2016, posted positive performance in 2016.

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

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

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

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

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

- Trophée d'Or for best range of three-year diversified funds,
- Trophée d'Or for best 10-year euro bond fund (performance as of March 31, 2016. Source Morningstar)
- Corbeille d'Or for best range of five-year diversified funds (performance as of June 30, 2016. Source: Six Financial Information France)

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

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

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

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

CM-CIC Gestion's managed assets increased by €10.3 billion (up 5%) at end-December and its activity generated more than €90.6 million in net banking income for the group in 2016.

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

In 2016, revenue totaled €231 million. The total amount of commissions paid mainly to the group's entities was nearly €174 million.

The main objectives for the Crédit Mutuel group's *asset manager* in 2017 are the protection of customers' assets and development through collaboration with the networks, with priority given to the medium and long term.

Employee savings management

CM-CIC Epargne Salariale, the core of this business line for CIC and Crédit Mutuel, represented at year-end 2016:

- €7,809 million in assets under management (up by 3.1%);
- 81,118 corporate customers (up by 7.0%);
- 1,335,409 employees' savings under management (up by 1.8%).

Net inflows (up by €119.5 million) and asset valuation (up by €72.6 million) are behind the change in assets under management. The year 2016 was characterized by a significant increase in new business:

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

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

Total operating income was €51.7 million (up 8.6%) 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[3] was €31.9 million, with net profit of €3.7 million (up 36.3%).
The total amount of commissions paid to the networks was €28.2 million, up 4.6%.

(1) Source: Six Financial Information France.
(2) Source: Europerformance.
(3) Net profit + compensation paid to the CM and CIC networks.

This past year saw significant capital expenditure on information technology aimed at enhancing services to companies and savers.
Synergies are also being tested in order to promote the development of the consumer market of Crédit Mutuel and CIC by turning savers into bankinsurance customers.
Finally, CM-CIC Épargne Salariale was entrusted with the management and marketing development of 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 2016, the transaction volume[1] grew by approximately 17%, driven mainly by factoring. Gross net banking income was €124 million (up 7%) as a result of the increase in commissions on investment management and the decrease in refinancing costs that resulted from the decrease in market indexing rates. Overall economic profitability[2] stood at €42 million (up 3%), with large IT investments currently underway. Net income after payments to the networks and corporation tax amounted to €4.3 million (up 69%).

In total, in the factoring and receivables management market, CM-CIC Factor has:
- €33.8 billion in receivables purchased;
- an average of €3.8 billion in financed receivables[3], up 15%;
- nearly 11,000 active customers.

As a result of growth in business with the networks, it paid €34.4 million in new business and risk commissions.

Real estate leasing

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

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

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

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

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

Net interest income from customers rose by 8% in 2016. Various IT projects and human resource developments needed to continue growth in new business and existing leases led to a 3.7% increase in general operating expenses excluding new tax and regulatory charges. Commissions paid to the CM11 and CIC networks totaled €20.1 million, up 8.1%. Net income increased to €10 million.

Equipment leasing

In a favorable yet still uncertain environment, CM-CIC Bail continued to grow at a steady pace in 2016. For the first time, new business exceeded the €4 billion mark, increasing by 8.3% compared with 2015 to €4.132 billion. A total of 114,206 leases were arranged to meet the investment needs of corporates, business customers, self-employed professionals and individuals.

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

Overall profitability remained high thanks to growth in volumes fueled by the increase in new business, enabling the financial margin to reach €162 million. Commissions paid to the networks rose sharply (up 7.5% after spreading new business commissions over time) with general operating expenses under control and stable net provision allocations/reversals for loan losses.

Net income after tax totaled €26.6 million.

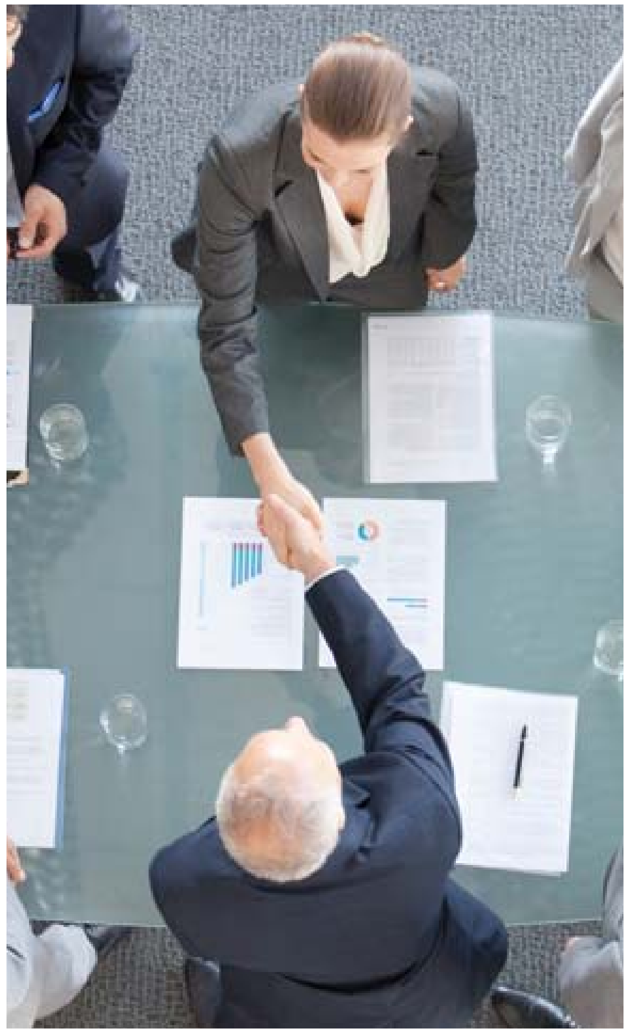
The year 2016 was marked by:
- continued growth in all our activities;
- the increase in auto lease financing for individuals;
- the development of international business; and
- the use of customer satisfaction surveys as part of our quality approach.

CORPORATE BANKING

In 2016, net banking income from financing totaled €353 million and income before tax was €226 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)	2016	2015	Change 2016/2015
Net banking income	353	366	(3.6%)
General operating expenses	(105)	(97)	8.2%
Operating income before provisions	248	269	(7.8%)
Net provision allocations/reversals for loan losses	(22)	(23)	(4.3%)
Income before tax	226	246	(8.1%)
Net income attributable to owners of the company	143	158	(9.5%)

Source: consolidated financial statements.



Large accounts: corporates and institutional investors

In a fragile economic environment, the total amount of commitments of the Large Accounts division remained stable in 2016. Overall exposure (excluding guarantees received) rose by 0.3% from €18.5 billion to €18.6 billion. On-balance sheet outstandings increased significantly at year-end by 28.2% (€4.6 billion compared to €3.6 billion at end-2015). Off-balance sheet guarantees (sureties and risk participations) decreased by 14.4% (€4.8 billion versus €5.6 billion). Off-balance sheet financing (undrawn committed lines) contracted slightly by 1.6% (€9.2 billion compared to €9.4 billion).
As indicated in the medium-term plan, the development of commercial activity was a priority. The risk selection policy was maintained, as was the drive for reduced concentration of commitments by means of greater sector diversification.
Net provision allocations/reversals for loan losses were contained with a net addition of €10.3 million for the year. The quality of the portfolio remained strong, with 87.7% of commitments classified as *investment grade* at September 30, 2016.
The negative interest rate environment impacted the average margin level.

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

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

Payment processing volumes increased by 8.6% from €246 billion to €267 billion, of which 67% on behalf of institutional investors. Of the 25 invitations to tender responded to, eight were successful.

As part of the formalization of the large accounts business line within the group, staffing levels were increased and the training plan was scaled up at the national level.

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

At December 31, 2016, net banking income was €70.6 million. This amount included only part of the income from 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, 2016 was a good year in terms of business performance and earnings.

Net banking income and operating income before provisions remained satisfactory. Net provision allocations/reversals for loan losses increased as a result of the shipping sector, which was hard-hit. However, net provision allocations/reversals for loan losses on other activities were close to zero. All in all, net provision allocations/reversals for loan losses remained under control. Net income before tax, restated by adding the tax credits at the level of net banking income, was down by 13.7% as a result of non-recurring items during the previous year and unfavorable coverage gaps.

At December 31, 2016, total commitments rose by more than 8% as a result of the combination of strong sales activity and the appreciation of the US dollar against the euro.

Financing of acquisitions

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

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.

Development of the third-party management business via our CM-CIC Private Debt subsidiary [1] continued with the investment of 100% of the first private debt fund and of the third mezzanine fund. As a result, in 2016 the dedicated management team successfully raised its fourth mezzanine debt fund and its fourth senior debt fund simultaneously.

Asset finance

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

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

The Paris and Singapore desks were particularly active, thanks in particular to the aviation sector in Paris and the energy and shipping sectors in Singapore bolstered by a geographically more favorable market environment and the acquisition of new customers.

Activity was down at the New York desk as a result of particularly difficult conditions in the oil services and shipping sectors.

Optimized financing operations again contributed significantly to the division's income.

Project finance

In a highly competitive environment, the year was very active for the project finance business line with 20 projects for the Paris center and 13 for the foreign branches (New York, London, Singapore, Sydney). New business in 2016 was comparable to that of 2015 in a market that was down 15.6% overall in the first nine months of 2016 [2] compared to the same period in 2015.

The business line enhanced and internationalized its expertise in the electricity sector, and more specifically in renewable energy, with 17 wind projects (including 11 in France, three in North America, one in Australia and two *offshore* in Europe), as well as participation in the Méridiam fund for the financing of energy transition projects. Several infrastructure projects are also worth noting, including telecommunications infrastructures in Spain, road infrastructures in Australia, secondary schools in France and the United Kingdom, a desalination plant in Australia, a heating network in Sweden and an airport in Lyon. In the area of natural resources, there was also a petrochemicals plant in Oman and a LNG project[3] in Indonesia.

The breakdown of new business in 2016 by business sector is as follows: electricity 50%, infrastructure 36%, natural resources 12% and telecom infrastructure 2%.

The breakdown by geographic area is as follows: Europe 65%, Asia-Oceania 23%, America 6% and Middle East 6%.

(1) Subsidiary not consolidated for accounting purposes.
(2) Source: Project Finance International.
(3) Liquefied Natural Gas.

International

CIC's international mission is to support customers in their international development, by proposing a diversified offering tailored to companies' needs.

Through CIC Développement International, CIC provides an innovative range of services to SMEs, including market studies, arranging sales visits, and prospecting for partnerships and locations. These services are delivered with the backing of CM-CIC Aidexport, its specialist international consulting subsidiary, and of its branches and representative offices. They are promoted on an ongoing basis by the branch networks' campaigns and at special events such as one-day seminars and country-specific discussion forums.

CIC also offers its investment customers a research service that analyzes the credit risk of major French and international bond issuers and the main sectors of the European and global economies.

2016 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.

Thanks to agreements with partner banks, CIC boasts competitive offerings in the area of international transaction processing, particularly cash management and opening accounts abroad.

It offers its French and foreign customer banks a broad range of products and services. 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.

Support for customers abroad is underpinned by strategic partnerships with Desjardins in Canada, the Bank of East Asia in China, Banque Marocaine du Commerce Extérieur and Banque de Tunisie in North Africa, and Targobank in Spain.

Foreign branches and representative offices around the world

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. Despite the Brexit outlook, economic activity in the United Kingdom remained strong in 2016. The branch had a good year thanks to new transactions, an increase in gross revenues and near-zero net provision allocations/reversals for loan losses. In 2016, its net income[3] amounted to €26 million.

New York

The year was marked by strong economic growth, still abundant liquidity, good global corporate financial health and, at the end of the year, uncertainty surrounding the policies of the future Trump administration, which had no impact on the markets.

For specialized financing, the year was characterized by a large number of new transactions, a significant portion of which were refinancing transactions, and the difficulties of the energy sector which resulted in an increase in net provision allocations/reversals for loan losses that were nevertheless under control. Operations relating to the financing of French corporates remained buoyant.

The results from capital market activities were positive, with good control of real estate securitizations.

The branch's net income[4] in 2016 was €49 million.

Singapore, Hong Kong and Sydney

Amid a slowdown in growth in Asia, the product specialization policy was maintained, with priority given to the most stable countries in the region and stringent risk selection.

For specialized and corporate financing, the year saw a significant increase in outstandings and satisfactory income, with a level of net provision allocations/reversals for loan losses which, though impacted by the shipping sector, was moderate.

Private Banking pursued its growth strategy with a net increase in portfolios under management in Singapore and Hong Kong.

Income from capital markets activities, focused on serving institutional and private customers, increased in a context of heightened volatility.

Support in Asia for corporate customers of the French network is underpinned by the group's international product offerings. It was bolstered by the transformation of the Hong Kong representative office into a branch.

The branch's net income[4] in 2016 was €13 million.

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.

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

CAPITAL MARKETS ACTIVITIES

In 2016, capital markets activities generated net banking income of €397 million. Income before tax was €198 million.

With CM-CIC Market Solutions, a new organization was created to expand and improve the capital markets offering made available to customers.

Capital markets activities: key figures (€ millions)	2016	2015	Change 2016/2015
Net banking income	397	342	16.1%
General operating expenses	(202)	(169)	19.5%
Operating income before provisions	195	173	12.7%
Net provision allocations/reversals for loan losses	3	2	50.0%
Income before tax	198	175	13.1%
Net income attributable to owners of the company	126	93	35.5%

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 must be included in those of the group's other activities or, by default, in those of the *holding company*.

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

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

CM-CIC Market Solutions

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

The aim of all these activities is to provide corporates, institutional investors and asset management companies with investment, hedging, transaction and market financing solutions, as well as post-trade services.

CM-CIC Market Solutions consists of the five following units:
- secondary market solutions (execution solutions and direct selling);
- primary market solutions (primary bond, primary equity, issuer services, financial communication);
- investment solutions (structured EMTN, Cigogne funds);
- custodian solutions (securities account-keeping, mutual fund custodian);
- overall research (economic and strategic research, equity research, credit research).

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

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

Primary market solutions is the group's business center for financial transactions. It relies on the expertise of CM-CIC Investissement's capital structuring and specialized financing teams and benefits from the commercial coverage of large accounts, the network and the group's entities, including BECM, CIC Private Banking, CIC Banque Transatlantique, etc. In 2016, the primary bond team took part in 35 bond issues.
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. These activities experienced strong growth in 2016, with a high volume of new issues of EMTNs and strong inflows from Cigogne funds, allowing a 51.1% increase in assets under management to €1.9 billion.

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

An array of miscellaneous services also support these primary functions.

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

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

Credit research supports the development of the primary bond business. The coverage of issuers by credit research along with regular monitoring of the entire bond asset class lend credibility at the commercial level.

Economic research provides the customers of CM-CIC Market Solutions with an economic scenario and regular monitoring of current trends and economic indicators. It also supports the sales growth of the group's other businesses (Private Banking, etc.).

Group Treasury[1]

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

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

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

The outstanding amount of resources raised with maturities of more than 12 months was €84 billion, nearly the same (+1%) as the previous year (€83.1 billion).

In total, €12.5 billion in medium- and long-term external resources were issued in 2016, including €9.5 billion (76.3%) in the form of public issues, with the remainder through private transactions.

(1) These comments and information relate to the central treasury department of the Crédit Mutuel-CM11 group, excluding Targobank Germany and Spain and CIC's subsidiaries and branches outside France.

This €9.5 billion breaks down as follows:

- €3.75 billion issued by BFCM in the form of senior EMTN:
  - €1.25 billion over 10 years issued in January;
  - €1.5 billion over 3 years issued in March;
  - €1.0 billion over 4 years issued in June.
- €2.55 billion (equivalent) raised through U.S. Rule 144A and Samurai:
  - USD 1.75 billion over 3 and 5 years issued in April;
  - JPY 121.2 billion over 5, 7 and 10 years issued in October.
- €1.7 billion issued as Tier 2 subordinated debt:
  - €1.0 billion over 10 years issued in March;
  - €0.7 billion over 10 years issued in November.
- €1.5 billion over 6.5 years issued in the form of housing bonds by our specialized Crédit Mutuel-CIC Home Loan SFH subsidiary.

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

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

- a €68 billion LCR liquidity cushion held by the Central Treasury department (€58 billion at end-2015),
- a Crédit Mutuel-CM11 group LCR ratio of 140%; and
- 159.8% coverage of market deposits falling due in the next 12 months by holdings of liquid and ECB-eligible assets.

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 2016, the financial markets were characterized by:

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

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

Alternative investment products, created by investment business line experts and offered to customers, were of good quality. Stork, the main alternative investment fund, beat its comparable indices, while volatility remained under control. Total outstandings sold rose by 6%.

PRIVATE BANKING

In 2016, the commercial performance of private banking remained strong. The overall results improved against a backdrop of high volatility in the equity markets and interest rates that adversely affected bank deposits.

Private banking key figures (€ millions)	2016	2015	Change 2016/2015
Net banking income	512	509	0.6%
General operating expenses	(367)	(371)	(1.1%)
Operating income before provisions	145	138	5.1%
Net provision allocations/reversals for loan losses	(3)	9	N.A.
Income before tax	149	143	4.2%
Net income attributable to owners of the company	95	79	20.3%

Source: consolidated financial statements.

CIC Private Banking covers all private banking business lines worldwide.

Internationally, the group has operations in high growth potential regions: Luxembourg, Switzerland, Belgium, and Asia. Its brands offer more than 180,000 customers a wide range of high value-added services.

With more than €127 billion in assets under management, €20 billion in commitments and nearly 2,000 employees, CIC Private Banking's contribution to CIC's 2016 income before tax [1] was €149 million, an increase of 4% compared to 2015.

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*.

CIC Banque Privée

With 382 employees in more than 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 191 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 2016, thanks to a still high number of disposals of companies and its ability to handle large transactions in light of other major players in the field, CIC Private Banking pursued its growth and fund inflows by drawing on its close customer relationships and selecting the best banking and financial offerings in the market.

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

Customer savings exceeded €20 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.

(1) Excluding CIC Banque Privée, which is included in the CIC group's banking network.

Banque Transatlantique group[1]

In 2016, assets under management totaled €26.8 billion (up 7%) as a result of gross capital inflows of €3 billion. Loan outstandings rose by 11% to €2.7 billion.
Consolidated net banking income decreased by 3% to €137.1 million, income before tax was €53.9 million and net income totaled €34.1 million. However, this decrease was recorded in a low interest rate and volatile market environment.
Banque Transatlantique opened a representative office in Barcelona in January 2016 after opening one in Madrid.
Large IT and human resource investments were made in the London branch in 2015 and 2016 to better serve French customers in Great Britain.
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 options* and bonus share issues.

Banque Transatlantique Paris

The company's net banking income rose 2% to €103 million and net income (company) remained stable at €35.8 million (+1%).

Banque Transatlantique Belgium

Net banking income was €12.3 million and net income was €3.8 million. Assets under management totaled €2.2 billion and loans outstanding €320 million.

Banque Transatlantique Luxembourg

Net banking income totaled €8.1 million and net income stood at €1.4 million. Assets under management amounted to €1.5 billion and outstanding loans €190 million.

Transatlantique Gestion

Net banking income was €21.5 million and net income was €7.6 million. Assets under management totaled €2.7 billion.

Dubly-Douilhet Gestion

Net banking income was €11.1 million and net income was €4.2 million for €1.1 billion of assets under management.

(1) Except for the paragraph on Banque Transatlantique Paris for which the figures are taken from the company financial statements, all other data represents the contribution to the CIC group's consolidated financial statements.

INTERNATIONAL CIC PRIVATE BANKING NETWORK

Banque de Luxembourg

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

In 2016, its private banking outstandings increased to €22.4 billion. Its customers are international business owners and families seeking reliable solutions to protect, manage and transfer their tangible and intangible assets. It provides its customers with an integrated service offering, ranging from investment advice to financing solutions. Banque de Luxembourg also assists its customers on matters related to family governance and the development of philanthropic projects.

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

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

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

In 2016, banking services for professionals increased with total assets of €51.6 billion, including €44.7 billion in net assets for investment funds and €6.9 billion in assets under management for the "third-party manager" business [2].

The bank continues to quickly integrate regulatory complexity and takes advantage of advances in information and digital technology. In 2016, the bank's net banking income[2] was €251.3 million (-24.6%) and its net income[3] stood at €63.1 million (-8.2%) in an environment of record low interest rates.

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

Banque CIC Suisse

The bank's strategy is clearly geared toward Swiss corporates and business owners based on a comprehensive approach to their private and business needs. After taking this course of action for several years, the bank again experienced significant growth in 2016.

With a customer base in line with this strategy and despite market turbulence, business volume[4] increased by 16.7% and profitability improved considerably, reaching a satisfactory level.

Credit transactions[5] rose by 653 million Swiss francs compared to the previous year thanks to positive growth in mortgage and commercial business. Home mortgages contributed the most to this result (up 593 million Swiss francs). The bank also increased deposit-taking by 25%. Customer assets rose by 20% compared to the previous year. These results reflect the strong confidence that customers have in both the bank and the group.

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

CIC Singapore Branch and CICIS Hong Kong

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

The year 2016 was marked by several challenges for the industry as a whole in Asia. Regulations became stricter while compliance and risk management practices advanced to meet international standards. The industry experienced a wave of consolidation as the market remained fragmented and characterized by intense competition among participants, which caused margins and profitability to deteriorate. Despite the various challenges and a volatile market environment, CIC Private Banking generated significant income growth driven mainly by foreign exchange transactions (+47%) and securities brokerage (+36%).

The business continued to acquire new customers, solidify essential customer relations and seize market opportunities. Assets under management increased by 13% to $6.1 billion and revenue (net banking income) by 25% to $36.8 million.

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

PRIVATE EQUITY

As the leading French bank-owned operator, CM-CIC Investissement is the nationwide vehicle for all the corporate capital structuring business lines.

Assets under management totaling €2.7 billion were invested in more than 460 companies.

Financing activities: key figures (€ millions)	2016	2015	Change 2016/2015
Net banking income	195	172	13.4%
General operating expenses	(46)	(41)	12.2%
Operating income before provisions	149	131	13.7%
Net provision allocations/reversals for loan losses	-	-	-
Income before tax	149	131	13.7%
Net income attributable to owners of the company	149	127	17.3%

Source: consolidated financial statements.

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

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

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

Thus, as part of its proprietary trading, €288 million (including approximately 55% invested in mid-size companies[1]) was invested in 123 transactions, with more than half to support portfolio companies.

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

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

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

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

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

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

CM-CIC Investissement and its subsidiaries contributed €149 million to CIC's consolidated net income (up 17.3% compared to 2015).

(1) Companies with revenue of more than €50 million.

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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 shares of the regional subsidiaries are 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 shareholding 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 (20%).
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.

CAPITAL

Amount and composition of the capital

At December 31, 2016, 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' general 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.

Changes in capital over the last five fiscal years

	2012 Number of shares	2012 Amount in euros	2013 Number of shares	2013 Amount in euros	2014 Number of shares	2014 Amount in euros	2015 Number of shares	2015 Amount in euros	2016 Number of shares	2016 Amount in euros
At January 1	38,027,493	608,439,888	38,027,493	608,439,888	38,027,493	608,439,888	38,027,493	608,439,888	38,027,493	608,439,888
Capital increase in cash										
Of which additional paid in capital										
TOTAL CAPITAL AT DECEMBER 31	**38,027,493**	**608,439,888**	**38,027,493**	**608,439,888**	**38,027,493**	**608,439,888**	**38,027,493**	**608,439,888**	**38,027,493**	**608,439,888**

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

	At 12/31/2014 Number of shares	%	Voting rights	%	At 12/31/2015 Number of shares	%	Voting rights	%	At 12/31/2016 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	73.19	27,657,888	72.73	27,657,888	73.18
Ventadour Investissement	7,759,983	20.41	7,759,983	20.53	7,759,983	20.41	7,759,983	20.53	7,759,983	20.41	7,759,983	20.53
Caisse Centrale du Crédit Mutuel	384,436	1.01	384,436	1.02	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	375,289	0.99	375,289	0.99
Crédit Mutuel Arkéa (Suravenir)	263,585	0.69	263,585	0.70	263,585	0.69	263,585	0.70	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	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	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	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	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	26,626	0.07	26,626	0.07
Public, other shareholders	445,882	1.17	445,882	1.18	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)	236,539	0.62		-	236,750	0.62		-	231,056	0.60		-
TOTAL	**38,027,493**	**100**	**37,790,954**	**100**	**38,027,493**	**100**	**37,790,954**	**100**	**38,027,493**	**100**	**37,796,437**	**100**

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 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.

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

At December 31, 2016, BFCM (Banque Fédérative du Crédit Mutuel), a 93%-owned subsidiary of Caisse Fédérale de Crédit Mutuel, held 93.7% of CIC's capital both directly (73.2%) and jointly with its wholly-owned subsidiary Ventadour Investissement. It therefore exerts control over CIC.

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.

At December 31, 2016, with total consolidated assets of €609.8 billion, the Crédit Mutuel-CM11 group held €607.9 billion in savings in custody or under management, of which €276.2 billion in deposits, €252.2 billion in bank savings products and €79.5 billion in insurance savings products. Total lending stood at €330 billion.

Its shareholders' equity amounted to €39.6 billion and its *Common Equity Tier* 1 ratio without transitional measures was 15.0%.

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 10 directors appointed by the shareholders' general meeting and one director elected by employees.

MARKET FOR THE COMPANY'S STOCK

SHARES

CIC shares have been listed on the Paris stock exchange since June 18, 1998.
CIC's bylaws do not contain any clauses restricting the sale of these shares. However, Article 9 para. 6 of the bylaws requires shareholders to declare any interest of 0.5% or more of the capital.
In its sixth resolution, the shareholders' ordinary general meeting of May 25, 2016 renewed until October 31, 2017 the authorization given to an investment services provider to trade on the stock market under a liquidity agreement (AMAFI agreement). CIC had entered into a liquidity agreement with CM-CIC Securities which expired on December 31, 2015 following the absorption of CM-CIC Securities by CIC in 2016. CIC signed a new liquidity agreement with Rothschild & Cie Banque which took effect on January 1, 2016.
Pursuant to this agreement, in 2016 CIC:

- acquired 18,547 shares at an average unit price of €167.74;
- sold 24,241 shares at an average unit price of €171.59;
- held 1,315 CIC shares at a market price of €171.17 at December 31, 2016, i.e. 0.003% of the capital.

Under the AMAFI CIC agreement, Rothschild & Cie Banque traded a total of 42,788 securities in 2016, which represented 34.45% of the volume traded.

These shares are held solely under the liquidity agreement and will not be canceled. The amount of trading fees corresponds to the investment services provider's invoice.

The ordinary shareholders' general meeting convened on May 24, 2017 will be asked to renew this authorization. There are no particular rights, privileges or restrictions attached to the shares issued by the company.

Market data – CIC shares[1]

	Number of shares traded	Monthly volumes € millions	Highest & lowest prices Low €	High €
January 2015	7,865	1.251	154.50	164.90
February 2015	8,435	1.452	162.00	192.70
March 2015	6,530	1.217	183.05	190.00
April 2015	9,864	1.879	188.00	192.65
May 2015	14,142	2.687	183.40	191.50
June 2015	19,391	3.579	176.00	192.70
July 2015	8,496	1.616	182.00	196.00
August 2015	8,408	1.598	183.00	194.75
September 2015	3,929	0.729	183.50	187.85
October 2015	8,725	1.575	176.40	184.35
November 2015	5,255	0.948	179.50	181.95
December 2015	6,362	1.147	177.00	184.00
January 2016	7,806	1.374	169.00	183.75
February 2016	10,046	1.666	152.70	174.60
March 2016	10,346	1.807	170.50	178.50
April 2016	4,538	0.790	171.75	175.75
May 2016	16,395	2.843	168.00	175.25
June 2016	11,043	1.808	145.70	171.50
July 2016	3,503	0.560	156.75	163.50
August 2016	4,238	0.680	157.65	164.00
September 2016	7,324	1.147	151.00	160.90
October 2016	6,943	1.093	151.40	162.80
November 2016	15,656	2.586	154.50	172.05
December 2016	26,351	4.532	168.50	176.00
January 2017	19,883	3.424	169.70	175.00
February 2017	9,536	1.687	171.00	183.60

(1) Euronext and platforms data The 2015 data, which included only Euronext market data in the 2015 publication, has been modified.

SHARE PERFORMANCE

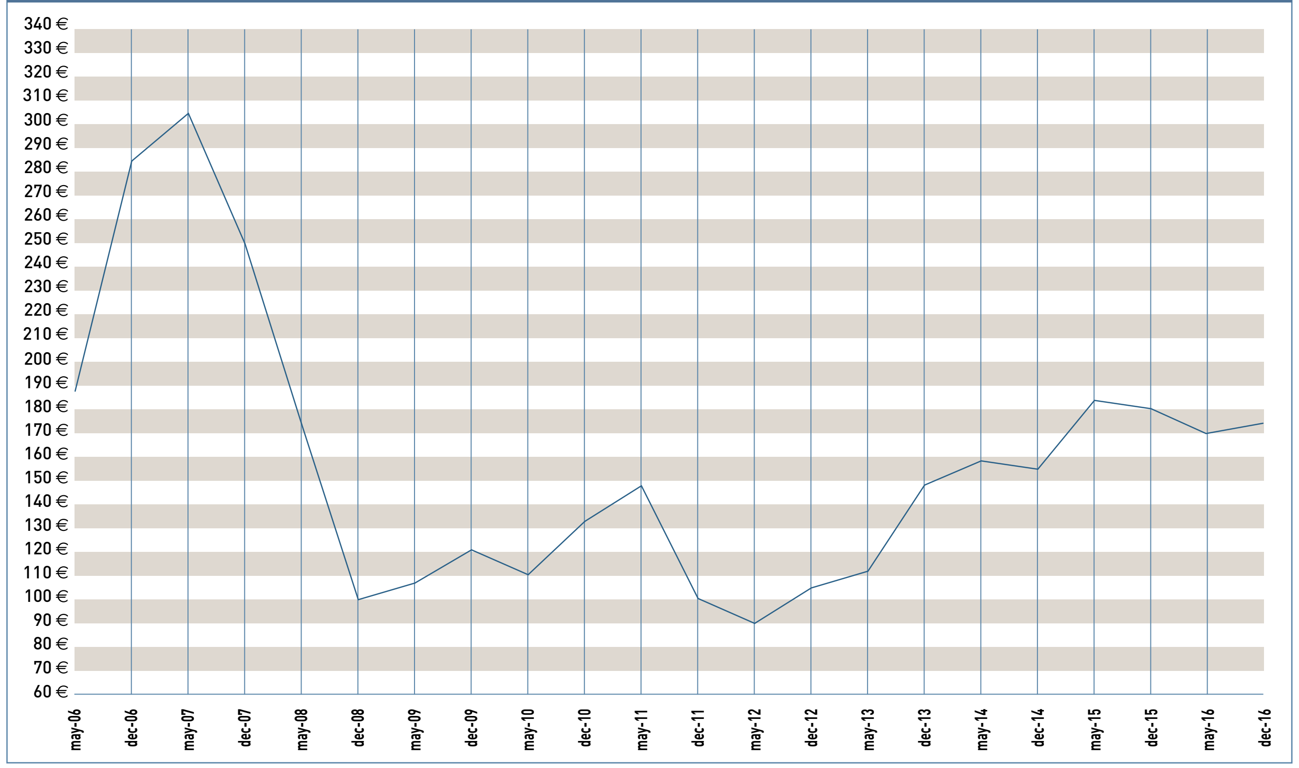
The CIC share price was €173.70 at December 31, 2016 compared to €180.50 at December 31, 2015.

The share recorded its highest closing price on January 5 and 6 at €181.00 before following a generally downward trend and reaching a low of €152.65 on June 27, 2016 (negative impact of the results of the Brexit referendum on the banking sector). The following day (June 28, 2016), it closed at €153.05. The share price then fluctuated between €163.75 (August 12, 2016 closing price) and €153.50 (September 27, 2016 closing price). It then began climbing upward with a 13.2% increase between September 27 and December 30, 2016.

The average price for the year was €168.180 (€166,595 on the Euronext market).

In 2016, 124,189 shares were traded on the Paris stock exchange (including 106,703 shares on the Euronext market) for a total of €20.9 million (including €17.9 million on the Euronext market).

CIC SHARE PRICE 2006-2016



DIVIDENDS AND DIVIDEND POLICY

Outstanding shares and securities

	2012	2013	2014	2015	2016
Number of shares	38,027,493	38,027,493	38,027,493	38,027,493	38,027,493
Net dividend on shares (in €)	7.50	7	8	8.5	9
TOTAL DIVIDEND PAYOUT (IN € MILLIONS)	**285**	**266**	**304**	**323**	**342**
Consolidated net income attributable to owners of the company (in € millions)	698	845	1,116	1,111	1,352
Payout ratio	41%	32%	27%	29%	25%

The share capital is divided into 38,027,493 shares, including 231,056 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 2017 – PR 2017 – is equal to:

$$\text{PR 2016} \times \frac{\text{2016 income as defined in the issue contract}}{\text{2015 income as defined in the issue contract}}$$

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 2016, as determined by applying identical accounting procedures and consolidation methods at constant scope, amounted to €1,308,460 compared to €1,142,563 for 2015.

The PR 2017 is therefore equal to:

$$\text{PR 2016} \times \frac{\text{€1,308,460 thousand}}{\text{€1,142,563 thousand}}$$

i.e. 16,373 x 1.14520 = 18.751.

Coupon

The coupon rate calculated from the income shown above, including both the fixed and variable components, came to (2.942%), 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 2017 will be 85% of (TAM +TMO)/2.
The coupon rate will be 0.191% on the basis of a TAM of (0.3476%) and an AVERAGE TMO of 0.7975%. This means that the gross coupon due in May 2017 will amount to €0.29 per share with a par value of €152.45.

Coupon payments since 2013 (year paid)

	PR	TAM%	TMO%	Coupon rate %	Gross coupon
2013	11.439	0.1578	2.5642	1.157	€1.76
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

Non-voting loan stock price movements since 2012

	High €	Low €	last price €
2012	150	139.50	145.10
2013	150	139.97	148
2014	148	140	147.45
2015	154.90	143.50	154.50
2016	149	119.65	119.65

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

Year ended December 31, 2016

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 interest payable on non-voting loan stock.

On April 19, 2017, we prepared our reports on the company's financial statements and on the consolidated financial statements for the year ended December 31, 2016.

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

The data used in the calculations, as disclosed to us, provided for at the time of issue of non-voting loan stock in May 1985, are 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, 2017, is as follows:

$$\text{PR 2016} = \text{PR 2015} \times \frac{\text{2016 adjusted consolidated net income}}{\text{2015 adjusted consolidated net income}}$$

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 2016 and the 2015 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 is based on net income attributable to equity holders of the parent company for 2015 and 2016, 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 18.751 for 2016 as against 16.373 for 2015.

The interest rate obtained by applying the above formula comes to -2.94% before application of the floor and cap rates, which are 0.19% and 0.29% respectively.

Therefore, in accordance with the provisions of the issue agreement, the gross interest paid in 2017 in respect of 2016 will amount to €0.29 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*) relating 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 19, 2017

The Statutory Auditors

KPMG Audit.
Department of KPMG S.A.
Arnaud Bourdeille

PricewaterhouseCoopers Audit
Jacques Lévi

ERNST & YOUNG et Autres
Olivier Durand

Corporate governance

2

BOARD OF DIRECTORS

Members appointed by the shareholders' general meeting:

Nicolas Théry
Chairman of the board of directors

Catherine Allonas Barthe

Banque Fédérative du Crédit Mutuel
represented by Jacques Humbert

Caisse Centrale du Crédit Mutuel
represented by Luc Cortot

Éric Charpentier

Maurice Corgini

Jean-François Jouffray

Monique Leroux

Daniel Leroyer

Michel Lucas

Member elected by employees:

William Paillet

Non-voting members:

Luc Chambaud

Gérard Cormorèche

Damien Lievens

Lucien Miara

the following also attend board meetings:

Alain Fradin
Chief executive officer

Daniel Baal
Deputy chief operating officer

Philippe Vidal
Deputy chief operating officer

Joseph Arenas
Company secretary

Gérard Fubiani
CIC works council representative

Nicolas Théry
Chairman
of the board of directors

Alain Fradin
Chief executive officer

Daniel Baal

Philippe Vidal

Deputy chief operating officers

CHANGES DURING FISCAL YEAR 2016

Two changes took place during fiscal year 2016.

On February 25, 2016, the board of directors took note of:
- employees; and
- Albert Peccoux's resignation from office as non-voting board member.

COMPOSITION OF THE BOARD OF DIRECTORS

This is governed by Article 10 of the company's bylaws.
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. The board of directors also includes two directors elected by employees, one of whom represents the executives as defined in the banks' collective labor agreement and the other the remaining employees.
The directors elected by employees can only be natural persons. The other directors can be either natural or legal persons.
The age limit is 70. This is applied such that no-one over the age of 70 can be appointed if this has the effect of bringing the number of members over 70 to more than one third of the total number of members.
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 of May 19, 2011 is two, four or six years. The terms of office of members other than those elected by the employees expire upon the adjournment of the shareholders' ordinary general meeting ratifying the financial statements of the financial year last ended and held during the year in which their term of office expires. The term of office of members elected by employees expires on the sixth anniversary of their election.
Non-voting members are appointed by the board for six years and attend its meetings in a consultative capacity.
A meeting of the board of directors on December 11, 2014 appointed Nicolas Théry as chairman of the board for the duration of his term as director.
The dates of first appointment and terms of office of members of the board of directors are shown in a summary table on page 45.

OTHER CORPORATE OFFICERS: GENERAL MANAGEMENT

The board of directors, meeting on December 11, 2014, decided to opt for segregation of the functions of chairman and chief executive officer and appointed Alain Fradin as chief executive officer.
The chief executive officer and Daniel Baal and Philippe Vidal, deputy chief operating officers who are not corporate officers, have been designated as the effective managers of CIC with regard to the French Monetary and Financial Code.

The workings of general management are governed by Article 12 of the company's bylaws, which do not add anything to the provisions of the law.
The board of directors has not set limits to the powers of the chief executive officer, other than those prescribed by law and the powers specific to the board of directors and the shareholders' general meeting.

INFORMATION CONCERNING MEMBERS OF THE BOARD OF DIRECTORS AND GENERAL MANAGEMENT

Relations with the business

To the best of CIC's knowledge, there are no conflicts of interest between the obligations of the members of the board of directors or general management toward CIC and their personal interests or other obligations.
No arrangements or agreements have been entered into with the main shareholders, customers, suppliers or others pursuant to which a member of the board of directors or general management has been appointed.
There are no service agreements linking members of the board of directors or general management with any of the group's companies. In particular, Banque Fédérative du Crédit Mutuel, which controls CIC and holds a seat on its board of directors, does not receive any management fees.
To the best of CIC's knowledge, there are no family relationships between members of the board of directors and general management. Members of the board of directors and general management are reminded on a regular basis of the rules applicable to persons holding inside information. They are also informed that they must disclose any trading in CIC stock units on the stock exchange by them or persons closely linked to them to the AMF (French financial markets authority) and to CIC.
No such transactions have been reported.

Members of general management and the board of directors have each declared that:

1°. they have not, during the past five years, been:
- convicted of fraud,
- associated with the bankruptcy, receivership or liquidation of a legal entity in which they were a member of a management or governing body or of which they were the chief executive officer,
- subject to disciplinary sanctions imposed by the administrative bodies responsible for supervising CIC,
- subject to an administrative or court order which prevents them from acting as members of an administrative, management or supervisory body or from participating in the management or operations of a company;

2°. there are no potential conflicts of interest between their obligations toward CIC and their own personal interests;

3°. they have not, either directly or through a third party, entered into an arrangement or agreement with any of the main shareholders, customers, suppliers or subsidiaries of CIC pursuant to which they are granted special benefits by virtue of their position in CIC.

The originals of these declarations are held in the company secretary's office.

Summary table, group management

	Date of 1st appointment	Date of expiry of current term of office	Main position held within the company	Main positions held outside the company[1]
Board of directors				
Nicolas Théry	December 11, 2014	AGM ratifying the financial statements for 2018	Chairman of the board	Chairman of Caisse Fédérale de Crédit Mutuel, of BFCM and of Confédération Nationale du Crédit Mutuel
Catherine Allonas Barthe	May 19, 2011	AGM ratifying the financial statements for 2016	Director	Chief executive officer of ACM Vie SAM
Maurice Corgini	May 19, 2011	AGM ratifying the financial statements for 2020	Director	Director, CM Centre Est Europe
Luc Cortot (representing CCCM)	November 12, 2014	AGM ratifying the financial statements for 2018	Director	Chief executive officer, CM Océan
Jean-François Jouffray	February 27, 2014	AGM ratifying the financial statements for 2020	Director	Vice-chairman, CM Île-de-France
Jacques Humbert (representing BFCM)	December 15, 2011	AGM ratifying the financial statements for 2016	Director	Vice-chairman, BFCM
Monique Leroux	May 23, 2013	AGM ratifying the financial statements for 2018	Director	President of the International Co-operative Alliance
Daniel Leroyer	May 19, 2011	AGM ratifying the financial statements for 2018	Director	Chairman, CM Maine-Anjou, Basse Normandie
Michel Lucas	May 19, 2011	AGM ratifying the financial statements for 2016	Director	
Éric Charpentier	May 27, 2015	AGM ratifying the financial statements for 2020	Director	Chief executive officer, CM Nord-Europe
William Paillet	October 26, 2011	October 26, 2017	Director representing employees	Employee, CIC Est
General management				
Alain Fradin	December 11, 2014	Unlimited duration	Chief executive officer	Chief executive officer of Caisse Fédérale de Crédit Mutuel and BFCM

CM: Crédit Mutuel. BFCM: Banque Fédérative du Crédit Mutuel. CCCM: Caisse Centrale du Crédit Mutuel.
(1) The other positions and functions are listed below.

Executives' terms of office

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

Chairman of the board of directors:		
Confédération Nationale du Crédit Mutuel	March 21, 2016	2019
Caisse Fédérale de Crédit Mutuel	November 14, 2014	2019
Caisse Centrale de Crédit Mutuel	March 21, 2016	2022
Fédération du Crédit Mutuel Centre Est Europe	January 18, 2016	unlimited duration
Banque Fédérative du Crédit Mutuel	November 14, 2014	2017
Assurances du Crédit Mutuel Vie SA	October 14, 2014	2017
Assurances du Crédit Mutuel Iard	October 14, 2014	2017
Assurances du Crédit Mutuel Vie S.A.M.	October 14, 2014	2017
Banque CIC Est.	September 13, 2012	2019
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
Member of the management board:		
Euro-Information	May 7, 2014	2020

Positions held in the past five fiscal years

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 Spain	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
Director	May 19, 2011	2017

Other positions held

Chairman:		
Foncière Massena SA	June 17, 2015	2021
Chief executive officer:		
ACM Vie SAM	January 1, 2006	unlimited duration
Chief operating officer:		
ACM Vie SA	June 30, 2015	unlimited duration
Members of the executive board		
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		
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	2016
Serenis Assurances	May 7, 2014	2020
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 Spain	September 10, 2015	unlimited duration

Positions held in the past five fiscal years

Permanent representative:		
ACM Vie SAM on the board ofdirectors of Foncière de Paris	2014	2015
Pargestion 2 (director of CM-CIC Asset Management)	December 11, 2013	2014
ACM Vie SAM (member of the supervisory board of 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	2017

Other positions held

Chairman:		
CM-CIC Immobilier	June 5, 2012	2017
Bischenberg	September 30, 2004	2022
Sofedis	June 30, 2016	2016
Member of the board of directors:		
Assurances du Crédit Mutuel Vie SAM	May 13, 2015	2021
Assurances du Crédit Mutuel Vie SA	May 11, 2011	2017
Assurances du Crédit Mutuel Iard SA	May 11, 2011	2017
Banque Popular Espagne		2017
Banque de Tunisie	May 26, 2009.	2018
Batigère	March 22, 1996	2018
Caisse de Refinancement 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	not applicable
SEM Caeb-Bischheim	November 27, 1997	not applicable
SEM Caléo – Guebwiller	June 24, 2005	2017
SEM (joint public/private company) for the development of ZAC Forbach Sud (bank financing round)	February 24, 1989	2017
SEM Semibi Biesheim	November 14, 1984	not applicable
Sibar	May 27, 1999	not applicable
Société fermière de la maison de L'Alsace	January 1, 1977	2016
Société française d'édition de Journaux et d'Imprimés Commerciaux "L'Alsace"	June 2, 2004	2016
Ventadour Investissement	May 24, 1991	2018
Member of the Supervisory Board:		
GACM	June 30, 2015	2021
Quadral Investissement		2018
SAEM Mulhouse Expo	February 16, 2005	2016
Soderec - Société d'études et de réalisation pour les équipements collectifs	May 30, 1978	2020
STET	December 8, 2004	not applicable
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	not applicable

Positions held in the past five fiscal years

Director:		
CM-CIC Asset 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	Dec. 31, 2004	2013
Sofedis	November 24, 1994	2016

Caisse Centrale du Crédit Mutuel

88-90 rue Cardinet
75017 Paris

	Term of office started	Term of office expires
Director	May 19, 2011	2019

Other positions held

Member of the Supervisory Board:		
Soderec	April 19, 1978	2020
La Francaise Real Estate Managers (formerly UFG REM)	January 1, 2008	2019
Director:		
Centre International du Crédit Mutuel - CICM	May 22, 1984	2019
C.M.C.P.	May 16, 1983	2018
Crédit Logement	July 6, 1999	2021
CRH	April 10, 1990	2021
CM-CIC Factor	November 22, 1999	2017
France Active Garantie	July 4, 1995	2019
IDES Investissements	August 12, 1983	2022
Maison Europe des Coopératives	February 5, 2008	not applicable
SGFGAS	March 24, 1993	2020
Non-voting board member:		
SIAGI	May 12, 2005	2017

Positions held in the past five fiscal years

Member of the Supervisory Board:		
CM CIC Asset Management	December 30, 1997	2013
Director:		
C.M.P.E.	March 19, 2003	2012
Crédit Mutuel Habitat Gestion	January 13, 1987	2014
Le Chèque Domicile	December 20, 2011	2015
GEXBAN in liquidation	December 20, 2011	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 - Belgium)	April 30, 2012	2018
Vice-chairman of the supervisory board:		
Banque Commerciale du Marché Nord Europe (SA)	May 20, 2005	2017
Nord Europe Assurances (SA)	September 27, 2007	2017
Groupe La Française (SA)	May 29, 2006	2018
Director and chairman of the management committee:		
Crédit Mutuel Nord Europe Belgium (SA - Belgium)	May 10, 2012	2018
Director:		
Confédération Nationale du Crédit Mutuel	October 7, 2015	2020
Permanent representative:		
Groupe des Assurances du Crédit Mutuel (SA) PR* of Caisse Fédérale du Crédit Mutuel Nord Europe (director)	June 30, 2015	2020
Caisse Centrale du Crédit Mutuel (SA Coopérative - PR* of Caisse Fédérale du Crédit Mutuel Nord Europe (director)	November 15, 2006	2019
Euro Information (SAS) PR* of Caisse Fédérale du Crédit Mutuel Nord Europe (director)	May 7, 2008	2020

Positions held in the past five fiscal years

Chairman of the board of directors:		
BKCP Banque (SA - Belgium) – 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	not applicable	not applicable

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

Luc Cortot

Born January 21, 1953, Meaux (77)

Business address:

Crédit Mutuel Océan
34 rue Léandre-Merlet
85001 La Roche-sur-Yon Cedex 27

	Term of office started	Term of office expires
Representative of Caisse Centrale du Crédit Mutuel, Director	November 12, 2014	2020

Other positions held

Chief executive officer:		
Fédération du Crédit Mutuel Océan	October 1, 2014	unlimited duration
Caisse Fédérale du Crédit Mutuel Océan	October 1, 2014	unlimited duration
Caisse de Crédit Mutuel Océan Agri	September 11, 2014	unlimited duration
Director:		
Océan Participations	June 16, 2016	2018
Member of the Supervisory Board:		
GIE Euro Information Production	May 13, 2015	2020
Permanent representative of Caisse Fédérale du Crédit Mutuel Océan		
Chairman of SAS Antema	September 25, 2014	2017
Director of SAS Volney Développement	September 25, 2014	2019
Member of the management board of SAS Euro Information	May 13, 2015	2021
Member of the supervisory board of SA Groupe des Assurances du Crédit Mutuel	June 30, 2015	2022
Director of SA Caisse Centrale du Crédit Mutuel	September 25, 2014	2020
Director of SAS Crédit Mutuel – payment cards	June 24, 2015	2018
Permanent representative of Sofinaction,		
Director of CM-CIC Asset Management	2015	2017
Permanent representative of VTP 5 Investissements,		
Director of SA CM-CIC Bail	July 1, 2015	2017
Non-voting board member		
Confédération Nationale du Crédit Mutuel	March 21, 2016	2022
Caisse Centrale du Crédit Mutuel	March 21, 2016	2022

Positions held in the past five fiscal years

Manager:		
SARL Océan Transactions	January 2, 2009	2014
SCI Merlet Immobilier	January 5, 2009	2014
Director:		
Confédération Nationale du Crédit Mutuel	November 12, 2014	2016
Permanent representative of Caisse Fédérale du CM Océan		
Director of Caisse Centrale de Crédit Mutuel	September 25, 2014	2016
Director of SA ACM Iard	September 25, 2014	2015

Jacques Humbert

Born July 7, 1942 in Patay (45)

Business address:

Fédération du Crédit Mutuel Centre Est Europe
34 rue du Wacken - 67000 Strasbourg

	Term of office started	Term of office expires
Permanent representative of BFCM, Director	December 15, 2011	2018

Other positions held

Vice-chairman of:		
BFCM	December 13, 2012	2018
Chairman:		
Union des Caisses de Crédit Mutuel du district de Mulhouse	2002	2018
Member of the board of directors:		
Fédération du Crédit Mutuel Centre Est Europe	2002	2018
Caisse Fédérale de Crédit Mutuel	December 13, 2002	2018
Banque Fédérative du Crédit Mutuel	December 13, 2002	2018
Caisse de Crédit Mutuel la Doller	1988	2020
DNA	March 31, 2014	2020
Société de publications l'Alsace	June 21, 2012	2018
Éditions Coprur (cooperative association)		unlimited duration
Permanent representative:		
Fédération du Crédit Mutuel Centre Est Europe: Assurances du Crédit Mutuel Vie SA	November 27, 2015	2021

Positions held in the past five fiscal years

Chairman of the board of directors:		
Caisse de Crédit Mutuel de la Doller	1982	2013

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	February 27, 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	2017
Caisse maritime d'allocations familiales	2011	2017
Association des utilisateurs de transport de fret (AUTF)	2013	2019
Non-voting board member:		
Caisse Fédérale de Crédit Mutuel	2004	2017

Daniel Leroyer

Born April 15, 1951, Saint-Siméon (61)

Business address:

Crédit Mutuel Maine-Anjou, Basse-Normandie
43 boulevard Volney
53083 Laval Cedex 9

	Term of office started	Term of office expires
Director	May 19, 2011	2019

Other positions held

Chairman of the board of directors:		
Fédération du Crédit Mutuel de Maine-Anjou, Basse-Normandie	2003	2018
Caisse Fédérale du Crédit Mutuel Maine-Anjou, Basse-Normandie	2003	2019
Caisse Générale de Financement (CAGEFI)	2003	2017
Créavenir (Association)	2004	2018
Caisse de Crédit Mutuel du Pays Fertois	1998	2017
Caisse de Crédit Mutuel Solidaire de Maine-Anjou, Basse-Normandie	2007	2017
Chairman of the supervisory board:		
Soderec	2012	2020
Director:		
SAS Assurances du Crédit Mutuel Maine-Anjou-Normandie (ACMAN)	2002	2020
Confédération Nationale du Crédit Mutuel	2003	2019
Volney Bocage SAS	2012	2018
Member of the executive committee:		
Fondation du Crédit Mutuel	2009	2017
Permanent representative:		
Fédération du Crédit Mutuel de Maine-Anjou et Basse-Normandie (vice-chairman of Centre International du Crédit Mutuel)	2012	2016
Fédération du Crédit Mutuel de Maine-Anjou et Basse-Normandie (chairman of Volney Evénements (Association))	2013	2019
Caisse Fédérale du Crédit Mutuel de Maine-Anjou et Basse-Normandie (director of SAS Volney Développement)	1999	not applicable
Caisse Fédérale du Crédit Mutuel de Maine-Anjou et Basse-Normandie (director of Assurances du Crédit Mutuel Iard SA)	2012	2017
Caisse Fédérale du Crédit Mutuel de Maine-Anjou et Basse-Normandie - director of Assurances du Crédit Mutuel VIE SAM	2015	2021
Caisse Fédérale du Crédit Mutuel de Maine-Anjou et Basse-Normandie (director of Banque Fédérative du Crédit Mutuel)	2011	2018

Positions held in the past five fiscal years

Permanent representative:		
Caisse Fédérale du Crédit Mutuel de Maine-Anjou et Basse-Normandie (director of Groupe des Assurances du Crédit Mutuel - GACM)	2005	2012
Fédération du Crédit Mutuel de Maine-Anjou et Basse-Normandie (director of GIE Cloe Services)	2003	2014

Monique Leroux

Born August 11, 1954, Montreal (Canada)

Business address:

Mouvement des Caisses Desjardins
Tour Sud, 40e étage
1 Complexe Desjardins
Montreal (Québec) H5B 1B2 - Canada

	Term of office started	Term of office expires
Director	May 23, 2013	2019

Other positions held

Chairman of the board of directors:		
Alliance Coopérative Internationale (ACI)	November 13, 2015	2017
Member of the board of directors:		
Groupe Michelin	October 1, 2015	2018
Investissement Québec	May 1, 2016	2019
Alimentation Couche-Tard	September 22, 2015	2017
Fondation Rideau Hall	November 14, 2014	2017
Bell/BCE	April 1, 2016	2017
S&P Global	October 1, 2016	2017
Vice-chairman of the executive committee and member of the board of directors:		
Confédération internationale des Banques Populaires	January 1, 2010	2017
Member of the executive committee and member of the board of directors:		
Groupement Européen des Banques Coopératives	January 1, 2009	2017

Positions held in the past five fiscal years

Chairman and CEO:		
Mouvement des caisses Desjardins	March 29, 2008	2016
CEO:		
Desjardins sécurité financière	March 29, 2008	2016
Desjardins groupe d'assurances générales	March 29, 2008	2016
Chairman of the board of directors:		
Fédération des caisses Desjardins du Québec/ Mouvement des caisses Desjardins	March 29, 2008	2016
Caisse centrale Desjardins	March 29, 2008	2016
Fiducie Desjardins	March 29, 2008	2016
Desjardins société financière	March 29, 2008	2016
Capital Desjardins Inc.	March 29, 2008	2016
Member of the board of directors:		
Montreal University	June 1, 2015	2016
Alliance Coopérative Internationale (ACI)	November 4, 2013	2015
Coopératives et mutuelles du Canada	June 27, 2013	2015
Conference Board of Canada	January 1, 2010	2014
Chairwoman of the board of directors:		
Conseil québécois de la coopération et de la mutualité	March 12, 2012	2015

Michel Lucas

Born May 4, 1939 in Lorient (56)

Business address:

Crédit Industriel et Commercial
6 avenue de Provence - 75009 Paris

	Term of office started	Term of office expires
Director	May 19, 2011	2017

Other positions held

Chairman of the board of directors:		
Le Républicain Lorrain	June 30, 2009	2021
Société du Journal l'Est Républicain	November 4, 2011	2022
Société d'édition du journal La Liberté de l'Est	January 5, 2012	2019
Les Dernières Nouvelles d'Alsace	November 4, 2011	2021
Le Progrès	April 25, 2016	2018
Banque de Tunisie	March 30, 2004	2019
Chairman:		
Crédit Mutuel Cartes de Paiements - CMCP	May 7, 2003	2018
Société de publications l'Alsace	February 19, 2014	2017
SIM (formerly – EBRA)	December 27, 2014	2018
International Information Developments	February 6, 2004	2019
Direct Phone Services	February 6, 2004	2019
Vice-chairman of the supervisory board:		
CIC Iberbanco	June 5, 2008	2018
Vice-chairman of the board of directors:		
Banque de Luxembourg	March 25, 2003	2017

Member of the board of directors:		
Banque Fédérative du Crédit Mutuel	October 22, 2010	2019
Caisse Fédérale de Crédit Mutuel	September 24, 2010	2017
Astrée (Tunis)	March 4, 2005	2017
Banque Marocaine du Commerce Extérieur	September 17, 2004	2020
Banque Transatlantique Belgium (Brussels)	March 21, 2005	2020
Caisse de Crédit Mutuel Grand Cronenbourg	May 11, 1985	2017
Le Dauphiné Libéré	June 29, 2011	2017
Est Bourgogne Médias	September 17, 2012	2018
Member of the Supervisory Board:		
Manufacture d'impression sur étoffes de Beauvillé	February 14, 2000	2018
CM-CIC Services	May 7, 2008	2020
CM-CIC Investissement	February 2, 2011	2017
Permanent representative:		
Fédération du Crédit Mutuel Centre Est Europe on the supervisory board of Groupe des Assurances du Crédit Mutuel	June 30, 2015	2021
Fédération du Crédit Mutuel Centre Est Europe on the management committee of Euro Information	May 11, 2011	2020
Euro Information on the management committee of Euro Information Développement	May 16, 2001	2020
Crédit Industriel et Commercial on the supervisory board of Banque Transatlantique	December 19, 2000	2018
Crédit Industriel et Commercial on the board of directors of Lyonnaise de Banque	July 6, 1999	2019
Non-voting board member		
Confédération Nationale du Crédit Mutuel	March 21, 2016	2018

Positions held in the past five fiscal years

Chairman and chief executive officer:		
Banque Fédérative du Crédit Mutuel	October 22, 2010	2014
Carmen Holding Investissement	November 7, 2008	2014
Crédit Industriel et Commercial	May 19, 2011	2014
Chairman:		
Europay France (deregistered company)	May 28, 2002	2016
Chairman of the board of directors:		
Caisse Fédérale de Crédit Mutuel	September 24, 2010	2014
Groupe des Assurances du Crédit Mutuel	February 24, 1993	2014
Assurances du Crédit Mutuel Vie SA	June 29, 1993	2014
Assurances du Crédit Mutuel Iard SA	March 19, 1993	2014
Assurances du Crédit Mutuel Vie SAM	June 13, 1991	2014
Fédération du Crédit Mutuel Centre Est Europe	October 22, 2010	2016
Confédération Nationale du Crédit Mutuel	October 13, 2010	2016
Banque du Crédit Mutuel Île-de-France (Fivory)	November 17, 2003	2014
Chairman of the supervisory board:		
Fonds de Garantie des Dépôts	November 26, 2008	2012
CM-CIC Investissement	February 2, 2011	2012
Banque Européenne du Crédit Mutuel	October 22, 2010	2014
Euro Information Production (EIG)	May 19, 1994	2014
Director:		
Safran	April 21, 2011	2013
CRCM Midi-Atlantique	May 24, 2008	2014
ACMN Iard	July 25, 1997	2015
Assurances Générales des Caisses Desjardins (Québec)	May 12, 1993	2016
Member of the management committee:		
Euro Information	June 14, 2002	2014
Euro Information Développement	June 14, 2002	2014
Permanent representative:		
Banque Fédérative du Crédit Mutuel on the management board of Sofédis	1994	2016
Caisse Fédérale de Crédit Mutuel (director of Crédit Mutuel Paiements Électroniques)	March 19, 2003	2012
CIC (member of the supervisory board of CM-CIC Asset Management)	September 28, 1992	2013
FCMCEE (member of the board of directors of GACM)	October 14, 2014	2015

Member 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:	December 3, 2011	2017

Other positions held

Director, representing employees:		
CIC Est (Strasbourg)	September 24, 2009	2018

General management

Alain Fradin

Born May 16, 1947, Alençon (61)

Business address:

Crédit Industriel et Commercial 6 avenue de Provence - 75009 Paris	Term of office started	Term of office expires
Chief executive officer of CIC	December 11, 2014	2019

Other positions held

Chief executive officer		
Caisse Fédérale de Crédit Mutuel	September 24, 2010	2019
Fédération Centre Est Europe	October 20, 2010	unlimited duration
Banque Fédérative du Crédit Mutuel	November 14, 2014	2017
Chairman of the board of directors:		
CIC Nord Ouest	May 20, 2016	2021
CIC Ouest	May 19, 2016	2021
Chairman of the supervisory board:		
Cofidis	March 17, 2009	2018
Cofidis Participations	March 17, 2009	2018
Euro Information Production	February 13, 2015	2018
Vice-chairman of the supervisory board:		
Targo Deutschland GmbH	December 8, 2008	2017
Targo Management AG	December 8, 2008	2018
Targobank AG & CO KGaA	December 8, 2008	2018
GACM	July 27, 2016	2021
CM Akquisitions GmbH	March 12, 2009	2019
Member of the management committee:		
Euro-Information	May 3, 2006	2018
Euro Information Télécom	February 1, 1999	unlimited duration
Permanent representative:		
CIC on the management committee of Euro TVS	November 3, 2015	2020

Positions held in the past five fiscal years

Chairman:		
CIC Migrations	November 26, 1999	2015
Chief executive officer:		
Confédération Nationale du Crédit Mutuel	November 17, 2010	2016
Fédération des caisses du Crédit Mutuel du Sud-Est	June 21, 2001	2012
Caisse de Crédit Mutuel du Sud-Est	June 21, 2001	2012
CM-CIC Bail	July 20, 1999	2013
Caisse Centrale du Crédit Mutuel	January 1, 2010	2015
Chief operating officer:		
Banque Fédérative du Crédit Mutuel	April 8, 2011	2014
Crédit Industriel et Commercial	May 19, 2011	2014

Chairman of the supervisory board:		
Groupe des Assurances du Crédit Mutuel	June 30, 2015	2016
CIC Iberbanco	June 5, 2008	2016
CM-CIC Services	May 7, 2008	2016
Eurafric Information	May 28, 2008	2016
Chairman of the board of directors:		
CM-CIC Bail	July 20, 1999	2016
Targobank Spain	October 28, 2010	2016
Member of the board of directors - Member of the bureau:		
Groupe Sofemo	May 30, 1997	2013
Director:		
Fivory (formerly Banque du Crédit Mutuel Île-de-France)	November 17, 2003	2014
CM-CIC Titres	February 18, 1994	2016
Banco Popular Espagne	November 11, 2011	2015
Member of the management committee		
Bischenberg	September 30, 2004	2016
Boréal	October 14, 2002	2016

Permanent representative:		
CCCM (member of the supervisory board of CM-CIC AM)	December 15, 2010	2013
Caisse Fédérale de Crédit Mutuel (director of Crédit Mutuel Paiements Electroniques)	May 14, 2012	2014
CIC Participations (director of CIC Ouest)	May 15, 2003	2014
CIC Participations (director of CIC Nord-Ouest)	December 26, 1990	2014
CIC (Management committee of Euro GDS)	December 19, 2003	2015
CIC (Board of directors of CIC Ouest)	March 14, 2011	2016
CIC (Board of directors of CIC Nord-Ouest)	May 5, 2011	2016
GACM (Board of directors of Sérénis Vie)	May 10, 2012	2016
BFCM (Board of directors of Crédit Mutuel Cartes de Paiements)	May 14, 2012	2016
BFCM (Board of directors of Banco Popular Espagne)	2015	2016
FCMCEE (Board of directors of Sofédis)	June 22, 2011	2016

Delegation of powers

Summary table of currently valid powers delegated by the shareholders' general meeting to the board of directors in the field of capital increases during the 2016 fiscal year (Article L.225-100, para. 7).

Powers delegated by the shareholders' general meeting

Shareholders' general meeting of May 25, 2016

Powers delegated to the board of directors to increase the capital by:
- issuing ordinary shares or any other negotiable securities giving access to equity, maintaining shareholders' preferential subscription rights;
- incorporating premiums, reserves, profits or other;
- issuing ordinary shares or any other negotiable securities giving access to equity, with the cancellation of preferential subscription rights, by public offering or private placement as referred to in Article L.411-2, II of the French Monetary and Financial Code.
- possibility of increasing the amount of issues in case of excess demand.
- issue of shares without preferential subscription rights in consideration of contributions of shares or equity instruments made to CIC in the context of a contribution in kind.
- capital increase reserved for employees, without preferential subscription rights.

These delegations are valid for twenty-six months, until July 27, 2017. The overall ceiling for all these capital increases is set at €150 million. In addition, if the board of directors were to issue debt securities that confer equity rights, the total nominal amount of such securities would in turn be capped at €1.6 billion;

Use made of these powers by the board of directors

None.

COMPENSATION OF 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 98% of entities belonging to the Crédit Mutuel group.
As a result of the change in executive corporate officers of CIC and BFCM, the respective boards of the two companies, in their meetings of February 26, 2015 for BFCM and December 11, 2014 for CIC, established the new compensation arrangements for these executives and the commitments toward them.

This compensation and these commitments were established by the deliberating bodies of BFCM and CIC based on proposals by their respective compensation committees.
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 was terminated with effect from May 1, 2011.

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. In his capacity as an employee, Nicolas Théry comes under the supplementary pension scheme 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.

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. In his capacity as an employee, Alain Fradin comes under the supplementary pension scheme 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.

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, and take loans from, the group banks on the same terms as those offered to employees in general. As at December 31, 2016 they had no loans of this kind.

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

2016 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	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 BFCM 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 corporate officers' unemployment benefit insurance (GSC).

VARIABLE COMPENSATION

of "risk takers"

REGULATORY FRAMEWORK

Based on European Union regulation 575/2013, European directive 2013/36/EU and the Banking Act of July 26, 2013 relating to prudential requirements applicable to credit institutions and investment firms, the variable remuneration of "risk takers" is governed by strict rules.

This regulatory framework was supplemented by the Order of February 20, 2014 and the Decree of November 3, 2014 relating to the internal control of banking institutions, payment services and investment services, requiring compensation to be compatible with the entity's risk appetite.

The regulatory framework for the compensation of the banking profession was consolidated in 2016. On December 21, 2015, the European Banking Authority published the final version of its guidelines on "sound remuneration policies" as required under Articles 74 and 75 of CRD IV.

The ACPR, via its college, sent the EBA a statement of partial compliance regarding these guidelines.

The French regulator stressed that the French Monetary and Financial Code and the decree of November 3, 2014 faithfully transpose the CRD IV's provisions on compensation matters.

Over the course of 2016, the group worked to improve its reporting on compensation and to formalize the requirements related to the law on the separation and regulation of banking activities. This law states that compensation for all market traders should be determined in a manner consistent with the internal rules governing the organization and operation of the business lines and that this determination should not encourage risk-taking that bears no relation to the targets set.

The scope of the regulated population is clarified in European delegated regulation 604/2014, which extends and replaces the previous definition of regulated population by introducing a new staff category: risk takers (also known as material risk takers or MRT)[1].

In this context, the group has put in place an identification methodology enabling it to comply with the regulatory requirements.

"Risk takers" includes four categories of employees: effective managers, employees with powers to commit the group in an amount up to a regulatory threshold[2], those responsible for control, compliance and risk functions, and any employee whose professional activities have a material impact on the company's risk profile and who receives comparable compensation.

With the new regulatory framework in mind, in December 2016 the general management of CIC, after consultation with the compensation committee, presented the board of directors with a number of provisions contained in an "outline of the compensation policy of the Crédit Mutuel-CM11 group." This document highlights the principles of prudence applied within the Crédit Mutuel-CM11 group, which are consistent with its values and practices.

Lastly, as part of the discussions relating to the publication of a CRD V, the Crédit Mutuel-CM11 group is actively participating in the industry discussions and in the meetings with the French Treasury to prepare as efficiently as possible to comply with future regulatory requirements.

RULES OF GOVERNANCE

In accordance with the applicable regulations, after consulting the general management, the Crédit Mutuel-CM11 group has set up two compensation committees, one at the group's consolidating entity, Caisse Fédérale de Crédit Mutuel (CFCM), and the other at CIC[3]. These compensation committees are composed of competent members, one of whom is independent.
The committees analyze the policies and practices in the light of all relevant criteria, including the company's risk policy. They also give their opinions on the documents submitted[4] and make proposals to the board of directors. Lastly, they check with general management to make sure that the risk and compliance divisions have been consulted on defining and implementing the compensation policy.
The board of directors, based on the compensation committee's proposals, sets the principles of the compensation policy decided by the general management.
An annual report on the compensation policy and practices is submitted to the Autorité de Controle Prudentiel et de Résolution (French Prudential Supervisory Authority - ACPR), in accordance with Article 266 of the Decree of November 3, 2014 relating to internal control.
Similarly, a report containing detailed and quantified information on elements of variable compensation is published on CIC's website prior to the shareholders' general meeting called to ratify the annual financial statements. Pursuant to Article 450 of EU regulation 575/2013, this report includes in particular a breakdown of compensation exceeding certain materiality thresholds.

General principles governing the compensation policy

In general terms, Crédit Mutuel-CM11 group's wage policy is designed not to encourage employees to take on too much risk, particularly employees whose activities are liable to have a material impact on the institution's risk exposure. The group also makes sure that it retains talented employees and includes measures designed to prevent conflict of interests.

Crédit Mutuel-CM11's compensation policy is also aligned with its economic strategy, objectives, mutual values and long-term interests. It thus aims to ensure that employees' behavior is consistent with the group's long-term objectives, particularly in the areas of risk management, and to ensure that equity is regularly strengthened.

The variable elements of compensation are linked to financial and non-financial objectives assigned to individual employees and teams. For a better control of risk factors, the costs attributable to professional activities are deducted, in particular net additions to/reversals from provisions for loan losses, and liquidity.

The variable compensation paid to risk takers may not exceed the fixed portion[5]. Over a certain threshold, payment of a portion of the variable compensation awarded in a fiscal year is deferred over a period of three years and is subject to fulfilling payment conditions known as clawback clauses (see *below*). The deferred amount increases with the amount of the variable portion, from at least 40% of the amounts allocated to over 60% for the highest compensation packages.

Furthermore, actual payment is subject to certain conditions linked to the results of the business line, the achievement of predefined targets according to the business concerned, and employees still being effectively employed at the date of payment. Deferred compensation may thus be substantially reduced, or even not paid, in the event of a failure to manage and control risks giving rise to losses. This clause allows employees, particularly financial market professionals, to take responsibility for any medium-term risk to which they may expose the company.

Generally speaking, the compensation policy, which is in line with the group's risk policy, forbids guaranteed bonuses.

Consultation of the shareholders' general meeting on the overall compensation package, required pursuant to Article L.511-73 of the French Monetary and Financial Code and Article 161 established by law 2016-1691 of December 9, 2016.

Article L.511-73 of the French Monetary and Financial Code requires that the general meeting be consulted on the overall amount of compensation of any kind paid during the past fiscal year, to effective managers, within the meaning of Article L.511-13, and categories of staff, including risk-takers, those responsible for control functions, and any employee who, based on his or her overall salary, is in the same compensation bracket, or whose professional activities have a material impact on the risk profile of the company or group. In this context, the scope of the compensation package examined by the general meeting concerns the employees included in the risk-takers category as defined by regulation 604/2014 (see *above*).

The shareholders' ordinary general meeting of May 24, 2017 will have to give its opinion, in its fifth resolution, on this package[6] totaling €39,598,000 for 2016 and which comprises fixed and variable remuneration paid, with the latter including amounts deferred in previous years and amounts that are subject to retention clauses.

The shareholders' ordinary general meeting of May 24, 2017 will have to give its opinion, in its sixth and seventh resolutions, on the compensation due and awarded to Nicolas Théry and Alain Fradin for the fiscal year ended December 31, 2016.

(1) This regulation defines a list of qualitative and quantitative criteria for identifying material risk takers.
(2) More specifically, employees with powers authorizing them to commit, individually or as a committee, the group for up to the regulatory threshold of 0.5% of tier 1 shareholders' equity, either through lending or by taking positions on the markets.
(3) Given the specific nature of CIC's activities, it was decided that this entity should retain its specific prerogatives in remuneration matters.
(4) Including the proposals drawn up by the management.
(5) By decision of the shareholders' general meeting of May 2015, for the CIC trader scope the maximum amount of variable compensation was set at double the amount of fixed compensation.
(6) Crédit Mutuel-CM11 scope.

REPORT OF THE CHAIRMAN

to the shareholders' general meeting of May 24, 2017 on the preparation and organization of the board's work and on internal control procedures

PREPARATION AND ORGANIZATION OF THE WORK OF THE BOARD

Principles of governance

Composition of the board

The workings of the board of directors are governed by Article 11 and Articles 13 through 16 of the company's bylaws, which do not contain any stipulations over and above the legal provisions. The board of directors, at its meeting on May 23, 2013, adopted an internal regulation, comprising one article aimed at implementing the possibility provided by the company's bylaws of using video-conferencing or other types of telecommunications which conform to the specifications laid down under Article R.225-21 of the French Commercial Code, for all meetings except those in which the board is required to approve the annual financial statements or consolidated financial statements, the management report or the group management report, and convening the annual general meeting. It assesses its own performance and reports on it both in the general report which it presents each year to the ordinary general meeting of shareholders and by means of this report on the preparation and organization of its work.

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, unsuitable in its case on a number of points given its ownership structure, consisting for 98.21% of entities belonging to the Crédit Mutuel group, including Banque Fédérative du Crédit Mutuel which directly or indirectly holds 93.14 % of the capital.

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

1°. Incompatibilities and prohibitions: every year each director signs a sworn statement confirming that he is legally entitled to fulfill his duties (details of this statement are provided in the management report).

2°. Age limit: at December 31, 2016, the composition of the board reflected a provision defined in the bylaws, whereby the number of directors over the age of 70 may not exceed one third of directors.

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

4°. Application of the principle of balanced representation of women and men on the board of directors led the shareholders' general meeting of May 19, 2011 to appoint Catherine Allonas-Barthe as a director and the meeting of May 23, 2013 to appoint Monique Leroux as a director.

At December 31, 2016, they represented 20% of the members of the board of directors appointed by the shareholders' general meeting (directors representing employees are not taken into account when calculating this percentage). This percentage is likely to change in accordance with the provisions of the Copé-Zimmermann law.

5°. Independent directors: although, for the reasons indicated above, CIC does not follow the recommendations of the AFEP-MEDEF code on corporate governance, application of the code's six criteria to ascertain whether a director is independent or not means that five directors out of the ten appointed by the shareholders' general meeting fall within this category. Independent directors should:

- not be an employee or corporate officer of the company or an employee or director of its parent company or a company that it consolidates, nor have been one in the previous five years;
- not be a corporate officer of a company in which the company holds, directly or indirectly, a directorship or in which an employee appointed as such or a corporate officer of the company (currently or within the past five years) holds a directorship;
- not be a customer, supplier, investment banker or financial banker that is significant for the company or its group, or for whom the company or its group represents a significant part of its activities;
- not have any close family ties with a corporate officer;
- not have been the statutory auditor of the company in the past five years;
- not have been a director of the company for longer than twelve years.

These five directors are Monique Leroux, Luc Cortot, Jean-François Jouffray, Daniel Leroyer and Éric Charpentier.

Board committees

The board relies on four specialist committees and appoints all or some of their members. The board receives regular reports on the work of these committees.

Compensation committee

The board of directors has established an internal specialist three-member committee. Their term of office is three years. This committee is responsible, on the one hand, for examining the statutory situation and the compensation of the chairman of the board of directors and members of general management and making any appropriate proposals to the board on the subject, and, on the other hand, for preparing the board's deliberations on the principles of the compensation policy for CIC's regulated population, issuing an opinion on general management's proposals in this area and on their implementation, and carrying out an annual review of this policy and reporting on it to the board.

In its meeting of February 23, 2017, the board of directors reappointed:

- Daniel Leroyer, committee chairman;
- Maurice Corgini;
- Jean-François Jouffray

Appointments committee

Following the transposition of the so-called CRD4 directive, particularly Article 88 thereof, and in accordance with Article L511-89 of the French Monetary and Financial Code, the board of directors meeting on May 22, 2014 created a new internal special committee with three members. Their term of office is three years. This committee's remit is to identify appropriate candidates for directorships and make recommendations to the board of directors, assess the balance and diversity of the knowledge, skills and experience possessed both individually and collectively by the board's members, specify the duties and the qualifications required for the functions performed within the board, assess the time that must be dedicated to these functions, set a target for gender balance within the board and draw up a policy for achieving said target, and periodically review, at least once a year, the board's structure, size, composition and efficiency in the light of its duties and make appropriate recommendations to the board. The committee should also periodically assess, at least once a year, the knowledge, skills and experience possessed both individually and collectively by the board's members and report on these to the board. It should also periodically review the board's policies with regard to selecting and appointing the two executives, the chief operating officers, the head of risk management and make recommendations to the board in this area, as well as checking 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.

At its meeting of February 23, 2017, the board of directors reappointed the following committee members:

- Daniel Leroyer, committee chairman;
- Maurice Corgini;
- Jean-François Jouffray

Group audit and accounts committee

With a view to meeting the requirements arising from the transposition of European Directive 2006/43/EC concerning the legal auditing of the company and consolidated financial statements by means of order no. 2008-1278 of December 8, 2008, Article L512-1-1 of the French Commercial Code and the requirements of regulation 97-02 of February 21, 1997 as amended relating to the internal control of credit institutions and investment firms (replaced by the ministerial Decree of November 3, 2014), a group audit and accounts committee was established at the CM5 (now CM11) level in June 2009 (see internal control procedures below).

The board of directors is represented on this body by two of its members appointed in the meetings of May 19, 2011 and February 27, 2014, namely:

- Maurice Corgini;
- Jean-François Jouffray

Group risk monitoring committee

This committee has been established at Crédit Mutuel-CM11 level and is composed of members of the deliberative bodies (see internal control procedures, below).

The board of directors is represented on this body by one of its members, appointed in its meeting of December 11, 2014, namely:

- Luc Cortot.

Ethics and compliance

The code of ethics currently applied by the Crédit-Mutuel-CM11 group was approved by the supervisory board in its meeting of February 21, 2008.

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

Compliance with ethical rules applies not only to employees in the context of their duties but also to the entity to which they belong. The entity must ensure that the above principles, which reflect the values to which the whole Crédit Mutuel-CM11 group subscribes, are properly applied (see also fair operating practices, page 276).

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 general secretariat.

Members of the board of directors and general management are reminded on a regular basis of the rules applicable to persons holding inside information. The board members have also been informed that they must declare to the AMF and to CIC any trades that they or persons closely linked to them carry out on CIC securities.

Principles and rules for the compensation of corporate officers

As a result of the change in executive corporate officers of CIC and BFCM, the respective boards of the two companies, in their meetings of February 26, 2015 for BFCM and December 11, 2014 for CIC, established the new compensation arrangements for these executives and the commitments toward them (see page 52). This compensation policy was ratified by the shareholders' general meeting of May 25, 2016.

In addition, CIC's board of directors has approved the overall compensation policy for employees whose professional activities could have a significant impact on the group's risk profile.

This general policy takes into account the requirements of Article 104 of the Decree of November 3, 2014, Articles L511-89 *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 December 15, 2016.
The shareholders' general meeting did not approve any directors' attendance fees. Consequently the board of directors did not allocate any fees to its members.

Rules for attending the shareholders' general meeting

The rules for attending shareholders' general meeting are set out in the "Legal information" section, on page 307.

Information required pursuant to Article L.225-100-3 of the French Commercial Code

The information relating to points 1, 2, 7 and 8 appear on pages 33-35, 308, 43-44 and 308, 52 and 315 respectively. The other points (3 through 6, and 9 and 10) do not apply to CIC.

Information required pursuant to Articles L.225-100, L.225-102, L.225-102-1 and L.233-26 of the French Commercial Code

Legal provisions require that the report referenced in Articles L.225-100, L.225-102, L.225-102-1 and L.233-26 of the French Commercial Code "also include the financial risks related to the effects of climate change and the measures the company is taking to reduce them by implementing a low-carbon strategy in all segments of its business." For these aspects, the group consolidates information about the energy transition obligations for all its entities in the referenced Corporate Social Responsibility (CSR) report (page 284 *et seq.*).

The work of the board in 2016

The board of directors meets once a quarter in accordance with a pre-established calendar.

Each agenda item has a corresponding file or factsheet 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 four times in 2016. The attendance rate varied between 50% and 83% (averaging 73%).

The meeting of February 25 was mainly devoted to examining and approving the financial statements and preparing the shareholders' ordinary general meeting which was held on May 25. The board examined the financial statements for fiscal year 2015, heard the conclusions of the statutory auditors and took note of the group audit and accounts committee's report of February 22. The board also adopted the proposals of the compensation committee, meeting the day before, concerning variable compensation of market professionals for 2015. It took note of the appointments committee's favorable opinion, issued at its meeting the previous day, of Éric Charpentier's candidacy for office as a member of the board of directors.

In its second meeting, on May 25 immediately following the shareholders' general meeting, the board of directors decided to implement the trading of CIC shares on the stock exchange as authorized by the AGM, in the framework of the liquidity agreement. It took note of the work done by the risk monitoring committee in its meeting of April 6 and the audit and accounts committee in its meeting of May 9, and of the CIC annual report on internal control and approved the internal rules of the group risk monitoring committee.

Meeting on July 28, the board of directors approved the interim consolidated financial statements of CIC for the first half of 2016, after taking note of the opinion of the audit and accounts committee dated July 27 and hearing the statutory auditors' report. It also approved the note supplementing the private banking sector policy on transactions and clients related to sensitive countries. In addition, it approved the note on the internal policy on establishing business relationships in the Crédit Mutuel-CM11 group.

The board noted the group's position of allowing the subsidiaries in France (Factofrance, CM-CIC Leasing Solutions, Cofacrédit, CM-CIC Bail, CM-CIC Lease and CM-CIC Factor) to benefit from the provisions of Article 8 of Regulation EU 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms.

In its last meeting of the year, on December 15, the board of directors took note of the work of the audit and accounts committee meeting of September 12 and of the risk monitoring committee meeting of October 19, as well as of a provisional estimate of CIC's consolidated earnings for 2016 and a forecast for 2017. It approved the reports of the compensation and appointments committees, which had met on the same day. The board of directors also approved the rules for organizing the network and business line periodic controls in force in the Crédit Mutuel-CM11 group.

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 prudentiel 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 are subject to periodic control by the first. These functions are independent and complement each other. 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.

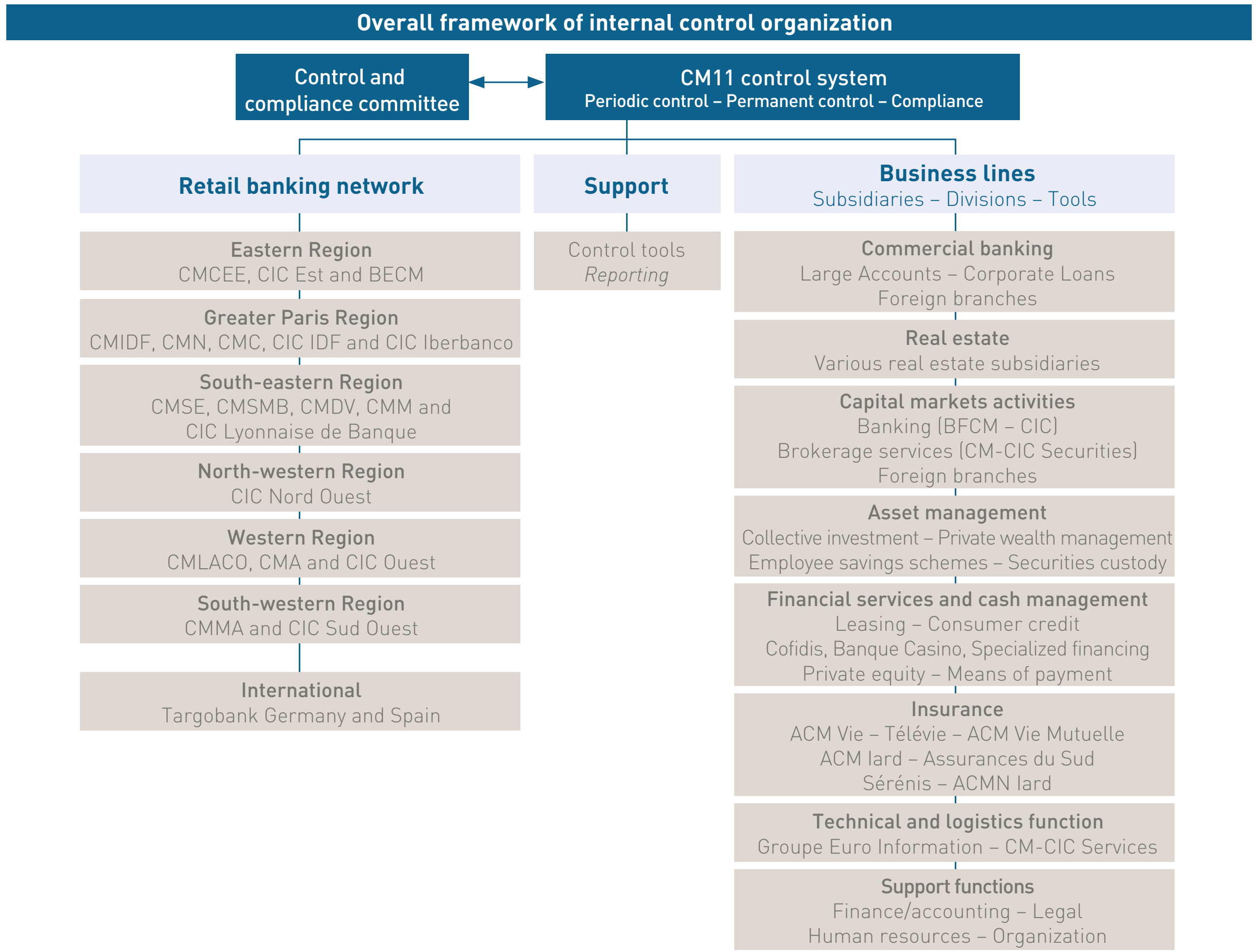
Split between network and business lines

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 (March 7, June 6, October 10, and November 28).

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 2016 (February 22, May 9, July 27 and September 12). 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, 2016 in its meeting of February 22, 2017. 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 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 2016, 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.

Group risk monitoring committee

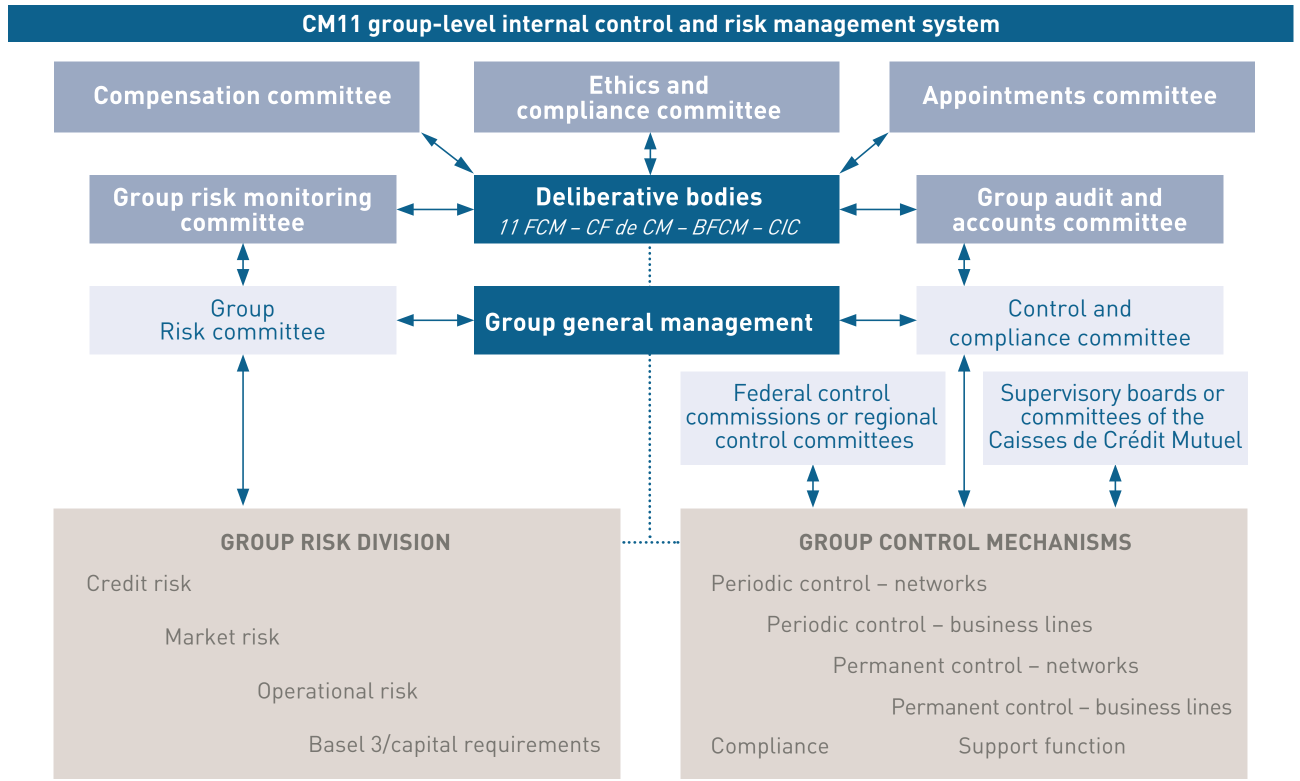
This committee is made up of members from the deliberative bodies and meets twice a year to examine strategic risk issues. It proposes to the board of directors, in light of its findings, any decisions of a prudential nature that are applicable group-wide concerning the measurement, monitoring and control 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.

Nicolas Théry
Chairman of the board of directors

STATUTORY AUDITORS' REPORT

pursuant to Article L.225-235 of the French Commercial Code on the report of the chairman of the board of directors of CIC

Year ended December 31, 2016

To the shareholders,

In our capacity as Statutory Auditors of the company CIC, and in accordance with Article L.225-235 of the French Commercial Code, we hereby report to you on the report prepared by CIC's chairman in accordance with Article L.225-37 of the French Commercial Code for the year ended December 31, 2016.

It is the chairman's responsibility to submit to the board of directors for its approval a report on the internal control and risk management procedures implemented by CIC and containing the other information required under Article L.225-37 of the French Commercial Code, relating in particular to corporate governance procedures.

It is our responsibility:

- to report to you on the information set out in the chairman's report on internal control and risk management procedures relating to the preparation and processing of financial and accounting information, and;
- to certify that the report contains the other information required under Article L.225-37 of the French Commercial Code. It is not our responsibility to verify the fairness of this other information.

We performed our procedures in accordance with French professional standards.

Information on internal control and risk management procedures relating to the preparation and processing of financial and accounting information

These standards require that we perform procedures to assess the fairness of the information set out in the chairman's report on internal control and risk management procedures relating to the preparation and processing of financial and accounting information.

These procedures mainly consist of:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of financial and accounting information on which the information presented in the chairman's report is based, as well as of the existing documentation;
- obtaining an understanding of the work performed to support the information given in the report and of the existing documentation;
- determining if any material weaknesses in internal control relating to the preparation and processing of financial and accounting information that we may have identified during the course of our work are properly described in the chairman's report.

On the basis of our work, we have no matters to report as to the information given on internal control and risk management procedures relating to the preparation and processing of financial and accounting information contained in the chairman of the board of directors' report, prepared in accordance with Article L.225-37 of the French Commercial Code.

Other information

We certify that the chairman's report contains the other information required under Article L.225-37 of the French Commercial Code.

Paris La Défense and Neuilly-sur-Seine, April 19, 2017

The statutory auditors

KPMG Audit. Department of KPMG S.A. Arnaud Bourdeille *Partner*	ERNST & YOUNG et Autres Olivier Durand *Partner*	PricewaterhouseCoopers Audit Jacques Lévi *Partner*

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, 2016

To the shareholders,

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 main terms and conditions of the agreements and commitments that have been disclosed to us or that we identified during the audit, and on the reasons they are in the company's interest, without commenting on their relevance or substance or seeking 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, if applicable, to provide you with the information provided for in Article R. 225-31 of the French Commercial Code relating to the execution, 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*) relating to this assignment. This included performing procedures to verify that the information given to us agreed 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 during the year ended December 31, 2016 for submission for approval by the shareholders' general meeting under 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 were informed that the following agreements and commitments, already approved by the shareholders' general meeting in previous years, continued to be executed during the year ended December 31, 2013.

1. With Nicolas Théry, chairman of the board of directors of CIC

Nature and purpose

Termination indemnity for Nicolas Théry, chairman of the board of directors of CIC.

Terms and conditions

A termination indemnity agreement was submitted to the board of directors for approval in its meeting of December 11, 2014. This agreement concerns the establishment of a termination indemnity for Nicolas Théry, chairman of the board of directors of CIC.
This indemnity is set 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 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 for 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 2016.

2. With Caisse de Refinancement de l'Habitat (CRH) and Banque Fédérative du Crédit Mutuel (BFCM)

Persons concerned

Nicolas Théry, chairman of the board of directors of CIC.
Alain Fradin, chief executive officer of CIC.
Jean-Louis Girodot, director of CIC.
Daniel Leroyer, director of CIC.
Jacques Humbert, permanent representative of BFCM.

Nature and purpose

Agreement on the concentration of the refinancing in favor of Caisse de Refinancement de l'Habitat (CRH) between Banque Fédérative du Crédit Mutuel and CIC.

Terms and conditions

In its August 29, 2007 meeting, the supervisory board authorized the management board to have BFCM handle the refinancing granted by CRH under the following terms and conditions:

- authorize BFCM to act on behalf of CIC in its dealings with CRH;
- grant BFCM, through CIC, a guarantee in favor of CRH based on its mortgage loan portfolio;
- sell to BFCM, CIC's 891,346 CRH shares, which carried 1,005 voting rights, for a total of €14.1 million.

In 2016 this guarantee agreement generated revenue for CIC of €1.90 million on guaranteed outstandings of €673.61 million.

3. 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.
In its meeting of 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 2016.

Paris La Défense and Neuilly-sur-Seine, April 19, 2017

The statutory auditors

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

Financial information

3

CONSOLIDATED FINANCIAL STATEMENTS

EXECUTIVE BOARD'S MANAGEMENT REPORT

2016: Sufficient growth to come to terms with the political upheaval

Worldwide growth was moderate in 2016, impacted by the ongoing difficulties of emerging countries, while developed countries continued to benefit from cheap oil and very low interest rates. The election of Donald Trump as President of the United States and the upturn in the price of oil throughout the year was game-changing and opened the way to even wider disparities in 2017. It can already be seen in monetary policies, in the tightening of the Fed and the staunchly accommodating position of the other large central banks.

Renewed fears at the beginning of the year

At the start of 2016, the rapid fall in the yuan and in Chinese foreign reserves, combined with the weakness of the US industrial sector, gave rise to fears about world growth. That was reflected in a slump in the financial markets and stalling oil prices, which reached a low point at $27 (WTI)[1] in mid-February. As a result, the specter of deflation took hold, maintained by the currency war waged by the central banks, between the prudence of the Fed, the ECB's proactivity and the Bank of Japan's creativity. In March, the ECB announced new measures such as the additional lowering of key interest rates, the increase in monthly asset purchases to €80 billion, the inclusion of non-financial companies' bonds in the program and a new long-term lending program for banks.

In the second quarter, world growth proved to be more resilient than expected with the recovery in China. The Chinese authorities demonstrated that they were capable of managing growth by reusing traditional measures to support the economy, in particular the use of bank lending and measures that favored real estate. The slowdown in eurozone activity ceased thanks to increased investment, which offset the fall in consumption and external trade. Nevertheless, the uncertainties prior to the Brexit vote marred the picture, with the maintenance of prudent policies, including in the United States and Asia. The Fed consequently maintained its accommodating monetary policy while Japan struggled as a result of the appreciation in its currency, the yen seen as a safe haven currency by investors.

Brexit focuses attention

From June 23, all eyes turned to Europe, where the vote in favor of Brexit raised a serious challenge both to the United Kingdom and the European project. Although economic growth has not – yet – suffered in those two regions, the political uncertainty is genuine and penalizes investment, presaging difficulties to come in 2017. These political tensions were compounded by the problems with the Italian banking system, posing a threat to the rules introduced by the European Union on the prevention of direct bank rescues by governments. At the same time, the US economy was showing its dynamism and the Fed was preparing to normalize its monetary policy. There were positive signs from emerging countries, in particular Brazil and Russia, which began to recover thanks to the upturn in the price of oil, while the OPEC countries reached an agreement in Algiers at the end of September on limiting output.

Towards the end of 2016, the US election led to renewed optimism on the markets

The final quarter was dominated by the surprise election of Donald Trump as President of the United States on November 8. All asset classes were impacted by this event which raised inflation expectations and caused US bond yields (and those in the rest of the world, through the ripple effect) and the US dollar to soar. Not to be outdone, the equity markets reached record levels, sustained by the optimism of investors who had largely counted on a "*soft* Trump" scenario (tax cuts and fiscal stimulus without protectionism). Europe also profited from this renewed appetite for risk. Growth was, however, slow to take off as consumption and investment remained held back by significant uncertainty.

The second incident towards the end of the year was the agreement reached by OPEC on limiting oil output from the beginning of 2017. It sparked a new surge in the price of oil, thereby supporting the large emerging countries that are producers of oil (in particular, Russia and Brazil). Conversely, Europe and China risk being disadvantaged by the additional challenge posed by the rise in the price of oil, which will reduce households' purchasing power.

In France, activity reacted to the global context in 2016, but with a slight delay.

At the start of the year, the French economy benefited from the favorable world environment (low commodity prices and low interest rates). This translated into a rapid increase in household consumption and the continued recovery in investment. The uncertainties surrounding worldwide growth and the recovery of the euro curtailed this recovery, which came to an abrupt end in the second and third quarters, despite the government's support measures. The El Khomri law, the extension of recruitment subsidies and additional depreciation allowances provided support to French businesses. Moreover, the continued lowering of interest rates was beneficial to the real estate sector, prompting a recovery in real estate transactions in respect of existing dwellings. The construction sector benefited from tax incentives offered by the authorities, sparking an increase in new housing projects and applications for building permits. This helped the construction sector to gradually make up for its negative contribution to investment and growth. Towards the end of the year, cyclical indicators were more favorable, despite the fact that the economic environment was less buoyant, given the rise in the oil price and sovereign spreads. This improvement could be seen in the positive changes to the business environment, the upturn in industrial output and the fall in Category A unemployment[2]. Growth is only likely, however, to show modest improvement. The latent wait-and-see approach before the French elections and the increase in energy prices will have a negative impact on households' purchasing power.

(1) West Texas Intermediate - WTI
(2) Unemployed person, required to actively seek employment, in search of employment regardless of the type of contract (permanent, fixed-term, full-time, part-time, temporary or seasonal contract).

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) 126/2008 on the adoption of said standards, the consolidated financial statements for the year ended December 31, 2016 have been drawn up in accordance with IFRS as adopted by the European Union at December 31, 2016. 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:
http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm
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.
Information on risk management required by IFRS 7 is provided in a specific section of the board of directors' report.

Changes in consolidation scope

The changes during the year were:
- the disposal of Banque Pasche;
- the liquidation of Banque Transatlantique Singapore Private Ltd;
- the absorption of CM-CIC Securities by CIC;
- the absorption of Sudinnova by CM-CIC Innovation.

Analysis of the consolidated statement of financial position

The main changes in the consolidated statement of financial position items were as follows:
- customer bank deposits increased by 6.8% compared to 2015 to €138.8 billion as a result of sustained growth in current accounts (up 11.1%) and savings book balances (up 16.3%). net outstanding loans to customers totaled €166.1 billion, a 5.7% increase compared to 2015. Home loan outstandings rose by 2% to €70.6 billion.
- the net loans/customer deposits ratio was 119.7% at December 31, 2016 compared to 120.9% the previous year;
- savings under management and held in custody reached €258.7 billion, 0.4% lower than at December 31, 2015;
- total equity and reserves attributable to owners of the company were €14.055 billion compared to €13.069 billion at December 31, 2015. Without transitional measures, Basel III Common Equity Tier 1 (CET 1) capital was €12.6 billion, the Common Equity Tier 1 capital adequacy ratio was 12.5% and the total ratio was 14.2%. These levels are significantly higher than the European Central Bank's requirements defined in connection with the *Supervisory Review And Evaluation Process 2017*. The CET 1 capital requirement that the CIC group must comply with was set at 7.50% in 2017 and the total ratio was set at 9.75%, to which must be added the 1.25% conservation buffer, giving a total of 11%.
Without transitional measures, the leverage ratio was 4.5%.

Analysis of the consolidated income statement

(in € millions)	2016	2015	Change 2016/2015
Net banking income	4,985	4,782	4.2%
General operating expenses	(3,071)	(3,005)	2.2%
Operating income before provisions	1,914	1,777	7.7%
Income before tax	1,877	1,702	10.3%
Corporate income tax	(560)	(562)	(0.4%)
Net profit/loss on discontinued operations*	44	(23)	N.A.
Net income	1,361	1,117	21.8%
Net income attributable to owners of the company	1,352	1,111	21.7%

* Since January 1, 2015, Banque Pasche has been treated as an entity held for sale according to IFRS 5. It was sold at the end of the second quarter of 2016.

Net banking income grew by 4.2% to €4.985 billion. This includes 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. Net banking income from retail banking accounted for 70% of total net banking income.

The cost/income ratio improved to 61.6% (compared to 62.8% a year earlier) with a controlled increase in general operating expenses of 2.2% to €3.071 billion versus €3.005 billion at end-2015.

Net additions to/reversals from provisions for loan losses decreased from €207 million to €185 million in one year. Individual net additions to/reversals from provisions for loan losses increased by €5 million and there was a €28 million reversal in collective provisions compared with €1 million in 2015.

Individual net additions to/reversals from provisions for customer loan losses, as a proportion of total loan outstandings, decreased from 0.14% to 0.13% and the overall non-performing loan coverage ratio was 50.0% at December 31, 2016.

The share of income of associates was €136 million compared with €138 million one year earlier. In addition, net gains on disposals of non-current assets totaled €12 million compared with a loss of €6 million at end-December 2015.

Income before tax therefore rose by 10.3% (€1.877 billion versus €1.702 billion at the end of 2015).

Given the swing in net profit/loss on divested activities from a loss of €23 million in the year ended December 31, 2015 to a profit of €44 million in the year ended December 31, 2016, of which €66 million in funds reclassified from cumulative translation adjustments (sale of Banque Pasche), net income came to €1.361 billion, an increase of 21.8%.

Ratings

On October 12, 2016, the rating agency Standard & Poor's upgraded CIC's long-term rating from A with a negative outlook to A with a stable outlook. The other ratings assigned by Moody's and Fitch Ratings remained the same. CIC's ratings are as follows:

At April 4, 2016	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 (see chart on page 8).

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.

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

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 activities that cannot be attributed to one of the other business segments.

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

Introduction: The 2015 data have been restated in respect of the reallocation of the capital gains on securities made by CIC EST to Headquarters and holding company services. This resulted, in 2015, in the retail banking business segment, in a decrease in its NBI of €20 million and a decrease in its tax charge of €8 million. Conversely, the Headquarters and holding company services segment saw its 2015 NBI increase by €20 million and its 2015 tax charge increase by €8 million. Restated data are indicated with an asterisk.

Retail banking

(in € millions)	2016	2015	Change 2016/2015	2015 restated*	Change 2016/2015*
Net banking income	3,500	3,514	(0.4%)	3,494	0.2%
General operating expenses	(2,272)	(2,254)	0.8%	(2,254)	0.8%
Operating income before provisions	1,228	1,260	(2.5%)	1,240	(1.0%)
Income before tax	1,204	1,202	0.2%	1,182	1.9%
Net income attributable to owners of the company	826	790	4.6%	778	6.2%

In one year, customer deposits increased by 7.5% to €107.2 billion due to:
- the increase in current accounts in credit (up 21.2%), which stood at €47.7 billion at end-December 2016;
- savings book accounts, up by 6.2% to €26.6 billion; and
- home savings, up by 12.6% to €10 billion.

Net customer loan outstandings totaled €128.6 billion, up 3.8%, with an increase in all cash facilities, capital equipment loans and other loans (up 5.4%) and housing loans (up 3.7%).
Retail banking net banking income came to €3.5 billion, up 0.2%*.
Net fee income represented 42.9% of net banking income, an increase of 0.9%. The net interest margin remained stable and other components of net banking income fell by 8.4%*.
General operating expenses were up by 0.8% to €2.272 billion (€2.254 billion in 2015).
Net additions to/reversals from provisions for loan losses fell to €164 million, compared with €194 million in 2015, with a decrease in the net provision allocation calculated on an individual basis of €28 million.
Income before tax therefore stood at €1.204 billion compared to €1.182* billion a year earlier, up by 1.9%.

Banking network

(in € millions)	2016	2015	Change 2016/2015	2015 restated*	Change 2016/2015*
Net banking income	3,283	3,306	(0.7%)	3,286	-0.1%
General operating expenses	(2,130)	(2,118)	0.6%	(2,118)	0.6%
Operating income before provisions	1,153	1,188	(2.9%)	1,168	(1.3%)
Income before tax	1,004	1,002	0.2%	982	2.2%
Net income attributable to owners of the company	654	618	5.8%	606	7.9%

The banking network had 4,953,615 customers (up 1.8% compared with end-December 2015).
Customer deposits totaled €104.9 billion at December 31, 2016. They rose by 7.5% due to an increase in current accounts (up 22.0%), savings book accounts (up 6.2%) and home savings (up 12.6%).
Net customer loans outstanding grew by 4% to €111.8 billion at December 31, 2016. Overall, cash facilities, equipment and other loans increased by 6.1% and housing loans by 3.7%.
Savings fell slightly to €56.8 billion compared with €58.2 billion at end-December 2015 despite an increase in life insurance products (up 2.8%) and employee savings plans (up 6.1%).

The insurance business continued to grow.
The number of property and casualty insurance contracts taken out was 4,789,913 (a 7.6% increase in the portfolio).
Service activities rose by:
• 8.8% in remote banking with 2,236,137 contracts,
• 1.8% in telephone services (447,421 contracts),
• 4.0% in electronic surveillance (91,335 contracts),
• 4.6% in electronic payment terminals (133,994 contracts).

Despite low interest rates, the branch network's net banking income held steady at €3.283 billion (compared with €3.286* billion a year earlier), with a 1.3%* decrease in the net interest margin and other components of NBI. Fee and commission income rose by 1.4% despite a decrease in loan fees of 16.5% related to a high level of home loan renegotiation fees.
General operating expenses amounted to €2.130 billion (up 0.6% compared with the year to December 31, 2015).
At €153 million, net additions to/reversals from provisions for loan losses were down 16.8% due to a €29 million decrease in individual net additions to/reversals from provisions for loan losses.
Income before tax in the branch network thus grew by more than 2.2% to €1.004 billion, compared with €982* million in 2015.

Retail banking's support businesses

These activities generated net banking income of €217 million in 2016 compared to €208 million one year earlier and income before tax of €200 million (same as in 2015), more than two-thirds of which was the share of income from the Crédit-Mutuel-CM11 group's insurance business.

Financing

(in € millions)	2016	2015	Change 2016/2015
Net banking income	353	366	(3.6%)
General operating expenses	(105)	(97)	8.2%
Operating income before provisions	248	269	(7.8%)
Income before tax	226	246	(8.1%)
Net income attributable to owners of the company	143	158	(9.5%)

Net customer loan outstandings in the financing segment increased by 17.7% to €16 billion.
Net banking income of €353 million was down 3.6% as a result of non-recurring transactions in 2015.
General operating expenses rose by 8.2% to €105 million (€97 million in the year ended December 31, 2015) with an increase in employee expenses of 12.3% or €7 million due mainly to additional provisions for retirement costs recognized in 2016.
Net additions to/reversals from provisions for loan losses were similar to those in 2015, with an expense of €22 million versus €23 million a year earlier. Individual net additions to/reversals from provisions for loan losses increased by €23 million, while collective provisions posted income of €15 million in 2016 compared with an expense of €9 million in 2015.
Income before tax stood at €226 million, down 8.1% compared with the year ended December 31, 2015.

Capital markets activities

(in € millions)	2016	2015	Change 2016/2015
Net banking income	397	342	16.1%
General operating expenses	(202)	(169)	19.5%
Operating income before provisions	195	173	12.7%
Income before tax	198	175	13.1%
Net income attributable to owners of the company	126	93	35.5%

The capital markets division generated net banking income of €397 million, up 16.1% from 2015.
Most of the profit from commercial transactions is allocated to the income account of entities that monitor customers, as is the case with the other network support businesses.
The 19.5% increase in general operating expenses was due to a Single Resolution Fund (SRU) contribution charged to this business line, which was €14 million more than the previous year.
There was a €3 million provision reversal in net additions to/reversals from provisions for loan losses compared to a reversal of €2 million in 2015.
Income before tax rose from €173 million to €195 million.

Private banking

(in € millions)	2016	2015	Change 2016/2015
Net banking income	512	509	0.6%
General operating expenses	(367)	(371)	(1.1%)
Operating income before provisions	145	138	5.1%
Income before tax	149	143	4.2%
Net profit/loss on discontinued operations	(22)	(23)	(4.3%)
Net income attributable to owners of the company	95	79	20.3%

Deposits in private banking increased by 8% to €20.1 billion. Loan outstandings totaled €13.8 billion, up by 15.1% compared to 2015.
Savings under management and held in custody were up 2.6% to €87.6 billion.
Net banking income rose to €512 million compared with €509 million a year earlier (up 0.6%) as a result of an 11.1% increase in the net interest margin. General operating expenses fell by 1.1% with depreciation and amortization down by €23 million due in particular to a change in method concerning business goodwill amortization in 2015. Net additions to/reversals from provisions for loan losses changed from income of €9 million in 2015 to an expense of €3 million. Income before tax stood at €149 million (€143 million in 2015), up 4.2% before taking into account the €22 million after-tax loss of Banque Pasche, sold in the second quarter of 2016 (compared with a loss of €23 million in 2015). This €22 million after-tax loss excludes the reclassification of the cumulative translation adjustments, which totaled a positive €66 million.

Private equity

(in € millions)	2016	2015	Change 2016/2015
Net banking income	195	172	13.4%
General operating expenses	(46)	(41)	12.2%
Operating income before provisions	149	131	13.7%
Income before tax	149	131	13.7%
Net income attributable to owners of the company	149	127	17.3%

The group's proprietary invested assets totaled €2 billion, including €288 million of new investments in 2016. This portfolio is made up of 408 equity holdings, the vast majority of which are in companies that are customers of the group's networks.
The private equity business performed well in 2016, posting net banking income of €195 million at December 31, 2016 compared to €172 million in 2015 and income before tax of €149 million compared to €131 million a year earlier.

Headquarters and holding company services

(in € millions)	2016	2015	Change 2016/2015	2015 restated*	Change 2016/2015*
Net banking income	28	(121)	N.A.	(101)	N.A.
Operating income before provisions	(51)	(194)	(73.7%)	(174)	(70.7%)
Income before tax	(49)	(195)	(74.9%)	(175)	(72.0%)
Net profit/loss on discontinued operations	66		N.A.		N.A.
Net income attributable to owners of the company	13	(136)	N.A.	(124)	N.A.

Net banking income for 2016 included mainly:

- 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.
- a €22 million expense to finance working capital and the cost of subordinated notes (compared with an expense of €50 million in 2015);
- a €45 million expense to finance the network expansion plan (€67 million expense in 2015);
- a €2 million expense for net losses and provisions on the sale of investments in non-consolidated companies (€6 million expense in 2015);
- €1 million in dividend income (compared to €2 million in 2015).

The change in the NBI between 2015 and 2016 was due also to the allocation to 2015 NBI of:

- €20 million* of capital gains on securities realized by CIC EST;
- an €8 million net interest expense generated by the creation of the liquidity *buffer*.

General operating expenses increased from €73 million in 2015 to €79 million in 2016.

Net additions to/reversals from provisions for loan losses and net income on non-current assets each came to income of €1 million whereas in 2015 net additions to/reversals from provisions for loan losses was an expense of €1 million and net income on non-current assets was zero.

As a result, the segment generated a loss before tax of €49 million compared with a loss of €175 million* in 2015.

The tax charge was €4 million (compared with tax income of €59 million in 2015).

After adding the €66 million recycling of the cumulative translation adjustments (sale of Banque Pasche), net income attributable to owners of the company came to €13 million compared to a net loss of €124 million* the previous year.

Alternative performance indicators

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

Name	Definition/calculation method	For the ratios, justification of use
Operating ratio	Ratio calculated from items in the consolidated income statement: ratio of general operating expenses (sum of the "general operating expenses" and "allocations/reversals of depreciation, amortization and provisions for property, plant and equipment and intangible assets" items in 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 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 from Note 35 to the consolidated financial statements (less collective provisions) 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	"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
Financial 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
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 ("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 for credit risk (including collective provisions) to the gross outstandings identified as in default within the meaning of the regulations; calculated from 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")
Return on equity	Net income attributable to owners of the company as a percentage of opening shareholders' equity less dividends paid.	Measures, as a percentage, the relationship between net income attributable to owners of the company and the equity invested by the company's shareholders.

Alternative performance indicators: reconciliation with the financial statements

Return on equity		2016	2015
Net income attributable to owners of the company	Consolidated statement of changes in equity	1,352	1,111
Opening equity - dividends paid	Consolidated statement of changes in equity	12,748	11,909
Return on equity		**10.6%**	**9.3%**

Net loans/customer deposits ratio		2016	2015
Loans and receivables due from customers	Assets	166,063	157,166
Due to customers	Liabilities	138,772	129,958
Net loans/customer deposits ratio		**119.7%**	**120.9%**

General operating expenses		2016	2015
General operating expenses	Note 33	(2,931)	(2,839)
Movements in depreciation, amortization and provisions for impairment of property and equipment and intangible assets	Note 34	(140)	(166)
General operating expenses		**(3,071)**	**(3,005)**

Operating ratio		2016	2015
- General operating expenses	Notes 33 and 34	3,071	3,005
Net banking income	Income statement	4,985	4,782
Operating ratio		**61.60%**	**62.84%**

Net additions to/reversals from provisions for customer loan losses		2016	2015
Net additions to/reversals from provisions for customer loan losses calculated on an individual basis		(217)	(220)
Collective provisions	IAS 39	28	1
Net additions to/reversals from provisions for customer loan losses	Note 35:	**(189)**	**(219)**

Net additions to/reversals from provisions for customer loan losses calculated on an individual basis as a proportion of total outstanding loans		2016	2015
Net additions to/reversals from provisions for customer loan losses calculated on an individual basis		217	220
Gross receivables + finance leases - repurchase agreements	Note 8	161,393	152,650
Overall net additions to/reversals from provisions for customer loan losses as a percentage of outstanding loans excluding repurchase agreements		**0.13%**	**0.14%**

Overall non-performing loan coverage ratio		2016	2015
Individual and collective impairment provisions	Note 8	2,643	2,702
Individually-impaired receivables	Note 8	5,289	5,276
Overall non-performing loan coverage ratio		**50.0%**	**51.2%**

Interest margin		2016	2015
Interest income	Income statement	7,519	7,690
Interest expense	Income statement	(5,418)	(5,638)
Interest margin		**2,101**	**2,052**

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 et Participations	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
Luxembourg	
Banque de Luxembourg	Private banking
Banque Transatlantique Luxembourg	Private banking
Cigogne Management	Capital markets
Diversified Debt Securities SICAV - SIF	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

2016: Information by country	Net banking income	Income before tax	Corporate income tax	Other taxes	Public subsidies received	FTE employees
Germany	5	3	0	0		3
Belgium	15	7	(2)	(1)		37
Spain	4	1	0	0		3
United States of America	118	70	(21)	(7)		85
France	4,329	1,625	(507)	(713)		18,367
Luxembourg	278	97	(14)	(23)		804
United Kingdom	45	30	(8)	(7)		56
Singapore	86	15	(3)	(4)		241
Switzerland	105	29	(5)	(10)		314
TOTAL	**4,985**	**1,877**	**(560)**	**(765)**		**19,910**

RECENT DEVELOPMENTS AND OUTLOOK

Building on its strengths and expertise needed to adapt to rapid changes in its businesses, in 2016 the CIC group focused on combining growth, efficiency and risk management. It owes its success to 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.

EXECUTIVE COMPENSATION

See "Corporate governance" on page 52.

VARIABLE COMPENSATION OF "RISK TAKERS"

See "Corporate governance" on page 54.

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 controls implemented, the review of the *reports* and the action plans undertaken are described in the report by the chairman of the board of directors to the shareholders' meeting on pages 59 to 67.
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.

Risk factors

As a member of the Crédit Mutuel-CM11 group, the CIC group is subject to the same risk factors as its parent company.

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

The group's businesses are sensitive to changes in financial markets and economic conditions in France, Europe and generally around the world. The group could be confronted with a significant deterioration in market and economic conditions resulting from, among other things, crises affecting sovereign debt, the capital, credit or liquidity markets, regional or global recessions, sharp fluctuations in commodity prices, currency exchange rates or interest rates, the volatility of derivatives, inflation or deflation, or adverse geopolitical events (such as natural disasters, acts of terrorism or armed conflicts).
The global economy (the European economy in particular) and the financial markets are still having to face significant uncertainty, sometimes linked to external factors (e.g. political decisions). Several events occurred in 2016 that analysts had not generally anticipated, resulting *de facto* in volatility on global financial markets. Such events included the referendum in the UK and the elections in the USA, which surprised the markets and highlighted the risk of a return to increased protectionism. Factors such as these are likely to affect demand for credit and economic development.

Thus, market disruptions and sharp economic downturns, which may develop quickly and whose impact may therefore not be fully hedged, could affect the operating environment for financial institutions for short or extended periods and have a material adverse effect on the group's financial position, earnings and cost of risk. For example, sovereign rates in *core* European countries and in most peripheral countries tightened further throughout most of 2016.

During the fourth quarter, improved economic conditions in Europe and the United States and the promises made by the new American president caused increased tension on these rates. During the early months of 2017, the French rate continued to increase - as did the *spread* with the German rate - due largely to the political risks associated with the result of the French presidential and legislative elections in the second quarter. As regards short-term rates, they have remained in negative territory, generally at the levels observed since mid-June 2016.

On the equity markets, during the first half of 2016, movements similar to those of the last quarter of 2015 were observed, although they were more pronounced: there was significant volatility and trend reversals became more frequent - around every two weeks - and publication of indicators for the European, US and Asian economies frequently contradicted each other and could only be relied upon to identify short-term trends.

During the second half of 2016, markets were more buoyant and their trends more predictable, despite the uncertainty surrounding the medium-term economic outlook, and they reacted positively to the good US and European statistics.

Against this optimistic backdrop, for the first time since 2009, the American Central Bank increased its key interest rate slightly, firstly in November 2016 and then in mid-March 2017. The size of each of these two increases was small (1/4 of a percentage point), indicating the US authority's optimism that the improvements in the US economic climate will continue in the long term. In Europe, during 2016 the ECB (European Central Bank) generally maintained its accommodating monetary policy (asset purchases and low refinancing rates). At its most recent meeting in March 2017, the ECB confirmed it would retain its monetary policy for the current year whilst qualifying its position for the first time for several half years by highlighting the fact that it "*would use all the resources at its disposal to meet its objectives*". Despite good growth and inflation forecasts in the European Union, the ECB remains more prudent than the FED in its actions and its communications, despite the latter being further forward than the former in its attempts to "normalize" monetary policy. Due to this ongoing medium-term uncertainty as to the economic and financial conditions in France and elsewhere in Europe, there is a risk of a deterioration in the markets in which the Crédit Mutuel-CM11 group operates, which could have a significant adverse effect on the level of some of its activities, its earnings and its financial position.

Lastly, the highly-uncertain economic situation (given the national elections due to take place during 2017 in several key European countries, including France) is another factor that will have a significant impact on not only the financial markets but also the French and global economies. In particular, structural reforms resulting from the outcomes of these elections could lead to long-term changes in the French economic system. This complex economic situation could result in a slowdown in some of the group's businesses.

2/ The economic environment, characterized by low interest rates, could jeopardize the group's profitability and financial position.

In recent years, world markets have been characterized by low interest rates, and 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.

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.

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 complies with the requirements of the regulations known as Basel 3 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.

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, operating by iteration, the strengthening of the regulatory framework in recent years has caused uncertainty and some changes could have a substantial impact on both the group's earnings and its statement of financial position structure. In particular, discussions currently in progress at Basel Committee level and including, in particular, the re-examination of the internal models used in the calculations of capital adequacy requirements, as well as the implementation of *floors*, represent risk factors related notably to possible competitive distortions between some economic areas

The new 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, 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) or new ring-fencing requirements relating to certain activities, restrictions on certain types of financial activities or products such as derivatives, mandatory write-downs or conversion into equity of certain debt instruments, enhanced recovery and resolution regimes, the creation of new and strengthened regulatory bodies, and the transfer of some supervisory functions to the European Central Bank (ECB).

These measures are, in particular, contained in the BRRD (*Bank Recovery and Resolution Directive*) and are in the process of being adjusted by national regulators to be included in each country's legislative framework. In France, most of these transposition elements are contained in Order no. 2015-1024 of August 20, 2015, which amended the provisions of the French Monetary and Financial Code. These "master" provisions are supplemented by Decree no. 2015-1160 of September 17, 2015 and three orders of September 11, 2015 concerning respectively:
- the preventive recovery plans and crisis resolution plan;
- the preventive resolution plans;
- the criteria for assessing an institution or group's resolution ability.

This order requires banks to draft and submit to the ECB a crisis resolution plan (CRP) describing the measures taken by the group to tackle major issues (e.g. a significant deterioration in its financial position, a reduction in its liquidity reserves below acceptable levels, etc.).

Other new regulatory measures have been introduced in recent years. For example, new solvency and liquidity ratios have emerged and impose new constraints on the group (particularly in terms of the potential additional costs of issuing subordinated debt).

As regards the European "banking union", the EU adopted, in October 2013, a Single Supervisory Mechanism (SSM) under the supervision of the ECB. Accordingly, since November 2014 and the Order of November 6, 2014 concerning various provisions for the adjustment of the legislation to be in line with the Single Supervisory Mechanism of credit institutions, the group and other large eurozone institutions are now under the direct supervision of the ECB. It is not yet possible to assess all of the impacts these measures will have on the group. However, the uncertainty concerning the application of a certain number of ECB measures and implementation of additional measures could create uncertainty and non-compliance risk and, more generally, the costs generated through implementing the Single Supervisory Mechanism could have an adverse effect on the group's operating income and financial position.

The first financial impacts resulted in the establishment of the additional capital buffers required of banks. On the recommendation of the EBA (*European Banking Authority*), on December 31, 2015 and December 31, 2016, many European banks therefore published the minimum CET1 ratio required under Pillar 2 as set by the ECB and applicable as of January 1, 2016.

These "Pillar 2" requirements are derived from the bank-by-bank analyses conducted by supervisors through the "*Supervisory Review and Evaluation Process*" (SREP). Accordingly, Pillar 2 involves discretionary analysis carried out by the competent supervisory authority (for the group, the ECB), the aim of which is to assess the adequacy of the capital calculated in accordance with Pillar 1 and to add, where relevant, additional capital requirements taking into account all of the risks to which said banks are confronted. It should be noted that, since January 1, 2017, the directive has made a distinction between two specific concepts:

- Pillar 2 *Requirement* (P2R),which corresponds to a strict CET1 requirement;
- Pillar 2 *Guidance* (P2G), which constitutes a recommendation relating to the capital policy in respect of Pillar 2.

This total Pillar 2 requirement covers the conservation buffer, the countercyclical buffer and the systemic risk buffer (which does not exist in all countries). The buffer requirements for G-SIFIs[1] and domestic SIFIs must also be met.

While at present the additional SREP requirements for CIC group[2] are minimal, they incorporate qualitative criteria, mainly concerning governance, and the group is not immune from the possibility of future upward revisions. In addition, the supervisor also issued recommendations relating to the need to hold other categories of capital, which have resulted in additional Tier 1 and Tier 2 requirements.

As the result of some of these measures, the Crédit Mutuel-CM11 group has had to significantly adjust, and may have to continue to adjust, some of its activities to enable the group to comply with these new requirements. Moreover, the general political environment has evolved unfavorably for banks and the financial sector, resulting in greater pressure from legislative and regulatory bodies to adopt more stringent regulatory measures, even though these measures could have adverse consequences on lending and other financial activities, and on the economy. Given the continuing uncertainty regarding the new legislative and regulatory measures, it is not possible to foresee their impact on the group. At present, one of the risks identified involves the increasing number and recurring nature of the regulatory reports to be completed (ICAAP, ILAAP, crisis resolution plan, templates for the Single Resolution Board, etc.) in very short time frames. This ties up headquarters support staff resources and necessarily limits the time they can spend on "day-to-day" business. In addition, non-completion (or completion deemed insufficient by the regulatory authorities) can lead to sanctions on the group (mainly through additional capital requirements)[3].

(1) *Global Systemically Important Financial Institution.*
(2) The CET1 requirement with Pillar 2 required by the ECB for the CIC group is set at 7.50%.

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. If adopted, these legislative proposals will amend, among other things, the requirements applicable as regards the MREL (*Minimum Requirement for own funds and 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. Depending on the form in which these proposals are finally adopted, European banks (including the group) could be required to issue substantial volumes of new debt or to propose to their creditors changes in the terms and conditions applicable to the existing debt in order to meet these new regulatory requirements. The timetable for adoption of these new proposals is currently uncertain.

4/ Investors holding CIC securities could suffer losses should the group be subject to resolution procedures

As explained above, the resolution directive known as the *Bank Recovery and Resolution Directive*(BRRD) and the Single Resolution Mechanism (SRM) (defined below) were transposed into French law on August 20, 2015 (Order no. 2015-1024 of August 20, 2015 concerning various provisions for the adjustment of French

(3) The minimum requirement for own funds and eligible liabilities (MREL) ratio, for example.

legislation to be in line with EU law on financial matters). These measures enable the resolution authorities to write down CIC's debt securities or to convert them into equity after initiating a resolution procedure, under a power know as "*bail-in*". A resolution procedure may be initiated against an institution if (i) it or the group to which it belongs is or risks being in default, (ii) there is no reasonable prospect of another solution avoiding said default within a reasonable time frame and (iii) a resolution measure is necessary to achieve the objectives of resolution, which are:

- a) ensuring the continuity of critical functions;
- b) avoiding significant disruption to the financial system;
- c) protecting public funds by reducing to the minimum recourse to extraordinary public financial support; and
- d) protecting customers' assets, particularly those of depositors.

An institution is deemed to be in default if it does not meet the minimum authorization requirements relating to banking activities, it is unable to pay its debts or other obligations when they fall due, it requires extraordinary public financial support (subject to limited exceptions) or the value of its commitments exceeds the value of its assets.

In addition to the "*bail-in*" procedure, the resolution authorities have extensive powers to implement other resolution measures against failed institutions or, under certain circumstances, their groups that can include (but are not limited to): the sale of some or all of the institution's activities to a third party, the separation or spin-off of certain activities, the substitution or replacement of the institution as a debtor as regards debt securities, the amendment of the terms and conditions of debt securities (including the amendment of the maturity date and/ or interest amounts), financial instruments ceasing to be listed or traded on regulated markets, the dismissal of executives or the appointment of a special administrator and the issue of new capital instruments.

The exercise by the resolution authorities of the powers described above could result in the write off (full or partial) or the conversion into equity of the debt securities issued by CIC. This could *de facto* have a significant impact on the amount of the resources CIC has to redeem its securities. In addition, if the group's financial position deteriorated or the perception was that it could deteriorate, the existence of measures stipulated by the BRRD could contribute to a more rapid decrease in the market value of the equity instruments and debt securities issued by CIC.

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 2016, France accounted for approximately 87% of the 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 45% of the group's total portfolio of customer loans, excluding accrued interest as of December 31, 2016) could be significantly and adversely affected.

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

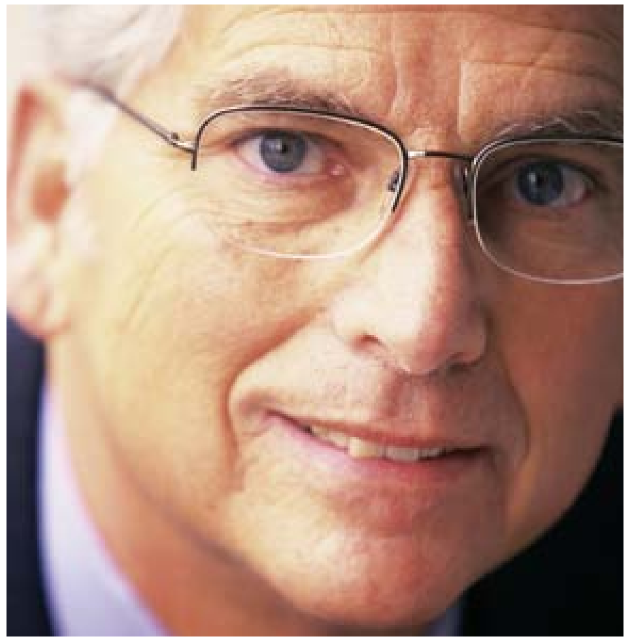
Credit ratings are important to BFCM's liquidity, and therefore that of the group. A rating downgrade could have a negative impact on BFCM's liquidity and competitive position, increase its refinancing costs, limit access to the capital markets or trigger obligations under certain bilateral provisions 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.).

On June 7, 2016, Fitch Ratings confirmed BFCM's A+ rating. After a change in its methodology, Moody's Investors Service initially raised BFCM's rating by one notch on June 30, 2015 then lowered it by one notch on September 23, 2015. During 2016, BFCM's Aa3 rating was confirmed, as illustrated by the publication of the agency's *credit opinion* on December 9.

Lastly, Standard & Poor's confirmed Crédit Mutuel[4]'s A rating with improved outlook (it improved from negative to stable) linked to the "improved statement of financial position structure and resilient earnings".

Moody's downgrading of France's credit rating from Aa1/ negative outlook to Aa2/stable outlook on September 18, 2015 had repercussions for the entire economy. All three rating agencies now give France the same Aa2/AA rating. The outlook is stable with the exception of S&P, which has retained its

(4) S&P's A senior long-term rating is a Crédit Mutuel group rating that applies to all Crédit Mutuel's federal bank entities and to CIC.



negative outlook[1]. Downgrades of France's sovereign rating would inevitably lead to a downgrade of BFCM's rating, which would have a negative impact on the group's refinancing conditions.

The cost of BFCM's long-term unsecured funding is directly related to its credit *spread* (the difference in the interest paid on its bonds and that paid on government bonds with the same maturity), which in turn depends in large part on its credit rating, which is itself correlated to a certain degree to the alternative support, and in smaller part on the sovereign risk rating. Increases in credit *spreads* can significantly increase BFCM's cost of funding. Changes in credit *spreads* are continuous, market-driven, and subject at times to unpredictable and highly-volatile movements. Credit *spreads* are also influenced by market perception of the issuer's solvency.

Credit *spreads* may also be influenced by 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 country risk, meaning the risk that economic, financial, political or social conditions in a foreign country will affect the group's financial interests.

The group's country risk measurement and monitoring system is based on a proprietary scoring method. The internal score assigned to countries is based on the structural solidity of their economies, their repayment capacity, governance and political stability.

With regard to Brexit, the unexpected decision of British voters sparked a strong reaction in the financial markets. Against the backdrop of a major political, economic and migration crisis, a relatively strong upheaval could put additional strain on a fragile economic environment. Amid such uncertainty, it is difficult to determine the medium and long-term macroeconomic impacts of Brexit. Although the group has a limited presence in Great Britain and the risks of contagion to its other activities are moderate, it is difficult to assess in full the future impacts of such a decision.. The London branch monitors very closely the counterparties that could be the most affected by Brexit (in particular importing companies for which a devaluation of sterling could cause difficulties).
At this stage, the process remains uncertain since the official negotiations concerning the terms of Britain's exit from the European Union have not yet begun (and they could last for several years). The operational impacts of Brexit are being closely considered but have still to be assessed by the group (particularly in light of future events).

Similarly, the vote in the United States is likely to have consequences for the group, even though its exposures to that country are limited. Indeed, the uncertainties surrounding the new administration's policies make the assessment of the related risks (especially those concerning regulatory changes) a complex issue. The underlying consequences have therefore yet to be assessed. In this regard, the group's level of exposure to American counterparties could change in either direction.

9/ 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 of regulatory authorities in France, 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, such as the regulations implementing Basel III/CRD IV requirements, for example;
- the transformations associated with the new framework for financial instruments markets (MIF2). The "MiFID 2" directive and the two delegated regulations adopted by the European Commission on May 18, 2016 define a new framework for financial instruments markets (MIF2). The timing of the coming into force of the provisions of the MiFID 2 and MiFIR *package* is still uncertain but it could take place in 2018.
- the changes in progress in the asset management business line;
- introduction of the directive on banking resolution, including *bail-in* risk (cancellation or conversion into shares of debt, including bonds in particular), in the event of court-ordered reorganization or resolution proceedings;
- changes in rules and procedures relating to internal controls;
- the changes concerning the management, aggregation, archiving and retrieval of data, in particular for the *reports* intended for risk management (see BCBS 229 requirements);
- changes in financial reporting rules;
- changes in tax law or its application;
- changes in accounting standards;
- limitations on employee compensation;
- expropriation, nationalization, price controls, exchange controls, confiscation of assets and changes in legislation relating to foreign ownership;
- any adverse change in political, military or diplomatic conditions creating social instability or an uncertain legal environment that may affect demand for the products and services offered by the group.

The measures adopted recently that have or are likely to have an impact on the group include (i) the Order of June 27, 2013 on credit institutions and financing companies, which came into force on January 1, 2014; the French Law of July 26, 2013 that provides for the separation of speculative transactions from activities useful for the funding of the economy as well as creating a principle for prioritizing charging losses to the shareholders and creditors. This Law gives the ACPR extensive powers to intervene, such as for instance to remove senior executives, or transfer all or part of the activities or assets, (ii) Order of February 20, 2014 concerning various provisions for the adjustment of French legislation to be in line with EU law on financial matters; the Directive and Regulation on regulatory shareholders' equity known as CRD IV of June 26, 2013, of which a large number of provisions have been applicable since January 1, 2014; draft

(1) The CIC group's individual ratings are disclosed on page 76 of the management report on the consolidated financial statements.

regulation on technical standards and execution relating to the CRD IV Directive and Regulation prepared by the EBA, (iii) 2013 consultation on the structural reform of the EU's banking sector and the European Commission's proposal to structurally reform the European banking sector of January 29, 2014; the proposed Regulation on benchmark indices, (iv) the European single supervisory mechanism; the European single resolution mechanism, and the European Bank Recovery and Resolution Directive.

In addition, certain transformations in the specialist business lines such as insurance are likely to affect the group: by way of example, the changes in certain practices relating to life insurance (i.e. Sapin Law II) as well as the current fiscal uncertainly due to the French elections to be held in 2017.

The ECB carried out a review of balance sheets and conducted stress tests on Europe's largest banks, including the group. The results of this review were published in October 2014; even though the Crédit Mutuel-CM11 group passed these tests and the solidity of its statement of financial position and the quality of its assets were confirmed, it is possible that future reviews conducted by the ECB, especially when the next series of stress tests are conducted, will give rise to recommendations concerning the group. The ECB carried out a new series of tests in 2016 and although the group was amongst the most resilient institutions, other initiatives could result in the need to take corrective action.

In addition, the ECB initiated targeted stress tests on a much more regular basis. By way of example, in addition to the daily stress tests carried out on liquidity between March 28 and April 3, 2017, in March 2017, the ECB carried out a stress test exercise centered around the banking scope's interest rate risk on a Crédit Mutuel group consolidated basis.

In addition to the Single Supervisory Mechanism, the European Parliament adopted the Bank Recovery and Resolution Directive, which increases the powers of prevention and resolution of banking crises in order that the losses are borne, as a priority, by banks' creditors and shareholders. In this context, national resolution funds were set up (from January 1, 2015 to January 1, 2016) and continue to be strengthened.

On July 14, 2014, the Council of the European Union adopted a regulation instituting the Single Resolution Mechanism (SRM), which institutes the Single Resolution Council (SRC) as the authority for the introduction of the Single Resolution Mechanism and the Single Resolution Fund (SRF) financed by the banks at national level. The Single Resolution Mechanism (SRM) has been applied as from January 1, 2016. In accordance with the SRM, on October 8, 2014, the European Commission adopted the Delegated Regulation on the temporary system of advances on contributions aimed at covering the Single Resolution Council's administrative expenses during the interim period. On December 19, 2014, the Council of the European Union adopted the execution Regulation proposed by the EC setting banks' contributions to the Single Resolution Fund, providing for annual contributions to the SRF by banks calculated proportionally to the amount of their liabilities, excluding shareholders' equity and hedged deposits, and adjusted based on their risk profiles. As from January 1, 2016, pursuant to the BRRD, the Single Resolution Fund replaced the implemented national resolution funds. In consequence, the group's contribution to the Single Resolution Fund led to an increase in expenses and, consequently, had an adverse effect on the group's operating results in 2016. Lastly, the Directive of April 16, 2014 on deposit guarantee systems increasing the level of protection afforded to individuals' deposits in the event of a bank bankruptcy was adopted by the European Parliament on April 15, 2014.

10/ The group is governed by a substantial and fluctuating body of regulations in the countries and regions where it operates, thereby exposing it to a risk of regulatory non-compliance.

The risk of non-compliance relates to 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. The group has a dedicated system for controlling these risks and their potential impact (financial losses and legal, administrative or disciplinary penalties) with the aim of safeguarding the group's reputation.

11/ The group faces significant competition

The group faces intense competition in all of its main businesses. The French and European financial services markets are relatively mature, and demand for financial services is, to some extent, linked to overall economic development. Competition in this environment is based on many factors, particularly the products and services offered, pricing, distribution systems, customer service, brand recognition, perceived financial strength and the willingness to use capital to serve client needs. Some of the group's competitors in France are larger and have greater resources than the group, and they may have a stronger name in some areas of France. The group's international subsidiaries also face significant competition from banks and financial institutions that have their head offices in the countries where they operate, as well as other international financial institutions that are active in those countries. If the group is unable to respond to the competitive environment in France or in its other markets with attractive and profitable product and service offerings, it may lose market share in important areas of its business or incur losses on some or all of its activities. In addition, downturns in the global economy or in the 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.

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/ Any significant interest rate change could have a negative impact on the group's net banking income or profitability

The amount of net interest income earned by the group during any given period significantly affects its overall net banking income and profitability for that period. Interest rates are affected by numerous factors over which the group has no control. Changes in market interest rates can have different effects on the interest rates applied to interest-bearing assets and the interest rates paid on contracted debt. Any adverse change in the yield curve could cause a decline in the group's net interest income from its lending activities. In addition, increases in the interest rates at which short-term funding is available and maturity mismatches may have a negative impact on the group's profitability.

15/ A substantial increase in net additions to impairment provisions or a shortfall in the level of previously recorded impairment provisions could adversely affect the group's results and financial position

In the context of its lending activities, the group periodically allocates amounts to provisions for non-performing loans, which are recorded in its income statement under net additions to provisions for loan losses. The group's overall level of provisioning is based upon its assessment of prior loss experience, the volume and type of lending, industry standards, past due loans, economic conditions and other factors reflecting the recovery rates for the various loans 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 loan losses or a significant change in the group's estimate of the risk of loss inherent in its portfolio of non-impaired loans, or any change in IFRS, as well as the occurrence of loan losses in excess of the provisions set aside, could have an adverse effect on the group's earnings and financial position. As such, the future entry into force of IFRS 9, which changes provisioning methodologies, is a risk factor for the group as it will have to adjust its methodologies and maintain consistency in its estimate levels.

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/ 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.

21/ 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.

22/ 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 and recognized a provision when the losses associated with these proceedings were likely and could be reasonably estimated. If such estimates prove to be inaccurate or the provisions recognized by the group prove to be insufficient to cover the risks arising from these proceedings, it could have 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.

The *corporate* regulatory limits applicable to the Crédit Mutuel –CM11 group's scope, in accordance with CRBF regulation 93-05, and the *corporate* regulatory limits applicable to the CIC group, are determined in accordance with the regulatory capital and the counterparties' internal ratings. 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

2016 was characterized by an increase in customer lending and by a decrease in net provision allocations/reversals for loan losses compared to 2015.

Accounting data

At €175.8 billion, total gross exposures were down by 7.8% compared to the end of 2015. Customer loans totaled €161.4 billion, up 5.7% on 2015 and loans to credit institutions were 62.1% lower.

Loans and receivables (excluding repurchase agreements)

(in € millions) (year-end principal balances)	2016	2015
Loans and receivables		
Credit institutions	14,382	37,907
Customers	161,393	152,649
GROSS EXPOSURE	**175,775**	**190,556**
Impairment provisions		
Credit institutions	0	0
Customers	(2,643)	(2,702)
NET EXPOSURE	**173,132**	**187,854**

Medium- and long-term loans increased by 7.3% and short-term loans rose by 0.5%.

Customer loans

(in € millions) (year-end principal balances)	2016	2015
SHORT-TERM LOANS	**29,801**	**29,658**
Current accounts in debit	5,378	5,180
Commercial loans	5,499	5,686
Treasury facilities	17,843	18,047
Export credits	1,081	745
MEDIUM- AND LONG-TERM LOANS	**126,064**	**117,466**
Capital equipment loans	41,484	31,526
Home loans	70,496	69,072
Finance leases	10,135	9,681
Other	3,949	7,187
TOTAL GROSS CUSTOMER LOANS	**155,865**	**147,124**
Non-performing loans	5,289	5,276
Accrued interest	239	249
TOTAL CUSTOMER LOANS	**161,393**	**152,649**

Commitments and guarantees given

(in € millions) (year-end principal balances)	2016	2015
Financing commitments given		
Credit institutions	300	315
Customers	30,976	29,699
Guarantee commitments given		
Credit institutions	725	1,151
Customers	12,653	12,825
PROVISION FOR RISKS ON COMMITMENTS GIVEN	**95**	**90**

Focus on home loans

Home loan outstandings grew by 2.1% in 2016 and represented 45.2% 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 89.1% of their value.

(in € millions) (year-end principal balances)	2016	2015
Home loans	70,496	69,072
Of which with Crédit Logement guarantee	*30,236*	*28,015*
Of which with a mortgage or similar highly-rated guarantee	*32,597*	*33,257*
Of which with other guarantees (1)	*7,663*	*7,800*

(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 97.8% of loans and receivables due from customers.

Breakdown of performing customer loans by internal rating

	2016	2015
A+ and A-	35.34%	34.74%
B+ and B-	29.31%	29.74%
C+ and C-	23.65%	23.32%
D+ and D-	9.52%	9.87%
E+	2.18%	2.33%

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	2016	2015
Commitments in excess of €300m		
Number of counterparty groups	35	31
Total commitments	18,453	16,853
Of which, on statement of financial position	*6,783*	*6,266*
Of which, off-statement of financial position (guarantee and financing commitments)	*11,670*	*10,587*
Commitments in excess of €100m		
Number of counterparty groups	115	106
Total commitments	31,109	28,753
Of which, on statement of financial position	*13,047*	*11,248*
Of which, off-statement of financial position (guarantee and financing commitments)	*18,062*	*17,504*

Banks

Capital in € millions	2016	2015
Commitments in excess of €300m		
Number of counterparty groups	5	5
Total commitments	3,750	3,051
Of which, on statement of financial position	*3,079*	*2,323*
Of which, off-statement of financial position (guarantee and financing commitments)	*671*	*729*

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 €5,289 million at December 31, 2016, compared with €5,276 million at December 31, 2015, an increase of 0.2%.

They fell for the second consecutive year in proportion to outstanding customer loans, accounting for 3.3% (3.5% at the end of 2015).

At December 31, 2016, net additions to/reversals from provisions for customer loan losses calculated on an individual basis fell to 0.13% of gross outstanding customer loans compared to 0.14% at December 31, 2015.

Quality of risks arising on customer loans and receivables

(in € millions) (year-end principal balances)	2016	2015
Individually-impaired loans and receivables	5,289	5,276
Individual impairments	(2,488)	(2,517)
Collective impairments of receivables	(155)	(185)
Coverage ratio	50.0%	51.2%
Coverage ratio (individual impairment provision only)	47.0%	47.7%

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

2016	≤ 3 months	> 3 months ≤ 6 months	> 6 months ≤ 1 year	> 1 year	Total
Debt instruments[1]	0	0	0	0	0
Loans and receivables	1,657	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
2015					
Debt instruments[1]	0	0	0	0	0
Loans and receivables	1,478	69	84	54	1,684
Central banks	0	0	0	0	0
Public administrations	0	0	0	0	0
Credit institutions	0	0	0	0	0
Other financial firms	70	2	12	3	87
Non-financial firms	236	22	22	9	289
Retail customers	1,172	45	49	42	1,308
TOTAL	1,478	69	83	54	1,684

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

Interbank loans

Interbank loans by geographic area

	2016	2015
France	67.86%	69.05%
Europe excluding France	23.76%	17.42%
Other countries	8.38%	13.53%

The breakdown of interbank loans by geographic area is based on the country of residence of the borrower institution.

At the end of 2016, exposures continued to relate mainly to European institutions, particularly French, German and British banks. German loans were the reason for the increase in the share of outstanding loans in Europe excluding France. Indeed, in 2016 they accounted for more than 7.4% of total outstanding interbank loans compared with 2.5% in 2015.

Interbank loans by internal rating

Internal rating	Equivalent external rating	2016	2015
A+	AAA/AA+	1.40%	3.64%
A-	AA/AA-	35.44%	34.81%
B+	A+/A	25.38%	23.96%
B-	A-	24.27%	28.05%
C and below (excluding default ratings)	BBB+ and below	13.52%	9.55%
Not rated		-	-

Interbank loans were mainly concentrated in the best internal rating grades, with 86.48% of exposures rated between A+ and B- at end-2016 (i.e. an equivalent external rating between AAA and A-), versus 90.45% in 2015. The increase in the proportion of loans with a C or lower rating reflects several downgrades of internal ratings 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)	2016	2015
Debt securities	20,473	20,717
Of which, government securities	*6,189*	*6,825*
Of which, bonds	*14,284*	*13,892*
Derivatives	4,779	4,387
Repurchase agreements (repos) and securities lending	15,390	14,050
GROSS EXPOSURE	**40,642**	**39,154**
Provisions for impairment of securities	**(25)**	**(32)**
Net exposure	**40,617**	**39,122**

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: - 3.09% at one year (i.e. a decline of €131 million in absolute terms). At two years, sensitivity to a decline in interest rates is -4.26% (i.e. a decline of €180 million in absolute terms). Downside interest rate risk is lower than in the previous quarter.

Standardized interest rate shocks	Sensitivity as a % of NBI	
	1 year	2 years
Scenario S1	4.21%	5.64%
Scenario S2	(3.09%)	(4.26%)
Scenario S3	7.04%	10.35%
Scenario S4	0.08%	(4.65%)
Scenario S5	0.48%	3.06%
Scenario S1 constant statement of financial position	3.82%	4.81%
Scenario S2 constant statement of financial position	(2.74%)	(3.56%)

Stress scenarios	Sensitivity as a % of NBI	
	1 year	2 years
Scenario S6A	1.68%	(0.16%)
Scenario S6B*	2.35%	6.00%
Scenario S7A	(1.42%)	(4.12%)
Scenario S7B*	(1.32%)	(3.40%)

* Alternative filling rule.

4 - Sensitivity of net asset value (NAV) arising from the application of the Basel II indicator:

Since December 31, 2015, the sensitivity of Basel II net asset value (NAV) has been calculated in accordance with the EBA's recommendations:
• Exclusion of capital and maturity of fixed assets on d+1
• Discounting of flows using a *swap* rate curve (with no liquidity *spread* and no credit *spread*);
• As the average duration of non-maturing deposits is less than five years, the five-year cap required by 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	1.32%
Sensitivity - 200 bp	(1.22%)

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

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*

2015 (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	7,563							**7,563**
Sight deposits with credit institutions	25,175							**25,175**
Financial assets held for trading	1,404	357	2,004	2,532	3,567	2,970	45	**12,879**
Fin. assets at FV through profit or loss	64	0	0	0	307	48	1,792	**2,211**
Derivatives used for hedging purposes (assets)	8	4	12	185	526	191	3	**929**
Available-for-sale financial assets	391	469	1,077	1,429	3,478	5,013	603	**12,460**
Loans and receivables (incl. finance leases)	35,005	10,006	16,137	15,616	36,826	62,953	189	**176,731**
Held-to-maturity investments	0	0	0	51	9	0	0	**60**
Liabilities and equity								
Central bank deposits	0	0	0	0	0	0	0	**0**
Fin. liabilities held for trading	1,304	97	573	644	1,844	2,048	118	**6,628**
Fin. liabilities at FV through profit or loss	50	120	73	0	0	0	0	**243**
Derivatives used for hedging purposes (liabilities)	19	28	136	312	2,574	504	4	**3,577**
Fin. liabilities carried at amortized cost	**115,494**	**20,698**	**27,305**	**17,586**	**24,190**	**16,894**	**107**	**222,274**
Of which, debt securities, including bonds	*1,618*	*6,225*	*6,001*	*1,290*	*1,247*	*1,878*	*1*	***18,260***
Of which, subordinated debt	*16*	*0*	*0*	*0*	*0*	*261*	*0*	***277***

(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 the holding company (CIC) and by BFCM. This centralization is performed daily for commercial transactions and transfers and for cash flows, both inflows and outflows, in respect of income and expenses denominated in foreign currencies. Any unrealized foreign currency gains and losses are translated into euros at the end of each month and the resulting foreign currency position is also centralized 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 €666 million at December 31, 2016 compared with €986 million at December 31, 2015 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 €1,962 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 €203 million and €454 million respectively.

Long-term investments mainly comprised:
a) investments in non-consolidated companies totaling €63 million;
b) other long-term securities totaling €184 million.

Net reversals of impairment losses recognized in the income statement totaled €6 million (net reversal of impairment loss of €89 million in 2015). At December 31, 2016, the purchase cost of impaired equities totaled €157 million with a corresponding impairment of €60 million. Their market value came to €97 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 around 400 investment lines, relating mainly to small- and medium-sized enterprises.

Risks arising on the private equity business

Assets invested for proprietary trading	**2016**	**2015**
Number of listed investment lines	**35**	34
Number of unlisted investment lines	**326**	354
Number of funds	**47**	47
Proprietary portfolio (€ millions)	**2,183**	2,078

Funds managed on behalf of third parties	**2015**	**2015**
Funds managed on behalf of third parties (€ millions)	**234**	302

Market risk*

General structure

CM-CIC Marchés comprises the capital markets activities of BFCM and CIC in France and those of the branches in London, New York and Singapore (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). For these 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 now 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 the other 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
At January 1, 2016, CM-CIC Securities' staff was integrated into CM-CIC Marchés to create CM-CIC Market Solutions, a comprehensive range of market solutions offered 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 was also enhanced by the addition of new share/bond/derivative underlying products following the absorption of CM-CIC Securities. 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 deposit solutions.

Fixed income-equity-loan investment
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 2016, the internal control function continued to improve its organization and monitoring methodologies. It continued to update its procedures to take into account a unified system of limits incorporating the market activities of the branches and to present the CRD4 regulatory changes, in particular stressed *VaR* and *incremental risk charge* (IRC) as well as risk measurement in VaR/stress tests, as part of the "market risk internal model" project, and regulatory risk measurement (CAD and European capital adequacy under Basel III standards).
A set of methodologies is formalized in a "body of rules". Regular updates throughout the year have included new products and improved the monitoring of risk measurement. 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 and arranges for the level of capital allocated to be 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. In 2016, it was given responsibility 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 CM-CIC Marchés 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,
 - CIC's lending department, which monitors at-risk outstandings for each counterparty group,
 - CIC's legal and tax department, which works with the CM-CIC Marchés legal and tax 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 is responsible for monitoring the strategy, results and risks of CM-CIC Marchés (in France and in the branches) in relation to the limits prescribed by CIC's and BFCM's boards of directors. 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".

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 2016 remained at the same level as in 2015. At the end of 2016, the limits of these activities were maintained for 2017. A process for calculating the amount of the credit valuation adjustment (CVA) charge supplements the risk monitoring procedure.

The Crédit Mutuel-CM11 *VaR* was €5.2 million at the end of 2016. 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 conducted in the New York branch continued to fall in line with the amortization and sales of the portfolio securities managed on a run-off basis. The activities of the Investment business are maintained in New York within reduced limits under the supervision of CM-CIC Marchés.

CM-CIC Marchés' overnight treasury position must not exceed a certain limit, renewed at €7 billion for 2017, 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 consumption averaged €72.9 million during 2016 to end the year at €64.6 million. Convertible bond holdings stood at €1.9 billion at the end of 2016 (€2 billion in 2015).

2 - credit: these positions correspond to securities/*credit default swap* (CDS) arbitrages, or to *asset backed securities* (ABS). Capital consumption in the corporate and financial credit portfolio was an average of €54 million at the start of the year and ended 2016 at €45.1 million. This drop was due to the maturity of CDS and Itraxx tranches. In the ABS portfolio, the capital consumed hovered around €43 million (€35.7 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 €43.9 million in 2016, with a high of €58.2 million in September. This increase followed the trend in outstandings and the removal of corporate actions from M&A. Outstandings in respect of this activity therefore totaled €230 million in December 2016 (with a high of €509 million in September) compared to €391 million at the end of 2015.

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 €520 million and have remained low since the €1.7 billion maturity in September 2014. The total holding of government securities was €2.8 billion at the end of 2015 compared with €2.7 billion at the end of 2016, including French government securities totaling €1.8 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 2016, 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 2016, the group's investments in securitizations increased by 4.5%, or €301 million, and represented outstandings of €7 billion at December 31, 2016.

The securitization portfolios are managed conservatively and consist mostly of senior, very high credit quality securities. The increase in outstandings in 2016, which mainly involved AAA securities, further improved the overall quality of the portfolios, as 78% of the securities have a AAA rating (compared to 74% in 2015) and 13% 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 90% 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.

Breakdown of outstandings by portfolio (€ millions)	2016	2015
Banking portfolio	6,631	6,154
Trading portfolio	417	594
Total	**7,048**	**6,748**

Breakdown of outstandings by Inv. Grade/Non-Inv. Grade (%)	2016	2015
Investment grade (of which 78% AAA)	94%	92%
Non-Investment Grade	6%	8%
Total	**100%**	**100%**

Breakdown of outstandings by region	2016
USA	44.65%
Germany	12.96%
United Kingdom	7.68%
France	7.27%
Netherlands	7.23%
Italy	6.45%
Spain	2.45%
Portugal	0.78%
Norway	0.68%
Finland	0.55%
Ireland	0.45%
Belgium	0.15%
Greece	0.14%
Australia	0.02%
Other countries	8.54%
Total	**100%**

The group has very little exposure to the most vulnerable European countries (Ireland, 0.5%; Portugal, 0.8%; 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 of €367 million, which is managed on a run-off basis. 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 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 during the mapping process 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 in the event of a crisis.

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 consistently applies a set of procedures that are approved by the managing bodies and are regularly updated, covering:
- governance: procedures dealing with the roles and responsibilities of the various managing, decision-making and supervisory bodies, and of the national function, the frequency and recipients of reports, the scope for the monitoring of group entities, and the methodology for the 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 issues).

Plans can be split into three components:
- emergency plan: this is triggered immediately and involves measures designed to handle emergencies and institute solutions for operating in a weakened environment;
- business continuity plan: this involves resuming 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 €32.7 million in 2016, including €41.2 million of actual losses and €8.5 million of net provision reversals. This total is analyzed as follows:
- fraud: €24.6 million;
- industrial relations: net income of €12.7 million[1];
- human/procedural error: €9.7 million;
- legal issues: €5.3 million;
- natural disasters and systems malfunctions: €5.8 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.

(1) Including reversals of provisions for industrial disputes.

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

Risk management

Risk management policies and procedures implemented

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

Structure and organization of the risk management function

Within the group, the three bodies responsible for measuring, monitoring and controlling risks are the risk department, the risk committee and the risk monitoring committee. The monitoring procedures comply with the provisions of the Order of November 3, 2014 on internal control of the risk management function whose mission it defines.

Group risk department

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

Group risk committee

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

Group risk monitoring committee

This committee consists of members of the deliberative bodies and meets twice a year to review the group's strategic challenges in the risk area. Based on the findings presented, it makes recommendations on all decisions of a prudential nature applicable to all entities.
The head of the risk department chairs the meetings of this committee and presents the files prepared for the various risk areas based on the work of the group risk committee. General management also participates in the meetings of this committee, which may also invite the heads of the business lines with a stake in the items on the meeting agenda.

Scope and nature of risk reporting and measurement systems

In collaboration with the various business lines, the Crédit Mutuel-CM11 risk department regularly produces summary management reports which review the various risks: credit, market, overall interest rate, intermediation, settlement, liquidity and operational. All the group's main business lines are subject to monitoring and *reporting*. These management reports are based mainly on the Basel II tools common to the entire group and interfaced with the accounting systems.

Risk hedging and reduction policies, and policies and procedures put in place to better ensure their constant effectiveness

Implementation of the risk hedging and reduction policy is achieved by means of the limit mechanisms, procedures, management reports and control processes (permanent and periodic).

The institution's risk profile

The CIC group is not one of the global systemically important financial institutions (G-SIFIs). It operates predominantly in France and in neighboring European countries (Belgium, Luxembourg and Switzerland). Retail banking is its core business, as demonstrated by the share of credit risk in its total capital requirements and the predominance of the Retail portfolio in all its exposures. The group's strategy is one of controlled, sustainable and profitable growth. Its financial solidity is strengthened by the regular retention of earnings. Its Common Equity Tier1 (CET1) capital ratio, which exceeds 12%, 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.

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.

* Please refer to the table on page 113 for the breakdown of regulatory capital.

Tier 1 capital

CET1 capital consists of share capital instruments and the associated share premiums, reserves (including those relating to accumulated other comprehensive income), retained earnings and the general banking risks reserve (for non-consolidating groups). Total flexibility of payments is required and the instruments must be perpetual.

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 that 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: coupon payments may be canceled at the issuer's discretion.

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 for the regulatory scope, to which "prudential filters" and a number of regulatory adjustments are applied.

Prudential filters:

In prior regulation, unrealized gains were filtered out of common equity under Article 2bis of Regulation No. 90-02 (currently being repealed) and, in accordance with the symmetry principle, the exposure value, for the weighted risk calculation, and in particular 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 2016, with the exception of *Cash Flow Hedges*, 40% were excluded whereas 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. 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 2016, 40% 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:

- anticipating dividend payments;
- 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;
- direct, indirect and synthetic holdings in CET1 instruments of financial sector entities when they exceed a threshold of 10% of 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.

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"), there is no difference between the book value of capital and regulatory capital. For the CIC group, the scopes used for the book value of capital and regulatory capital consist of the same entities and the consolidation methods are identical.

Breakdown of regulatory capital

(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	10,605			10,605
Gain or loss (attributable to owners of the company)	1,352			1,352
(-) Non-qualifying share of interim or year-end profits	-			-
Capital - Non-controlling interests				
Qualifying non-controlling interests	28	-	1	29
Accumulated other comprehensive income	**7**			7
of which equity instruments	75			75
of which debt instruments	(109)			(109)
of which cash flow hedge reserve	(1)			(1)
General banking risks reserve (solo entity under French standards)	-			-
Balance sheet items included in the capital calculation				
(-) Gross amount of other intangible assets including deferred tax liabilities on intangible assets (a-b)	(186)			(186)
(-) 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	0			0
(-) Deductible deferred tax assets that rely on future profits and arise from temporary differences	-			-
Subordinated debt			1,641	1,641
(-) Securitization positions that may be weighted at 1.250%	(386)			(386)
(-) 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	1			1
Prudential filter: value adjustments due to requirements for prudent valuation	(56)			(56)
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 grandfathering clauses on capital instruments	-	-	-	-
Transitional adjustments due to grandfathering clauses on additional non-controlling interests	13	0	0	13
Transitional adjustments on gains and losses on capital instruments	(75)			(75)
Transitional adjustments on gains and losses on debt instruments	109			109
Other transitional adjustments	(20)	-	19	(1)
Under the internal ratings-based approach, negative difference between provisions and expected losses	(367)			(367)
Under the internal ratings-based approach, positive difference between provisions and expected losses			46	46
Credit risk adjustments (standardized approach)			-	-
Excess of deduction from T2 items impacting AT1		-	-	-
Excess of deduction from AT1 items impacting CET1	-	-		-
TOTAL	**12,607**	**0**	**1,708**	**14,315**

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.* of the CRR
8	Amount recognized in regulatory capital (currency in millions, as of most recent reporting date)	€137.20m	€15.43m
9	Par value of instrument	€137.20m	€15.43m
9a	Issue price	€137.20m	€15.43m
9b	Redemption price	€178.37m if call exercised on 05/28/1997 then annual revaluation of 1.5% after 05/28/1997	€20.06m 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	05/28/1985	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. 62 *et seq.* of the CRR
8	Amount recognized in regulatory capital (currency in millions, as of most recent reporting date)	€18.96m	€7.25m
9	Par value of instrument	€18.96m	€7.25m
9a	Issue price	€18.96m	€7.25m
9b	Redemption price	€19.15m	€7.25m
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	CIC Suisse
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 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)	€414.48m	€7.00m
9	Par value of instrument	€414.48m	€7.00m
9a	Issue price	€414.48m	€7.00m
9b	Redemption price	€414.48m	€7.00m
10	Accounting classification	Liabilities - amortized cost	Liabilities - amortized cost
11	Original date of issuance	3/24/2016	7/1/2014
12	Perpetual or dated	Dated	Dated
13	Original maturity date	3/24/2026	5/21/2024
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*: 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	CIC Suisse
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 + 1.645%
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)	€15.00m	€11.52m
9	Par value of instrument	€15.00m	€11.52m
9a	Issue price	€15.00m	€11.52m
9b	Redemption price	€15.00m	€11.52m
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 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)	€37.33m	€80.97m
9	Par value of instrument	€37.33m	€80.97m
9a	Issue price	€37.33m	€80.97m
9b	Redemption price	€37.33m	€80.97m
10	Accounting classification	Liabilities - amortized cost	Liabilities - amortized cost
11	Original date of issuance	3/24/2016	3/24/2016
12	Perpetual or dated	Dated	Dated
13	Original maturity date	3/24/2026	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 + 2.05%	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 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)	€18.11m	€17.77m
9	Par value of instrument	€18.11m	€17.77m
9a	Issue price	€18.11m	€17.77m
9b	Redemption price	€18.11m	€17.77m
10	Accounting classification	Liabilities - amortized cost	Liabilities - amortized cost
11	Original date of issuance	3/24/2016	3/24/2016
12	Perpetual or dated	Dated	Dated
13	Original maturity date	3/24/2026	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 + 2.05%	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 Bail	CIC Nord Ouest
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 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)	€9.04m	€38.34m
9	Par value of instrument	€9.04m	€38.34m
9a	Issue price	€9.04m	€38.34m
9b	Redemption price	€9.04m	€38.34m
10	Accounting classification	Liabilities - amortized cost	Liabilities - amortized cost
11	Original date of issuance	3/24/2016	3/24/2016
12	Perpetual or dated	Dated	Dated
13	Original maturity date	3/24/2026	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 Bail	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 + 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 Est
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 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)	€50.58m	€58.73m
9	Par value of instrument	€50.58m	€58.73m
9a	Issue price	€50.58m	€58.73m
9b	Redemption price	€50.58m	€58.73m
10	Accounting classification	Liabilities - amortized cost	Liabilities - amortized cost
11	Original date of issuance	3/24/2016	3/24/2016
12	Perpetual or dated	Dated	Dated
13	Original maturity date	3/24/2026	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 Ouest	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 + 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	Banque Transatlantique	Crédit Industriel et Commercial
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Subordinated loan agreement between Banque Transatlantique 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)	€3.71m	€700.00m
9	Par value of instrument	€3.71m	€700.00m
9a	Issue price	€3.71m	€700.00m
9b	Redemption price	€3.71m	€700.00m
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	Banque Transatlantique	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

Detailed capital disclosure

(in € millions)	2016	Amounts subject to pre-Regulation (EU) No. 575/2013 treatment or prescribed residual amount of 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	10,605	
Accumulated other comprehensive income (and other reserves)	7	
General banking risks reserve	0	
Amount of qualifying items referred to in Art. 484 (3) and related share premium accounts subject to phase-out from CET1	0	
Non-controlling interests eligible for CET1	28	13
Independently audited interim profits net of any foreseeable expense or dividend	1,352	
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**13,689**	

Detailed capital disclosure (contd)

(in € millions)	2016	Amounts subject to pre-Regulation (EU) No. 575/2013 treatment or prescribed residual amount of Regulation (EU) No. 575/2013
COMMON EQUITY TIER 1 (CET1) CAPITAL: regulatory adjustments		
Additional value adjustments (negative amount)	(56)	
Intangible assets (net of related tax liabilities) (negative amount)	(300)	
Empty set in the EU		
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)	0	0
Fair value reserves related to gains and losses on cash flow hedges	1	
Negative amounts resulting from the calculation of expected losses	(367)	
Any increase in equity resulting from securitized assets (negative amount)	0	
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	0	
Defined benefit pension fund assets (negative amount)	0	
Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	0	-
Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	-
Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)	0	-
Direct, indirect and synthetic holdings by the institution of CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)	0	-
Empty set in the EU		
Exposure amount of the following items which qualify for a risk weight of 1,250%, where the institution opts for the deduction alternative	(386)	
of which qualifying holdings outside the financial sector (negative amount)	*0*	
of which securitization positions (negative amount)	*(386)*	
of which free deliveries (negative amount)	0	
Deferred tax assets arising from temporary differences (amount above the 10% threshold, net of related tax liabilities when the conditions in Art. 38 (3) are met) (negative amount)	0	-
Amount exceeding the 15% threshold (negative amount)	0	-
of which direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	0	-
Empty set in the EU		
of which deferred tax assets arising from temporary differences	0	-
Losses for the current financial year (negative amount)	0	
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	13	
Regulatory adjustments relating to unrealized gains and losses pursuant to Articles 467 and 468	14	
of which filter for unrealized loss on equity instruments	*0*	
of which filter for unrealized loss on debt instruments	*0*	
of which filter for unrealized gain on equity instruments	*180*	
of which filter for unrealized gain on debt instruments	*34*	
Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre-CRR	0	
Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	0	
Total regulatory adjustments to Common Equity Tier 1 (CET1) capital	**(1,082)**	
Common Equity Tier 1 (CET1) capital	**12,607**	

Detailed capital disclosure (contd)

(in € millions)	2016	Amounts subject to pre-Regulation (EU) No. 575/2013 treatment or prescribed residual amount of Regulation (EU) No. 575/2013
ADDITIONAL TIER 1 (AT1) CAPITAL: instruments		
Capital instruments and related share premium accounts	0	
of which classified as equity under applicable accounting standards		
of which classified as liabilities under applicable accounting standards	*0*	
Amount of qualifying items referred to in Art. 484 (4) and related share premium accounts subject to phase-out from AT1	0	
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	0	0
of which instruments issued by subsidiaries subject to phase-out		
Additional Tier 1 (AT1) capital before regulatory adjustments	**0**	
ADDITIONAL TIER 1 (AT1) CAPITAL: regulatory adjustments		
Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	0	-
Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	-
Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)	0	-
Direct, indirect and synthetic holdings by the institution of AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)	0	-
Regulatory adjustments applied to Additional Tier 1 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No. 575/2013 (i.e. CRR residual amounts)	0	
Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to Art. 472 of Regulation (EU) No. 575/2013	0	
Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to Art. 475 of Regulation (EU) No. 575/2013	0	
Amount to be deducted from or added to Additional Tier 1 capital with regard to additional filters and deductions required pre-CRR	0	
Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	0	
Total regulatory adjustments to Additional Tier 1 (AT1) capital	**0**	
Additional Tier 1 (AT1) capital	**0**	
Tier 1 capital (T1 = CET1 + AT1)	**12,607**	

Detailed capital disclosure (contd)

(in € millions)	2016	Amounts subject to pre-Regulation (EU) No. 575/2013 treatment or prescribed residual amount of Regulation (EU) No. 575/2013
TIER 2 (T2) CAPITAL: instruments and provisions		
Capital instruments and related share premium accounts	1,641	
Amount of qualifying items referred to in Art. 484 (5) and related share premium accounts subject to phase-out from T2	0	
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	46	
Tier 2 (T2) capital before regulatory adjustments	**1,690**	
TIER 2 (T2) CAPITAL: instruments and provisions		
Direct and indirect holdings by an institution of T2 own instruments and subordinated loans (negative amount)	0	-
Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	-
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)	0	-
of which new holdings not subject to transitional arrangements	*0*	-
of which holdings existing before January 1, 2013 and subject to transitional arrangements	*0*	-
Direct holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	0	-
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)	0	
Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to Art. 472 of Regulation (EU) No. 575/2013	0	
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	19	
of which subsidies received by leasing companies	*0*	
of which unrealized gains on equity instruments reported as additional capital	*19*	
of which restatement for holding of capital instrument	*0*	
Total regulatory adjustments to Tier 2 (T2) capital	**19**	
Tier 2 (T2) capital	**1,708**	
Total capital (TC = T1 + T2)	**14,315**	
Risk-weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No. 575/2013	0	
of which items not deducted from CET1 (Regulation (EU) No. 575/2013, residual amounts) (items to be detailed line by line, for example, deferred tax assets that rely on future profits net of related tax liabilities, indirect holding of own CET1, etc.)	*0*	
of which items not deducted from AT1 (Regulation (EU) No. 575/2013, residual amounts) (items to be detailed line by line, for example, reciprocal cross holdings of AT1 capital instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc.)	*0*	
of which items not deducted from T2 (Regulation (EU) No. 575/2013, residual amounts) (items to be detailed line by line, for example, indirect holdings of own T2 instruments, indirect holdings of non-significant investments in the capital of other financial sector entities, etc.)	*0*	
Total risk-weighted assets	**100,839**	

Detailed capital disclosure (contd)

(in € millions)	2016	Amounts subject to pre-Regulation (EU) No. 575/2013 treatment or prescribed residual amount of Regulation (EU) No. 575/2013
CAPITAL RATIOS AND BUFFERS		
Common Equity Tier 1 capital (as a percentage of total risk exposure amount)	12.50%	
Tier 1 capital (as a percentage of total risk exposure amount)	12.50%	
Total capital (as a percentage of total risk exposure amount)	**14.20%**	
Institution-specific buffer requirement (CET1 requirement in accordance with Art. 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount	0.625%	
of which capital conservation buffer requirement	*0.625%*	
of which countercyclical buffer requirement	-	
of which systemic risk buffer requirement	-	
of which global systemically important institution (G-SII) or other systemically important institution (O-SII) buffer	-	
Common Equity Tier 1 capital available to meet buffer requirements (as a percentage of risk exposure amount)	8.00%	
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)	445	
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)	26	
Empty set in the EU		
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)	109	
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)	46	
Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	330	
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 ratios

The CIC group's capital adequacy ratios at December 31, 2016, taking into account transitional arrangements* and incorporating income net of estimated dividends, were as follows:

(in € billions)	2016	2015
COMMON EQUITY TIER 1 (CET1) CAPITAL	**12.6**	**11.6**
Share capital	1.7	1.7
Eligible reserves before adjustments	12.0	11.0
Deduction from Common Equity Tier 1 capital	(1.1)	(1.1)
ADDITIONAL TIER 1 (AT1) CAPITAL	**0.0**	**0.0**
TIER 2 (T2) CAPITAL	**1.7**	**0.4**
TOTAL CAPITAL	**14.3**	**12.0**
Risk-weighted assets in respect of credit risk	91.0	89.4
Risk-weighted assets in respect of market risk	2.9	3.7
Risk-weighted assets in respect of operational risk	7.0	6.6
TOTAL RISK-WEIGHTED ASSETS	**100.8**	**99.6**
CAPITAL ADEQUACY RATIOS		
Common Equity T1 (CET1) ratio	12.5%	11.7%
Tier One ratio	12.5%	11.7%
Overall ratio	14.2%	12.1%

* In accordance with the regulatory declaration.

Under the CRR, the overall capital requirement is maintained at 8% of *risk-weighted assets* ("RWA").

Capital buffers applicable to the CIC group

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 31, 2016, the French Financial Stability Board decided that the rate to be applied in France is 0%. It also recognized the rate applied in Norway and Sweden of 1.5%.
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

010	Total risk-weighted assets (in € millions)	100,839
020	Countercyclical buffer rate specific to the institution	0.0037%
030	Countercyclical buffer requirements specific to the institution (in € millions)	3.724

Breakdown of relevant exposures in Norway and Sweden for calculating the countercyclical capital buffer
(in € millions)

	General credit exposures		Trading book exposures		Securitization exposures		Capital requirement					
	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	Capital requirement weighings	Countercyclical capital buffer rate
Norway	1.2	223.2	185.0			48.2	12.0		0.3	12.3	0.19%	1.50%
Sweden	8.9	112.8	4.9				3.4	0.4		3.8	0.06%	1.50%

* In the scope of the European Free Trade Association (EFTA).
** IRBA: Internal Ratings-Based Approach

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 ACPR 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). The methods for measuring economic need have been broadened and, at the same time, management and control procedures have been drafted with the aim of defining the group's risk policy. In addition, various stress scenarios have been developed, which have enhanced the process for assessing economic capital and forecasts within the group.

This process is carried out in particular for credit, sector concentration, unit concentration, market, operational and reputation risks and for risks associated with the insurance activities.

The difference between economic capital and regulatory capital, supplemented by the countercyclical contract since January 1, 2016, constitutes the margin which enables the level of the group's capital to be secured. This margin depends on the group's risk profile and its degree of risk aversion.

(in € millions)	2016
CAPITAL REQUIREMENTS IN RESPECT OF CREDIT RISK	**7,278**
Standardized approach	**1,178**
Central governments or central banks	29
Regional or local authorities	6
Public-sector entities	0
Multilateral development banks	0
International organizations	0
Credit institutions	15
Corporates	688
Retail customers	112
Exposures secured by a mortgage on immovable property	225
Exposures in default	45
Exposures associated with particularly high risk	0
Exposures in the form of covered bonds	1
Items representing securitization positions	9
Exposures to institutions and corporates with a short-term credit assessment	
Exposures in the form of units or shares of collective investment undertakings (UCIs)	0
Exposures in the form of equities	10
Other	39

(in € millions)	2016
Internal ratings-based approach	**6,096**
Central governments and central banks	
Credit institutions	292
Corporates	3,633
- of which specialized financing weighted at:	
50%	*9*
70%	*2*
90%	*93*
115%	*47*
250%	*17*
0%	
Retail customers	
- Small and medium-sized entities	198
- Exposures secured by immovable property collateral	622
- Renewable exposures	30
- Other	145
Equities	913
- Private equity (190% weighting)	285
- Significant financial sector holdings (250% weighting)	5
- Listed equities (290% weighting)	7
- Other equities (370% weighting)	617
Securitization positions	55
Other non credit-obligation assets	208
Counterparty default risk	**5**
CAPITAL REQUIREMENTS IN RESPECT OF MARKET RISK	**200**
Position risk	189
Currency risk	11
Settlement-delivery risk	0
Commodity risk	0
CAPITAL REQUIREMENTS IN RESPECT OF OPERATIONAL RISK	**557**
Internal ratings-based approach (AMA)	536
Standardized approach	6
Foundation approach	15
CAPITAL REQUIREMENTS IN RESPECT OF THE CVA	**32**
CAPITAL REQUIREMENTS IN RESPECT OF MAJOR RISKS	**0**
TOTAL CAPITAL REQUIREMENTS	**8,067**

Credit and concentration risk

Exposures by category

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 composition of the CIC group's portfolio clearly reflects these fundamentals, with the retail segment accounting for 38% at December 31, 2016.

Exposure category (in € millions)	Exposure at Dec. 31, 2016 IRB	Standardized	Total	Exposure at Dec. 31, 2015 IRB	Standardized	Total	Average exposure 2016
Central governments and central banks		51.2	51.2		40.7	40.7	50.0
Credit institutions	19.5	7.4	26.9	22.5	7.5	30.1	30.6
Corporates	78.3	17.9	96.2	71.7	16.7	88.4	93.4
Retail customers	106.7	5.9	112.6	101.1	9.0	110.1	111.5
Equities	4.1	0.1	4.2	3.8	0.3	4.1	4.2
Securitization	5.3	0.2	5.5	5.1	0.2	5.3	5.5
Other assets not corresponding to credit obligations	2.8	0.5	3.3	2.9	0.2	3.1	3.2
TOTAL	**216.7**	**83.2**	**299.9**	**207.2**	**74.6**	**281.8**	**298.2**

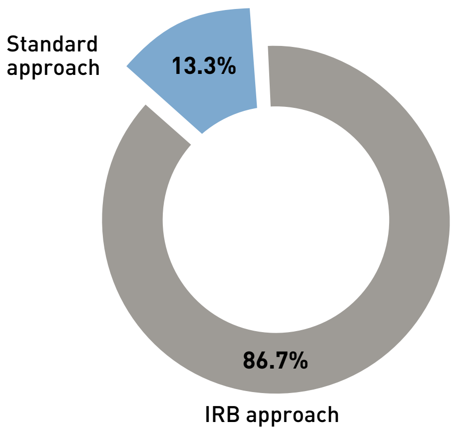
The group has focused on the most advanced forms of the Basel II accord, beginning with its core business, retail banking.

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.

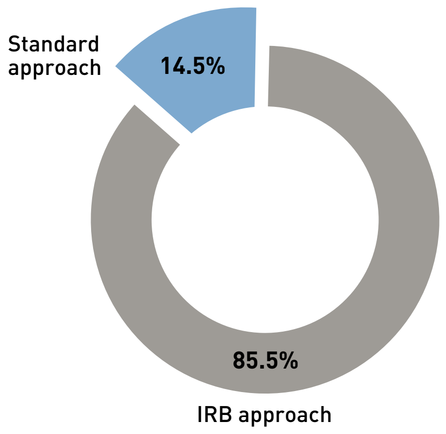
In the case of the regulatory credit institution, corporate and retail customer portfolios, the group was authorized to use advanced internal methods in respect of 86.7% of the exposures at December 31, 2016.
In agreement with the ACP's General Secretariat, the group uses, and will continue to use, the 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.

Share of gross exposures 2016



Share of gross exposures 2015



Exposures by counterparty's country of residence

Percentage breakdown of gross exposures as of December 31, 2016:

Exposure category	France	Germany	Belgium	Luxembourg	Rest of the world	Total 2016
Central governments and central banks	15.1%	0.1%	0.1%	0.3%	3.1%	18.7%
Credit institutions	5.2%	0.4%	0.0%	0.0%	1.0%	6.6%
Corporates	23.1%	0.5%	0.5%	1.0%	7.7%	32.8%
Retail customers	39.2%	0.1%	0.1%	0.2%	2.3%	41.9%
TOTAL (%)	**82.6%**	**1.1%**	**0.7%**	**1.5%**	**14.1%**	**100.0%**

CIC operates mainly in France and the rest of Europe. The geographic breakdown of gross exposures as of December 31, 2016 reflects this, as nearly 86% of its commitments are in the European Economic Area.

Exposures by sector

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

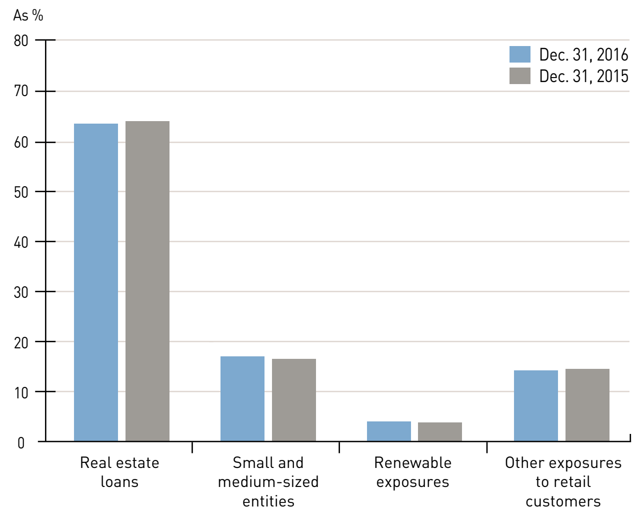
As a %

Sector	2016	2015
Public administrations and central banks	18%	15%
Farming	1%	1%
Food and beverage	2%	2%
Other financial activities	3%	3%
Banks and financial institutions	9%	11%
Building and construction materials	4%	4%
Industrial goods and services	3%	3%
Distribution	4%	4%
Miscellaneous	1%	1%
Unincorporated businesses	3%	3%
Holding companies and conglomerates	2%	2%
Real estate	3%	3%
Automotive industry	1%	1%
Media	1%	1%
Retail	33%	34%
Oil and gas and commodities	2%	2%
Household products	1%	1%
Health	1%	1%
Utilities	1%	1%
Advanced technology	2%	2%
Telecommunications	1%	1%
Industrial transportation	2%	3%
Travel and leisure	2%	2%
TOTAL	**100%**	**100%**

Breakdown of retail customer portfolio

Outstanding loans to retail customers totaled €112.6 billion at December 31, 2016, 2.3% higher than at December 31, 2015. The following chart provides a breakdown of this portfolio by regulatory sub-category.

Percentage breakdown of retail customer portfolio



Breakdown by residual maturity

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 Dec. 31, 2016
STATEMENT OF FINANCIAL POSITION								
Central governments and central banks	36,877	985	2,036	870	1,170	7,132	0	49,069
Credit institutions	4,649	4,265	2,259	1,955	1,714	577	23	15,443
Corporates	15,366	4,064	5,251	5,018	15,714	13,307	0	58,721
Retail customers	9,193	2,802	7,733	9,693	24,401	47,115	0	100,937
TOTAL STATEMENT OF FINANCIAL POSITION	**66,085**	**12,116**	**17,279**	**17,536**	**42,999**	**68,132**	**23**	**224,170**
OFF-STATEMENT OF FINANCIAL POSITION								
Central governments and central banks	3	1	2	33	339	368	1	747
Credit institutions	364	0	5	4	338	1	369	1,080
Corporates	5,646	437	3,306	2,662	12,358	991	5,490	30,890
Retail customers	4,631	699	659	1,547	454	2,891	879	11,760
TOTAL OFF-STATEMENT OF FINANCIAL POSITION	**10,644**	**1,137**	**3,970**	**4,246**	**13,489**	**4,251**	**6,738**	**44,476**

Credit risk adjustment

The definitions for accounting purposes of "past due" and "impaired", the description of the approaches and methods adopted for determining general and specific credit risk adjustments, and the breakdown of additions and reversals for fiscal year 2016 are presented in the notes to the financial statements published in the CIC group's annual report. Net additions to/reversals from provisions for customer loan losses were broadly stable during the period (the trend is the same for the parameters used under the internal ratings-based approach to calculate expected losses).

The tables below categorize outstanding non-performing loans and loans in litigation and the related provisions at December 31, 2016 according to their Basel treatment method. The group's information systems also have the ability to identify the restructured loans in its portfolios of performing loans and loans in default, defined according to the principles established by the EBA on October 23, 2013.

Breakdown of outstandings covered by the internal approach

(in € billions)	At Dec. 31, 2016 Gross exposures	Exposure at default (EAD)	of which defaulted EAD	Provisions at Dec. 31, 2016	Provisions at Dec. 31, 2015
Central governments and central banks					
Credit institutions	19.5	18.4	0.0	0.0	0.0
Corporates	78.3	63.4	1.7	0.7	0.7
Retail customers	106.7	100.1	3.4	1.6	1.7
Exposures secured by immovable property collateral	68.4	67.5	1.5	0.5	0.5
Revolving	5.2	3.0	0.1	0.1	0.1
SMEs	17.4	15.4	1.4	0.8	0.9
Other	15.7	14.2	0.4	0.3	0.3
Equities	4.1	4.1	NA	0.0	0.0
Securitization positions	5.3	5.3	NA	0.2	0.2
Other non credit-obligation assets	2.8	2.8	NA	0.0	0.0

The provisions included in this table consist of provisions applied to non-performing loans (individual provisions). Information about collective provisions is provided in the annual report.

Breakdown of outstandings covered by the standardized approach

(in € billions)	At Dec. 31, 2016 Gross exposures	Exposure at default (EAD)	of which defaulted EAD	Provisions at Dec. 31, 2016	Provisions at Dec. 31, 2015
Central governments and central banks	51.2	49.8	0.0	0.0	0.0
Credit institutions	7.4	6.5	0.0	0.0	0.0
Corporates	17.9	12.3	0.3	0.1	0.1
Retail customers	5.9	5.0	0.1	0.0	0.0
Equities	0.1	0.1	NA	0.0	0.0
Securitization positions	0.2	0.1	NA	0.0	0.0
Other non credit-obligation assets	0.5	0.5	NA	0.0	0.0

The provisions included in this table consist of provisions applied to non-performing loans (individual provisions). Information about collective provisions is provided in the annual report.

Exposures in default by geographic region

Percentage breakdown at December 31, 2016 of gross exposures of non-performing loans and loans in litigation

Exposure category	France	Germany	Belgium	Luxembourg	Rest of the world	Total Dec. 31, 2016
Central governments and central banks	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Credit institutions	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%
Corporates	28.3%	0.2%	0.2%	1.7%	5.9%	36.3%
Retail customers	60.0%	0.2%	0.2%	0.2%	3.0%	63.5%
TOTAL (%)	**88.3%**	**0.4%**	**0.4%**	**1.9%**	**9.0%**	**100.0%**

Standardized approach

Exposures under the standardized approach

Exposure under the standardized approach (in € billions)	at Dec. 31, 2016 Gross exposures	Exposure at default (EAD)
Central governments and central banks	51.2	49.8
Credit institutions	7.4	6.5
of which local and regional authorities	0.4	0.4
Corporates	17.9	12.3
Retail customers	5.9	5.0
Equities	0.1	0.1
Securitization positions	0.2	0.1
Other non credit-obligation assets	0.5	0.5
TOTAL	**83.2**	**74.4**

Use of external credit rating agencies

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.

(in € billions)	Weightings at:						
GROSS EXPOSURES	0%	20%	50%	100%	150%	250%	Total Dec. 31, 2016
Central governments and central banks	50.8	0.2	0.0	0.1	0.0	0.1	51.2
Local and regional authorities	0.0	0.4	0.0	0.0	0.0	0.0	0.4
VALUE EXPOSED TO RISK BEFORE MITIGATION	0%	20%	50%	100%	150%	250%	Total Dec. 31, 2016
Central governments and central banks	49.4	0.2	0.0	0.0	0.0	0.1	49.8
Local and regional authorities	0.0	0.3	0.0	0.0	0.0	0.0	0.4

Exposures to central governments and central banks are 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.

Rating system

Description and control of rating system

A single rating system for the entire Crédit Mutuel group
Rating algorithms and expert models have been developed to improve the group's credit risk assessment and to comply with the regulatory requirements concerning internal rating approaches. This system is used by 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 counterparty rating system is common to the entire group. The group's counterparties eligible for internal approaches are rated by a single system which is based on:

- statistical algorithms or "mass ratings" reliant on one or more models based on a selection of variables that are representative and predictive of risk for the following segments:
  - individuals,
  - *retail* legal entities,
  - non-trading real estate companies
  - individual entrepreneurs,
  - farmers,
  - not-for-profit organizations,
  - *corporates*,
  - financing of corporate acquisitions,
- rating grids developed by experts for the following segments:
  - banks and *covered bonds*,
  - large corporates,
  - financing of large corporate acquisitions,
  - real estate,
  - insurance.

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

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

Internal ratings system formalized monitoring procedures
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 CNCM's risk department as often as is necessary based on the decisions ratified.
Reporting of the monitoring of the mass rating models focuses on three main aspects: stability assessment, performance assessment and various additional analyses. Reports are drawn up in respect of each mass rating model on a quarterly basis and supplemented by monitoring work and annual and half-yearly checks, which are more detailed.
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) supplemented in the case of the large corporates and similar customers by interim monitoring carried out on a six-monthly basis.
The parameters used to calculate weighted risks are national and apply to all group entities.
The annual monitoring of default probabilities is carried out prior to any new estimate of the regulatory parameter. Depending on the portfolio, this monitoring is supplemented by intermediate monitoring, carried out on a half-yearly basis. The procedures for monitoring loss given default (LGD) and credit conversion factors (CCF) 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.

The internal rating system comes within the scope of both permanent and periodic controls
The group's permanent control plan concerning Basel II comprises two levels. At national level, permanent control is involved on the one hand in validating new models and significant adjustments made to existing models and, on the other hand, in the ongoing monitoring of the internal ratings system (and, in particular, its parameters). At regional level, permanent control verifies the overall suitability of the internal ratings system, the operational aspects related to the production and calculation of ratings, the credit risk management procedures directly related to the internal rating system and the quality of the data.
As regards periodic control, the group's audit unit carries out an annual review of the internal ratings system. A framework procedure defines the type of assignments to be carried out on an ongoing basis on the Basel II procedures as well as the breakdown of responsibilities between the regional and national audit units.

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

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

The following measures ensure the overall consistency of the procedures:

- national governance of the internal ratings system;
- the circulation of national procedures by CNCM;
- communication between entities on practices (during plenary meetings or bilateral exchanges between CNCM and the groups or between group entities);
- the use by almost all group entities of two information systems, determining the Crédit Mutuel group's structure (same applications used on a national basis, possibility of use of common applications on a federation-wide basis);
- national *reporting* applications;
- audits carried out by permanent control and confederal inspection.

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

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

Credit institutions and corporates

Dec. 31, 2016 (in € millions)	Credit quality step	Gross exposure	Of which, off-statement of financial position	Exposure at default (EAD)	Risk-weighted assets (RWA)	Risk weight (RW) %	Expected loss (EL)
Credit institutions	1	272		272	31	11.29	
	2	6,894	676	6,551	258	3.94	0
	3	4,937	428	4,638	573	12.35	
	4	4,721	155	4,604	1,772	38.48	
	5	1,718	197	1,614	395	24.45	
	6	599	252	510	262	51.39	
	7	142	66	104	125	120.31	
	8	151	46	128	203	158.42	
	9	19	14	10	29	282.16	
Large corporates	1	0	0	0	0		
	2	932	793	437	80	18.33	
	3	4,110	2,092	3,061	780	25.48	0
	4	6,991	5,029	4,528	1,501	33.14	
	5	12,154	8,171	7,543	4,356	57.74	0
	6	5,471	2,805	3,821	3,390	88.73	
	7	3,719	1,574	2,927	3,278	111.98	
	8	3,884	1,329	3,178	4,565	143.65	
	9	621	200	519	1,204	232.06	
Other corporates	1	3,894	921	3,354	986	29.40	3
	2	9,601	1,554	8,733	2,542	29.10	9
	3	3,792	540	3,512	1,396	39.74	7
	4	3,773	525	3,479	1,693	48.66	12
	5	4,006	699	3,650	2,117	58.01	19
	6	3,958	500	3,726	2,835	76.10	35
	7	1,379	186	1,281	1,004	78.38	20
	8	494	104	425	419	98.71	12
	9	364	70	314	356	113.36	19
Corporates under the IRB slotting approach*		7,416	1,000	7,186	5,570	77.51	51

* Specialized financing algorithm.

Retail - Individuals

Dec. 31, 2016 (in € millions)	Credit quality step	Gross exposure	Of which, off-statement of financial position	Exposure at default (EAD)	Risk-weighted assets (RWA)	Risk weight (RW) %	Expected loss (EL)
Exposures secured by immovable property collateral	1	11,278	307	11,100	131	1.18	0
	2	12,494	300	12,321	286	2.32	1
	3	8,276	187	8,168	361	4.42	2
	4	6,751	133	6,675	490	7.34	3
	5	4,565	94	4,510	592	13.12	4
	6	1,807	34	1,788	414	23.14	4
	7	1,888	127	1,815	613	33.77	7
	8	1,259	16	1,250	598	47.86	10
	9	639	4	636	462	72.59	16
Revolving	1	494	390	182	2	0.90	0
	2	1,415	820	759	12	1.63	0
	3	816	435	468	15	3.28	0
	4	798	387	489	31	6.39	1
	5	536	233	350	44	12.58	1
	6	384	151	264	58	21.84	2
	7	231	87	162	54	33.28	2
	8	161	49	123	64	52.60	3
	9	78	15	66	58	88.40	4
Other	1	1,612	0	1,457	28	1.90	0
	2	2,745	625	2,486	78	3.12	0
	3	2,178	495	1,973	125	6.34	1
	4	1,762	404	1,606	162	10.09	1
	5	1,255	257	1,158	184	15.91	2
	6	757	181	688	161	23.39	2
	7	2,280	648	1,928	566	29.36	24
	8	391	68	367	105	28.54	5
	9	185	15	181	78	43.14	7

Retail - Other

Dec. 31, 2016 (in € millions)	Credit quality step	Gross exposure	Of which, off-statement of financial position	Exposure at default (EAD)	Risk-weighted assets (RWA)	Risk weight (RW) %	Expected loss (EL)
Exposures secured by immovable property collateral	1	4,228	100	4,171	250	6.00	1
	2	5,379	94	5,326	554	10.40	4
	3	2,059	44	2,035	354	17.40	3
	4	2,244	65	2,208	557	25.21	6
	5	1,455	40	1,434	467	32.55	6
	6	943	20	932	426	45.74	8
	7	818	18	808	451	55.83	11
	8	352	6	349	234	67.03	8
	9	424	3	422	313	74.20	18
Revolving	1	73	43	39	1	2.96	0
	2	39	20	23	2	7.67	0
	3	22	10	13	2	14.52	0
	4	17	7	11	2	20.77	0
	5	13	6	9	2	27.99	0
	6	11	4	8	3	39.47	0
	7	11	4	8	4	52.50	0
	8	7	2	5	4	75.04	0
	9	5	1	4	4	99.09	0
SMEs	1	4,031	930	3,372	264	7.82	2
	2	3,325	622	2,900	354	12.21	4
	3	1,759	301	1,555	260	16.73	4
	4	2,074	368	1,833	351	19.15	8
	5	1,335	196	1,210	249	20.55	8
	6	1,411	236	1,258	285	22.62	16
	7	1,024	145	926	229	24.77	16
	8	567	72	517	164	31.70	17
	9	457	46	425	165	38.94	25
Other	1	642	71	604	39	6.50	0
	2	612	67	575	63	10.94	0
	3	218	28	204	34	16.56	0
	4	235	52	207	40	19.38	1
	5	169	43	144	31	21.80	1
	6	114	32	97	24	24.68	1
	7	97	15	88	23	25.96	1
	8	31	2	30	10	33.15	1
	9	39	2	37	15	41.40	2

Credit risk reduction techniques

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.
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. Operational procedures describe the characteristics of the guarantees used, the eligibility criteria and the procedures for dealing with warnings generated in the event of non-compliance. Subsequent processing to calculate weighted risks taking into account risk reduction techniques is largely automated.

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 Crédit Mutuel is based on statistical estimation methodologies, directly integrated into applications, based on external indices to which discounts may be applied depending on the type of asset accepted by way of guarantee. By exception, specific procedures stipulate expert valuations, particularly in the event that thresholds set for transactions are exceeded.
These procedures are drawn up at national level. Group entities are then responsible for operational management, monitoring valuations and calling guarantees.

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.

Securitization

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 G*eneral Funding Ltd (GFL)*, which subscribes to senior units in the securitization vehicle and issues commercial paper. GFL benefits from a liquidity line granted by the group, which guarantees that it will place the conduit's commercial paper. The group is exposed mainly to credit risk on the portfolio of receivables ceded and to the risk of the capital markets drying up.
Regardless of the context of the activity, the CIC group is not the "originator" and only acts as sponsor on an incidental basis. It does not invest in re-securitizations.

Capital markets activities:

monitoring and control procedures

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

Exposures by securitization type

Exposures are stated net of provisions.

Securitization by type

Dec. 31, 2016 EAD (in € billions)	Banking portfolio		Trading portfolio	Correlation portfolio
	Standardized approach	Internal ratings-based approach	Internal ratings-based approach	Internal ratings-based approach
Investor				
- Traditional securitization	0.2	5.7	0.9	
- Synthetic securitization				0.9
- Traditional re-securitization				
- Synthetic re-securitization				
Sponsor		0		
Total	**0.2**	**5.7**	**0.9**	**0.9**

Breakdown of outstandings by credit quality step

Dec. 31, 2016 EAD (in € billions)	Banking portfolio		Trading portfolio	Correlation portfolio
	Standardized approach	Internal ratings-based approach	Internal ratings-based approach	Internal ratings-based approach
Credit quality step				
E1	0.1	4.2	0.9	
E2		0.8	0.0	
E3		0.0		
E4		0.0		
E5		0.0	0.0	
E6	0.1	0.0		
E7		0.1	0.0	
E8		0.2		
E9		0.0		
E10	0.0	0.0		
E11		0.0	0.0	
Positions weighted at 1,250%	0.0	0.4		
Total	**0.2**	**5.7**	**0.9**	**0.9***

*The securitization of the correlation portfolio is calculated using the regulatory formula method and may not therefore be entered by credit quality step.

Capital requirement

Dec. 31, 2016 (in € millions)	Banking portfolio		Trading portfolio	Correlation portfolio
	Standardized approach	Internal ratings-based approach	Internal ratings-based approach	Internal ratings-based approach
Total	**8.5**	**54.8**	**11.6**	**12.4**

Positions weighted at 1,250% are deducted from CET1 capital.

Equities

Value exposed to risk (in € billions)	12/31/2016
Equities	
Under internal ratings-based approach	
Private equity (190%)	1.9
Significant financial sector holdings (250% weighting)	0.0
Exposures to listed equities (290%)	0.0
Other exposures to equities (370%)	2.1
Under standardized approach	0.1
Of which private equity (150%)	
Holdings deducted from capital	0.0
Total amount of unrealized gains and losses included in equity	0.2
of which unrealized gains included in Tier 2 capital	*0.0*

Trading desk counterparty risk

Counterparty risk concerns derivatives and repurchase agreements (repos) within the banking and trading portfolios, which are entered into mainly by *CM-CIC Marchés*.
In this context, *netting* and *collateral* agreements have been put in place with the main counterparties, which limits exposures to counterparty risk.
Capital adequacy requirements were mainly measured using the IRBA at December 31, 2016.

Counterparty risk

Value exposed to risk (in € billions)	2016	2015
Derivatives	4.2	3.9
Repurchase agreements (repos)*	0.9	0.9
TOTAL	**5.1**	**4.8**

* For securities received under repurchase agreements (repos), the value exposed to risk corresponds to the fully adjusted value.

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 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".

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 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 which is used on an ongoing basis together with the methodologies for integrating this data into the operational risk measurement and analysis system.
The group's general management and *reporting* system incorporates the requirements of 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 or permanent control 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 constitutes a reference document accessible to all staff involved. 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 (specific banking risks), professional third-party liability and cyber risks (cyber policy).

Leverage ratio

Reconciliation of consolidated accounting assets and exposures used in the leverage ratio

	(in € millions)	Exposure at Dec. 31, 2016
1	**Consolidated assets as published in the financial statements**	**269,316**
2	Adjustments on entities consolidated for accounting purposes but outside the regulatory scope	-
4	Adjustments on derivatives	(3,571)
5	Adjustments on securities financing transactions (SFTs)	(1,189)
6	Adjustments on off-balance sheet items (conversion of off-balance sheet items to credit equivalents)	18,829
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	(1,337)
8	**Total leverage ratio exposure**	**282,048**

Breakdown of exposures taken into account for the leverage ratio

	(in € millions)	Exposure at Dec. 31, 2016
EU-1	**Total balance sheet exposures*, of which:**	**243,426**
EU-2	**Trading book exposures**	**9,098**
EU-3	**Banking book exposures, of which:**	**234,328**
EU-4	Guaranteed bonds	976
EU-5	Exposures treated as sovereign exposure	49,393
EU-6	Exposures on regional governments, multilateral development banks, international organizations and public-sector entities not treated as sovereign exposure	340
EU-7	Credit institutions	14,576
EU-8	Exposures secured by a mortgage on immovable property	76,679
EU-9	Retail exposures	29,406
EU-10	Corporate exposures	47,430
EU-11	Exposures in default	2,840
EU-12	Other exposures (equities, securitizations and other assets not related to credit exposures)	12,689

* Excluding derivatives, securities financing transactions and exempted exposures.

Presentation of the main components of the leverage ratio

	(in € millions)	Exposure at Dec. 31, 2016
Balance sheet (excluding derivatives and securities financing transactions)		
1	Balance sheet items (excluding derivatives, securities financing transactions and fiduciary assets, but including collateral)	248,083
2	(Assets deducted to determine Tier 1)	(367)
3	**Total balance sheet exposure (excluding derivatives, securities financing transactions and fiduciary assets) - sum of lines 1 and 2**	**247,717**
Derivatives		
4	Replacement cost associated with all derivatives (i.e. net of eligible margin calls received)	2,375
5	*Add-on* for potential future exposures associated with derivatives (market price valuation method)	1,778
7	(Deductions of margin calls in cash paid under derivatives transactions)	(4,657)
9	Adjusted effective notional amount of written credit derivatives	5,896
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	(4,181)
11	**Total derivative exposures - sum of lines 4 to 10**	**1,210**
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	13,355
14	Counterparty credit risk exposure for SFT assets	938
16	**Total securities financing transaction exposures - sum of lines 12 to 15a**	**14,293**
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	44,737
18	(Adjustments to credit risk equivalent amounts)	(25,908)
19	**Other off-balance sheet exposures - sum of lines 17 to 18**	**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))	0
EU-19b	(Exemption of exposures pursuant to Article 429.14 of the CRR (on-balance sheet and off-balance sheet))	0
Equity and total exposure		
20	**Tier 1**	**12,607**
21	**Total exposures - sum of lines 3, 11, 16, 19, EU-19a and EU-19b**	**282,048**
Leverage ratio		
22	**Leverage ratio**	**4.47%**
Choice of transitional arrangements and amounts of derecognized fiduciary items		
EU-23	Choice of transitional arrangements for defining capital measurement	YES

Description of the procedures used

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.

Change in ratio between 2015 and 2016

The leverage ratio (delegated act format) measuring the ratio of Tier 1 capital to total non-risk weighted assets increased from 4.36% to 4.47% during the period. This change corresponds to a favorable effect on capital, offsetting the unfavorable effect related to exposures.

Tier 1 capital increased by €979 million (or 8.4%). This corresponded to the increase in 2016 net income as compared with 2015 net income and to the portion of the 2015 profit transferred to reserves during the period.

Overall, in 2016 exposures increased by €15.6 billion (5.8%). The only change in exposures in the statement of financial position (excluding derivatives, repurchase agreements and off-statement of financial position items) represented €14.8 billion.

This was due to:

- the change in exposures to sovereigns (up €9.7 billion), €8.7 billion of which corresponded to loans to central banks,
- the change in loans to *corporates* (up €6.4 billion), mainly loans for capital expenditure and for working capital.

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".

Information on encumbered and unencumbered assets

Since 12/31/2014 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.

Under the terms of the covered bond issues carried out by CM-CIC Home Loan SFH, CIC provides as collateral home loans secured by mortgages, eligible for this type of transaction, and receives by way of consideration a portion of the financing obtained by CM-CIC Home Loan SFH. At December 31, 2016, the amount was €22 billion. Similarly, €6 billion of loans to companies were given as collateral to the ECB in connection with the TLTRO. The encumbered debt securities correspond to repurchase agreements entered into in connection with the capital markets business; the other assets comprise security deposits in *cash* in connection with derivatives, over-the-counter transactions and transactions on organized markets.

At December 31, 2016, the level and characteristics of the CIC group's encumbered and unencumbered assets were as follows:

Encumbered assets and unencumbered assets at their carrying amount and fair value by asset category

(in € billions)	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Reporting institution's assets	**44.3**	**0.0**	**225.0**	**0.0**
Capital instruments	0.0	0.0	3.3	3.1
Debt securities	9.2	9.4	12.1	11.9
Loans and advances	30.0	N/A	194.2	N/A
Other assets	5.0	N/A	15.5	N/A

Guarantees received by product category

(in € billions)	Fair value of the encumbered counter-guarantee received or of encumbered own debt securities issued	Fair value of the counter-guarantee received or of own debt securities issued available to be encumbered
Guarantees received by the institution	**10.5**	**5.4**
Capital instruments	1.3	0.4
Debt securities	9.1	4.1
Other guarantees received	0.0	0.9
Own debt securities issued, other than own guaranteed bonds or own asset-backed securities	**0.0**	**0.0**

Carrying amount of encumbered assets/counter-guarantees received and the related liabilities

(in € billions)	Corresponding liabilities, contingent liabilities or securities loaned	Assets, counter-guarantees received and own debt securities issued other than covered bonds and securities backed by encumbered assets
Carrying amount of selected financial liabilities	**24.0**	**24.5**

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, 2016, the LCR liquidity ratio for the CIC group was 121.97%, well in excess of the requirement for a ratio of 70% imposed by the regulator in 2016.

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.

FINANCIAL STATEMENTS

Consolidated statement of financial position

Assets

(in € millions)	Notes	2016	2015
Cash and amounts due from central banks	4	36,814	7,563
Financial assets at fair value through profit or loss	5	14,037	15,090
Derivatives used for hedging purposes	6	827	929
Available-for-sale financial assets	7	13,632	12,460
Loans and receivables due from credit institutions	4	22,458	44,739
Loans and receivables due from customers	8	166,063	157,166
Remeasurement adjustment on interest-rate risk hedged portfolios	9	486	562
Held-to-maturity financial assets	10	63	60
Current tax assets	11	485	370
Deferred tax assets	12	379	380
Accruals and other assets	13	10,744	11,228
Non-current assets held for sale		0	116
Investments in associates	14	1,744	1,681
Investment property	15	32	35
Property and equipment and finance leases (lessee accounting)	16	1,333	1,367
Intangible assets	17	186	197
Goodwill	18	33	33
TOTAL		**269,316**	**253,976**

Liabilities and equity

(in € millions)	Notes	2016	2015
Due to central banks	19	0	0
Financial liabilities at fair value through profit or loss	20	6,167	6,871
Derivatives used for hedging purposes	6	3,300	3,577
Due to credit institutions	19	76,162	73,780
Due to customers	21	138,772	129,958
Debt securities	22	23,638	18,260
Remeasurement adjustment on interest-rate risk hedged portfolios	9	(607)	(742)
Current tax liabilities	11	238	217
Deferred tax liabilities	12	270	262
Accruals and other liabilities	23	4,523	7,247
Liabilities associated with non-current assets held for sale		0	130
Provisions	24	1,092	1,006
Subordinated debt	25	1,644	277
Equity		14,117	13,133
Attributable to owners of the company		14,055	13,069
- Subscribed capital		*608*	*608*
- Share premiums		*1,088*	*1,088*
- Consolidated reserves		*10,752*	*10,015*
- Unrealized gains and losses recognized directly in equity	*26a*	*255*	*247*
- Net income for the year		*1,352*	*1,111*
Non-controlling interests		62	64
TOTAL		**269,316**	**253,976**

Consolidated income statement

(in € millions)	Notes	2016	2015
Interest income	28	7,519	7,690
Interest expense	28	(5,418)	(5,638)
Commission income	29	2,456	2,418
Commission expense	29	(549)	(514)
Net gain/(loss) on financial instruments at fair value through profit or loss	30	731	593
Net gain/(loss) on available-for-sale financial assets	31	151	229
Income from other activities	32	243	179
Expenses on other activities	32	(148)	(175)
Net banking income		**4,985**	**4,782**
Payroll costs	33a	(1,720)	(1,698)
Other general operating expenses	33c	(1,211)	(1,141)
Depreciation, amortization and impairment	34	(140)	(166)
Operating income before provisions		**1,914**	**1,777**
Net provision allocations/reversals for loan losses	35	(185)	(207)
Operating income after provisions		**1,729**	**1,570**
Share of income/(loss) of associates	14	136	138
Net gain/(loss) on disposals of other assets	36	12	(6)
Income before tax		**1,877**	**1,702**
Corporate income tax	37	(560)	(562)
Post-tax gain/(loss) on discontinued operations and assets held for sale		44	(23)
Net income		**1,361**	**1,117**
Net income attributable to non-controlling interests		9	6
NET INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY		**1,352**	**1,111**
Basic earnings per share (in €)	38	35.77	29.39
Diluted earnings per share (in €)	38	35.77	29.39

Statement of comprehensive income

(in € millions)	2016	2015
Net income	**1,361**	**1,117**
Translation adjustments	(63)	79
Remeasurement of available-for-sale financial assets	48	(36)
Remeasurement of hedging derivatives	0	1
Share of unrealized or deferred gains and losses of associates	35	(18)
Total gains and losses recognized directly in equity that may be recycled to profit or loss	**20**	**26**
Remeasurement of non-current assets		
Actuarial differences on defined benefit plans	(12)	24
Share of unrealized or deferred gains and losses of associates	0	0
Total gains and losses recognized directly in equity that may not be recycled to profit or loss	**(12)**	**24**
Net income and gains and losses recognized directly in equity	**1,369**	**1,167**
Attributable to owners of the company	*1,360*	*1,161*
Non-controlling interests	*9*	*6*

Headings relating to gains and losses recognized directly in equity are presented net of tax.

Consolidated statement of changes in equity

	Capitaux propres, part du groupe										Non-controlling interests	Total consolidated equity
					Gains and losses recognized directly in equity							
(en millions d'euros)	Capital stock	Additional paid-in capital	Elimination of treasury stock	Réserves [1]	Translation adjustments	AFS financial assets [2]	Hedging instruments	Actuarial differences	Net income	Total		
Equity at Jan. 1, 2015	**608**	**1,088**	**(55)**	**9,248**	**81**	**185**	**(1)**	**(68)**	**1,116**	**12,202**	**64**	**12,266**
Impact of the application of IFRIC Interpretation 21				9						9		9
Equity at Jan. 1, 2015	**608**	**1,088**	**(55)**	**9,257**	**81**	**185**	**(1)**	**(68)**	**1,116**	**12,211**	**64**	**12,275**
Appropriation of prior year earnings				1,116					(1,116)	0		0
Dividends paid				(302)						(302)	(7)	(309)
Sub-total: movements arising from shareholder relations	**0**	**0**	**0**	**814**	**0**	**0**	**0**	**0**	**(1,116)**	**(302)**	**(7)**	**(309)**
Consolidated net income for the period									1,111	1,111	6	1,117
Translation adjustments					79					79		79
Changes in fair value of AFS financial assets [2]						(54)				(54)		(54)
Changes in fair value of hedging instruments							1			1		1
Changes in actuarial differences								24		24		24
Sub-total	**0**	**0**	**0**	**0**	**79**	**(54)**	**1**	**24**	**1,111**	**1,161**	**6**	**1,167**
Other movements				(1)	1	(1)				(1)	1	0
Equity at Dec. 31, 2015	**608**	**1,088**	**(55)**	**10,070**	**161**	**130**	**0**	**(44)**	**1,111**	**13,069**	**64**	**13,133**
Equity at Jan. 1, 2016	**608**	**1,088**	**(55)**	**10,070**	**161**	**130**	**0**	**(44)**	**1,111**	**13,069**	**64**	**13,133**
Appropriation of prior year earnings				1,111					(1,111)	0		0
Dividends paid				(321)						(321)	(5)	(326)
Acquisitions of additional equity investments or partial disposals of equity investments										0	(6)	(6)
Sub-total: movements arising from shareholder relations	**0**	**0**	**0**	**790**	**0**	**0**	**0**	**0**	**(1,111)**	**(321)**	**(11)**	**(332)**
Consolidated net income for the period									1,352	1,352	9	1,361
Translation adjustments					(63)					(63)		(63)
Changes in fair value of AFS financial assets [2]						85				85		85
Changes in fair value of hedging instruments										0		0
Changes in actuarial differences								(12)		(12)		(12)
Sub-total	**0**	**0**	**0**	**0**	**(63)**	**85**	**0**	**(12)**	**1,352**	**1,362**	**9**	**1,371**
Other movements [3]				(52)	(1)	(1)				(54)		(54)
Equity at Dec. 31, 2016	**608**	**1,088**	**(55)**	**10,807**	**97**	**214**	**0**	**(56)**	**1,352**	**14,055**	**62**	**14,117**

(1) At December 31, 2016 reserves comprised the legal reserve for €61 million, the special long-term capital gains reserve for €287 million, retained earnings for €147 million, other CIC reserves for €5,320 million and post-acquisition retained earnings for €4,993 million.
(2) AFS: Available for sale
(3) Other movements resulted mainly from a change in GACM's accounting methods, which had a negative impact of €53 million.

At December 31, 2016, CIC's capital comprised 38,027,493 shares with a par value of €16 each, including 229,741 treasury shares.

Consolidated statement of cash flows

(in € millions)	2016	2015
Net income	1,361	1,117
Corporate income tax	560	562
Income before tax	**1,921**	**1,679**
+/- Net depreciation/amortization expense on property and equipment and intangible assets	135	180
- Impairment of goodwill and other non-current assets	4	53
+/- Net additions to provisions and impairment	(47)	(302)
+/- Share of income/loss of associates	(136)	(138)
+/- Net loss/gain from investing activities	7	(16)
+/- (Income)/expense from financing activities		
+/- Other movements	(267)	(172)
Non-monetary items included in income before tax and other adjustments	**(304)**	**(395)**
+/- Cash flows relating to interbank transactions	51	7,177
+/- Cash flows relating to customer transactions	60	(1,681)
+/- Cash flows relating to other transactions affecting financial assets or liabilities	5,130	(4,473)
+/- Cash flows relating to other transactions affecting non-financial assets or liabilities	(2,270)	780
- Taxes paid	(579)	(434)
Net decrease/(increase) in assets and liabilities from operating activities	**2,392**	**1,369**
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES (A)	**4,009**	**2,653**
+/- Cash flows relating to financial assets and investments	(22)	51
+/- Cash flows relating to investment property		1
+/- Cash flows relating to property and equipment and intangible assets	(81)	(113)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES (B)	**(103)**	**(61)**
+/- Cash flows relating to transactions with shareholders [1]	(273)	(258)
+/- Other net cash flows relating to financing activities [2]	1,223	(561)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES (C)	**950**	**(819)**
IMPACT OF MOVEMENTS IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS (D)	**100**	**425**
Net increase/(decrease) in cash and cash equivalents (A + B + C + D)	**4,956**	**2,198**
Net cash flows from (used in) operating activities (A)	4,009	2,653
Net cash flows from (used in) investing activities (B)	(103)	(61)
Net cash flows from (used in) financing activities (C)	950	(819)
Impact of movements in exchange rates on cash and cash equivalents (D)	100	425
Cash and cash equivalents at beginning of year	**30,317**	**28,119**
Cash accounts and accounts with central banks	7,563	19,167
Demand loans and deposits – credit institutions	22,754	8,952
Cash and cash equivalents at end 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
CHANGE IN CASH AND CASH EQUIVALENTS	**4,956**	**2,198**

(1) Cash flow relating to transactions with shareholders included:
- €321 million in dividends paid by CIC to its shareholders in respect of 2015,
- €5 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 and redemption of subordinated loans representing a net amount of €1,367 million.
- the issue and redemption of bonds representing a net amount of -€144 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, 2016. 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:
http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm

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.

Information on risk management required by IFRS 7 is provided in a specific section of the board of directors' report.

Standards and interpretations applied as from January 1, 2016

- The amendments adopted by the European Union do not have a material impact on the financial statements. They relate mainly to:
- IAS 1 - Presentation of financial statements: highlighting the relative importance and presentation on separate lines, in the statement of comprehensive income, of the share of earnings of companies accounted for using the equity method (distinction between the "recyclable" and "non-recyclable" portion),
- IFRS 2 - Share-based Payment: the amendment relates to the concept of "vesting condition", which is henceforth defined as either a "performance condition" or a "service condition".
- IFRS 3 – Business Combinations: the classification of contingent consideration in a business combination as a liability or equity instrument results from the application of IAS 32. Price adjustment clauses that are not equity instruments must be measured at fair value at each reporting date and changes in fair value must be recognized in profit or loss.
- IFRS 7 - Financial Instruments: information to be disclosed when a servicing contract constitutes a continuing involvement in a transferred financial asset,
- IFRS 8 – Operating Segments: information to be disclosed on the aggregation of segments,
- IAS 24 - Related Party Disclosures: extension of the definition (provision of key management personnel services) and additional financial statements note disclosures.

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 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 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 is continuing in 2017.

This initiative covers all the group's activities concerned, including insurance. The amendment to IFRS 4, published in September 2016, allows such entities to defer the first-time application of IFRS 9 (the "deferral approach"). However, at this stage, bank insurers are not permitted to apply the deferral approach. Given the standard's implementation timetable and the fact that discussions on this matter are in progress at international and European levels, the group's entities will apply IFRS 9 as from January 1, 2018.

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 entity's 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)[3].

(3) Solely Payment of Principal and Interest

- 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 if the cash flows are solely payments of principal and interest on the principal amount outstanding. . 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 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, if the election for such treatment is made. 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). 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 will apply to the provisions relating to financial liabilities, except 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. The issue of specific credit risk has very little impact on the group.

The objectives of the work carried out within the group during 2016 were to:
- finalize the mapping of the instruments, as regards both the rates and the various contractual provisions.
- define and start the SPPI tests for those rates identified as high-risk (averaged, decorrelated),
- launch the project to draw up documentation on the various instruments, on both the characteristics of the instruments and on the business models.

AT this stage, 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: these reclassifications will have only a modest impact. Work is in progress to finalize the position concerning certain loans and securitization tranches.

Phase 2 – Impairment

The section of IFRS 9 relating to credit risk impairment responds to the criticisms raised concerning the incurred credit loss model under IAS 39, i.e. that it causes accounting for credit losses to be delayed and the amounts of the credit losses recognized to be too low.
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:
- Bucket 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,
- Bucket 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
- Bucket 3: category comprising *credit-impaired financial assets* for which there is an objective indication of loss of value 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, but also assessing the change in the risk at the level of each contract.

The main objectives of the work carried out within the group during 2016 were to define the frontier between buckets 1 and 2:
- the group will use the models developed for prudential purposes and the assessment of the 12-month default risk (represented by a rating or default rate), as authorized by the standard.
- 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.
- less complex methods 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 group is currently considering the method for taking forward-looking information into account in the parameters.

AT this stage, the group considers that the quantitative impacts cannot be reasonably assessed, but that the level of impairment, under IFRS 9, of *buckets* 1 and 2 will be significantly higher than the collective provisions currently recognized under IAS 39.

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 from leases, insurance contracts or financial instruments.

The recognition of revenue from contracts 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 initial identification of its potential effects were carried out in 2016. 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.

AT this stage, the impacts are expected to be limited.

Standards and interpretations not yet adopted by the European Union

The following are of particular note:
- IFRS 16 - Leases, first-time application of which is scheduled for January 1, 2019, subject to its adoption by the European Union,
- the amendments to IFRS 4 linked to IFRS 9 (scheduled application date: January 1, 2018).

IFRS 16 – Leases

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, in respect of all operating leases, the following must be recognized:
- in property, plant and equipment: an asset representing the right to use the leased asset ("right-of-use asset"),
- in liabilities, a liability representing the obligation to make lease payments throughout the lease term, and
- in the income statement, the expense related to the straight-line depreciation of the asset, separately from the interest expense calculated on an actuarial basis, on the financial liability.

By way of reminder, under IAS 17, the standard currently in force, no amount is recognized in the balance sheet and lease costs are recognized as operating expenses.

The group has begun to analyze the impacts of this standard and, in particular, has started the process of identifying its leases, both of property and of equipment (IT equipment, car fleet, etc.).

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.

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 renegotiation involves the amendment or derecognition of the former loan.
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.

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.

Purchased securities

Securities held by the group are classified in the categories defined in IAS 39: financial instruments at fair value through profit or loss, held-to-maturity financial assets, available-for-sale financial assets and loans.

Financial instruments at fair value through profit or loss – Securities

Classification
Financial instruments at fair value through profit or loss comprise:
a) financial instruments held for trading purposes, consisting mainly of instruments that:
  - were acquired for the purpose of selling or repurchasing them in the near term; or
  - are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking, or which represent derivatives not classified as hedges;

b) financial instruments designated at inception as at fair value through profit or loss in accordance with the fair value option provided by IAS 39.

The fair value option is designed to help entities produce more relevant financial information, by enabling:
  - certain hybrid instruments to be measured at fair value without separating out embedded derivatives, provided the embedded derivative has a material impact on the value of the instrument;
  - a significant reduction in accounting mismatches between certain assets and/or liabilities: this is particularly the case where a hedging relationship (interest rate or credit) cannot be identified;
  - a group of financial assets and/or liabilities to be managed and monitored for performance in accordance with a risk management or investment strategy on a fair value basis. This category mainly includes all securities held in the private equity portfolio.

Basis for recognition and measurement of related income and expenses
Financial instruments included in this category are recognized at fair value on initial recognition, at subsequent reporting dates and until their disposal. Changes in fair value are taken to the income statement under "*Net gain/(loss) on financial instruments at fair value through profit or loss*". Income received or accrued on fixed-income securities in this category is included in the income statement under "*Interest income*".
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. Fair value also incorporates an assessment of counterparty risk on these instruments.

Fair value
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.
If the instrument is traded on an active market, the best estimate possible of fair value is the quoted price.
The appropriate quoted market price for an asset held or a liability to be issued is usually the current *bid* price, and for an asset to be acquired or a liability held, the *ask* price.
When the bank has assets and liabilities with offsetting market risks, the net position is valued at the bid price for a net asset held or a net liability to be issued and at the ask price for a net asset to be acquired or a net liability held.
A market is deemed to be active if quoted prices are readily and regularly available (from a stock exchange, a broker, an intermediary or a quotation system) and represent actual and regularly occurring market transactions in very similar instruments carried out on an arm's length basis.
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*).
Derivatives are remeasured based on available observable market data such as yield curves to which the bid/ask price is then applied.
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.
As regards derivatives that constitute a receivable, their valuation also incorporates the risk of the counterparty defaulting. When a derivative constitutes a debt, its valuation takes into account the risk of the group entity owning it defaulting.A multi-criteria approach is adopted to determine the value of securities held in the private equity portfolio, backed by historical experience of valuing unlisted companies.
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.

Held-to-maturity financial assets

Classification
Held-to-maturity financial assets are financial assets listed on an active market, with fixed or determinable payments and a 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.

Basis for recognition and measurement of related income and expenses
Held-to-maturity investments are recognized at fair value upon acquisition, including transaction costs, which are recognized over more than one period as they are included in the calculation of the effective interest rate. Held-to-maturity investments are subsequently measured at amortized cost using the effective interest rate method, which builds in the actuarial amortization of premiums and discounts (corresponding to the difference between the purchase price and redemption value of the asset).
Income earned from this category of investments is included in "*Interest income*" in the income statement.

Should a credit risk arise, impairment on held-to-maturity financial assets is calculated in the same way as for loans and receivables. Investments are tested for impairment on an individual basis at each reporting date.

Available-for-sale financial assets

Classification
Available-for-sale financial assets are financial assets that have not been classified as loans and receivables, held-to-maturity financial assets or financial assets at fair value through profit or loss.

Basis for recognition and measurement of related income and expenses
Available-for-sale financial assets are carried at fair value until disposal. Changes in fair value are shown on the "*Unrealized or deferred gains and losses*" line within a specific equity account, excluding accrued income. These unrealized 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 gain/(loss) on available-for-sale financial assets*", as are the capital gains and losses on disposal. Purchases and sales are recognized at the settlement date.
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.
Dividend income relating to variable-income available-for-sale securities is taken to income under "*Net gain/ (loss) on available-for-sale financial assets*".

Impairment of available-for-sale debt instruments
Impairment losses are calculated based on fair values. They are recognized in "*Net provision allocations/reversals for loan losses*" and are reversible. 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.

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 gain/(loss) 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*".

Fair value of financial instruments

There are three levels of fair value of financial instruments, as defined by IFRS 13:
- Level 1: prices quoted on active markets for identical assets or liabilities: 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 of the lowest level 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.

Financial instruments at fair value through profit or loss – Derivatives

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

Derivatives are classified as financial instruments held for trading except when they are part of a designated hedging relationship.
Derivatives are recorded in the statement of financial position under financial instruments at fair value through profit or loss. Changes in fair value and interest accrued or payable are recognized in "Net gain/(loss) on financial instruments at fair value through profit or loss".
Derivatives qualifying for hedge accounting in accordance with IAS 39 are classified as fair value hedges or cash flow hedges, as appropriate. All other derivatives are classified as trading items, even if they were contracted for the purpose of hedging one or more risks.

Embedded derivatives
An embedded derivative is a component of a hybrid instrument that 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.

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

Structured products are financial products created by bundling basic instruments – generally options – to exactly meet customer 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.
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. The parameters applied to measure the value of unquoted forward financial instruments are determined using a system that provides a snapshot of market prices. Every day, at a fixed time, the bid and ask prices quoted by several market players, as displayed on the market screens, are recorded in the system. A single price is fixed for each relevant market parameter.
Certain complex financial instruments – mainly customized equity barrier options with single or multiple underlyings presenting low levels of liquidity and long maturities – are measured using internal models and valuation inputs such as long volatilities, correlations, and expected dividend flows where no observable data can be obtained from active markets.

Upon initial recognition, these complex financial instruments are recorded in the statement of financial position at their transaction price, which is deemed to be the best indication of fair value even though the result of the model-based valuation may differ. The difference between the price at which a complex instrument is traded and the value obtained from internal models, which generally represents a gain, is known as "*day one profit*". IFRS prohibit the recognition of a margin on products valued using models and parameters that are not observable on active markets. The margin is therefore deferred. The margin realized on options with a single underlying and no barrier is recognized over the life of the instrument. The margin on products incorporating barrier options is recognized upon maturity of the structured product, due to the specific risks associated with the management of these barriers.

Reclassification of debt instruments

Fixed-income securities or debt instruments classified at fair value through profit or loss may be reclassified in other categories as follows:
a. *Held-to-maturity*, only in rare cases, in the event of a change in the management intention, and provided that they satisfy the eligibility conditions for this category;
b. *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;
c. *Available for sale* only in rare cases.

Fixed-income securities or available-for-sale debt instruments may be reclassified in other categories as follows:
a. *Held-to-maturity* in the event of a change in the management intention or capacity, and provided that they satisfy the eligibility conditions for this category;
b. *Loans and receivables* if there is the intention and capacity to hold the financial asset for the foreseeable future or until maturity and provided that they satisfy the eligibility conditions for this category.
In the event of a transfer, 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.
In the event of a transfer from the "*Available-for-sale*" category into either the "*Held-to-maturity*" or "*Loans and receivables*" category of debt instruments with a fixed maturity date, unrealized gains and losses previously deferred into equity are amortized over the asset's residual life.

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 gain/(loss) 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.

Fair value hedges
In a fair value hedge, changes in the fair value of the derivative instrument are taken to income under "*Interest income/expense – derivatives used for hedging purposes*" symmetrically with the change in interest income/expense of the hedged item.
In a fair value hedging relationship, the derivative instrument is measured at fair value through profit or loss under "*Net gain/(loss) on financial instruments at fair value through profit or loss*" symmetrically with the remeasurement of the hedged item in the income statement. This rule also applies when the hedged item is recognized at amortized cost or is a financial asset classified as available-for-sale. If the hedging relationship is fully effective, any changes in the fair value of the hedging instrument will offset changes in the fair value of the item hedged.
Hedges must be deemed to be highly effective to qualify for hedge accounting. The change in the fair value or cash flows of the hedging instrument must offset the change in the fair value or cash flows of the item hedged within a range of 80% to 125%.
If the hedging relationship is broken or no longer fulfills the hedge effectiveness criteria, hedge accounting is discontinued on a prospective basis. The related derivatives are transferred to the trading book and accounted for using the treatment applied to this asset category. The carrying amount of the hedged item in the statement of financial position is no longer adjusted to reflect changes in fair value and the cumulative adjustment recorded in respect of the hedging transactions is amortized over the remaining life of the item hedged. 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.

Fair value hedge accounting for a portfolio hedge of interest-rate risk
In October 2004, the European Union amended IAS 39 to allow demand deposits to be included in portfolios of liabilities contracted at fixed rates. This method is applied by the group. It concerns the vast majority of the interest rate hedges implemented in connection with the group's asset-liability management strategy.
At the end of each reporting period, CIC verifies that the hedging contracted for each portfolio of assets and liabilities is not excessive.
The maturity of the liability portfolio is modeled by asset-liability management.
Changes in the fair value of a portfolio hedge of interest-rate risk are recognized on a specific line of the statement of financial position, under "*Remeasurement adjustment on interest-rate risk hedged portfolios*", with the offsetting entry in income.

Cash flow hedges
In the case of cash flow hedges, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized directly in equity under "Unrealized or deferred gains and losses on cash flow hedges", while the ineffective portion is included in income in "*Net gain/(loss) on financial instruments at fair value through 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 the income statement.

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 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.

Debt securities

Debt securities are initially recognized at fair value (including transactions costs), which is generally the net amount received, and they are subsequently measured at amortized cost using the effective interest method.
Certain "structured" debt instruments may contain embedded derivatives, which are isolated from the host contract when they meet the criteria for separate recognition.
The host contract is subsequently measured at amortized cost. Fair value is based on quoted market prices or valuation models.

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.
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 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 depreciation 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.

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.

Depreciable and amortizable assets are tested for impairment when evidence exists at the balance sheet date 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*".

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, which are 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.

Provisions

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. The amount of the obligation is discounted in order to determine the amount of the provision.
Movements in provisions are classified by nature under the corresponding income/expense caption. The cumulative provision is recognized as a liability in the statement of financial position.

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 is recognized 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 differences 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 recorded 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 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.

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.

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 gain/(loss) on financial instruments at fair value through profit or loss*".
Non-monetary financial assets and liabilities: foreign currency gains and losses on the translation of such items are recognized in the income statement if the items are classified at fair value through profit or loss under "*Net gain/(loss) on financial instruments at fair value through profit or loss*", or under "*Unrealized or deferred gains and losses*" 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.

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.

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*".

Consolidation methods and scope

Fair value adjustments

At the date of acquisition of a controlling interest in a new entity, the related assets, liabilities and contingent liabilities related to operations are measured at fair value. Fair value adjustments, corresponding to the difference between the carrying amount and fair value, are recognized in the consolidated financial statements.

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.

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.

Non-controlling interests

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.

Full consolidation method

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 entities under exclusive control, including those with a different account structure, regardless of whether its business is an extension of that of the consolidating entity.

Equity consolidation 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.

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.

The consolidation scope comprises:

- *Entities over which the group has exclusive control:* exclusive 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 exclusively-controlled entities are fully consolidated.
- *Entities under joint control:* joint control is the contractually agreed sharing of control over an entity, which exists only when decisions about key activities require the unanimous consent of the parties sharing control. A joint arrangement is an arrangement of which two or more parties have joint control. A joint arrangement is either a joint operation or a joint venture:
  - a joint *operation* is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement: a joint operator accounts for the assets, liabilities, revenues and expenses relating to its involvement in the joint operation,
  - a *joint venture* is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement: a joint venture is accounted for using the equity method. All entities under the group's joint control are joint ventures as defined by IFRS 11.
- *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.

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 shares in consolidated companies.

Note 2a: Consolidation scope

Company removed from the consolidation scope:
- Disposal of Banque Pasche
- Liquidation of Banque Transatlantique Singapore Private Ltd

Merger:
- Absorption of CM-CIC Securities by CIC
- Absorption of Sudinnova by CM-CIC Innovation

Sociétés	Country	Currency	2016 Percentage Voting rights	2016 Percentage Interest	2016 Method *	2015 Percentage Voting rights	2015 Percentage Interest	2015 Method *
Consolidating company: Crédit Industriel et Commercial - CIC								
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								
Regional banks								
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
CM-CIC Securities (i)	France				MER	100	100	FC
Diversified Debt Securities SICAV - SIF	Luxembourg		100	100	FC	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	2016 Voting rights	2016 Percentage Interest	2016 Method *	2015 Voting rights	2015 Percentage Interest	2015 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 Pasche	Switzerland	CHF			NC	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
Banque Transatlantique Singapore Private Ltd	Singapore	SGD			NC	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 et Participations (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		100	100	FC	100	100	FC
Sudinnova	France				MER	66	66	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 December 21, 2015: the group does not have a presence that meets the criteria defined by the order dated October 6, 2009.

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 on the previous page 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	5	3	0	0		3
Belgium	15	7	(2)	(1)		37
Spain	4	1	0	0		3
United States of America	118	70	(21)	(7)		85
France	4,329	1,625	(507)	(713)		18,367
Luxembourg	278	97	(14)	(23)		804
United Kingdom	45	30	(8)	(7)		56
Singapore	86	15	(3)	(4)		241
Switzerland	105	29	(5)	(10)		314
TOTAL	**4,985**	**1,877**	**(560)**	**(765)**		**19,910**

Note 2b: Fully-consolidated entities with material non-controlling interests

	Interest of non-controlling shareholders in the consolidated financial statements				Financial information about fully-consolidated entities [1]			
2016	Percentage interest	Net income	Amount in equity [2]	Dividends paid to non-controlling interests	Total assets	OCI	Net banking income	Net income
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
2015								
CM-CIC Lease	46%	2	33	(2)	4,174	0	24	5
Cigogne Management	40%	5	8	(5)	50	0	19	13
Sudinnova	34%	(1)	7	0	18	0	(3)	(4)
CM-CIC Factor	5%	0	6	0	6,123	(1)	77	2

(1) Amounts before elimination of intra-group accounts and transactions.
(2) Excluding net income.

Note 2c: Investments in unconsolidated structured entities

	2016			2015		
	Securitization vehicle (SPV)	Asset management (UCITS/SCPI)	Other structured entities*	Securitization vehicle (SPV)	Asset management (UCITS/SCPI)	Other structured entities*
Total assets	0	56	2,094	0	50	1,890
Carrying amounts of financial assets	0	44	782	0	41	671
Carrying amounts of financial liabilities	0	11	0	0	14	0
Maximum exposure to risk of loss	0	45	1	0	47	0

* Other structured entities correspond to asset financing entities.

Asset Backed Commercial Paper (ABCP) securitization conduit: the group owns a conduit, named General Funding Ltd, whose function is to carry out the refinancing by commercial paper of securitization transactions carried out by its clients.

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, Banque Pasche's business is classified within *Non-current assets held for sale*, *Liabilities associated with non-current assets held for sale* and *Post-tax gain/(loss) on discontinued operations and assets held for sale*. This business was sold in May 2016.

Banque Pasche's contribution to the consolidated financial statements

	2016	2015
Total assets	0	116
Net banking income	0	0
Equity	0	78
Net income/(loss)	44	(23)

The net income of €44 million for the year ended December 31, 2016 comprises the recycling of Banque Pasche's cumulative transaction adjustments totaling €66 million in the Holding company services business line, as well as Banque Pasche's net income up to the sale date.

Note 3: Analysis of income statement by business segment and geographic area

Business segment analysis principles

- Retail banking covers:
  - a) the banking network comprised of the regional banks and CIC's network in the Greater Paris region (Île-de-France);
  - b) the specialist business lines whose products are distributed via the banking network. These include equipment leasing, real estate leasing, factoring, third party fund management, 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 corporates 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.
- Holding company services encompass all unallocated 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.

Analysis of assets by business segment

2016	Retail banking	Financing and capital markets	Private banking	Private equity	Holding company services	Total
Cash and amounts due from central banks	345	33,140	3,329			36,814
Financial assets at fair value through profit or loss		11,696	155	2,186		14,037
Derivatives used for hedging purposes	1	820	6			827
Available-for-sale financial assets	176	10,737	2,323	12	384	13,632
Loans and receivables due from credit institutions [1]	5,754	10,691	5,191	2	820	22,458
Loans and receivables due from customers	128,642	23,535	13,801	1	84	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.

2015						
Cash and amounts due from central banks	350	3,333	2,173		1,707	7,563
Financial assets at fair value through profit or loss	1	12,856	146	2,087		15,090
Derivatives used for hedging purposes	4	922	3			929
Available-for-sale financial assets	179	9,571	2,398	5	307	12,460
Loans and receivables due from credit institutions [1]	4,677	8,634	5,651	2	25,775	44,739
Loans and receivables due from customers	123,916	21,171	11,992		87	157,166
Held-to-maturity financial assets	60					60
Investments in associates	1,681					1,681

(1) Of which €9,343 million due from BFCM.

Analysis of liabilities by business segment

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		5,996	171			6,167
Derivatives used for hedging purposes	7	3,110	157		26	3,300
Due to credit institutions [1]	26,890	28,548	2,902		17,822	76,162
Due to customers	107,189	10,986	20,098		499	138,772
Debt securities	2,952	20,658	28			23,638

(1) Of which €49,081 million due to BFCM.

2015	Retail banking	Financing and capital markets	Private banking	Private equity	Holding company services	Total
Due to central banks						
Financial liabilities at fair value through profit or loss	1	6,726	144			6,871
Derivatives used for hedging purposes	4	3,351	186		36	3,577
Due to credit institutions [1]	30,706	24,185	2,076		16,813	73,780
Due to customers	99,693	10,967	18,605		693	129,958
Debt securities	1,223	16,824	14		199	18,260

(1) Of which €50,424 million due to BFCM.

Analysis of income statement items by business segment

2016	Retail banking	Financing and capital markets	Private banking	Private equity	Holding company services	Total
Net banking income/(expense)	3,500	750	512	195	28	4,985
General operating expenses	(2,272)	(307)	(367)	(46)	(79)	(3,071)
Operating income before provisions	**1,228**	**443**	**145**	**149**	**(51)**	**1,914**
Net provision allocations/reversals for loan losses	(164)	(19)	(3)		1	(185)
Net gains on disposals of other assets [1]	140		7		1	148
Income before tax	**1,204**	**424**	**149**	**149**	**(49)**	**1,877**
Corporate income tax	(374)	(150)	(32)		(4)	(560)
Post-tax gain/(loss) on discontinued operations			(22)		66	44
Net income	**830**	**274**	**95**	**149**	**13**	**1,361**

2015	Retail banking	Financing and capital markets	Private banking	Private equity	Holding company services	Total
Net banking income	3,514	708	509	172	(121)	4,782
General operating expenses [2]	(2,254)	(266)	(371)	(41)	(73)	(3,005)
Operating income before provisions	**1,260**	**442**	**138**	**131**	**(194)**	**1,777**
Net provision allocations/reversals for loan losses	(194)	(21)	9		(1)	(207)
Net gains on disposals of other assets [1]	136		(4)			132
Income before tax	**1,202**	**421**	**143**	**131**	**(195)**	**1,702**
Corporate income tax [2]	(410)	(165)	(41)	(5)	59	(562)
Post-tax gain/(loss) on discontinued operations			(23)			(23)
Net income	**792**	**256**	**79**	**126**	**(136)**	**1,117**

(1) Including net income from associates (companies accounted for using the equity method) and impairment losses on goodwill.
(2) An amount of €20 million relating to a capital gain on the disposal of AFS securities and included in NBI was reclassified, for the year ended December 31, 2015, from the Retail banking business line to the Holding company services business line. The €8 million tax charge in respect of this capital gain was also transferred.

Breakdown of assets by geographic area

	2016				2015			
	France	Europe excluding France	Other countries [1]	Total	France	Europe excluding France	Other countries [1]	Total
Cash and amounts due from central banks	31,003	3,330	2,481	36,814	2,057	2,172	3,334	7,563
Financial assets at fair value through profit or loss	13,062	136	839	14,037	14,289	130	671	15,090
Derivatives used for hedging purposes	814	7	6	827	923	4	2	929
Available-for-sale financial assets	6,928	3,311	3,393	13,632	6,871	3,175	2,414	12,460
Loans and receivables due from credit institutions	16,493	5,076	889	22,458	38,366	5,134	1,239	44,739
Loans and receivables due from customers	146,717	11,743	7,603	166,063	140,475	10,889	5,802	157,166
Held-to-maturity financial assets	63	0	0	63	60	0	0	60
Investments in associates	1,744	0	0	1,744	1,681	0	0	1,681

Breakdown of liabilities by geographic area

	2016				2015			
	France	Europe excluding France	Other countries [1]	Total	France	Europe excluding France	Other countries [1]	Total
Due to central banks	0	0	0	0	0	0	0	0
Financial liabilities at fair value through profit or loss	5,717	235	215	6,167	6,369	386	116	6,871
Derivatives used for hedging purposes	3,130	160	10	3,300	3,380	187	10	3,577
Due to credit institutions	68,400	442	7,320	76,162	67,710	353	5,717	73,780
Due to customers	120,710	16,757	1,305	138,772	112,945	16,195	818	129,958
Debt securities	14,790	3,272	5,576	23,638	10,312	1,862	6,086	18,260

Breakdown of income statement items by geographic area

	2016				2015			
	France	Europe excluding France	Other countries [1]	Total	France	Europe excluding France	Other countries [1]	Total
Net banking income/(expense)	**4,329**	**452**	**204**	**4,985**	**4,123**	**457**	**202**	**4,782**
General operating expenses	(2,672)	(287)	(112)	(3,071)	(2,613)	(291)	(101)	(3,005)
Operating income before provisions	**1,657**	**165**	**92**	**1,914**	**1,510**	**166**	**101**	**1,777**
Net provision allocations/reversals for loan losses	(174)	(5)	(6)	(185)	(194)	8	(21)	(207)
Net gains on disposals of other assets [2]	141	7	0	148	136	(4)	0	132
Income before tax	**1,624**	**167**	**86**	**1,877**	**1,452**	**170**	**80**	**1,702**
Corporate income tax	(507)	(29)	(24)	(560)	(477)	(37)	(48)	(562)
Post-tax gain/(loss) on discontinued operations	63	(19)	0	44	0	(23)	0	(23)
Net income	**1,180**	**119**	**62**	**1,361**	**975**	**110**	**32**	**1,117**

(1) 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

	2016	2015
Cash and amounts due from central banks		
Central banks	36,454	7,194
Of which, mandatory reserves	*1,055*	*914*
Cash	360	369
TOTAL	**36,814**	**7,563**
Loans and receivables due from credit institutions		
Current accounts	6,828	9,662
Loans	6,477	26,559
Other receivables	570	722
Securities not quoted on an active market	462	913
Repurchase agreements	8,076	6,832
Individually-impaired receivables	0	0
Accrued interest	45	51
Impairment provisions	0	0
TOTAL	**22,458**	**44,739**
Including non-voting loan stock	*164*	*164*

Note 5: Financial assets at fair value through profit or loss

	2016	2015
Financial assets at fair value through profit or loss by option	2,313	2,211
Financial assets held for trading	11,724	12,879
TOTAL	**14,037**	**15,090**

Note 5a: Financial assets accounted for under the fair value option

	2016	2015
Securities		
Government securities	0	0
Bonds and other fixed-income securities		
- Quoted	87	81
- Not quoted	264	294
Equities and other variable-income securities [1]		
- Quoted	362	221
- Not quoted	1,600	1,615
Other financial assets		
- Resale agreements	0	0
- Other loans and term deposits	0	0
TOTAL	**2,313**	**2,211**

(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

	2016	2015
Securities		
Government securities	865	1,638
Bonds and other fixed-income securities		
- Quoted	6,241	6,797
- Not quoted	0	0
Equities and other variable-income securities		
- Quoted	666	986
- Not quoted	0	0
Derivatives held for trading	3,952	3,458
TOTAL	**11,724**	**12,879**

Financial assets held for trading relate to financial assets held in connection with capital markets activities.

Note 5c: Analysis of derivative instruments

	2016			2015		
	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
Derivatives held for trading						
Interest rate derivatives						
- *Swaps*	67,368	2,485	2,629	97,540	2,492	2,713
- Futures and forward contracts	53,867	5	1	15,173	6	2
- Options	21,486	32	21	21,038	39	30
Foreign exchange instruments						
- *Swaps*	58,582	73	70	61,339	60	61
- Futures and forward contracts	7,121	572	547	117	287	265
- Options	24,989	199	191	23,372	176	165
Other derivatives						
- *Swaps*	12,733	73	129	13,872	120	187
- Futures and forward contracts	1,157	14	63	1,876	0	26
- Options	11,784	499	531	8,705	278	254
Sub-total	**259,087**	**3,952**	**4,182**	**243,032**	**3,458**	**3,703**
Derivatives used for hedging purposes						
Derivatives designated as *fair value hedges*						
- *Swaps*	65,238	827	3,299	61,941	928	3,577
- Futures and forward contracts	477	0	0	0	0	0
- Options	0	0	1	1	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	**65,715**	**827**	**3,300**	**61,942**	**929**	**3,577**
TOTAL	**324,802**	**4,779**	**7,482**	**304,974**	**4,387**	**7,280**

IFRS 13 on fair value measurement came into force on January 1, 2013. As regards over-the-counter derivatives, it amends the procedures for measuring the counterparty risk included in their fair value by taking into account the "*credit value adjustment*" (CVA) and the "*debt value adjustment*" (DVA) – which involves using the own credit risk – as well as the "*funding value adjustment*" (FVA) – which corresponds to the costs or benefits associated with financing certain derivatives not included in a netting agreement. As of December 31, 2016, the CVA and FVA were expenses totaling €39 million and €14 million respectively compared with expenses of €38 million and €22 million as of December 31, 2015.
The DVA totaled €3 million as of December 31, 2016 and as of December 31, 2015.
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

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
- Due to customers - Fair value by option	0	71	0	71
- Debt securities - Fair value by option	0	0	0	0
- Subordinated notes - 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**

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

	Jan. 1, 2016	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	1,616	216	(320)	139	(95)	1,556

2016	Level 1	Level 2	Level 3	Total
Financial assets				
Available for sale (AFS)				
- Government securities and similar instruments	5,153	34	0	5,187
- Bonds and other fixed-income securities	4,066	1,068	1,515	6,649
- Equities, portfolio activity securities and other variable-income securities	31	2	145	178
- Investments and other long-term securities	29	4	204	237
- Investments in subsidiaries and associates	0	6	203	209
Trading/Fair value by option				
- Government securities and similar instruments – Trading	1,289	349	0	1,638
- Government securities and similar instruments - Fair value by option	0	0	0	0
- Bonds and other fixed-income securities - Trading	4,873	1,431	493	6,797
- Bonds and other fixed-income securities - Fair value by option	57	0	318	375
- Equities and other variable-income securities – Trading	985	0	1	986
- Equities and other variable-income securities – Fair value by option	220	0	1,616	1,836
- 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	11	3,033	414	3,458
Derivatives used for hedging purposes	0	900	29	929
TOTAL	**16,714**	**6,827**	**4,938**	**28,479**

Financial liabilities				
Trading/Fair value by option				
- Due to credit institutions - Fair value by option	0	133	0	133
- Due to customers - Fair value by option	0	0	0	0
- Debt securities - Fair value by option	0	109	0	109
- Subordinated notes - Fair value by option	0	0	0	0
- Derivatives and other financial liabilities – Trading	2,887	3,255	487	6,629
Derivatives used for hedging purposes	0	3,526	51	3,577
TOTAL	**2,887**	**7,023**	**538**	**10,448**

Note 6: Derivatives used for hedging purposes

	2016		2015	
	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	827	3,300	929	3,577
TOTAL	**827**	**3,300**	**929**	**3,577**

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

	2016	2015
Government securities	5,268	5,129
Bonds and other fixed-income securities		
- Quoted	7,304	6,439
- Not quoted	293	193
Equities and other variable-income securities		
- Quoted	73	100
- Not quoted	130	78
Long-term investments		
- Investments in non-consolidated companies		
Quoted	2	2
Not quoted	61	64
- Other long-term investments		
Quoted	26	26
Not quoted	158	145
- Investments in subsidiaries and associates		
Quoted	0	0
Not quoted	232	209
- Translation adjustment	0	0
- Securities loaned	0	0
Accrued interest	85	75
TOTAL	**13,632**	**12,460**
Of which, unrealized gains and losses (net of tax) on bonds and other fixed-income securities and on government securities	*(108)*	*(141)*
Of which, unrealized gains and losses (net of tax) on equities and other variable-income securities and on long-term investments	*74*	*59*
Of which, impairment of bonds and other fixed-income securities	*(14)*	*(21)*
Of which, impairment of equities and other variable-income securities and of long-term investments	*(60)*	*(56)*

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 2016 there was a net reversal of €6 million compared with a net reversal of €89 million in respect of 2015.

At December 31, 2016, the cost of impaired equities came to €157 million and the corresponding impairment amounted to €60 million. They had a market value of €97 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%	7,728	18,813	810	654
Crédit Logement	Not quoted	< 5%	1,749	10,124	435	236

The figures above relate to fiscal year 2015 (except those for the percentage interest held).

Note 7b: Exposures to sovereign risk

Sovereign exposures

Net outstandings as per the financial statements at 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**

Net outstandings as per the financial statements at December 31, 2015*/**	Portugal	Ireland	Spain	Italy
Financial assets at fair value through profit or loss	42		98	63
Available-for-sale financial assets	60	85	92	610
TOTAL	**102**	**85**	**190**	**673**
Residual contractual term				
Less than 1 year			96	38
1 to 3 years	62		45	373
3 to 5 years	12	85		203
5 to 10 years	18		32	58
More than 10 years	10		17	1
TOTAL	**102**	**85**	**190**	**673**

* At market value for capital markets activities; at nominal value for other business lines.
** Outstandings net of CDS used to purchase protection.

Note 8: Loans and receivables due from customers

	2016	2015
Performing loans		
- Commercial loans	5,499	5,686
Of which, factoring accounts	*4,512*	*4,770*
- Other loans and receivables		
- Home loans	70,495	69,073
- Other loans and miscellaneous receivables	69,395	62,259
- Resale agreements	7,314	7,218
Accrued interest	239	249
Securities not quoted on an active market	340	426
Individually-impaired receivables	4,948	4,926
Individual impairment	(2,345)	(2,378)
Collective impairment	(155)	(185)
Sub-total	**155,730**	**147,274**
Finance leases (net investment)		
- Equipment	6,150	5,767
- Real estate	3,985	3,914
Individually-impaired receivables	341	350
Individual impairment	(143)	(139)
Sub-total	10,333	9,892
TOTAL	**166,063**	**157,166**
Including non-voting loan stock	*8*	*10*
Including subordinated loans	*15*	*16*

Finance lease transactions

	Jan. 1, 2016	Acquisitions	Disposals	Other	Dec. 31, 2016
Gross	10,031	1,386	(927)	(15)	10,475
Impairment of non-recoverable lease payments	(139)	(31)	28	0	(142)
Net	**9,892**	**1,355**	**(899)**	**(15)**	**10,333**

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	2,964	5,590	2,234	10,788
Present value of future lease payments	2,843	5,419	2,168	10,430
Unearned finance income	**121**	**171**	**66**	**358**

Note 9: Remeasurement adjustment on interest-rate risk hedged portfolios

	2016		2015			
	Assets	Liabilities	Liabilities	Liabilities	Change in fair value	
Fair value of portfolio interest rate risk	486	(607)	562	(742)	(76)	135

Note 10: Held-to-maturity financial assets

	2016	2015
Government securities	0	0
Bonds and other fixed-income securities	74	71
Accrued interest	0	0
TOTAL GROSS	**74**	**71**
Provisions for impairment	(11)	(11)
TOTAL NET	**63**	**60**

Note 10a: Movements in provisions for impairment

	Jan. 1, 2016	Additions	Reversals	Other	Dec. 31, 2016
Loans and receivables due from credit institutions	0	0	0	0	0
Loans and receivables due from customers	(2,702)	(538)	602	(5)	(2,643)
Available-for-sale securities	(77)	(23)	20	6	(74)
Held-to-maturity securities	(11)	0	0	0	(11)
TOTAL	**(2,790)**	**(561)**	**622**	**1**	**(2,728)**

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.

	2016	2015
Carrying amount of assets reclassified	**2,826**	**3,543**
Loans and receivables portfolio	590	1,124
AFS portfolio	2,236	2,418
Fair value of assets reclassified	**2,857**	**3,517**
Loans and receivables portfolio	621	1,123
AFS portfolio	2,236	2,393

	2016	2015
Gains/(losses) that would have been recognized in the income statement at fair value if the assets had not been reclassified	92	(115)
Unrealized gains/(losses) that would have been recognized in equity if the assets had not been reclassified	(146)	64
Gains/(losses) recognized in income (net banking income and net provision allocations/reversals for loan losses) relating to reclassified assets	62	49

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	2016	2015
RMBS	2,798	3,198
CMBS	51	412
CLO	2,075	1,666
Other *ABS*	1,640	1,564
RMBS hedged by *CDS*	0	0
CLO hedged by *CDS*	5	38
Other *ABS* hedged by *CDS*	0	0
ABCP *program liquidity lines*	185	223
TOTAL	**6,754**	**7,101**

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).

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**

2015	RMBS	CMBS	CLO	Other ABS	Total
Trading	1,078	70	135	52	1,335
AFS	1,482	342	1,267	1,337	4,428
Loans	638		264	175	1,077
TOTAL	**3,198**	**412**	**1,666**	**1,564**	**6,840**
France	9		22	379	410
Spain	85			51	136
United Kingdom	374	19	50	189	632
Europe excluding France, Spain and the United Kingdom	740	60	553	928	2,281
USA	1,983	333	769	17	3,102
Other	7		272		279
TOTAL	**3,198**	**412**	**1,666**	**1,564**	**6,840**
US agencies	1,514				1,514
AAA	800	359	1,625	998	3,782
AA	266			327	593
A	92		16	161	269
BBB	40	53	4	61	158
BB	31		2		33
B or below	455		2	17	474
Not rated			17		17
TOTAL	**3,198**	**412**	**1,666**	**1,564**	**6,840**
Origination 2005 and earlier	363	53			416
Origination 2006 - 2008	812	333	195	50	1,390
Origination 2009 - 2011	248			37	285
Origination 2012 - 2015	1,775	26	1,471	1,477	4,749
TOTAL	**3,198**	**412**	**1,666**	**1,564**	**6,840**

Note 11: Current or payable taxes

	2016	2015
Assets	485	370
Liabilities	238	217

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

	2016	2015
Deferred tax assets dealt with through the income statement [1]	321	311
Deferred tax assets dealt with through equity	58	69
Deferred tax liabilities dealt with through the income statement	257	254
Deferred tax liabilities dealt with through equity	13	8

(1) Of which €39 million related to CIC New York as of December 31, 2016 compared with €31 million as of December 31, 2015.

Analysis of deferred taxes (income statement) by major category

	2016		2015	
	Assets	Liabilities	Assets	Liabilities
Temporary differences on:				
Provisions	118		213	
Finance leasing reserves		(158)		(223)
Income from flow-through entities	1		1	
Remeasurement of financial instruments	418	(382)	541	(516)
Accrued expenses and accrued income	80		86	
Other temporary differences		(13)		(46)
Netting	**(296)**	**296**	**(531)**	**531**
TOTAL	**321**	**(257)**	**310**	**(254)**

The deferred tax rate for the French companies is 34.43%.

Note 13: Accruals and other assets

	2016	2015
Accruals		
Collection accounts	48	15
Currency adjustment accounts	109	1
Accrued income	356	317
Other accruals	1,100	2,346
Sub-total	**1,613**	**2,679**
Other assets		
Securities settlement accounts	106	63
Security deposits paid	5,557	5,358
Miscellaneous receivables	3,450	3,109
Inventories and similar	5	7
Other	13	12
Sub-total	**9,131**	**8,549**
TOTAL	**10,744**	**11,228**

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 and net income (loss) of equity-accounted entities

	2016				2015			
	Share of capital held	Value under equity consolidation method	Share of net income/(loss)	Dividends received	Share of capital held	Value under equity consolidation method	Share of net income/(loss)	Dividends received
Groupe ACM[1] - not quoted	20.52%	1,730	135	52	20.52%	1,667	137	50
CM-CIC Asset Management - not quoted	23.53%	14	1	1	23.53%	14	1	1
TOTAL		**1,744**	**136**	**53**		**1,681**	**138**	**51**

(1) Comprises goodwill of €54 million.

Financial data published by the group's main associates

2016	Total assets	Net banking income	Operating income before provisions	Net income	OCI	Equity
Groupe ACM	97,698	1,421	949	684	1,206	8,377
CM-CIC Asset Management	84	57	5	4	2	59

2015	Total assets	Net banking income	Operating income before provisions	Net income	OCI	Equity
Groupe ACM	92,214	1,501	1,052	694	1,036	8,024
CM-CIC Asset Management	80	57	6	4	2	60

Reconciliation between the summarized information and the value under the equity consolidation method

2016	Group equity	Consolidation adjustments	Restated equity	Impact of percentage interest	Goodwill	Impairment	Value under equity consolidation method
Groupe ACM	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**

2015	Group equity	Consolidation adjustments	Restated equity	Impact of percentage interest	Goodwill	Impairment	Value under equity consolidation method
Groupe ACM	7,781	79	7,860	(6,247)	54		1,667
CM-CIC Asset Management	60	0	60	(46)			14
TOTAL	**7,841**	**79**	**7,920**	**(6,293)**	**54**	**0**	**1,681**

Note 15: Investment property

	Jan. 1, 2016	Increases	Decreases	Other movements	Dec. 31, 2016
Historical cost	**58**	**2**	**(4)**	**0**	**56**
Depreciation and impairment	(23)	(2)	1	0	(24)
Net	**35**	**0**	**(3)**	**0**	**32**

The fair value of investment property carried at cost is comparable to its carrying amount.

Note 16: Property and equipment

	Jan. 1, 2016	Increases	Decreases	Other movements	Dec. 31, 2016
Historical cost					
Land used in operations	327	1	(8)	0	320
Buildings used in operations	2,565	88	(52)	6	2,607
Other property and equipment	579	38	(48)	(9)	560
TOTAL	**3,471**	**127**	**(108)**	**(3)**	**3,487**
Depreciation and impairment					
Land used in operations	0	0	0	0	0
Buildings used in operations	(1,643)	(99)	40	(1)	(1,703)
Other property and equipment	(461)	(21)	31	0	(451)
TOTAL	**(2,104)**	**(120)**	**71**	**(1)**	**(2,154)**
Net	**1,367**	**7**	**(37)**	**(4)**	**1,333**

Note 17: Intangible assets

	Jan. 1, 2016	Increases	Decreases	Other movements	Dec. 31, 2016
Historical cost					
Internally developed intangible assets	0	0	0	0	0
Purchased intangible assets	337	13	(30)	4	324
- Software	*81*	*12*	*(17)*	*0*	*76*
- Other	*256*	*1*	*(13)*	*4*	*248*
TOTAL	**337**	**13**	**(30)**	**4**	**324**
Amortization and impairment					
Internally developed intangible assets	0	0	0	0	0
Purchased intangible assets	(140)	(21)	23	0	(138)
- Software	*(63)*	*(9)*	*14*	*0*	*(58)*
- Other	*(77)*	*(12)*	*9*	*0*	*(80)*
TOTAL	**(140)**	**(21)**	**23**	**0**	**(138)**
Net	**197**	**(8)**	**(7)**	**4**	**186**

Note 18: Goodwill

	Jan. 1, 2016	Increases	Decreases	Other movements	Dec. 31, 2016
Gross value	36	0	(3)	0	33
Impairment	(3)	0	3	0	0
Carrying amount	**33**	**0**	**0**	**0**	33

Goodwill is tested for impairment on an annual basis.

	Jan. 1, 2016	Increases	Decreases	Other movements	Dec. 31, 2016
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

Note 19: Due to central banks – Due to credit institutions

	2016	2015
Central banks	0	0
Due to credit institutions		
Current accounts	4,015	1,396
Other borrowings [1]	55,943	58,134
Repurchase agreements	16,106	14,134
Accrued interest	98	116
TOTAL	76,162	73,780

(1) Including €47,404 million due to BFCM at December 31, 2016 and €50,067 million at December 31, 2015.

Note 20: Financial liabilities at fair value through profit or loss

	2016	2015
Financial liabilities held for trading	6,096	6,628
Financial liabilities accounted for under the fair value option	71	243
TOTAL	6,167	6,871

Note 20a: Financial liabilities held for trading

	2016	2015
Short sales of securities		
- Government securities	0	0
- Bonds and other fixed-income securities	864	1,577
- Equities and other variable-income securities	975	1,233
Debts in respect of securities sold under repurchase agreements		
Derivatives held for trading	4,182	3,703
Other financial liabilities held for trading	75	115
- Of which, debts in respect of borrowed securities	*75*	*115*
TOTAL	6,096	6,628

Note 20b: Financial liabilities accounted for under the fair value option

	2016			2015		
	Carrying amount	Amount due on maturity	Difference	Carrying amount	Amount due on maturity	Difference
Securities issued	0	0	0	110	110	0
Subordinated debt	0	0	0	0	0	0
Interbank borrowings	0	0	0	133	133	0
Due to customers	71	71	0	0	0	0
TOTAL	71	71	0	243	243	0

The assessment of the specific credit risk was not material.

Note 21: Due to customers

	2016	2015
Regulated savings accounts		
- Demand	29,803	25,695
- Term	11,391	10,124
Accrued interest	1	3
Sub-total	41,195	**35,822**
Current accounts	65,354	57,412
Term deposits and borrowings	30,393	33,797
Repurchase agreements	1,575	2,539
Accrued interest	255	388
Sub-total	97,577	**94,136**
TOTAL	138,772	129,958

Note 22: Debt securities

	2016	2015
Retail certificates of deposit	200	188
Interbank instruments and money market securities	20,729	15,267
Bonds	2,612	2,725
Accrued interest	97	80
TOTAL	23,638	18,260

Note 23: Accruals and other liabilities

	2016	2015
Accruals		
Accounts unavailable due to recovery procedures	256	225
Currency adjustment accounts	14	40
Accrued expenses	654	636
Deferred income	390	390
Other accruals	1,553	4,770
Sub-total	**2,867**	**6,061**
Other liabilities		
Securities settlement accounts	92	36
Outstanding amounts payable on securities	231	51
Miscellaneous creditors	1,333	1,099
Sub-total	**1,656**	**1,186**
TOTAL	**4,523**	**7,247**

Further details of accruals and other liabilities are provided in Note 13.

Note 24: Provisions

	Jan. 1, 2016	Additions	Reversals (utilized provisions)	Reversals (surplus provisions)	Other movements	Dec. 31, 2016
Provisions for counterparty risks						
On signature commitments	88	41	0	(34)	0	95
Provision for risk on miscellaneous receivables	9	1	0	(3)	1	8
On financing and guarantee commitments	2	0	(1)	(1)	0	0
Other provisions for counterparty risks	9	0	0	(9)	0	0
Other provisions						
Provisions for retirement costs	188	11	(4)	(5)	14	204
Provisions for claims and litigations	15	4	(1)	(4)	0	14
Provision for home savings accounts and plans	45	10	0	(1)	0	54
Provision for taxes	39	10	0	(12)	0	37
Provisions for miscellaneous contingencies	275	19	(8)	(6)	5	285
Other provisions [1]	336	91	0	(22)	(10)	395
TOTAL	**1,006**	**187**	**(14)**	**(97)**	**10**	**1,092**

(1) Other provisions include provisions set aside in respect of economic interest groupings (EIG) totaling €345 million.

Note 24a: Retirement and other employee benefits

	Jan. 1, 2016	Additions	Reversals	Other movements[1]	Dec. 31, 2016
Defined benefit plans not covered by retirement funds					
Retirement bonuses	99	2	(4)	0	97
Top-up payments	38	4	(5)	1	38
Obligations for long-service awards (other long-term benefits)	36	3	0	(1)	38
Sub-total	**173**	**9**	**(9)**	**0**	**173**
Supplementary defined benefit pensions covered by pension funds					
Provision for pension fund shortfalls [2]	15	2	0	14	31
Sub-total	**15**	**2**	**0**	**14**	**31**
TOTAL	**188**	**11**	**(9)**	**14**	**204**

(1) The other movements resulted from the change in the IBOXX discount rate.
(2) The provisions for pension fund shortfalls relate to the group's foreign entities.

Assumptions used	2016	2015
Discount rate [1]	1.2%	2.0%
Salary inflation rate [2]	Minimum 0.5%	Minimum 0.8%

(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	Jan. 1, 2016	Impact of discounting	Financial income	Cost of services rendered	Other including past service cost	Change in actuarial differences [1]	Payment to beneficiaries	Insurance contributions	Dec. 31, 2016
Commitments	210	6		11	(2)	7	(18)		214
Insurance policy	123		3		(1)	4	(11)	11	129
Excess assets/commitments	1				(1)				0
Sub-total: banks insured by ACM	**88**	**6**	**(3)**	**11**	**(2)**	**3**	**(7)**	**(11)**	**85**
Other French entities	0								0
Foreign entities	11								12
TOTAL	**99**								**97**

(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	0.70%	1.20%	1.70%
Commitments	227	214	202

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	77	75	47	56	78	92	118	543	217

Breakdown of the ACM insurance policy assets	2016 Assets quoted on an active market	2016 Assets not quoted on an active market	2016 Total	2015 Assets quoted on an active market	2015 Assets not quoted on an active market	2015 Total
Debt securities	80%	0%	80%	83%	0%	83%
Equity instruments	11%	0%	11%	10%	0%	10%
Real estate	1%	4%	5%	1%	3%	4%
Other	4%	0%	4%	3%	0%	3%
TOTAL	**96%**	**4%**	**100%**	**97%**	**3%**	**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 €25 million at December 31, 2016, compared with €27 million at December 31, 2015.
The amount paid in respect of benefits was a negative €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

	2016	2015
Home savings plans		
Contracted between 0 and 4 years ago	4,996	3,811
Contracted between 4 and 10 years ago	1,999	1,946
Contracted more than 10 years ago	2,515	2,625
TOTAL	**9,510**	**8,382**
Amounts outstanding under home savings accounts	595	586
TOTAL	**10,105**	**8,968**

Home savings loans	2016	2015
Balance of home savings loans giving rise to provisions for risks reported in assets	55	78

Home savings provisions	Jan. 1, 2016	Net additions	Other movements	Dec. 31, 2016
On home savings accounts	5	(1)		4
On home savings plans	39	10		49
On home savings loans	2	(1)		1
TOTAL	**46**	**8**	**0**	**54**
Maturity analysis				
Contracted between 0 and 4 years ago	11			31
Contracted between 4 and 10 years ago	12			13
Contracted more than 10 years ago	16			5
TOTAL	**39**			**49**

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 rise in the provision was related to the fall in market rates and the increase in outstandings in respect of PEL products.

Note 25: Subordinated debt

	2016	2015
Subordinated debt	287	14
Non-voting loan stock	153	153
Perpetual subordinated loan stock	26	107
Other debt	1,175	0
Accrued interest	3	3
TOTAL	**1,644**	**277**

Subordinated debt representing more than 10% of total subordinated debt at December 31, 2016:

Main subordinated debt issues	Issue date	Issue amount	Currency	Rate	Maturity	Early redemption feature	Early redemption conditions
Non-voting loan stock	05.28.1985	€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

	2016	2015
Unrealized or deferred gains and losses* relating to:		
Translation adjustments	97	161
Available-for-sale financial assets:		
- Equities	74	58
- Bonds	(108)	(141)
Actuarial differences on defined benefit plans	(56)	(44)
Derivatives designated as cash flow hedges	0	0
Real estate assets (IAS 16)		
Share of unrealized gains and losses of associates	248	213
TOTAL	**255**	**247**
Unrealized or deferred gains and losses		
Attributable to owners of the company	255	247
Non-controlling interests	0	0
TOTAL	**255**	**247**

* Amounts net of tax.

Note 26b: Additional information on movements in unrealized or deferred gains and losses

Movement in gains and losses recognized directly in equity

	2016	2015
Translation adjustments		
Reclassification in income	(66)	
Other movements	3	79
Sub-total	**(63)**	**79**
Remeasurement of available-for-sale financial assets		
Reclassification in income	5	7
Other movements	43	(43)
Sub-total	**48**	**(36)**
Remeasurement of hedging derivatives		
Reclassification in income	0	0
Other movements	0	1
Sub-total	**0**	**1**
Remeasurement of non-current assets	0	0
Actuarial differences on defined benefit plans	(12)	24
Share of unrealized or deferred gains and losses of associates	35	(18)
TOTAL	**8**	**50**

Movement in gains and losses recognized directly in equity

	2016			2015		
	Gross	Tax	Net	Gross	Tax	Net
Translation adjustments	(63)		(63)	79		79
Remeasurement of available-for-sale financial assets	69	(21)	48	(28)	(8)	(36)
Remeasurement of hedging derivatives	0	0	0	1	0	1
Remeasurement of non-current assets			0			0
Actuarial differences on defined benefit plans	(16)	4	(12)	38	(14)	24
Share of unrealized or deferred gains and losses of associates	35		35	(18)		(18)
TOTAL MOVEMENTS IN GAINS AND LOSSES RECOGNIZED DIRECTLY IN EQUITY	**25**	**(17)**	**8**	**72**	**(22)**	**50**

Note 27: Commitments given and received

Commitments given	2016	2015
Financing commitments		
To credit institutions	300	315
To customers	30,976	29,699
Guarantees		
To credit institutions	725	1,151
To customers	12,653	12,825

Commitments received	2016	2015
Financing commitments		
From credit institutions	251	6,101
Guarantees		
From credit institutions	40,528	34,873

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 €17,611 million at December 31, 2016 compared with €15,855 million at December 31, 2015.

	2016	2015
Securities loaned	0	0
Security deposits on market transactions	5,556	5,357
Securities sold under repurchase agreements	17,701	16,508
TOTAL	**23,257**	**21,865**

Note 27b: Financial assets/liabilities that are offset or subject to an enforceable master netting agreement or similar agreement

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	Financials instruments Impacts of masters 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**

Note 27b (contd)

2015	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	Financials instruments Impacts of masters agreements	Financial instruments received or given as collateral	Cash received *(cash collateral)*	Net amount
Financial assets							
Derivatives	4,388	0	4,388	(2,078)	0	(2,216)	94
Repurchase agreements	14,172	0	14,172	0	(13,518)	(65)	589
TOTAL	**18,560**	**0**	**18,560**	**(2,078)**	**(13,518)**	**(2,281)**	**683**
Financial liabilities							
Derivatives	7,226	0	7,226	(2,098)	0	(4,779)	349
Repurchase agreements	16,508	0	16,508	0	(16,381)	(94)	33
TOTAL	**23,734**	**0**	**23,734**	**(2,098)**	**(16,381)**	**(4,873)**	**382**

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

	2016		2015	
	Income	Expense	Income	Expense
Credit institutions and central banks	278	(509)	398	(593)
Customers	6,624	(3,526)	6,722	(3,613)
- Of which, finance leases	*2,856*	*(2,601)*	*2,753*	*(2,482)*
Financial assets/liabilities accounted for under the fair value option	0		0	
Derivatives used for hedging purposes	408	(1,105)	370	(1,206)
Available-for-sale financial assets	206		198	
Held-to-maturity financial assets	3		2	
Debt securities		(277)		(223)
Subordinated debt		(1)		(3)
TOTAL	**7,519**	**(5,418)**	**7,690**	**(5,638)**

Note 29: Commission income and expense

	2016		2015	
	Income	Expense	Income	Expense
Credit institutions	3	(5)	3	(26)
Customers	911	(10)	920	(10)
Securities transactions	481	(30)	513	(28)
Derivatives	3	(4)	3	(7)
Currency transactions	18	(1)	23	(1)
Financing and guarantee commitments	3	(16)	6	(14)
Services provided	1,037	(483)	950	(428)
TOTAL	2,456	(549)	2,418	(514)

	2016	2015
Commissions on financial assets and liabilities not carried at fair value through profit or loss (including demand accounts)	913	910
Commissions for management services provided to third parties	445	470

Note 30: Net gain/(loss) on financial instruments at fair value through profit or loss

	2016	2015
Trading instruments	424	381
Instruments accounted for under the fair value option [1]	261	172
Ineffective portion of hedges	5	9
Foreign exchange gains	41	31
TOTAL CHANGES IN FAIR VALUE	731	593

(1) Including €195 million in respect of the private equity business in the year ended December 31, 2016 compared with €166 million in the year ended December 31, 2015.

Note 30a: Ineffective portion of hedges

	2016	2015
Change in fair value of hedged items	(149)	(502)
Change in fair value of hedging instruments	154	511
TOTAL INEFFECTIVE PORTION OF HEDGES	5	9

Note 31: Net gain/(loss) on available-for-sale financial assets

	2016				2015			
	Dividends	Realized gains and losses	Impairment	Total	Dividends	Realized gains and losses	Impairment	Total
Government securities, bonds and other fixed-income securities		131	0	131		179	0	179
Equities and other variable-income securities	53	(49)	(1)	3	42	(26)	0	16
Long-term investments [1]	30	(19)	6	17	30	(84)	89	35
Other	0	0	0	0	0	(1)	0	(1)
TOTAL	83	63	5	151	72	68	89	229

(1) The transfers of the assets and liabilities of the entities that held BPM shares generated, in 2015, a merger loss of €98 million and reversals of provisions for contingencies and charges of €89 million.

Note 32: Income/expenses on other activities

	2016	2015
Income from other activities		
Investment property	0	1
Rebilled expenses	77	75
Other income [1]	166	103
Sub-total	243	179
Expenses on other activities		
Investment property	(2)	(2)
Other expenses	(146)	(173)
Sub-total	(148)	(175)
TOTAL	95	4

(1) Including €89 million received in respect of VISA compensation.

Note 33: General operating expenses

	2016	2015
Payroll costs	(1,720)	(1,698)
Other expenses	(1,211)	(1,141)
TOTAL	(2,931)	(2,839)

Note 33a: Payroll costs

	2016	2015
Wages and salaries	(1,037)	(1,025)
Social security charges [1]	(431)	(414)
Employee profit-sharing and incentive bonuses	(114)	(111)
Payroll-based taxes	(136)	(149)
Other	(2)	1
TOTAL	(1,720)	(1,698)

(1) Including income in respect of the Tax Credit for Competitiveness and Employment (*Crédit d'impôt pour la compétitivité et l'emploi* – CICE) totaling €22 million for the year ended December 31, 2016 compared with €23 million for the year ended December 31, 2015. This amount corresponds to 6% of the salaries eligible for this measure as of December 31, 2016.

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 means of the following initiatives:

- investment in new technologies such as digital tools (tablet computers) 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 electronic signing of remote contracts.

Note 33b: Average number of employees (as full-time equivalent)

	2016	2015
Banking staff	10,723	10,753
Managerial staff	9,187	9,053
TOTAL	19,910	19,806
Analysis by country		
France	18,367	18,306
Outside France	1,543	1,500
TOTAL	19,910	19,806

Note 33c: Other general operating expenses

	2016	2015
Other taxes and duties	(187)	(151)
External services	(1,045)	(1,011)
Rebilled expenses	23	22
Other miscellaneous expenses	(2)	(1)
TOTAL	**(1,211)**	**(1,141)**

"Other taxes and duties" comprises a charge of €51 million in respect of the contribution to the Single Resolution Fund for the year ended December 31, 2016. The corresponding charge for the year ended December 31, 2015 was €23 million.

Note 33d: Statutory auditors' fees

	2016					
Amounts excluding VAT	PriceWaterhouseCoopers Audit		Ernst & Young et Autres		KPMG	
Audit						
Statutory audit and contractual audits						
- CIC	0.45	17%	0.45	24%	0.45	31%
- Fully consolidated subsidiaries	1.90	73%	1.38	74%	0.53	36%
Other assignments and services directly related to the statutory audit [1]						
- CIC						
- Fully consolidated subsidiaries			0.00	0%		
Sub-total	2.35	90%	1.83	98%	0.98	67%
Other services performed by the networks for fully consolidated subsidiaries						
- Legal, tax and corporate advisory services	0.05	2%	0.04	2%	0.44	30%
- Other	0.22	8%			0.05	3%
Sub-total	0.27	10%	0.04	2%	0.49	33%
TOTAL	**2.62**	**100%**	**1.87**	**100%**	**1.47**	**100%**

	2015			
Amounts excluding VAT	PriceWaterhouseCoopers Audit		Ernst & Young et Autres	
Audit				
Statutory audit and contractual audits				
- CIC	0.66	20%	0.66	24%
- Fully consolidated subsidiaries	2.61	79%	1.79	64%
Other assignments and services directly related to the statutory audit [1]				
- CIC				
- Fully consolidated subsidiaries	0.02	1%	0.14	5%
Sub-total	3.29	100%	2.59	93%
Other services performed by the networks for fully consolidated subsidiaries				
- Legal, tax and corporate advisory services			0.02	1%
- Other			0.17	6%
Sub-total	0.00	0%	0.19	7%
TOTAL	**3.29**	**100%**	**2.78**	**100%**

The above amounts correspond to the amounts recognized as charges during the fiscal year.

(1) Other assignments directly related to the statutory audit comprise mainly assignments carried out at the request of the supervisory authorities, the aim of which was to ensure that the group and its procedures comply with regulatory requirements.

Note 34: Movements in depreciation, amortization and provisions for impairment of property and equipment and intangible assets

	2016	2015
Depreciation and amortization		
Property and equipment	(120)	(125)
Intangible assets	(16)	(29)
Impairment		
Property and equipment	0	1
Intangible assets	(4)	(13)
TOTAL	**(140)**	**(166)**

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	2015
Credit institutions	0	9	0	0	0	9	27
Customers							
- Finance leases	(6)	6	(1)	(2)	0	(3)	(7)
- Other customer items	(490)	561	(229)	(37)	9	(186)	(212)
Sub-total	**(496)**	**576**	**(230)**	**(39)**	**9**	**(180)**	**(192)**
Held-to-maturity financial assets	0	0	0	0	0	0	4
Available-for-sale financial assets	0	0	(4)	(15)	14	(5)	(26)
Other, including financing and guarantee commitments	(38)	39	(1)	0	0	0	7
TOTAL	**(534)**	**615**	**(235)**	**(54)**	**23**	**(185)**	**(207)**

Note 36: Net gain/(loss) on disposals of other assets

	2016	2015
Property and equipment and intangible assets		
Losses on disposals	(8)	(12)
Gains on disposals	20	6
Gains/(losses) on disposals of shares in consolidated entities	0	0
TOTAL	**12**	**(6)**

Note 37: Corporate income tax

	2016	2015
Current taxes	(566)	(517)
Deferred tax income and expense	7	(44)
Adjustments in respect of prior years	(1)	(1)
TOTAL	**(560)**	**(562)**

Including a charge of €507 million in respect of companies located in France and a charge of €53 million for companies located elsewhere.

Reconciliation between the corporate income tax charge recorded in the accounts and the theoretical tax charge

	2016	2015
Theoretical tax rate	**34.4%**	**38.0%**
Impact of preferential "SCR" and "SICOMI" rates	(2.8%)	(2.8%)
Impact of tax consolidation	1.1%	(0.4%)
Impact of different tax rates paid by foreign subsidiaries	(0.5%)	(0.8%)
Impact of tax credits and tax deductions	(0.3%)	(0.2%)
Impact of reduced rate on long-term capital gains	0.2%	(0.4%)
Impact of tax provisions	0.2%	(0.6%)
Impact of permanent differences	(0.2%)	0.9%
Impact of tax reassessments	0.0%	0.8%
Other	0.0%	1.4%
Effective tax rate	**32.1%**	**35.9%**
Taxable income[1]	1,741	1,564
TAX CHARGE	**(560)**	**(562)**

(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

	2016	2015
Net income attributable to owners of the company	1,352	1,111
Number of shares at beginning of year	37,797,752	37,797,752
Number of shares at end of year	37,797,752	37,797,752
Weighted average number of shares	37,797,752	37,797,752
Basic earnings per share (in €)	**35.77**	**29.39**
Additional weighted average number of shares assuming full dilution	0	0
Diluted earnings per share (in €)	**35.77**	**29.39**

CIC's share capital amounts to €608,439,888, made up of 38,027,493 shares with a par value of €16 each, including 229,741 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, 2016 and are obtained by computing estimated discounted future cash flows using a risk-free yield curve. For asset items, the yield curve factors in a credit *spread* calculated for the 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, 2016.

Note 39 (contd)

2016	Market value	Carrying amount	Unrealized gains or 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
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
2015						
Assets						
Loans and receivables due from credit institutions	44,386	44,739	(353)	300	34,380	9,706
Of which, debt securities – credit institutions	*912*	*912*	*0*	*300*	*585*	*27*
Of which, loans and advances – credit institutions	*43,474*	*43,827*	*(353)*	*0*	*33,795*	*9,679*
Loans and receivables due from customers	163,379	157,166	6,213	146	18,492	144,741
Of which, debt securities - customers	*421*	*425*	*(4)*	*146*	*43*	*232*
Of which, loans and advances - customers	*162,958*	*156,741*	*6,217*	*0*	*18,449*	*144,509*
Held-to-maturity financial assets	66	60	6	58	0	8
Liabilities						
Due to credit institutions	74,632	73,780	852	0	72,712	1,920
Due to customers	130,135	129,958	177	0	63,489	66,646
Debt securities	18,397	18,260	137	0	18,397	0
Subordinated debt	261	277	(16)	0	261	0

Note 40: Related party transactions

	2016		2015	
	Associates (companies accounted for using the equity method)	Parent company	Associates (companies accounted for using the equity method)	Parent company
Assets				
Loans, advances and securities				
- Loans and receivables due from credit institutions	0	7,990	0	9,471
- Loans and receivables due from customers	1,311	47	330	28
- Securities transactions	0	51	0	51
Other assets	3	184	2	280
TOTAL	**1,314**	**8,272**	**332**	**9,830**
Liabilities				
Deposits				
- Due to credit institutions	0	49,456	0	50,449
- Due to customers	293	167	277	120
Debt securities	544	1,535	738	59
Subordinated debt	0	1,593	0	162
Other liabilities	15	400	3	646
TOTAL	**852**	**53,151**	**1,018**	**51,436**
Financing and guarantee commitments				
Financing commitments given	0	0	0	0
Guarantee commitments given	0	22	0	30
Financing commitments received	0	39	0	5,858
Guarantee commitments received	0	3,503	0	2,957

	2016		2015	
Income statement items related to transactions with related parties	Associates (companies accounted for using the equity method)	Parent company	Associates (companies accounted for using the equity method)	Parent company
Interest income	0	329	0	354
Interest expense	(11)	(432)	(9)	(479)
Commission income	427	14	418	12
Commission expense	0	(142)	0	(132)
Other income and expenses	54	107	52	4
General operating expenses	(60)	(399)	(61)	(366)
TOTAL	**410**	**(523)**	**400**	**(607)**

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 52 *et seq.*).

Total compensation paid to the group's key executives	Fixed salary	Variable salary	Benefits-in-kind	Sundry adjustments	Total 2016	Total 2015
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, 2016 they had no loans of this kind.

STATUTORY AUDITORS' REPORT

on the consolidated financial statements

Year ended December 31, 2016

To the shareholders,

In fulfillment of the assignment entrusted to us by your shareholders' meetings, we hereby report to you, for the year ended December 31, 2016, on:

- the audit of the accompanying consolidated financial statements of Crédit Industriel et Commercial - CIC;
- the justification of our assessments;
- the specific verification required by law.

The consolidated financial statements have been approved by the board of directors. Our role is to express an opinion on these financial statements based on our audit.

I - Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit includes examining, on a test basis or using other sampling methods, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used, the significant estimates made in the preparation of the financial statements and the overall presentation of the financial statements. We believe that the information we have gathered is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the consolidated financial statements for the year ended December 31, 2014 give a true and fair view of the assets, liabilities and financial position of the group formed by the entities included in the consolidation scope and of the results of its operations in accordance with IFRS as adopted by the European Union.

II - Justification of our assessments

In accordance with the requirements of Article L.823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

- The group uses internal models and methodologies to measure financial instruments that are not traded on active markets, as well as to recognize certain provisions, as described in notes 1 and 5d to the consolidated financial statements. We examined the control systems relating to these models and methodologies, the parameters used and the identification of the financial instruments to which they apply;
- The group carried out impairment tests on goodwill and on equity interests which resulted, where relevant, in the recognition of impairment provisions for this year (notes 1 and 18 to the consolidated financial statements). We have reviewed the methods used to implement these tests, the main assumptions and parameters used and the estimates which resulted, where relevant, in the recognition of provisions to cover said impairment losses;
- The group recognizes impairment provisions to cover the credit and counterparty risks inherent in its business (notes 1, 8, 10a, 24 and 35 to the consolidated financial statements). We examined the control systems applicable to the monitoring of credit and counterparty risk, the impairment methodologies and the coverage of impairment losses by individual and collective provisions,
- The group recognizes provisions for employee benefit obligations (notes 1 and 24a to the consolidated financial statements). We examined the methodology used to assess these obligations, as well as the main assumptions and calculation methods used.

These assessments were made in the context of our audit of the consolidated financial statements taken as a whole and therefore contributed to the formation of our opinion expressed in the first section of this report.

III – Specific verification

As provided by law and in accordance with French professional standards, we also specifically verified the information given in the group's board of directors' report.

We have no matters to report as to its fair presentation and consistency with the consolidated financial statements.

The statutory auditors

Paris La Défense, April 19, 2017	Paris La Défense, April 19, 2017	Neuilly-sur-Seine, April 19, 2017
KPMG Audit.	Ernst & Young et Autres	PricewaterhouseCoopers Audit
Department of KPMG S.A.	Olivier Durand	Jacques Lévi
Arnaud Bourdeille	*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 general accounting principles and with regulation 2014-07 on the financial statements of banking sector companies and regulation 2014-03 on the French general chart of accounts. These regulations were issued by the French accounting standards authority (*Autorité des normes comptables* - ANC). As from January 1, 2016, ANC regulation 2015-06 has amended ANC regulation 2014-03 on the French general chart of accounts. Its first-time application had no impact on the company's opening shareholders' equity.

Highlights of the fiscal year

Absorption of CM-CIC Securities by CIC.

CIC Greater Paris region network

The Greater Paris region network was made up of 301 branches at December 31, 2016.

At that date, the number of customers totaled 751,480, including 610,950 personal banking customers.

Outstanding loans increased by 6% compared with end-2015 and totaled €17.1 billion. They included home loans of €11.7 billion, up 3% on the previous year.

Deposits rose by 7% to €22.3 billion. At €10.7 billion, savings were 2% lower than at December 31, 2015.

Financing and capital markets

Outstanding loans in financing were 16% higher than at end-2015 and totaled €24.4 billion. Deposits rose by 10% to €11.7 billion. Customer funds invested in savings products decreased by 3% compared with end-2015.

2016 results

Net banking income rose by 7.6%, from €1,686 million in 2015 to €1,815 million in 2016. This includes compensation of €28 million for CIC as sub-participant to Banque Fédérative du Crédit Mutuel (BFCM) in VISA Europe, in connection with VISA Inc.'s acquisition of that company.

Dividends received from subsidiaries and equity interests came to €577.3 million, compared with €508.7 million in 2015, the majority being derived from the regional banks and Crédit Mutuel-CM11 group subsidiaries.

Net commission income increased by 20% to €370 million.

General operating expenses increased to €813 million compared with €708 million in 2015.

The average number of full-time equivalent employees in 2016 was 3,614 compared with 3,421 in 2015.

Operating income before provisions rose by 2.4% to €1,002 million compared with €978 million in 2015.

Net additions to/reversals from provisions for loan losses fell by 18.1% and represented a net charge of €41 million (€50 million in 2015).

The net gain on disposals of non-current assets amounted to €95 million compared with €21 million in 2015 due to the net disposals of held-to-maturity securities (€108 million in 2016 compared with €28 million in 2015).

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 rose by 6.1% to €882 million in 2016 compared with €831 million in 2015.

Equity amounted to €8,464 million at December 31, 2016.

Articles L.441-6-1 and D.441-4 of the French commercial code require the disclosure of specific information on the due dates of amounts due to suppliers: the relevant amounts in respect of CIC are not material.

Details of executive compensation are provided on page 84 of the board of directors' report on the consolidated financial statements.

Information relating to CIC's stock ownership structure as at December 31, 2016 as well as changes during the year and dividends paid is provided on pages 33 to 37 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 250 to 257.

FINANCIAL STATEMENTS

Balance sheet

Assets

(in € millions)	Notes	2016	2015
Cash and amounts due from central banks		33,202	5,103
Government securities	2	3,298	4,200
Interbank loans and advances	3	15,353	36,112
Customer transactions	4	43,246	39,181
Bonds and other fixed-income securities	5	13,239	12,963
Equities and other variable-income securities	6	1,842	2,102
Investments in subsidiaries and other long-term investments	7	86	86
Investments in subsidiaries and associates	8	5,361	5,371
Lease financing			
Intangible assets	9	57	95
Property and equipment	10	504	479
Subscribed capital unpaid			
Treasury shares	11	9	9
Other assets	12	8,782	7,969
Accruals and other assets	13	6,060	6,265
TOTAL ASSETS		**131,039**	**119,935**

Liabilities and equity

(in € millions)	Notes	2016	2015
Due to central banks			
Due to credit institutions	14	52,029	45,158
Customer transactions	15	35,431	32,787
Debt securities	16	20,928	17,204
Other liabilities	12	5,009	5,742
Accruals and other liabilities	13	6,314	9,326
Provisions	17	1,205	1,178
Subordinated debt	18	1,280	260
General banking risks reserve	19	379	379
Equity	19	8,464	7,901
- Subscribed capital		*608*	*608*
- Share premiums		*1,088*	*1,088*
- Reserves		*5,668*	*668*
- Revaluation reserve		*44*	*44*
- Untaxed provisions		*48*	*46*
- Retained earnings		*126*	*4,616*
- Net income for the year		*882*	*831*
TOTAL LIABILITIES AND EQUITY		**131,039**	**119,935**

Off-balance sheet

(in € millions)	Notes	2016	2015
Commitments and guarantees received			
Financing commitments			
Commitments received from credit institutions		251	2,251
Guarantees received			
Guarantees received from credit institutions		10,775	7,676
Securities commitments received			
Optional repurchase agreements			
Other commitments and guarantees received		737	499

Off-balance sheet

(in € millions)	Notes	2016	2015
Commitments and guarantees given			
Financing commitments			
Commitments given to credit institutions		293	302
Commitments given to customers		15,905	15,683
Guarantees received	**22**		
Guarantees given on behalf of credit institutions		3,474	3,852
Guarantees given on behalf of customers		7,598	8,222
Securities commitments given			
Optional resale agreements			
Other commitments and guarantees given		166	571

Income statement

(in € millions)	Notes	2016	2015
+ Interest income	27	1,568	1,617
+ Interest expense	27	(1,137)	(1,255)
+ Income from variable-income securities	28	577	509
+ Commission income	29	516	444
+ Commission expense	29	(146)	(135)
+/- Net gains/(losses) on trading account securities	30	389	355
+/- Net gains/(losses) on investment portfolio and similar transactions	31	29	158
+ Other banking income	32	37	24
+ Other banking expense	32	(18)	(30)
+/- Net income from other activities	32	0	(1)
= Net banking income		**1,815**	**1,686**
+ Payroll costs	33	(441)	(382)
+ Other general operating expenses		(341)	(296)
+ Depreciation, amortization and impairment		(31)	(30)
= General operating expenses		**(813)**	**(708)**
= Operating income before provisions		**1,002**	**978**
+ Net provision allocations/reversals for loan losses	34	(41)	(50)
= Operating income after provisions		**961**	**928**
+/- Gains/(losses) on non-current assets	35	95	21
= Income/(loss) before non-recurring items		**1,056**	**949**
+/- Non-recurring items	36	0	0
+ Corporate income tax	37	(172)	(115)
+/- Net allocations to general banking risks reserve		0	0
+/- Net allocations to untaxed provisions		(2)	(3)
NET INCOME/(LOSS)		**882**	**831**

Five-year financial summary

Caption	2012	2013	2014	2015	2016
1. At December 31					
Share capital (in €)	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	5,258,845	3,856,684	4,921,949	3,107,237	3,116,750
Net income before tax, depreciation and amortization	856,601	1,577,900	703,611	768,156	1,145,569
Provisions and non-recurring items	-	-	-	-	-
Corporate income tax	(73,461)	88,473	4,845	(115,266)	(171,757)
Net income/(loss)	708,010	1,303,166	830,721	831,162	881,555
Dividends	285,206	266,192	266,192	323,234	342,247
3. Earnings per share (in €)					
Income after tax but before depreciation, amortization and provisions	24.21	39.03	18.11	17.27	25.76
Net income/(loss)	18.73	34.48	21.98	21.99	23.32
Dividend per "A" series share	7.50	7.00	8.00	8.50	9.00
Dividend per "D" series share and investment certificates					
4. Employee information (excluding foreign branches) (in €)					
Number of employees (average full-time equivalents)	3,525	3,433	3,760	3,421	3,989
Total payroll	181,790,351	179,256,183	184,922,801	187,808,472	203,033,140
Total benefits (social security, company, etc.)	97,508,373	88,460,236	96,332,506	97,407,990	103,616,417

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 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) .

As from January 1, 2016, ANC regulation 2015-06 has amended ANC regulation 2014-03 on the French general chart of accounts. Its first-time application had no impact on the company's opening shareholders' equity.

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 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. 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. 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, merger or similar cost, and may be revalued within the legal framework defined in 1976. 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 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, and may be revalued in accordance with the French Finance Acts of 1977 and 1978.
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 is 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 within payroll 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 are presented in millions of euros (€ millions).

Note 2: Government securities

	2016				2015			
	Trading	Available-for-sale	Held-to-maturity	Total	Trading	Available-for-sale	Held-to-maturity	Total
Securities held	865	1,155	1,242	3,262	1,638	985	1,540	4,163
Securities loaned								
Cumulative translation adjustments								
Accrued interest		10	26	36		9	28	37
Securities for which impairment provision recognized								
Gross amount	**865**	**1,165**	**1,268**	**3,298**	**1,638**	**994**	**1,568**	**4,200**
Impairment provisions								
Net amount	**865**	**1,165**	**1,268**	**3,298**	**1,638**	**994**	**1,568**	**4,200**
Unrealized capital gains		163		163		124		124

The positive or (negative) differences between the redemption price and the purchase price for available-for-sale and held-to-maturity securities are respectively €31 million and €(126) million.

Note 3: Interbank loans and advances

	2016		2015	
	On demand	At maturity	On demand	At maturity
Current accounts	2,200		4,282	
Loans, amounts received under repurchase agreements	1,064	4,550	20,811	4,588
Securities received under repurchase agreements		7,489		6,408
Accrued interest	15	15	4	19
Non-performing loans and advances		0		0
Impairment provisions		0		0
TOTAL	**3,299**	**12,054**	**25,097**	**11,015**
TOTAL INTERBANK LOANS AND ADVANCES		**15,353**		**36,112**
Including non-voting loan stock		*40*		*40*
Including subordinated loans		*262*		*268*

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	Total
Total gross outstandings at Dec. 31, 2016 (*)	14,838	4	17	479	15,338
Including non-performing loans and advances					
Including impaired non-performing loans	*0*				*0*
Impairment provisions					
At Dec. 31, 2015	0				0
Additions					
Reversals					
Cumulative translation adjustment					
At Dec. 31, 2016	0				0

(*) Excludes accrued interest.

Note 4: Customer loans and receivables

	2016	2015
Commercial loans	153	145
Accrued interest	0	0
Other loans and receivables		
- Loans and advances	33,763	30,315
- Securities received under resale agreements	7,314	7,218
- Accrued interest	82	80
Current accounts in debit	1,448	1,019
Accrued interest	0	
Non-performing loans and advances	845	745
Impairment provisions	(359)	(341)
TOTAL	**43,246**	**39,181**
Including receivables eligible with the European Central Bank	3,030	4,547
Including subordinated loans	11	11

Non-performing loans include €485 million of impaired loans, for which an impairment provision of €263 million has been recognized. Customer loans and receivables include €260 million of restructured loans including €226 million on non-performing outstandings.

Note 4b: Customer loans and receivables by geographic area

	France	USA	United Kingdom	Singapore	Total
Total gross outstandings at Dec. 31, 2016 (*)	34,182	2,661	1,695	4,985	43,523
Including non-performing loans	*245*	*97*	*12*	*7*	*361*
Including impaired non-performing loans	*472*		*12*		*484*
Impairment provisions					
At Dec. 31, 2015	(315)	(15)	(11)		(341)
Additions	(84)	(16)	(3)	(2)	(105)
Reversals	82	5	4		91
Cumulative translation and other adjustments	(6)			2	(4)
At Dec. 31, 2016	(323)	(26)	(10)		(359)

(*) Excludes accrued interest.

Note 4c: Impairment provisions on non-performing loans and receivables

	2015	Additions	Reversals	Other movements	2016
Assets					
On interbank loans and advances	0				0
On customer loans and receivables	341	105	(90)	3	359
On finance leases and operating leases					
On bonds and other fixed-income securities	89		(8)	(1)	80
On other assets	1				1
TOTAL	**431**	**105**	**(98)**	**2**	**440**

Non-performing customer loans and receivables totaled €845 million compared with €745 million at December 31, 2015. They are covered by asset impairment provisions totaling €359 million, representing a coverage ratio of 42.5% compared with 45.7% one year earlier.
Impairment and other provisions for credit risk represent 1.63% of gross customer outstandings, compared with 1.79% in 2015.
Non-performing loans and receivables are covered by impairment provisions, with the exception of 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

	2016				2015			
	Trading	Available-for-sale	Held-to-maturity	Total	Trading	Available-for-sale	Held-to-maturity	Total
Securities held - quoted	6,232	5,884	275	12,391	6,798	5,007	363	12,168
Securities held – not quoted		332	22	354		223	32	255
Securities loaned								
Accrued interest	4	16	3	23	4	10	3	17
Non-performing loans[1]		155	424	579		156	490	646
Gross amount	**6,236**	**6,387**	**724**	**13,347**	**6,802**	**5,396**	**888**	**13,086**
Impairment provisions		(29)		(29)		(34)		(34)
Other provisions		(1)	(78)	(79)		(5)	(84)	(89)
Net amount	**6,236**	**6,357**	**646**	**13,239**	**6,802**	**5,357**	**804**	**12,963**
Unrealized capital gains		*10*		*10*		*1*		*1*
Including subordinated bonds								
Including securities issued by public institutions				*1,842*				*1,052*

Non-performing loans and advances include impaired non-performing loans and advances totaling €155 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 €(98) million and €(37) 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 gain/ (loss)
From trading securities to held-to-maturity securities	18,443	1,681	2,554	873
From trading securities to available-for-sale securities	349	4	4	
From available-for-sale securities to held-to-maturity securities	421	89	93	4
TOTAL	**19,213**	**1,774**	**2,651**	**877**

Note 6: Equities and other variable-income securities

	2016				2015			
	Trading	Available-for-sale	Portfolio activity	Total	Trading	Available-for-sale	Portfolio activity	Total
Securities held - quoted	667	1,017		1,684	985	997		1,982
Securities held – not quoted		161		161		124		124
Securities loaned								
Accrued interest								
Gross amount	**667**	**1,178**		**1,845**	**985**	**1,121**		**2,106**
Impairment provisions		(3)		(3)		(4)		(4)
TOTAL	**667**	**1,175**		**1,842**	**985**	**1,117**		**2,102**
Unrealized capital gains								

There were no transfers between portfolios during 2016.

Note 7: Investments in subsidiaries and other long-term investments

	2015	Acquisitions Additions	Disposals Reversals	Transfers	Other movements	2016
Other long-term investments						
- Quoted						
- Not quoted	86					86
Investments in non-consolidated companies						
- Quoted	0					0
- Not quoted	2				7	9
Sub-total	**88**				**7**	**95**
Translation adjustments						
Securities loaned						
Accrued interest						
Calls for funds and current account advances to non-trading real estate companies (SCI)						
Gross amount	**88**				**7**	**95**
Impairment provisions						
- Quoted securities	0					0
- Non-quoted securities	(2)	(6)	5		(6)	(9)
Sub-total	**(2)**	**(6)**	**5**		**(6)**	**(9)**
Net amount	**86**	**(6)**	**5**		**1**	**86**

Note 8: Investments in subsidiaries and associates

	2015	Acquisitions Additions	Disposals Reversals	Transfers	Other movements	2016
Gross amount	5,431	28	(52)		3	5,410
Translation adjustments	(3)				(1)	(4)
Securities loaned						
Accrued interest						
Calls for funds and current account advances to non-trading real estate companies (SCI)						
Impairment provisions	(57)	(19)	31		0	(45)
Net	5,371	9	(21)		2	5,361
Gross carrying amount for investments in non-quoted credit institutions	3,082					3,084
Gross carrying amount for investments in quoted associates						
Gross carrying amount for investments in non-quoted associates	5,431					5,409

Transactions with associates

	2016		2015	
	Total	Of which, subordinated	Total	Of which, subordinated
Assets				
Interbank loans and advances	5,810	262	6,597	268
Customer loans and receivables	2,277		528	
Other miscellaneous receivables	178		300	
Bonds and other fixed-income securities				
Swaps	1,745		2,122	
Liabilities				
Due to credit institutions	27,303		23,343	
Due to customers	1,200		945	
Other liabilities	1,605		2,193	
Swaps	354		179	
Debt securities	1,916	1,243	1,114	161
Off-balance sheet				
Commitments given				
Credit institutions [1]	2,908		3,108	
Customers	1,458		1,490	
Commitments received				
Credit institutions	1,378		3,238	

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

	2015	Acquisitions Additions	Disposals Reversals	Other movements	2016
Gross amount					
Goodwill	95		(3)	(33)	59
Set up costs	1				1
Research and development					
Other intangible assets	68			1	69
Gross amount	**164**		**(3)**	**(32)**	**129**
Amortization					
Goodwill	(55)				(55)
Set up costs	(1)				(1)
Research and development					
Other intangible assets	(13)	(3)			(16)
Total amortization	**(69)**	**(3)**			**(72)**
Net	**95**	**(3)**	**(3)**	**(32)**	**57**

Transfer of €33 million of the merger loss from intangible assets to property and equipment (land and buildings).

Note 10: Property and equipment

	2015	Acquisitions Additions	Disposals Reversals	Other movements	2016
Gross amount					
Land used in operations	196		(1)	4	199
Land not used in operations	0				0
Buildings used in operations	732	19	(5)	33	779
Buildings not used in operations	2				2
Other property and equipment	134	9	(9)	2	136
Total gross amount	**1,064**	**28**	**(15)**	**39**	**1,116**
Depreciation					
Land used in operations					
Land not used in operations					
Buildings used in operations	(468)	(25)	4	(4)	(493)
Buildings not used in operations	0	0		0	0
Other property and equipment	(117)	(4)	3	(1)	(119)
Total depreciation	**(585)**	**(29)**	**7**	**(5)**	**(612)**
Net	479				504

Transfer of €33 million of the merger loss from intangible assets to property and equipment (land and buildings).

Note 11: Treasury shares

	2016	2015
Number of shares held	229,741	229,741
Proportion of capital stock	0.60%	0.60%
Carrying amount	9	9
Market value	40	41

CIC's treasury share holding is derived from the CIC Banque CIAL partial asset contribution carried out in 2006.

Note 12: Other assets and liabilities

	2016		2015	
	Assets	Liabilities	Assets	Liabilities
Option premiums	696	700	442	412
Securities settlement accounts	93	68	5	
Debts in respect of borrowed securities		1,915		2,924
Deferred taxes		1	0	
Miscellaneous debtors and creditors	7,992	2,323	7,521	2,405
Non-performing loans and advances	1		1	
Accrued interest	1	2	1	1
Impairment provisions	(1)		(1)	
TOTAL	**8,782**	**5,009**	**7,969**	**5,742**

Note 13: Accruals

	2016		2015	
	Assets	Liabilities	Assets	Liabilities
Collection accounts	1	51	0	50
Currency adjustment accounts and off-balance sheet	5,191	5,235	5,227	5,470
Other accruals	868	1,028	1,038	3,806
TOTAL	**6,060**	**6,314**	**6,265**	**9,326**

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.
Pending a further judgment from the same court of appeal, the fine was paid in 2015 and CIC has not recognized any provision in respect of the matter.

Note 14: Due to credit institutions

	2016		2015	
	On demand	At maturity	On demand	At maturity
Current accounts	18,159		13,775	
Term deposits		17,212		16,887
Amounts received under resale agreements				
Securities sold under delivered repurchase agreements		16,607		14,461
Accrued interest		51		35
TOTAL	**18,159**	**33,870**	**13,775**	**31,383**
TOTAL DUE TO CREDIT INSTITUTIONS		**52,029**		**45,158**

Note 15: Due to customers

	2016		2015	
	On demand	At maturity	On demand	At maturity
Regulated savings accounts	6,605	1,886	6,061	1,558
Accrued interest				
TOTAL - REGULATED SAVINGS ACCOUNTS	**6,605**	**1,886**	**6,061**	**1,558**
Other liabilities	18,451	6,818	14,437	7,961
Securities sold under delivered repurchase agreements	37	1,578	9	2,689
Accrued interest		56		72
TOTAL – OTHER LIABILITIES	**18,488**	**8,452**	**14,446**	**10,722**
TOTAL DUE TO CUSTOMERS ON DEMAND AND AT MATURITY		**35,431**		**32,787**

Note 16: Debt securities

	2016	2015
Retail certificates of deposit	66	65
Interbank instruments and money market securities	17,032	13,729
Bonds	2,615	2,729
Other debt securities	1,146	630
Accrued interest	69	51
TOTAL	**20,928**	**17,204**

Note 17: Provisions

	2015	Additions	Reversals	Other movements	2016
Provisions for counterparty risks					
- on signature commitments	21	4	(6)		19
- on financing and guarantee commitments	2		(2)	0	
- on country risks					
- general provisions for counterparty risks	341	13	(24)	(4)	326
- other provisions for counterparty risks				1	1
Provisions for losses on forward financial instruments	**27**		**(8)**		**19**
Provisions on subsidiaries and equity interests	**7**		**(7)**	**0**	**0**
Other provisions for contingencies and charges (excluding counterparty risks)					
- provisions for retirement costs	43	1			44
- provisions for home savings accounts and plans	7	1			8
- other provisions [1]	730	104	(52)	6	784
TOTAL	**1,178**	**123**	**(99)**	**3**	**1,205**

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, 2016, includes €504 million of provisions linked to tax consolidation temporary differences.

Note 17b: Provisions for risks on commitments in respect of home savings

	2016		2015	
	Outstandings	Provisions	Outstandings	Provisions
Home savings plans	1,541	8	1,350	6
Home savings accounts	75	1	72	1
Home savings loans	4		5	

Note 17c: Provision for retirement bonuses

Retirement bonuses	Jan. 1, 2015	Impact of discounting	Financial income	Cost of services rendered	Change of accounting method	Change in actuarial differences	Payment to beneficiaries	Insurance contributions	Dec. 31, 2016
Commitments	50	1		2	0	2	(4)		52
Insurance policy	30		1		0	1	(2)	2	31
Excess assets/ commitments	1				(1)				
Provision	**21**	**1**	**(1)**	**2**	**(1)**	**1**	**(2)**	**(2)**	**21**

Note 18: Subordinated debt

	2015	Issues	Redemptions	Other movements	2016
Subordinated debt	14	1,114	(14)	0	1,114
Non-voting loan stock					
Perpetual subordinated loan stock	244		(81)	1	163
Accrued interest	2				2
TOTAL	**260**	**1,114**	**(95)**	**1**	**1,280**

Main subordinated debt issues

	Issue date	Issue amount	Amount at year end	Rate	Maturity
Non-voting loan stock	May 28, 1985	€137m	€137m	a	b
Subordinated notes	3/24/2016	€414m	€414m	3-month Euribor + 2.05%	3/24/2026
Subordinated notes	Nov. 4, 2016	€700m	€700m	3-month Euribor + 1.70%	Nov. 4, 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
Equity at Jan. 1, 2015	**608**	**1,088**	**667**	**44**	**44**	**4,088**	**831**	**7,370**	**379**
Net income for the year							831	831	
Appropriation of prior year earnings						831	(831)		
Dividends paid						(304)		(304)	
Capital increase									
Impact of remeasurement									
Change of method									
Other movements			1		2	1		4	
Equity at Dec. 31, 2015	**608**	**1,088**	**668**	**44**	**46**	**4,616**	**831**	**7,901**	**379**
Equity 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)	
Capital increase									
Impact of remeasurement									
Change of method									
Other movements					2	2		4	
Equity at Dec. 31, 2016	**608**	**1,088**	**5,668**	**44**	**48**	**126**	**882**	**8,464**	**379**

(1) At 12/31/2016, reserves comprised the legal reserve for €61 million, the special long-term capital gains reserve for €287 million, retained earnings for €5,195 million, statutory reserves for €124 million and the special reserve pursuant to Article 238bis AB of the French Tax Code for €1 million.

At December 31, 2016 CIC's capital comprised 38,027,493 shares with a par value of €16 each.
CIC generated net income of €881,553,568.13.
The shareholders' general meeting is asked to appropriate the amount of €1,008.0 million, comprising the net income of €881.6 million and retained earnings of €126.5 million, as follows:

Dividends relating to the 2016 fiscal year	342.2
Appropriation to the legal reserve	500.0
Addition to retained earnings	165.8
TOTAL DISTRIBUTABLE AMOUNT	**1,008.0**

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]	10,350	2,264	1,780	929		30	15,354
Customer loans and receivables [2]	12,071	4,662	12,269	13,749		82	42,834
Bonds and other fixed-income securities [3]	135	537	2,946	2,899		15	6,532
Liabilities							
Due to credit institutions[4]	39,931	5,030	4,893	2,122		52	52,029
Due to customers	29,520	2,985	2,350	522		56	35,431
Debt securities							
- Retail certificates of deposit	4	47	15			1	68
- Interbank instruments and money market securities	4,894	11,814	325			25	17,057
- Bonds	140	218	1,198	1,058		31	2,645
- Other	7	82	446	611		12	1,158

(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, 2016 was, respectively, €26,607 million and €28,498 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, 2016, they amounted to €6,490 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 €195 million at December 31, 2016. On the same date, home loans guaranteeing these promissory notes amounted to €674 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)

	2016			2015		
	Hedging	Position management	Total	Hedging	Position management	Total
Forward commitments						
Organized markets						
- Interest rate contracts	5,119	42,450	47,569	317	11,251	11,568
- Foreign exchange contracts						
- Other commitments		510	510		48	48
Over-the-counter markets						
- Forward rate agreements		6,771	6,771		3,599	3,599
- *Interest rate* swaps	8,862	145,795	154,657	11,031	170,849	181,880
- *Financial* swaps	754	15,803	16,557	724	18,477	19,201
- Other commitments		281	281		117	117
- *Swaps* - other		12,735	12,735		13,871	13,871
Options						
Organized markets						
- Interest rate options						
• Purchased					107	107
• Sold		57	57		732	732
- Foreign exchange options						
• Purchased		13	13			
• Sold		13	13			
- Equities and other options						
• Purchased					118	118
• Sold					81	81
Over-the-counter markets						
- Interest rate caps and floors						
• Purchased		11,149	11,149		10,327	10,327
• Sold		11,049	11,049		10,482	10,482
- Interest rate, foreign exchange, equity and other options						
• Purchased		12,450	12,450		15,767	15,767
• Sold		12,430	12,430		15,667	15,667
TOTAL	**14,735**	**271,506**	**286,241**	**12,072**	**271,493**	**283,565**

Breakdown of over-the-counter interest rate instruments by portfolio type

2016	Isolated open position	Micro-hedging	Global interest rate risk	Specialist management	Total
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

2015					
Forward commitments					
Purchases				1,702	1,702
Sales				2,014	2,014
Swaps	6,213	10,279	1,476	196,984	214,952
Options					
Purchases	4,592			21,502	26,094
Sales	4,539			21,610	26,149

During 2016, 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	11,712	8,531	3,406	23,649
- Sales	12,758	7,813	3,406	23,977
Over-the-counter markets				
- Purchases	6,797	7,257	982	15,036
- Sales	5,578	7,389	968	13,935
- *Interest rate* swaps	44,176	81,260	29,220	154,656
Foreign exchange instruments				
Organized markets				
- Purchases	13			13
- Sales	12		1	13
Over-the-counter markets				
- Purchases	9,663	2,928		12,591
- Sales	9,643	2,927		12,570
- *Financial* swaps	8,655	5,903	1,999	16,557
Other forward financial instruments				
Organized markets				
- Purchases	11	120		131
- Sales	40	339		379
Over-the-counter markets				
- Purchases				
- Sales				
- *Swaps*	4,454	7,793	488	12,735
TOTAL	**113,512**	**132,260**	**40,470**	**286,242**

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	2016	2015
Gross exposure		
Risks on credit institutions	1,026	1,005
Risks on companies	2,408	2,166
TOTAL	**3,434**	**3,171**

Fair value of forward financial instruments	2016		2015	
	Assets	Liabilities	Assets	Liabilities
Fair value of forward financial instruments	5,991	7,354	5,867	7,152

Note 26: Other off-balance sheet commitments

	2016	2015
Foreign exchange commitments		
Amounts receivable	1,697	1,807
Amounts payable	1,810	1,868
Commitments on forward financial instruments		
Commitments made on organized and similar markets		
Forward foreign exchange commitments		
- Hedging	14,904	28,842
- Other	80,361	73,027
Financial foreign exchange *swaps*		
- Isolated open position		73
- Micro-hedging	754	724
- Global interest rate risk		
- Specialist management	15,803	18,405
Finance leasing commitments		
Remaining lease payments on property finance leases		
Remaining lease payments on equipment finance leases		

Note 27: Interest income and expense

	2016		2015	
	Income	Expense	Income	Expense
Credit institutions	274	(547)	359	(620)
Customers	951	(199)	938	(261)
Finance leases and operating leases				
Bonds and other fixed-income securities	188	(240)	178	(173)
Other	155	(151)	142	(201)
TOTAL	**1,568**	**(1,137)**	**1,617**	**(1,255)**
Including expenses relating to subordinated debt		*(6)*		*(4)*

Note 28: Income from variable-income securities

	2016	2015
Available-for-sale securities	(1)	
Portfolio activity securities		
Equity interests and other long term investments	6	6
Investments in subsidiaries and associates	572	503
Income from investments in non-trading real estate companies		
TOTAL	**577**	**509**

Note 29: Commission income and expense

	2016		2015	
	Income	Expense	Income	Expense
Treasury and interbank transactions	1	(5)	1	(26)
Customer transactions	200	1	198	(2)
Securities transactions	3	(11)		(8)
Foreign exchange transactions	3	(1)	1	(1)
Off-balance sheet transactions				
- Commitments on securities	9			
- Forward financial commitments	3	(4)		(6)
- Financing and guarantee commitments			3	
Financial services	300	(27)	228	(9)
Means of payment		(85)		(70)
Other commission (including income retroceded)	(3)	(14)	13	(13)
TOTAL	**516**	**(146)**	**444**	**(135)**

Note 30: Net gains on trading account securities

	2016	2015
On securities held for trading	341	204
On foreign exchange trading	26	13
On forward financial instruments		
- Interest rates	22	61
- Foreign exchange	30	77
- On other financial instruments, including equity instruments	(38)	(8)
Sub-total	**381**	**347**
Additions to impairment provisions on financial instruments		(3)
Reversals from impairment provisions on financial instruments	8	11
TOTAL	**389**	**355**

Note 31: Net gains/(losses) on available-for-sale and similar securities

	2016	2015
Available-for-sale securities		
- Gains on disposals	43	179
- Losses on disposals	(20)	(15)
- Additions to impairment provisions	(1)	(11)
- Reversals from impairment provisions	7	5
Portfolio activity securities		
- Gains on disposals		
- Losses on disposals		
- Additions to impairment provisions		
- Reversals from impairment provisions		
TOTAL	**29**	**158**

Note 32: Other banking income and expense

	2016		2015	
	Income	Expense	Income	Expense
Incidental income	1		1	
Transfer of expenses				
Net additions to provisions	6	(3)	19	(4)
Other income and expense relating to banking activities	30	(15)	4	(26)
Net income (expense) from other activities				(1)
TOTAL	**37**	**(18)**	**24**	**(31)**

Note 33: Payroll costs

	2016	2015
Wages and salaries	(261)	(238)
Payroll taxes	(116)	(104)
Retirement benefit expense	(1)	1
Employee profit-sharing and incentive bonuses	(26)	(23)
Payroll-based taxes	(37)	(38)
Net addition to provisions for retirement benefits		5
Other net additions to provisions		15
TOTAL	**(441)**	**(382)**

The Tax Credit for Competitiveness and Employment (*Crédit d'impôt pour la compétitivité et l'emploi* – CICE), which amounted to €3.9 million in respect of the fiscal year 2016, 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

	2016	2015
Additions to non-performing loan impairment provisions	(104)	(97)
Reversals from non-performing loan impairment provisions	98	174
Loan losses covered by impairment provisions	(41)	(94)
Loan losses not covered by impairment provisions	(26)	(27)
Recovery of loans written off in prior years	16	1
Balance of loans	**(57)**	**(43)**
Additions to impairment provisions	(17)	(21)
Reversals from impairment provisions	33	14
Balance of risks	**16**	**(7)**
TOTAL	**(41)**	**(50)**

Note 35: Net gains/(losses) on disposals of non-current assets

	2016					2015
	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		108			108	30
- Losses on disposals		(0)		(31)	(31)	(99)
- Additions to impairment provisions			(7)	(18)	(25)	(42)
- Reversals from impairment provisions			11	31	42	135
Sub-total		108	4	(18)	95	**24**
On property and equipment and intangible assets						
- Gains on disposals					2	
- Losses on disposals					(2)	(3)
Sub-total						(3)
TOTAL					**95**	**21**

Note 36: Net non-recurring items

	2016	2015
Merger deficit		
Provision		
TOTAL		

Note 37: Corporate income tax

	2016	2015
Current taxes - excluding effect of tax consolidation	13	21
Current taxes – accruals relating to prior years		(1)
Current taxes – effect of tax consolidation	(185)	(135)
TOTAL	**(172)**	**(115)**
Relating to operating activities	(172)	(115)
Relating to non-recurring items		
TOTAL	**(172)**	**(115)**

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	Total
Net banking income	1,552	131	41	89	1,813
General operating expenses	(684)	(48)	(14)	(67)	(813)
Operating income before provisions	868	83	27	22	1,000
Net provision allocations/reversals for loan losses	(37)	13	(1)	(15)	(40)
Operating income after provisions	831	96	26	7	960
Net gains/(losses) on disposals of non-current assets	95				95
Income/(loss) before non-recurring items	926	96	26	7	1,055
Non-recurring items					
Corporate income tax	(134)	(29)	(6)	(2)	(171)
Additions to/reversals from untaxed provisions	(2)				(2)
Net income/(loss)	**790**	**67**	**20**	**5**	**882**

Note 38b: Breakdown of income statement items by business segment

	Network	Private banking	Financing	Headquarters and holding company services	Total
Net banking income	599	39	616	559	1,813
General operating expenses	(397)	(41)	(305)	(70)	(813)
Operating income before provisions	202	(2)	311	489	1,000
Net provision allocations/reversals for loan losses	(17)		(21)	(2)	(40)
Operating income after provisions	185	(2)	290	487	960
Net gains/(losses) on disposals of non-current assets			97	(2)	95
Income/(loss) before non-recurring items	185	(2)	387	485	1,055
Non-recurring items					
Corporate income tax	(70)		(146)	45	(171)
Additions to/reversals from untaxed provisions				(2)	(2)
Net income/(loss)	**115**	**(2)**	**241**	**528**	**882**

Note 39: Average number of employees

	2016	2015
Banking staff	1,851	1,826
Managerial staff	2,138	1,951
TOTAL	**3,989**	**3,777**

Note 40: Total compensation paid to the group's key executives

	Fixed salary	Variable salary	Benefits-in-kind	Sundry adjustments	Total 2016	Total 2015
Key executives	0.3				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, 2016, CIC's share capital amounted to €608,439,888, made up of 38,027,493 shares with a par value of €16 each, including 229,741 treasury shares which are not taken into account in the calculation of earnings per share.
Thus, earnings per share in respect of 2016 totaled €23.32 compared with €21.99 in respect of 2015.

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*)	27,779	52,465,992.98
Accounts deposited, as referred to in Article L. 312-20 of the French monetary and financial code	5,603	11,770,940.80

In accordance with law no. 2014-617 of June 13, 2014 on dormant bank accounts and unclaimed life insurance policies.

INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES AT DECEMBER 31, 2016

Company and address	Capital stock	Equity less capital, excluding 2016 income	Share of capital held (%)	Carrying amount of securities held – Gross	Carrying amount of securities held – 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 2016 by CIC
Detailed information about investments in French and foreign companies with a gross value representing more than 1% of CIC's capital stock										
A/SUBSIDIARIES (more than 50% of the capital stock owned by CIC)										
A.1 CREDIT INSTITUTIONS										
French subsidiaries										
CIC Ouest - 2 avenue Jean-Claude Bonduelle, 44000 Nantes - Siren 855 801 072	83,780	456,321	100	366,583	366,583	0		482,109	84,017	60,426
CIC Nord Ouest - 33 avenue Le Corbusier, 59800 Lille - Siren 455 502 096	230,000	362,816	100	313,939	313,939	0		517,510	111,058	91,138
CIC Est - 31 rue Jean Wenger-Valentin, 67000 Strasbourg - Siren 754 800 712	225,000	425,800	100	231,131	231,131	0		651,761	139,408	119,362
Banque Transatlantique - 26 avenue Franklin D. Roosevelt, 75008 Paris - Siren 302 695 937	29,372	81,264	100	119,665	119,665	0		103,036	35,758	35,148
CIC Sud Ouest - 20 quai des Chartrons, 33000 Bordeaux - Siren 456 204 809	155,300	108,169	100	220,670	220,670	100,000		302,101	30,640	33,584
CIC Lyonnaise de Banque - 8 rue de la République, 69001 Lyon - Siren 954 507 976	260,840	451,631	100	341,811	341,811	0		760,441	152,749	108,291
CM-CIC Epargne Salariale - 12 rue Gaillon, 75002 Paris - Siren 692 020 878	13,524	5,620	99.94	31,958	31,958	0		27,111	3,662	4,055
CM-CIC Bail - 12 rue Gaillon, 75002 Paris - Siren 642 017 834	26,188	(7,675)	99.22	250,288	250,288	0		2,389,599	4,472	0
CM-CIC Lease - 48 rue des Petits Champs, 75002 Paris - Siren 332 778 224	64,399	30,592	**54.08	22,310	21,272	0		569,953	10,013	168
Foreign subsidiaries										
Banque de Luxembourg - 14 boulevard Royal L-2449 Luxembourg	104,784	825,738	100	902,298	902,298	0		251,280	63,118	61,905
Banque CIC Suisse - 11-13 Marktplatz CH4001 Switzerland	CHF 125,000	CHF 217,586	100	CHF 338,951	CHF 338,951	0	CHF 1,473,110	CHF 118,781	CHF 17,905	0
GSN North America INC - 520 Madison Avenue 37th Floor, New York 10022, USA	USD 12,131	USD (10,807)	85.12	USD 6,882	USD 372	0		USD 2,329	USD (860)	0
A.2 OTHERS										
CM-CIC Investissement - 28 avenue de l'Opéra, 75002 Paris - Siren 562 118 299	1,212,647	272,056	100	1,662,738	1,662,738	0		7,060	4,751	5,717
Adepi - 6 rue Gaillon, 75002 Paris - Siren 331 618 074	244,193	444,491	100	474,937	474,937	0		0	50,752	49,449
CIC Participations - 4 rue Gaillon, 75002 Paris - Siren 349 744 193	8,375	14,589	100	40,268	27,369	0		0	35	0
CIC Associés - 4 rue Gaillon, 75002 Paris - Siren 331 719 708	15,576	1,839	100	19,788	17,416	0		0	(5)	0
B/ASSOCIATES (10% to 50% of the capital stock owned by CIC)										
French associates	0	0	0	0	0	0		0	0	0
Foreign associates	0	0	0	0	0	0		0	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				45,164	14,943					1,320
Foreign subsidiaries				35	0					0
ASSOCIATES										
French companies				10,065	9,576					936
Foreign companies				1,322	1,322					4,880

The table is in currency thousands.

* Net banking income in the case of banks.

** 27.88% directly by CIC and 26.20% indirectly by CIC.

BUSINESSES AND RESULTS OF SUBSIDIARIES AND ASSOCIATES

Regional banks [1]

CIC Nord Ouest

(Financial data in € millions)	2016 Company – French GAAP	2015 Company – French GAAP
Number of employees at December 31	2,546	2,587
Total assets	20,782	19,950
Equity attributable to owners of the company including general banking risks reserve	704	684
Customer deposits	15,771	14,614
Customer loans	17,491	16,755
Net income/(loss)	**111**	**94**

CIC Est

(Financial data in € millions)	2016 Company – French GAAP	2015 Company – French GAAP
Number of employees at December 31	3,273	3,294
Total assets	26,069	26,402
Equity attributable to owners of the company including general banking risks reserve	790	770
Customer deposits	19,383	18,497
Customer loans	21,545	21,328
Net income/(loss)	**139**	**124**

CIC Lyonnaise de Banque

(Financial data in € millions)	2016 Company – French GAAP	2015 Company – French GAAP
Number of employees at December 31	3,685	3,694
Total assets	32,501	31,069
Equity attributable to owners of the company including general banking risks reserve	865	821
Customer deposits	22,739	21,004
Customer loans	26,264	24,943
Net income/(loss)	**153**	**113**

Banque CIC Sud Ouest

(Financial data in € millions)	2016 Company – French GAAP	2015 Company – French GAAP
Number of employees at December 31	1,719	1,713
Total assets	13,823	12,461
Equity attributable to owners of the company including general banking risks reserve	294	296
Customer deposits	8,987	7,916
Customer loans	11,485	10,701
Net income/(loss)	**31**	**36**

Banque CIC Ouest

(Financial data in € millions)	2016 Company – French GAAP	2015 Company – French GAAP
Number of employees at December 31	2,533	2,561
Total assets	21,681	20,894
Equity attributable to owners of the company including general banking risks reserve	624	601
Customer deposits	15,730	14,586
Customer loans	17,990	17,653
Net income/(loss)	**84**	**64**

(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)	2016 Company – French GAAP	2015 Company – French GAAP
Number of employees at December 31	131	123
Total assets	65	65
Equity	23	24
Assets under management (excluding current bank accounts)	7,809	7,575
Net income/(loss)	**3.7**	**2.7**

CM-CIC Bail

(Financial data in € millions)	2016 Consolidated*	2015 Consolidated*
Number of employees at December 31	233	220
Total assets	7,792	7,270
Equity	464	441
Assets under management (excluding current bank accounts)	7,467	7,044
Net income**	**26.6**	**32.7**

* CM-CIC Bail, CM-CIC Leasing Benelux and CM-CIC Leasing GMBH.
** Financial information.

CM-CIC Lease

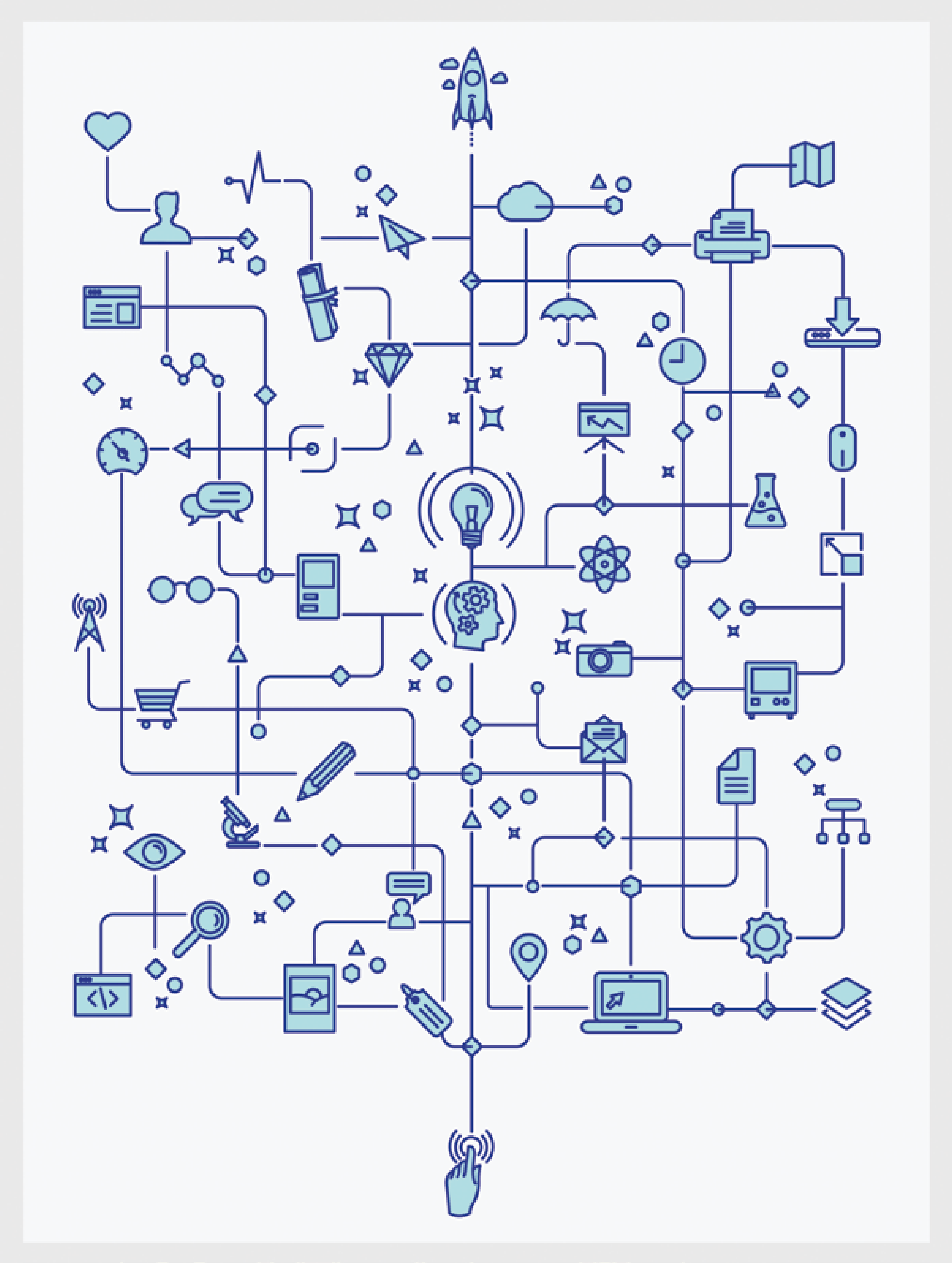
(Financial data in € millions)	2016 Company – French GAAP*	2015 Company – French GAAP*
Number of employees at December 31	51	49
Total assets	4,401	4,174
Equity	84	76
Assets under management (excluding current bank accounts)	4,042	3,922
Net income/(loss)	**9.3**	**5.6**

* Financial information.

CM-CIC Factor

(Financial data in € millions)	2016 Company – French GAAP	2015 Company – French GAAP
Number of employees at December 31	354	360
Total assets	6,773	6,123
Equity including general banking risks reserve	147	143
Factored receivables	33,811	28,991
Assets under management (excluding current bank accounts) *	5,787	5,439
Net income/(loss)	**4.3**	**2.5**

*Including Dailly receivables.
Assets under management are net of provisions.



Specialist subsidiaries – Private banking

CIC Banque Transatlantique[1]

(Financial data in € millions)	2016 Consolidated IFRS	2015 Consolidated IFRS
Number of employees at December 31	397	377
Total assets	3,959	3,520
Equity attributable to owners of the company including general banking risks reserve	184	185
Total funds invested in group savings products	26,820	25,121
Customer deposits	3,119	2,685
Customer loans	2,608	2,346
Net income (consolidated/attributable to owners of the company)	**34.1**	**39.3**

(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 € millions)	2016 Company	2015 Company
Number of employees at December 31	338	343
Total assets	7,647	6,603
Equity	360	332
Assets in custody	4,101	3,623
Net income/(loss)	**17.9**	**9.2**

Banque de Luxembourg

Key figures prepared using local accounting standards (Financial data in € millions)	2016 Company	2015 Company
Number of employees at December 31	815	803
Total assets	13,415	12,924
Equity including general banking risks reserve *	994	957
Assets in custody and deposits	68,690	68,459
Net income/(loss)	**63.1**	**68.8**

* Equity includes untaxed provisions.

Specialist subsidiaries – Private equity

CM-CIC Capital et Participations

(Financial data in € millions)	2016 Company – French GAAP	2015 Company – French GAAP
Number of employees at December 31	13	9
Total assets	149	137
Equity	36	33
Portfolio valuation	145	132
Net income/(loss)	**3.1**	**3.5**

CM-CIC Conseil

(Financial data in € millions)	2016 Company – French GAAP	2015 Company – French GAAP
Number of employees at December 31	15	17
Total assets	11	19
Equity	8	11
Portfolio valuation	0	0
Net income/(loss)	**(2.6)**	**(2.2)**

CM-CIC Investissement

(Financial data in € millions)	2016 Company – French GAAP	2015 Company – French GAAP
Number of employees at December 31	29	21
Total assets	1,519	1,521
Equity	1,489	1,490
Portfolio valuation	1,462	1,479
Net income/(loss)	**4.8**	**7.6**

CM-CIC Investissement SCR

(Financial data in € millions)	2016 Consolidated*	2015 Consolidated*
Number of employees at December 31	48	48
Total assets	1,873	1,806
Equity	1,831	1,754
Portfolio valuation	1,963	1,860
Net income/(loss)	**98.7**	**93.4**

*2015: CM-CIC Investissement SCR + CM-CIC Innovation + Sudinnova + CM-CIC Proximité. 2016: CM-CIC Investissement + CM-CIC Innovation + CM-CIC Proximité. Absorption of Sudinnova by CM-CIC Innovation.

STATUTORY AUDITORS' REPORT

on the company financial statements

Year ended December 31, 2016

To the shareholders,

In fulfillment of the assignment entrusted to us by your shareholders' meetings, we hereby report to you, for the year ended December 31, 2016, on:

- the audit of the accompanying annual financial statements of Crédit Industriel et Commercial - CIC;
- the justification of our assessments;
- the specific verifications and information required by law.

The annual financial statements have been approved by the board of directors. Our role is to express an opinion on these financial statements based on our audit.

I - Opinion on the annual financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual financial statements are free from material misstatement. An audit includes examining, on a test basis or using other sampling methods, evidence supporting the amounts and disclosures in the annual financial statements. An audit also includes assessing the accounting principles used, the significant estimates made in the preparation of the financial statements and the overall presentation of the financial statements. We believe that the information we have gathered is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the financial statements for the year ended December 31, 2016 give a true and fair view of CIC's assets, liabilities, financial position and of the results of its operations in accordance with French accounting rules and principles.

II - Justification of our assessments

In accordance with the requirements of Article L.823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

- The company uses internal models and methodologies to measure financial instruments that are not traded on active markets, as well as to recognize certain provisions, as described in note 1 to the financial statements. We examined the control systems relating to these models and methodologies, the parameters used and the identification of the financial instruments to which they apply;
- As stated in notes 1, 4b and 17, the company recognizes impairment losses and provisions to cover the credit risks inherent in its business. We examined the control systems applicable to the monitoring of credit risk, the assessment of the risk of non-recovery and the coverage of said risks, as regards assets by specific impairment losses and as regards liabilities by general provisions to cover credit risks;
- The company makes other estimates in the usual context of preparing its financial statements, in particular as regards the valuation of equity interests and other long-term investments and the assessment of retirement benefit obligations recognized and provisions for legal and tax risks. We examined the assumptions made and verified that these accounting estimates are based on documented methods in accordance with the principles described in note 1 to the financial statements.

These assessments were made in the context of our audit of the annual financial statements taken as a whole and therefore contributed to the formation of our opinion expressed in the first section of this report.

III – Specific verifications and information

We also carried out the specific verifications provided for by law, in accordance with French professional standards.

We have no matters to report as to the fair presentation and consistency with the annual financial statements of the information given in the board of directors' report and in the documents sent to shareholders on the financial position and the company financial statements.

As regards the information provided pursuant to Article L.225-102-1 of the French commercial code on compensation and benefits paid to corporate officers and commitments made in their favor, we verified the consistency of this information with the financial statements or with the data used to draw up the financial statements and, if applicable, with the information received by the company from companies that control it or are controlled by it. On the basis of this work, we certify that this information is accurate and fair.

Pursuant to the law, we satisfied ourselves that the information relating to acquisitions of equity and controlling interests and to the identity of the holders of the capital or voting rights was provided to you in the board of directors' report.

The statutory auditors

Paris La Défense, April 19, 2017
KPMG Audit.
Department of KPMG S.A.
Arnaud Bourdeille
Partner

Paris La Défense, April 19, 2017
Ernst & Young et Autres
Olivier Durand
Partner

Neuilly-sur-Seine, April 19, 2017
PricewaterhouseCoopers Audit
Jacques Lévi
Partner

Social and environmental responsibility

4

STATEMENT FROM THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

CIC's longstanding vision for social and environmental responsibility has been to meet current and future economic, social and environmental challenges and make this approach central to our businesses and business model.

A major player in banking, insurance, telephony and technology services in France, the CIC group expresses its engagement daily via responsible management, our service offer, support for social and environmental initiatives and human resource management.

Anticipating the inevitable changes to competencies needed to accompany the profound mutation of our businesses, requires a robust training policy. At CIC, this major investment – more than 5% of the payroll – enables all employees to become leaders in their own career plans, with extra attention paid to mobility. CIC also works to eliminate all forms of discrimination and pursues gender equality policies: in 2016, the percentage of female managers[1] rose from 43.7% to 44.3%, and that of women promoted[1] from 35.9% to 40.7%. The group has rolled out initiatives for diversity, integrating people with disabilities and improving working conditions generally.

For CIC, being a responsible bank means actively contributing to financing the real economy and to regional development in support of a more sustainable society: with 1,982 points of sale, CIC is present in all regions, actively participating in developing entrepreneurship, supporting young businesses, fostering innovation and integrating young people. CIC also offers a responsible product and service range. We promote socially responsible investment, encourage solidarity savings and investments, and support vulnerable individuals. To support transparency and model best practices, we publish our sector policies on our website and intranet, and foster employee awareness of these issues. These commitments can be seen in every decision we make.

For CIC, being a responsible bank means supporting concrete everyday actions in the social and cultural arena: CIC group combats banking exclusion by supporting microfinance. Our partnership with ADIE, for example, has now been extended to all regional banks, so that 607 requests were processed compared with 217 the previous year. The group conducts patronage and sponsorship operations throughout France, and supports numerous cultural and heritage preservation projects, with a particular focus on young artists.

Lastly, being a responsible bank, for CIC means protecting the environment by reducing our own direct environmental footprint. For this reason, CIC group deploys efforts to reduce our consumption and manage waste, via initiatives to streamline energy consumption and travel.

Our values of community, social responsibility and solidarity, shared with our parent company Crédit Mutuel-CM11, support our continued commitment to the sustainable development of our regions, supporting economic vitality and serving as a fully responsible bank.

Nicolas Théry
Chairman of the board of directors

Alain Fradin
CEO

(1) For group entities located in France.

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, Articles 70 and 173 of the French Green Growth Energy Transition Act of August 17, 2015, and Article 14 of the French Anti-Food Waste Act of February 11, 2016.

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 are published in that organization's 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.

CIC AND SUSTAINABLE DEVELOPMENT

Community, responsibility and solidarity are the values that the Crédit Mutuel group has promoted since its creation.

CIC's approach to sustainable development is in line with this policy. In 2015, Crédit Mutuel joined Comité 21, a network of players involved in the operational implementation of sustainable development, and in September 2015 it was named "Best ESG (Environmental, Social, and Governance) Risk Manager Team France 2015" by the UK magazine *Capital Finance International*.

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.

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.

(1) Crédit Mutuel-CM11: groups that belong to the Caisse Fédérale de Crédit Mutuel: Caisses de Crédit Mutuel Centre Est Europe, Sud-Est, Ile de France, Savoie-Mont Blanc, Midi-Atlantique, Loire-Atlantique et Centre-Ouest, Centre, Normandie, Dauphiné-Vivarais, Méditerranée et Anjou - Caisse fédérale commune (CF de CM) - Banque Fédérative du Crédit Mutuel, and its main subsidiaries: ACM, BECM, IT, including CIC, Targobank Germany, Targobank Spain, Cofidis, CIC Iberbanco.

GENERAL INFORMATION

I – RESPONSIBLE HUMAN RESOURCES MANAGEMENT

In 2016, the need to adapt to meet financial, regulatory and behavioral challenges remained a priority in CIC's development plan. Strategic workforce planning was one of CIC's employment policy priorities to accompany these profound changes impacting the group's businesses.

1 - Staffing levels

1.1 A leading employer

As of December 31, 2016, the CIC group had 20,496[1] employees on the payroll, which breaks down as follows:

- banks: 17,519;
- French subsidiaries: 1,195;
- branches/offices and subsidiaries abroad: 1,782.

The total workforce is stable overall (-0.1%), as compared to 2015 (20,523 employees).

The CM-CIC Securities subsidiary was absorbed by CIC on January 1, 2016. Following the merging of this subsidiary's workforce in 2015 with that of CIC, the workforce of the banks registered a decline of 48 employees (-0.3%).

The French subsidiaries added 20 employees, and staffing levels at foreign establishments rose by one employee.

The breakdown of the workforce by age and gender is provided on page 293 for the consolidated reporting scope as described in the methodological note on page 291.

1.2 Stable jobs

The scope used for the indicators below (group entities located in France) includes 18,771 employees (individuals), of whom 96.2% were on permanent contracts. CIC's turnover rate was 3.5%. Data on new hires and dismissals is provided in the employment indicators table on page 294.

1.3 Compensation

Quantitative data on compensation is presented on page 295 (SOC73, SOC107 to SOC109 and SOC80 indicators). Gross payroll for these employees is €798.4 million, up 0.4% compared with 2015.

1.4 Individual Employment Benefit Report

In 2016, a second Individual Employment Benefit Report (*Bilan Social Individuel* - BSI) as at December 31, 2015 was emailed to each employee. This document gives employees an overview of all the elements comprising their direct and indirect compensation: fixed compensation, exceptional additional elements (long-service awards, review bonus, monetization of working time accounts, and exceptional bonuses, etc.) benefits received (allowance for school children, childcare allowance, employer contribution to luncheon and/or travel vouchers, etc.) and employee savings (incentive bonuses, profit-sharing and employer contributions). Employee contributions deducted from salaries and employer contributions paid, broken down by type, and the evolution of the employee's fixed compensation over the past five years are also shown in the report, along with information on working time, supplemental healthcare, personal protection insurance and pension coverage implemented by the company, and other benefits enjoyed by the employee. The report is available along with all related tools and documents on the intranet in the dedicated human relations space titled "Employee Universe."

1.5 Working time and absenteeism

Working time and absenteeism and its causes are presented on page 294 (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 is stable (-0.3%), with 151,829 working days of absence during the fiscal year.

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 workplace 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 in France, 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, the main related jobs (those from which an employee can transfer to take this position, and those towards which the employee can evolve 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.

3 - SOC50 – Training to support employee adaptation and development

The 2016-2018 training plan seeks to support the implementation of the group's medium and long term plan. It is based on the group's strategic orientations as applied in its various companies, integrates the needs derived from strategic workforce planning and is one of the tools for supporting skills development. For employees in the sales network, training is a priority that is rolled out in three areas:

- vital strategic actions rolled out in 2016 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.

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.

The approach is a practical one and includes an interactive training offer, an assessment of individual needs, the opportunity to participate in distance training over carefully targeted periods, implementation and follow-up support tailored to the needs of each employee for lasting skills acquisition. New developments have focused on educational methods, in particular the deployment of numerous "networked classes," which are an interactive supplement to other methods for sharing practices and experiences.

A new distance training platform dedicated to the organization of eTraining sessions began to be put into place in 2016, to improve the performance of training tools.

In 2016 as in 2015, the training budget equaled 5% of total payroll and 14,524 employees (77% of employees) received a total of nearly 556,000 hours of training (including eLearning as a prerequisite for classroom-based training).

Quantitative data on training is presented on page 295 (*SOC46* to *SOC50*).

4 - 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. It primarily concerns the companies that apply the CIC single status.

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 and were in part renewed in 2016 or 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. These agreements are monitored and involve the promotion of workplace gender equality at the time of recruitment, equal treatment with regard to experience, classification, compensation and work-life balance.

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

(1) HR data.

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 managers under permanent contract numbered 3,737, a 2.5% increase compared with 2015. In 2016, women accounted for 41.7% of management promotions, compared with 35.9% in 2015.

4.2 SOC69 Employment of seniors

The 2013-2015 generation contract action plan having reached its term and achieved its quantified targets, a new 2016-2018 generation contract action plan has been introduced. 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 that replaced the later stage career interview and career evolution interviews in 2015.

The strategic workforce planning agreement also targets balanced generational representation. It stresses the importance for each work unit to ensure that it not lose 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 fostering new initiatives to diversify the profiles of job applicants as part of the 2016 agreement on workplace equality, non-discrimination and quality of life at work. Banque de Luxembourg has signed the Lëtzebuerg diversity charter whose aim is to encourage companies to respect and promote diversity. For Diversity Day 2016, a video depicting the diversity of the workforce was presented internally and uploaded to the intranet. Once a month, a statement from an employee drawn from the video is published on the intranet, and a conference was organized on unconscious bias in decision-making.

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 ("What is a worker with a disability?" "What does the law say about disability?" "What are disabling conditions?" "How can I be registered as a worker with a disability?" "How is a worker with a disability supported?" etc.).

Other programs to support the integration of people with disabilities primarily consist of measures to assist workers with disabilities, such as those adopted at CIC Lyonnaise de Banque or CIC Nord Ouest. The measures involve contributing to the purchase of disability-related 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. In Île de France, a disability officer was designated and a working group formed.

Certain work is also subcontracted to centers that employ workers with disabilities (ESAT).

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 corporate officers or directors of the entities within the scope of the indicators have been convicted of the crime of obstructing the functioning of employee representative institutions.
- 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.

5 - SOC45 – A company that cares about its employees' working conditions

5.1 Employee health and safety prevention, tracking and improvement initiatives

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. Documentation on safety instructions, procedures and advice was updated in 2016, against the backdrop of government communication about how to behave in case of terrorist attack.

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 group safety guidelines and network safety guide, "Acting Together Against Rude Behavior (in customer relations)," Preventing All Acts of Harassment and Violence at Work," etc. An IT security video game called "Keep an eye out" was rolled out in 2016 for employees to learn and improve their security habits.

Self-training modules are also offered on the topics of "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: information on sleep, on responding to excessive heat and heat waves, repetitive strain injuries, first aid training, protective rules to limit the spread of viruses, etc. In 2016 in Île de France, a medical health and risk prevention library was added to the intranet, and CIC Sud Ouest also published a presentation on "Health at work is everyone's business!" to foster discussion of this topic with employees. Banque de Luxembourg, as part of its Serenity project, offers workshops to learn how to better manage stress and emotions, simply and effectively. In addition, the question of any specific difficulties in balancing family and professional responsibilities is 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 99 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.

In 2016, CM-CIC Factor adapted its management tool screens for its employees suffering from vision impairment. All screens were analyzed in detail to enable optimal use with greater user comfort.

5.3 Promoting the group's managerial values

A group management charter defined in 2014 aims to support the 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 Crédit Mutuel-CM11 group and CIC 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. The call for solidarity resonated widely with employees, as shown by a donation campaign in November 2016, which was closed just four hours after its launch and collected 704 donated days.

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.

6. Labor dialogue*

6.1 Employees have the opportunity to share in CIC's overall performance

Results generated in 2015 enabled the group to pay, in 2016, both profit sharing and incentive bonuses. Thus, in the case of CIC entities covered by the single status, 19,963 employees received a total amount of €110.5 million in profit sharing and incentive bonuses, i.e., 14.1268% of the 2015 payroll, which breaks down as 11.7558% in profit sharing and 2.3710% in incentive bonuses. Employees who made at least one deposit into their group savings plan received a total of €17.9 million in employer contributions.

In 2016, employees benefited from an optional self-training module presenting the employee savings programs offered by the group, the various ways to pay into their company savings plan or joint retirement savings plan, the related tax and social security regimes and the investments that are possible under this system.

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 Labor relations and collective bargaining agreements

SOC83 Agreements signed in 2016.

Several agreements relating to the global Crédit Mutuel-CM11 scope were signed between employees and management. The following agreements and amendments concern CIC entities:

- January 7, 2016: agreement on salaries (0.5% increase with a €200 ceiling and payment of a 0.5% profit-sharing supplement);
- January 7, 2016: amendment no. 17 to the CM-CIC group savings plan (amount of the employer contribution for 2016);
- March 17, 2016: amendment no. 1 to the group profit-sharing agreement;
- March 17, 2016: amendment no. 1 to the group agreement on employee incentive bonuses;
- March 17, 2016: agreement on strategic workforce planning;
- March 17, 2016: amendment no. 4 to the CM-CIC group personal protection and healthcare cost plan, rectified (clerical error) by amendment no. 5 of May 19, 2016;
- December 20, 2016: amendment no. 18 to the group savings plan agreement (change to the range of funds, creation of two FCPEs, account maintenance and management costs charged to the employer);
- December 20, 2016: amendment no. 19 to the group savings plan agreement (amount of the employer contribution for 2017).

Specific agreements have also been signed at CIC group level and by some CIC entities.

In accordance with the requirements of the French employment safeguarding act, an economic and employment database is available on the intranet to the employee representatives of certain of the group's French 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.

In the area of safety, no agreements were signed in 2016.

6.4 SOC87 Employee satisfaction

Satisfaction surveys conducted in 2016 primarily concern the quality of services rendered by the network support businesses (business subsidiaries). CIC Nord Ouest was "Happy Trainees" certified in 2016. Based on answers from former interns and apprentices to a satisfaction survey concerning their experience with the company, this certification is awarded to European companies that are highly rated by this audience. An employee working group was formed for the rollout of the new reception space at the end of 2016.

6.5 Raising employee awareness of CSR factors

In 2016, CSR issues were addressed during employee meetings with their general management in certain group entities. This was the case at CIC Lyonnaise de Banque and CIC Sud Ouest.

Raising staff awareness of CSR is also a component of entities' internal social and environmental operations: company commuting plan, environmentally aware conduct, travel policy. CSR concepts and practices are distributed to CIC Sud Ouest employees in the Weekly Newsletter in the form of games and tips. As part of the 2016 Green Dot Initiative, the Singapore branch organized a tour for employees and their families of the first offshore unloading facility in Singapore. This tour was written up in the internal newsletter.

Since April 2016, employee pay slips for the entities located in France are no longer printed, but delivered in digital format with the option to choose to receive paper pay slips. The same applies to employee restaurant vouchers, replaced by the Monetico Resto card in August 2016. And this year, videos were distributed on the intranet on the topic of disability (see section 4.4). Dedicated intranet spaces are sometimes created or being created to promote individual environmental responsibility.

At the level of the businesses, employees are also made aware of CSR in two ways: through SRI and solidarity savings, and through responsible investment:

- SRI and solidarity savings: the weekly "Economy and markets" memo published on the employee intranet systematically includes the "SRI bulletin" with information 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. The theme of the September 2016 company-wide meeting for estate advisors at CIC Sud Ouest was solidarity and responsible savings.
- Responsible investment of development capital: employees learn about ESG issues via the dissemination of information within their business line, and some have participated in a training session presenting CSR.

Certain aspects of CSR are also very much present in CIC's business lines, particularly in terms of compliance and risk management.

In 2016, a self-training module on employee ethics rules was taken by all employees.

In addition, the CM group CSR letter contains an informative general and competition watch and highlights best practices from different group entities. It is published weekly on the CIC intranet of the regional banks and some subsidiaries.

II – A RESPONSIBLE ECONOMIC PLAYER

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 1,982 points of sale spread across France, and 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 12.5% at December 31, 2016 for CIC and of 15.0% for Crédit Mutuel-CM11, among the highest in French banking, the group's refinancing capability is high. In 2016, in a fragile economic environment, outstanding[1] installment loans from the banking network rose by 4.8%, including increases of 3.5% for housing loans, 5.3% for consumer or revolving loans and 7.6% 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, since September 2016, 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*.

1.2 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 2016. The CréaCIC offer proposes ongoing support via a network of customer relationship managers trained in business start-ups and acquisitions, regular business monitoring meetings, specific financing solutions, partnerships (with BpiFrance, the Initiative France network, France Active and SIAGI[2]), social welfare coverage schemes, and appropriate rate reductions for payment methods and account management. Sole proprietors also benefit from a specific offer.

Along with the networks mentioned above, CIC's partners for start-up support are many and extend across France: Agence France Entrepreneur, Union des Auto-Entrepreneurs (UAE), Institut du Créateur Repreneur du BTP, etc.

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.

1.2.2 Supporting innovation

CIC is committed to innovative entrepreneurs by offering the Prêt Entreprise Innovante loan with deferred payment for up to two years to allow the project time to succeed.

To further support start-ups 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 was created and rolled out in the network starting in 2016, 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 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.

1.2.3 Encouraging entrepreneurial initiatives

CIC proposes 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. This space was expanded in 2016 with the launch of a newsletter and revised tools to better meet expectations (including a business creator's guide).

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, development capital, buyout capital, merger and acquisitions consulting.

CM-CIC Investissement encompasses all aspects of capital expertise to meet companies' equity financing needs.

- At December 31, 2016, managed capital was maintained at €2.4 billion, including €2.2 billion in equity and more than 408 equity investments for this business's consolidated entities. The "CM-CIC Transactions PME" solution supports manager shareholders wishing to transfer their small cap company.

1.3 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.).

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 amounted to €5.1 million in 2016.

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 to 101,493, an increase of 10.3% in 2016 compared to 2015. 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. An associations package gives associations the ability to let their members pay by bank card even without a website. 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 took part in the 11th National Forum of Associations & Foundations, was partner to a practical workshop on "Collecting donations online: legal and tax rules and consequences," and sustains dialogue with the associative sector via technical conferences.

1.5 Expanding farmers' access to renewable energy equipment

For more than a year, an expert has been supporting farmers with their plans to acquire renewable energy equipment. In 2016, investments of this type financed by CIC for farmers amounted to €5.7 million. Photovoltaic and methanization unit projects each account for about half of this financing.

2 - A responsible product and service offer

2.1 Promoting Socially Responsible Investment (SRI) (SOT28)

During 2016 Responsible Finance Week, a web conference was organized by CM-CIC AM to review the state of responsible financing: definition of the terms "responsible finance" and "SRI," certification changes, new developments since COP21, etc. CM-CIC AM also took part in the second "SRI and Performance" event launched by Option Finance and *Funds* magazine.

CM-CIC Épargne Salariale distributed a web file on SRI for companies and their employees along with an educational video titled "Responsible finance: investing for meaning." This video was also posted on the cic.fr website for its customers.

CM-CIC AM's 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.

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;

(1) Amounts outstanding at the end of the month.
(2) Société Interprofessionnelle Artisanale de Garantie d'Investissements.

- 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.

The CM-CIC AM offer includes two SRI ranges:

- the best-in-class SRI funds certified by Novethic: 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.

SRI assets under management by CM-CIC with Novethic certification totaled €145 million at December 31, 2016 and investments with CIES certification totaled €523 million.

SRI is included in the weekly *Economy and Markets* newsletter distributed to CM-CIC Asset Management customers via the SRI blog.

Another fund, BL Equities Horizon (Ethibel Excellence certified), is offered by Banque de Luxembourg in partnership with VIGEO and Ethibel.

2.2 Responsible investment:
a commitment by the capital division

CM-CIC Investissement and its major subsidiaries have signed the AFIC (Association Française des Investisseurs pour la Croissance) 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 throughout 2016 with these two solidarity products, and despite lower interest rates on the savings accounts, the amount paid by CIC to the partner associations increased by 67% compared to 2015.

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).

Banque de Luxembourg has already launched two microfinance funds since 2010.

2.4 Insurance: Promoting green driving

In the area of automobile insurance, CIC offers attractive deals to people who adopt environmentally friendly behaviors: a reduced rate if the vehicle covers 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:

- 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; at the end of Q1 2017, this process will be incorporated into the COMPLY compliance application and be fully automated as a result;
- 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 2016, 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).

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.

In addition, CIC complies with the "AERAS" agreement, designed to facilitate access to insurance and credit for people with an increased health risk. It was revised on September 2, 2015 and 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, which will not be substandard or include an exemption due to this cancer. Long-term care insurance is also available.

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.), for which the customer can configure frequency, thresholds and types of alerts. A budget feature offering customers a quick graphic overview of spending and income is included in the new version of the remote banking apps for smartphones. 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.

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 since July 1, 2016), sustainable development loans are offered for certain specific residential energy performance improvement work in older buildings, long-term (outstandings: €4 million) and short-term (outstandings: €8 million) for work subject to the tax credit in buildings completed more than two years ago. Eco Energy Loans (Alsace region, and since 2016 in the Burgundy Franche Comté, Nouvelle Aquitaine, and other regions) are an addition to these three existing products.

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 vehicle and public transport financing (lease financing for the purchase of electric vehicles in 2016 was 63% higher than in 2015, and for public transport it was 25% higher). 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)

In the regions, projects financed in 2016 primarily involved methanization installations and photovoltaic systems. For example, CIC Est financed 20 methanization equipment projects, and CIC Lyonnaise de Banque contributed in particular to financing seven photovoltaic installations on the roofs of schools in the Department of Gard. The CIC group also took part in larger projects in France and abroad in various fields (see section 5.1). In 2016, CIC participated along with BEI in refinancing nine renewable energy projects in France: three in the wind power sector, three in solar and three in the area of biomass.

3.3 Investment

CM-CIC Investissement and its subsidiaries also participate in project development by investing in companies whose products respect the environment, and in companies who expand their business portfolio by acquiring companies with innovative energy performance practices.

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 CIC 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 formal analysis by the department concerned and to annual reporting.

In 2016, the CIC project financing department financed 33 projects, of which 19 were in renewable energies: 17 wind farm projects (11 in France, three in North America, one in Australia and two offshore in Europe), one solar farm in France, one primarily biomass plant in La Réunion.

It also financed several infrastructure projects: telecommunications infrastructure in Spain, road infrastructure in Australia, schools in France and the United Kingdom, desalination plant in Australia, heating network in Sweden, airport in Lyon. In the area of natural resources we can add a petrochemical plant in Oman and a LNG (liquefied natural gas) project in Indonesia, both of which are in strict compliance with applicable environmental standards.

(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 de Projets portfolio.

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 33 projects are categorized as follows: category A: 1, category B: 28; category C: 4.

The category A project, Tangguh, is the development of a third gas liquefaction train on the same site as the previous ones (Indonesia). This transaction involves very few environmental and social risks beyond those identified for the existing operations. These operations comply with international standards and practices, including those of the Asian Development Bank and the World Bank. They are subject to audit by the Ministry of the Environment of the Republic of Indonesia. These points were confirmed to the banks by the extension's CSR auditor.

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 all cases, portfolio projects at the least comply with local laws and, in general, with the World Bank's minimum requirements. 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 the Equator 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).

5.2 Sector policies

At December 31, 2016, five sector policies concerning defense, civil nuclear energy, mining, coal-fired power plants, and private banking were published on cic.fr and the intranet.

Employee awareness sessions continued in 2016, organized by the corporate banking internal control function, and the CSR review must be present in all of the corporate banking loan committee files for those sectors for which a sector policy has been published.

5.3 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.

5.4 Criteria for forming 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.

6 - A relationship grounded in respect for customers

6.1 Focus on providing quality service (SOT73)

With awareness of the fact that building a long-lasting relationship of trust between CIC and its customers requires personalized and competitive, useful and efficient service, actions are carried out for continuous improvement of service quality.

6.1.1 Enhance employees' skills: the CIC training budget represents 5% of total payroll. Training is offered to advisors for improved reception and listening, precise diagnostics, offering relevant solutions and in the use of tools. Specialists may also be called on to provide support in meeting specific customer needs.

6.1.2 Personalize the customer relationship: customer relationship managers are not paid commission on the sales of products they offer, which helps them be more objective. CIC is also adapting to its customers' different lifestyles and modes of connection by enabling additional methods of contact with their customer relationship managers other than in person (by phone, online, text messaging). In 2016, CIC introduced a relationship pathway titled "The welcome process" designed to strengthen relationships with new customers. CIC also formed working groups made up of customers and non-customers this year, to hear their opinions on specific issues surrounding the customer relationship.

6.1.3 Roll out innovative service offers: in 2016, "CIC Auto" was introduced to optimize customers' automobile budget by combining purchase, financing, insurance and servicing in one package, and the development of new services such as mobile phone leasing was also pursued.

6.1.4 Provide resources for 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. The "Customer priority 2018" IT plan launched in 2016 aims to enhance this responsiveness by offering customers a fluid and sustained relationship via the communication tools they prefer to use with the bank, and by supporting the advisor in optimizing contact using appropriate tools. The group is notably working on improving processing of information arriving via text messaging or Filbanque by using a virtual assistant based on Watson cognitive technologies. Deployment began in mid-2016 to offer a response to arriving emails within three seconds, with reading, analysis and classification by order of priority, and to assist customer relationship managers by answering recurring questions about property insurance and savings.

Services are now accessible via smartphone in the insurance sector:

- free electronic claims filings in case of accident for vehicles registered and insured in France, with no injuries;
- *electronic roadside assistance* to inform customers awaiting assistance via text message of the estimated arrival of their service. The application supports geolocation in real time by clicking on a link.
- since June 2016: the possibility for medical insurance customers to transmittheir not otherwise electronically transmitted referrals and bills (photos) from their cell phone, to obtain a quick response concerning coverage.

6.1.5 Align with increasingly connected customers:

CIC is a retail bank serving the real economy with its banking network of 1,982 branches, including 1,681 in the regions. It adapts to new, increasingly connected lifestyles: face-to-face meetings with customer relationship managers and various contact channels (phone, *web* and messaging) have become complementary. The practice of communicating via secure messaging (offering an optimal level of confidentiality) and allowing customers, at their initiative, to make appointments directly, are efficient and appreciated features. The availability of remote banking applications that can be accessed on the different smartphone and tablet platforms, as well as at ATMs, makes these functions widely available.

Expansion of electronic document management (EDM), through the Filbanque online service, provides customers with round-the-clock online access to their various contracts, account statements, etc. (which are stored for ten years). This makes it easier to review these documents while at the same time contributing to CIC's efforts to reduce paper consumption. An electronic safe stores these documents with complete confidentiality and security.

CIC also offers individual customers its eWithdrawal service, with which holders of a remote banking contract can withdraw cash if they forget their card or it is malfunctioning. A single-use virtual card enables them to complete a withdrawal anywhere in France at CIC and Crédit Mutuel ATMs managed by Euro Information.

New tools were deployed in the branches in 2016:
- electronic signature on tablets;
- remote electronic signature;
- Guest WiFi which allows prospects and customers access to quality WiFi.

Specific action plans have also been implemented in the group entities: Banque Transatlantique introduced "Lab 20" in March 2016, a group of some 20 employees whose aim is to present concrete proposals for evolving the private banking model: digitization, new collaborative working methods, customer experience, etc. are the focus of their reflections. CM-CIC Bail continued to pursue the quality trajectory initiated in late 2015.

6.1.5 Quality metrics:External surveys are conducted regularly to measure customer satisfaction (barometers). Since 2015, as part of the quality initiative, satisfaction surveys have been widely used for new retail and self-employed professional customers. In terms of companies, CM-CIC Aidexport, the CIC subsidiary that supports companies with their international development, again ran its quality survey of customers as well as international sales representatives. A satisfaction survey on employee savings was also conducted. CIC also participates in external satisfaction studies. Some services provided by subsidiaries or business centers are ISO 9001 certified, such as CM-CIC Épargne Salariale whose certification was renewed in November 2016. 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.

6.2 Ombudsman (SOT74 to SOT78)

On January 1, 2016, consumer mediation took effect in transposition of the European directive on alternative dispute resolution for consumer disputes (Consumer ADR directive). This has led to extensive changes in the application of mediation at CIC. The ombudsman has enhanced resources, a dedicated team and their own website, supporting in particular online submission of dispute resolution requests.

However, mediation is now only accessed once internal forms of recourse have been exhausted. Thus, while the number of demands is down 9% compared with 2015, at 1,411,[1] the number of admissible requests is now only 12% of the total. This explains the drop in responses that are partially or entirely favorable to the customer, from 59% to 47%.[2]

The other cases are generally transmitted to the banks for processing.

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;
- anti-corruption.

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 subject to rules that define and limit their personal financial instrument transactions.

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.

The French law on transparency, anti-corruption and modernization of the economy, known as the **Sapin 2 Act** and adopted on November 8, 2016, will take effect in mid-2017. It provides for new anti-corruption measures. Companies or groups with at least 500 employees and consolidated revenue of more than €100 million are required to apply measures to prevent and detect corruption or influence peddling in France or abroad.

CIC, and the Crédit Mutuel-CM11 group as a whole, will strengthen their anti-corruption systems in compliance with the new legislative provisions. For this purpose, the following measures and procedures will be implemented:
- create a code of conduct 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 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.

(1) Banks and Banque Transatlantique and CM-CIC Épargne Salariale scope.
(2) Data from files processed at 1/31/17.

This system already 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.

6.3.2 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 supplementary offer is intended to ensure continuity of services for policyholders, since the coverage provided under the new 2016 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. CIC also proposes a remote assistance service, Senior Assistance CIC, to help isolated or medically fragile people remain independent and in their homes.

- In the area of security, in addition to the Theft Protection offer (protection of people and property), considerable 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. 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. In 2016, as part of efforts to combat fraud in online card transactions, a new feature was made available to customers which lets them suspend the use of their payment card for online transactions for as long as they wish, from their personal web space or mobile applications. Euro Information, the Crédit Mutuel-CM11 group's IT subsidiary, constantly monitors delinquent practices in remote banking services. Security of customer personal data and processing compliance are subject to the rules of the French National Commission on Information and Freedoms (CNIL). 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.

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.
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.

In 2016, at management's request, an environmental responsibility initiative was launched for CM-CIC Services employees.

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 2016). 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 2016, almost all entities in this category had a CSR approach. This process is applied to equipment and software purchasing, and now also to purchases from IT services and computer engineering companies. Euro Information regularly updates the information provided.

Euro TVS, a subsidiary of Euro Information dedicated to digitization and computer processing of documents and payment methods, also applies environmental management with ISO 14001 certification.

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 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)

In 2016, CIC became the new partner to the France 3 television show *Des racines et des ailes* ("Roots and wings") with 30 episodes 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.).
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 2016, "Napoleon in Saint Helena, the conquest of memory" and "Secret wars").
CIC is also a founding partner of the Aix-en-Provence Easter Festival, which has become internationally renowned after only four iterations and has a strong economic impact locally.

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. Since 2005, CIC has also provided a cello made by Francesco Goffriller in 1737 to Ophélie Gaillard, and at the conclusion of the Aix-en-Provence Easter Festival it donates an instrument specially designed by luthier Pierre Barthel. This has led to the formation of the Aix Quartet, made up of talented young Aix musicians and which will perform at the next festival and various concerts, including several at Les Invalides.

CIC Sud Ouest also promotes 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 continues its sponsorship efforts with the Royaumont Foundation which offers specialized education opportunities for young artists, and promotes their professional integration via the production of concerts at Royaumont and outside.

1.3 Patronage and sponsorship initiatives throughout France

Principal regional cultural projects financed in 2016	Beneficiaries	Sponsors/Partners
Fine arts		
"Scenes from impressionist life" exhibit	Rouen Fine Arts Museum	CIC Nord Ouest
Eugène Boudin exhibit	André Malraux Modern Art Museum (MUMA), Le Havre	CIC Nord Ouest
Braitou Sala exhibit	Roubaix La Piscine – André Diligent Art and Industry Museum	CIC Nord Ouest
Scientific and cultural museum project	Pont-Aven Museum	CIC Ouest
Lyon Fine Arts Museum	Saint-Pierre Museum Club	CIC Lyonnaise de Banque
Artistic and cultural activities of the Regards de Provence Marseille Museum	Regards de Provence association	CIC Lyonnaise de Banque
Centre Pompidou-Metz	Les Amis du Centre Pompidou-Metz association	CIC Est
Music		
Musical projects	Lille Arpège and National Orchestra	CIC Nord Ouest
Support for "Il Trovatore" and "Orfeo"	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
Theater		
Compiègne Imperial Theater	Centre d'animation culturelle de Compiègne et du Valois	CIC Nord Ouest
Théâtre de Cambrai	Théâtre de Cambrai	CIC Nord Ouest
History		
"Rendez-vous with history" Festival in Blois – "L'Économie aux Rendez-Vous de l'Histoire" program of discussions	European Center for the Promotion of History	CIC Ouest
"The art of peace – Secrets and treasures of diplomacy" exhibit	Paris Musées - Petit Palais	Banque Transatlantique
Architecture and heritage protection		
Renovation of the Fourvière site	Fourvière Foundation	CIC Lyonnaise de Banque
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 solidarity field (SO48):
  in 2016, CIC and Banque Transatlantique signed a partnership with the association Les Petits Frères des Pauvres for its 70th anniversary, to promote two solidarity concerts and the "Flowers of Fraternity" operation.
- In projects aimed at developing entrepreneurship among young people:
  - 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.
  - It remains a major partner to WorldSkills France for the Olympiades des Métiers competition, in its efforts to promote apprenticeship, occupational training and its professions.
  - 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:

- **health**: CIC Ouest is a founding member of the Pays de Loire Gene Therapy corporate foundation and is involved with the Santé Dige foundation in Nantes to support advances in the treatment of hepatic and digestive illnesses. CIC Lyonnaise de Banque provides its support to the Neurodis Foundation's "CIC - Brain and Mental Health" chair, which aims to promote the link between the brain and psychiatry and create synergy between the neurosciences and mental health and society. In 2016, CIC Est continued its engagement in the fight against melanoma via its donation to the organization Ensemble Contre le Mélanome for anyone wearing an "Ensemble contre le mélanome" tee-shirt during the Marathon du Vignoble d'Alsace. Insurance customers were also encouraged to act via an insert included in their payment notices. CIC Nord Ouest is part of the partnership signed at the end of 2015 with the DigestScience foundation to support research on digestive diseases and nutrition. The Singapore branch supports the Cerebral Palsy Alliance Singapore. Banque Transatlantique is a founding member of the Medical Academy Foundation.
  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 or in collecting milk for La Banque Alimentaire du Nord, CIC Est employees at the Marathon du Vignoble d'Alsace for the "Ensemble contre le mélanome" initiative with the Gustave Roussy Institute. The same is true of Banque Transatlantique employees who took part in a race benefiting Make-A-Wish France, whose mission is to fulfill the wishes of children suffering from serious diseases. And 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**: CIC Lyonnaise de Banque partners with the association Anges des Eaux Vives that works to improve the lives and integration of children with disabilities (sensory and motor) or any other chronic disabling condition. In 2016 the bank became a member of the companies in solidarity with Fondation de France en Rhône Alpes, which supports regional initiatives around shared causes such as housing difficulties, better community, etc. For their part, CIC Lyonnaise de Banque employees took part in a workshop organized by the association Jaccède, aimed at identifying locations in Lyon by their level of accessibility for people with reduced mobility, so as to organize easy outings. In the Singapore branch, a quarterly collection of drink can tabs was introduced in 2016 for the manufacturing of prosthetic legs, in collaboration with The Prostheses Foundation of The Princess Mother of Thailand.
  As part of its social engagement, CIC Suisse supports three projects and institutions for three years at a time. In 2016, CIC Suisse gave its support to the Alzheimer Switzerland association, and continued its assistance to people with vision impairments through the development of a talking wristwatch. CIC Suisse also supports the Kinderkrebshilfe Schweiz association which supports and encourages families who have a child in cancer treatment.
- **education**: CIC Lyonnaise de Banque supports the Coup de Pouce association, which works to prevent academic failure and to promote literacy. With this association and in partnership with *Acteurs de l'Economie* magazine, a conference on "The keys to educational success" was held in October 2016. The bank also participates in the IMS Entreprendre pour la Cité association's "Déployons nos Ailes" ("spread our wings") program, which seeks to counter stereotypes by helping girls learn about "male" professions. Banque de Luxembourg continued to support the La Pépinière association's "4 Seasons Academy" designed to help young people between the ages of 15 and 19 spread their wings and discover where their talents lie.

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;

CIC also supports research and teaching on innovation;
- since 2016, with the participation of CIC Ouest in the "Management Innovations: Providing Meaning to Manage Differently" chair with Audencia;
- and the sponsorship agreement signed between CIC Nord Ouest and La Fondation de l'Université des Technologies de Compiègne as part of its support for innovative initiatives.

CIC also takes part in employment forums and shares internship offers with higher education institutions.

- **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), the "Sauvegarde du Nord" endowment fund (funding of initiatives supporting vocational integration, social integration, integration via housing and the protection of children), and ARELI Émergence (contributes to the professional and social advancement of deserving students), and its sponsorship of Fondation AJIR Nord Pas de Calais which works to promote the employment, citizenship and social connection of motivated young people in the region.
  - 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. And a partnership signed in 2016 with Nos Quartiers ont des Talents provides effective individual support to young graduates from disadvantaged backgrounds in finding work.
  - In 2016, CIC Ouest became 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.

- **emerging projects**:
  - In 2016, CIC Est once again supported the Trajectoires contest, the business creator talent competition organized by the Alexis-Lorraine entrepreneurial endowment fund, which aims to highlight the efforts of business creators;
  - CIC Lyonnaise de Banque took part in the Victoires de l'Innovation, and also continued its partnership with the Cuisine du Web association, which aims to encourage web-based and digital entrepreneurship in Lyon. 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 Ouest supported the activities of the Réseau Atlantic 2.0 association, which brings together web and digital innovation players in the Pays de la Loire region for Open Innovation Day.
  - CIC Nord Ouest is a patron of the Entreprendre pour Apprendre association, which organizes in particular the mini-company contest to develop entrepreneurial spirit among students from secondary school to university. The bank also partners 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 start-ups are also provided. CM-CIC Innovation thus continued to support the University of Lyon Foundation's Big Booster project. In 2016, three companies were designated winners of the first edition of this international acceleration program for start-ups. This system aims to identify, select and accompany start-ups with strong international development potential based on cutting-edge innovations in the healthcare, digital, environmental, and now also mobility and design sectors.

- **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. In 2016, Banque de Luxembourg chose to track the implementation of two projects that were among the 2015 proposals to the Luxembourg government for the "Philanthropy works" event. Their aims are to instill a culture of philanthropy at a young age through awareness initiatives in primary schools, and to create a Maison de la Philanthropie. The bank also renewed its support for the "123 go social" national social enterprise creation pathway, and continued to support the association ADA, which plays a key role in promoting microfinance in the Grand Duchy.
  - Banque Transatlantique partners with Centre Français des Fonds in the Cercle des Fondations Familiales program, to promote individual philanthropy. It organizes events to foster connections among philanthropists and between donors and foundations.
  - CIC Lyonnaise de Banque took part in the organization of a round table on the topic "Moving from idea to action in philanthropy," where four philanthropists working in the solidarity field shared their experiences with company executives and leadership.

- **environmental protection (SOT46)**
  - Banque de Luxembourg provided support to the Frienship and GoodPlanet associations, notably in 2016 by arranging a projection of the film *Climate Change in Bangladesh* directed by Yann Arthus-Bertrand for Frienship for COP21, followed by a debate on the impact of climate change and the prospects opened up by the Paris Agreement.
  - Banque Transatlantique is also 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)

Some entities make skills donations: employees at CIC-Lyonnaise de Banque take part in the "L dans la ville" program run by the association Sport dans la Ville. Young people are mentored by company executives to help them enter the world of work. Similarly, CIC Nord Ouest employees participate in a hiring dynamics group with the Alliance network. Banque de Luxembourg employees involved in solidarity and education projects can apply to the bank's Hëllef Hëllefen 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.

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. Thus, all CIC group employees have free access to the Hôtel National des Invalides (permanent collections of the Musée de l'Armée, temporary exhibitions, the Dome Church, Napoleon I's tomb, etc.) and receive special rates for Easter Festival concerts. CIC Nord Ouest employees and their families were also able to visit the temporary exhibit "Braïtou-Sala, the elegance of a world in peril" at the La Piscine Museum in Roubaix free of charge. And as part of the sponsorship of the Lyon Opera, reduced-price tickets were offered to CIC Lyonnaise de Banque staff to attend performances.

2 - Banking accessibility

Efforts to promote accessibility focus on:
- banking products and services and support for people in financial difficulty (mentioned above in 2.5 of section II "A responsible economic player");
- access to banks: updating branches that are not yet accessible to people with disabilities, adapting ATMs to people with vision impairments, with 96% of ATMs now accessible,[1] provision of bank statements in braille, designing bank and subsidiary websites to be accessible to all (CIC participation in the AccessiWeb working group).

In 2016, CIC redesigned its website, which now adjusts to the size of the screen on mobiles, tablets and computers. The most common features and the main account balances are displayed on the homepage to simplify navigation. To support its customers, CIC has created an FAQ section for this new version of the website. Making appointments or contacting your customer relationship manager is also made easier in an "advisor space" that is just one click away from every page for authenticated customers.

Communication between customers with hearing impairments and their advisors was also improved in 2016, with the possibility of remotely accessing a sign language interpreter service. 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.

In another area, and to simplify consumer access to fee information, the bank complies with the single denomination of primary banking fees and services provisions defined in the French decree of March 27, 2014.

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.

(1) Machines equipped with a headset jack to operate an application that guides customers through features either with buttons for a terminal equipped with buttons, or with a "customer" keyboard for terminals with a touchscreen.

3 - Countering banking exclusion and support for microfinance

In 2016 CIC participated in the capital increase for France Active Garantie, which guarantees bank loans to people who are unemployed or in situations of economic insecurity, who want to create their own company, and to solidarity companies and non-profit organizations.

In addition, to assist people who do not have access to traditional bank loans to create their business, CIC Sud Ouest's partnership with ADIE (Association pour le Droit à l'Insertion Économique) was extended to all regional banks starting in the second half of 2016. The six banks each provide ADIE with an annual credit line of €800,000 to finance micro-entrepreneurs. In 2016, CIC also took part in the microcredit week and contributed to ADIE's support for micro-entrepreneurs.

For its part, Banque de Luxembourg is the primary private source of support for ADA – Appui au Développement Autonome – the Grand Duchy's microfinance promotion agency.

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 6.3.2 on the protection of customers' personal information in Section II "A responsible economic player"). Numerous initiatives to raise awareness among young people are also carried out in this area. 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, and supported its "Let's Play Human Rights" contest in 2016. 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 2016 (see 1.4 "Responsible commitment" of the "Involvement in cultural and social life" section).

IV – AN ENVIRONMENTALLY FRIENDLY APPROACH

(ENV01) The corporate social responsibility project is supervised by Confédération Nationale du Crédit Mutuel (CNCM). A tool is used for data collection. Wherever possible, data is entered automatically from group applications.
Working groups are also sometimes formed in CIC entities and lead to internal initiatives, in particular concerning employee awareness via intranet 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.

Relations with stakeholders are handled at various levels: at the federation level and for Crédit Mutuel-CM11 for non-financial rating agencies and NGOs, and partly at the level of the group's business line centers for relations with certain suppliers (logistics, IT), and at the group level or at the level of each entity for other suppliers, customers and employees.

1 - Reducing the 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 emissions report covering the year 2014 in December 2015 at: https://www.cic.fr/fr/banques/institutionnel/publications/responsabilite-societale-de-l-entreprise.html
Greenhouse gas (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.

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 conducted work to optimize electricity consumption in the buildings under its purview in 2016. The tool for the centralized technical management of buildings developed by CM-CIC Services and Euro Information is steadily being rolled out. This tool makes it possible to centralize information on energy consumption and thus focus improvement efforts on the parts of the infrastructure that need it most. As part of the proposed decree on mandatory improvements to energy performance in existing service-sector buildings, CM-CIC Services Immobilier began studies of pilot buildings in 2016.

At Banque de Luxembourg, electronic meters for various electrical circuits were installed at the Royal site to monitor and streamline energy consumption.
Work begun to enhance building energy efficiency continues. The full replacement of the Cergy-Pontoise building's curtain wall was completed in 2016. Concerning CIC Est headquarters, a study was conducted in 2016 for the replacement of all windows with insulated windows. Banque de Luxembourg renovated the Howald site's gas heaters (low temperature) and cold air production equipment this year.
Whenever retail branches or central buildings are created, transferred or undergo major renovations, the laws, regulations and standards in force are applied and the energy systems are reviewed.

(ENV40) Consumption of renewable or "green" energy is expanding primarily via the use of urban heat and cold networks. For the CIC Est headquarters, membership in the new Eco2Wacken heat network inaugurated in October 2016 is currently being considered. Connections to these networks already exist, particularly in the Paris area, northern France (Lille, Roubaix) and in 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).
In 2016, a Parisian building was connected to the urban cold network. Additional buildings from the same complex will be connected in 2017. Heat distribution, roof insulation and roof repair work is also planned as part of the full renovation of these buildings.
In addition, CM-CIC Training's Les Gâtines training center in the Greater Paris region, where group employees receive training, holds the EU Ecolabel for tourist accommodation services issued by AFNOR Certification.

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.

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.

With respect to computer equipment, workstations in the branches have been turned off automatically at night since 2015, resulting in annual savings per workstation of 121.5 kWh. Tests were conducted in 2016 aimed at automatically turning off workstations at headquarters.
Around 20% of the hardware base is upgraded each year. The new hardware installed by Euro Information Services is both more efficient and consumes fewer resources. Since 2013 the hardware selected and approved by Euro Information has been monitored and compared on energy performance.

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.

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. Actions were taken following the "mobility" survey conducted in Q4 2015, in particular doubling the bicycle parking spaces, a "bike to work" challenge event and the creation of partnerships with bicycle shops.

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 tax on private vehicles in the CIC and regional banks scope continues to fall (-13%). The CO_2 emission rate of the vehicle fleet is decreasing (down 3.5% in one year) with a Crédit Mutuel-CM11 vehicle charter favoring vehicles with eco-bonus and the lowest CO_2 emission rate. In 2016, measures were taken with respect to electricity terminals in parking lots and bike parking.

On-line conferences and unified communication tools also help to limit travel. Since 2015, the use of Lync has made it possible for employees to take part in videoconferences directly from their workstations and even to organize them. 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). Currently, 78% of the mail of group entities whose mail is managed by CM-CIC Services is green stamped (compared with 72% in 2015). 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 and paper.
Systems continue to be used to optimize water consumption: 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.
CIC works to reduce 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 addition, since 2013, most group employees can opt for an electronic pay slip (more than 92% are now virtual compared with 56% a year previously), and the 2015 Individual Employment Benefit Report as well as meal vouchers were also made paperless.
Intragroup supplier invoices are also kept in electronic form for viewing in an internal group application. With other suppliers, digitization is gradually expanding.
With respect to customers, CIC actively promoted electronic bank statements in 2016 with its customers and employees. Since early June, subscription to the online statement (instead of paper statements) is automatic when opening a new customer account. Replacing paper copies and statements with digital versions available online led to a more than 42% reduction in the use of paper as at end-December 2016, compared with 35% at end-December 2015. An initiative was also rolled out in 2016 for customers who wanted to keep their paper statements, to send the statements for all members of the family or of a third party or group of third parties in a single envelope, and to optimize scheduling of bank statement distribution. At end-December 2016, the rate of optimized postal envelopes was more than 60% for the banking network.
The development of remote banking opens up new possibilities for reducing paper consumption with the electronic signing of contracts on tablets, which is currently being rolled out in the network and is operational in the subsidiaries. CM-CIC Factor, a subsidiary specialized in receivables management and factoring proposes a 100% electronic customer mail option (E-pack) in its microenterprise-SME factoring offer, which enables electronic document transmission, real-time cash management, contract monitoring and analysis and reliable and secure data

transfer. CIC also offers companies the Monetico Resto card, which enables staff to pay for their meals using a payment card instead of paper meal vouchers. In addition, at end-2016, deployment within the group of the SEPAMail RUBIS solution (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.
This service also contributes to paperless payments and invoices.
Lastly, the gradual extension of the lifetime of all CIC cards from two to three years starting at end-2016 notably results in a reduction in plastic consumption.

1.4 Waste re-use and management (ENV39)

Initiatives are also implemented to increase the use of recycled, PEFC or FSC certified paper. Since mid-2015, small-format checkbooks have been manufactured using FSC mix paper (representing 258 tons of FSC mix paper in 2016).

Recycling and waste sorting (paper, cartridges, metal, glass, plastic) continue to expand. CM-CIC Services continues to roll out a recycling policy with collection point equipment at all central sites and in the CIC networks for which it is responsible: in 2016, containers specific to each type of waste were placed in the CIC Ouest and CM-CIC Bail headquarters in Nantes. Every team member is responsible for depositing their sorted waste in dedicated spaces. Most of the waste collected at the voluntary collection sites is transported to the recycling area by a dedicated team, where service providers sort them and transport them to their specific recycling sites. However, every occupant does have an individual waste container at their desk. Plastic cups are also being replaced by reusable mugs in the central sites. At CIC Ouest, the use of mugs for hot beverage machines has already helped reduce consumption costs.
Waste sorting is applied at CIC Lyonnaise de Banque headquarters and certain branches, with a process begun in 2016 to extend it to the entire network.
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 group CIC entities for which it is responsible, compared with broken, destroyed or returned equipment, was 33% 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. One article in particular requires the service provider to 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).

Collaboration has begun with a transport company whose aim is to combat long-term unemployment by training these workers to become drivers, and which organizes collection of used textiles and toys at a used clothing collection site at CIC Nord Ouest headquarters.

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 Banque de Luxembourg, food waste is collected and reprocessed in a biomethanization plant.

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 paperless billing via group business centers such as logistics and IT (see 7 of section II "A responsible economic player"). 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. CIC Lyonnaise de Banque employees, for example, were invited to opt for online statements instead of paper statements, before a similar awareness action was conducted with customers. This year CIC Sud Ouest invited network employees to take part in a "mission chlorophyll" challenge by branch that aimed to increase the number of remotely generated banking contracts, boost use of new remote banking connection channels (smartphone, tablet) and electronic signatures, as well as to reduce consumption of paper, consumables, water and electricity.

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 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 choice of the types of tree was based on the usefulness and added value of the plants.

In collaboration with the association Graine de Forêt, CIC Sud Ouest employees helped plant four hectares of pine trees in the Landes forest that was partially decimated by Hurricane Klaus in January 2009.

Biodiversity protection is also taken into consideration for property management, for example at Banque de Luxembourg whose Royal site building is a green roof that creates a microsystem fostering biodiversity, and where a flowered lawn was planted at the Howald site, or at CIC Lyonnaise de Banque with the planting of indigenous species with low water needs at the Marseille Prado site.

Support for associations that work to protect biodiversity is another action area (see 1.4.2 - Environmental protection of section III "Involvement in cultural and social life").

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. Examples include 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 a company that works to collect, sort and recycle clean and dry waste.

The SRI equity fund CM-CIC Objective Environnement described in 2.1 of section II ("A responsible economic player") is another modality for supporting preservation of biodiversity.

6 - Climate change and CIC businesses

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 2016, in accordance with Article 173 IV of the French Energy Transition Act, the ACMs and CM-CIC Asset Management will disclose, 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 development capital) were not measured in 2016 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 on page 141 of the 2015 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 5 of section II "A responsible economic player"). For project financing, environmental impact is included in project selection and monitoring.

And 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 risk (natural disaster, etc.);
- transition risk that includes risks caused by the transition to a low-carbon economy and which is 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).

Among the operating risks, the physical risks are subject to a specific analysis via climate risk mapping (floods, earthquakes, etc.). The emergency and business continuity plan excludes any installation in climate risk zones, and for risks that have not come to pass, an equity requirement is defined (see "Operating risks" in the "Risk management" section on page 108).

Customers' physical risks are minimized by insurance coverage and geographic diversification of exposures (see "Exposure by sector" in the "Information about Pillar 3 of Basel III" section on page 141).

The other risks (except for liability risk) are taken into account in the current prudential structure via equity requirements related to credit risk.

The Crédit Mutuel group's exposures in polluting sectors are identified since December 31, 2016 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).

The rate of exposure of polluting sectors represents 0.07% of total gross customer exposures (Crédit Mutuel CM11 group consolidated scope – Basel calculator) at 12/31/16.

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.

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%.

An operational risk mapping for climate risk is currently being developed to optimize this system. The climate risk mapping aims to identify the current position to determine the impact of climate risk on the business and to identify protective measures.

In the medium run (methodologies not yet determined), climate risk stress tests are expected.

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 offers SRI funds to savings customers via employee savings (section II.2.1) and particularly the CM-CIC Objectif Environnement fund, which invests in companies that pay careful attention to the environmental footprint of their production methods and to the environmental added value of their products and services, as well as to their corporate governance and labor issues.

In the area of prevention, natural disasters (flooding, mudslide, avalanche, collapse, landslide) are covered by the multi-risk home insurance policies offered. During the hail storms and flooding of the first half of 2016, the ACMs responded by supporting insured customers with advance payments for the most serious claims, dispatching experts on-site just a day after the floods, and the possibility of submitting claims online or by fax.

- For businesses, CIC finances projects for professionals, small businesses and large companies, concerning renewable energies or generating energy savings (section II.3.2, 3.3 and 5.1 and section IV.5) and fuel savings (section II.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 in 2016 with the Vehicle of the Future cluster. This excellence cluster in the Alsace and Franche-Comté regions unites industrial, academic and education players in the field of future vehicles and mobility services, with the aim of:

- stimulating innovation via collaborative research and development projects, and bringing these to the automotive components, electric vehicles, hydrogen vehicles, recycling and mobility services markets,
- improving companies' economic and industrial performance, and
- supporting the companies' growth.

CIC Est is now on the support committee that provides consulting and support to companies that are members of the cluster.

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).

CM-CIC Investissement also wished to support the ethical growth of companies in 2016 with a video distributed on its intranet, showing the points of view of the head of a company specialized in natural and organic products and of a CM-CIC Investissement manager.

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.

Concerning the ACMs, 2016 was a year of formalizing a policy for GHG emissions reduction in the portfolios and of selecting the ESG criteria to apply, identifying assets that do not meet these criteria, implementing an action policy (voting policy, definition of targets, arbitrage of assets that do not meet the defined criteria, etc.) and tracking energy transition investments.

- For institutional investor customers, there are opportunities to invest in SRI funds (as for associations) and the CM-CIC Objectif Environnement fund.
- CIC also acquired a stake in 2016 in the Méridiam Energy Transition fund, a pioneering long-term investment fund (15-20 years) dedicated to the energy transition. This fund 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).

The Meridiam Transition fund raised €425 million from institutional investors, which will be invested over a period of five years.

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 2016 annual report, page 41. Various indicators supplement the foregoing approach.

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,
- the French NRE Act,
- Articles 70 and 173 of the French Green Growth Energy Transition Act,
- Article 14 of the French Anti-Food Waste 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),
- Novethic Socially Responsible Investment (SRI) certification,
- 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 period for data collected

Data corresponds to the calendar year.

Scopes and principal management rules

As stated in the environmental section (ENV01) of the text preceding the methodology note, data collection is automated wherever possible.
However, for certain indicators, the information collected was not deemed sufficiently reliable or no information was available, in which case it was considered preferable to list no data at all.

Employment indicators:

The entities included in the scope are:
- CIC,
- banks and consolidated French subsidiaries.

This scope covers 92% 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 and Banque Transatlantique.

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:
- CIC in France,
- banks and consolidated French subsidiaries.

Data on:
- Water and energy use: data is calculated on the basis of invoices recognized in the accounts, direct meter readings, data provided by utilities, and estimates made on the basis of statistics provided by the National Water Research Institute and the Pégase database of the Ecology, Sustainable Development and Energy Ministry.
- 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 is estimated from data transmitted by CM-CIC Services in charge of fleet management, based on internal tracking 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.

2016 CORPORATE SOCIAL RESPONSIBILITY REPORT – EMPLOYMENT INFORMATION

CIC group entities located in France

Publication indicators		2016	2015	Comments
WORKFORCE				
SOC01_bis	Individuals recorded as members of the workforce	**18,771**	18,829	
SOC06	*of which, men*	***7,579***	*7,623*	
SOC07	*of which, women*	***11,192***	*11,206*	
	of which, managerial staff	***8,447***	*8,364*	
SOC05	*of which, non-managerial staff*	***10,324***	*10,465*	
SOC08	*of which, permanent*	***18,055***	*18,148*	
SOC08_ Non-managerial	*of which, permanent non-managerial*	***9,623***	*9,798*	
SOC12	*% of employees on permanent contracts*	**96.2%**	96.4%	
Age pyramid (individuals)		**18,771**	18,829	
SOC88	under 25	**1,318**	1,252	
	of which, men	***506***	*468*	
SOC89	*of which, women*	***812***	*784*	
SOC90	25 to 29	**2,364**	2,356	
	of which, men	***871***	*851*	
SOC91	*of which, women*	***1,493***	*1,505*	
SOC92	30 to 34	**2,911**	3,021	
	of which, men	***1,031***	*1,067*	
SOC93	*of which, women*	***1,880***	*1,954*	
SOC94	35 to 39	**3,013**	2,827	
	of which, men	***1,090***	*1,021*	
SOC95	*of which, women*	***1,923***	*1,806*	
SOC96	40 to 44	**2,163**	2,059	
	of which, men	***843***	*841*	
SOC97	*of which, women*	***1,320***	*1,218*	
SOC98	45 to 49	**1,603**	1,576	
	of which, men	***724***	*713*	
SOC99	*of which, women*	***879***	*863*	
SOC100	50 to 54	**2,024**	2,258	
	of which, men	***901***	*1,001*	
SOC101	*of which, women*	***1,123***	*1,257*	
SOC102	55 to 59	**2,483**	2,633	
	of which, men	***1,141***	*1,218*	
SOC103	*of which, women*	***1,342***	*1,415*	
SOC104	60 and over	**892**	847	
	of which, men	***472***	*443*	
SOC105	*of which, women*	***420***	*404*	
Data in FTE				
SOC01	Total FTE workforce	**18,451**	18,514	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*	***18,430***	*18,495*	
	of which, abroad	***21***	*19*	

Publication indicators		2016	2015	Comments
WORKFORCE - CHANGES				
Entries - Recruitment				
SOC13	Total number of individuals hired	**4,442**	4,302	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*	***1,776***	*1,579*	
SOC15	*of which, women*	***2,666***	*2,723*	
SOC16	*of which, under permanent contracts*	***1,469***	*1,290*	
SOC17	*of which, on fixed-term contracts*	***2,973***	*3,012*	
Dismissals and grounds therefor				
SOC19	Number of employees on permanent contracts who left the organization (individuals)	**1,294**	1,212	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*	***125***	*111*	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	**3.5%**	3.1%	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)	**17,663**	17,685	Permanent and fixed-term employees whose working time is equal to the statutory work duration in the country. • 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)	**1,108**	1,144	Permanent and fixed-term employees whose working time is less than the statutory work duration in the country. • 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%**	93.9%	
SOC32	% of part-time employees	**5.9%**	6.1%	
Absenteeism and its causes				
SOC38	Total number of days of absence, in working days	**151,829**	152,360	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*	***146,543***	*147,015*	Excluding occupational illnesses
SOC40	*of which, due to workplace accidents*	***5,286***	*5,345*	Including commuting accidents and occupational illnesses.
SOC43	Number of occupational illnesses reported	**3**	1	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	**99**	111	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.

Publication indicators		2016	2015	Comments
COMPENSATION AND ITS PROGRESSION				
SOC73	Gross payroll (euros)	**798,374,024**	794,894,176	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)	**784,398,524**	780,941,309	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)	**287,324,613**	289,012,274	
SOC109	Total gross annual compensation paid to managerial employees on permanent contracts (euros)	**497,073,911**	491,929,035	
SOCIAL SECURITY CHARGES				
SOC80	Total social security contributions paid (euros)	**540,189,011**	548,406,469	Employer's share of social security contributions only.
TRAINING				
SOC46	Amount of payroll spent on training (in euros)	**42,688,816**	40,790,776	
SOC47	% of payroll spent on training	**5.3%**	5.1%	
SOC48	Number of employees who have completed at least one training course	**14,524**	15,240	
SOC49	% of employees who received training	**77.4%**	80.9%	
SOC50	Total number of hours spent on employee training	**555,946**	571,378	Including eLearning training that is a prerequisite for classroom-based training.
EQUALITY OF OPPORTUNITY				
Gender equality in the workplace				
SOC59	Number of female managerial staff on permanent and fixed-term contracts (individuals)	**3,743**	3,653	Working in France and abroad.
	Number of male managerial staff on permanent and fixed-term contracts	**4,704**	4,711	
SOC60	% of women among managerial staff on permanent and fixed-term contracts	**44.3%**	43.7%	
SOC61	Number of managerial staff promoted to a more senior position during the year	**194**	354	
SOC62	*of which, number of women*	***79***	*127*	
	of which, number of men	***115***	*227*	
SOC63	% of managerial staff promoted who are female	**40.7%**	35.9%	
Employment and integration of disabled people				
SOC68	Number of disabled workers	**479**	491	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	**2.6%**	2.6%	
LABOR DIALOGUE				
Promotion of and compliance with the provisions of the International Labor Organization's fundamental conventions				
SOC67	Number of convictions for the crime of obstructing the functioning of employee representative institutions (in France)	**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.)	**Not available**	Not available	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.)	**Not available**	Not available	

2016 CORPORATE SOCIAL RESPONSIBILITY REPORT – SOCIAL INFORMATION

Banking network and Banque Transatlantique France

Indicators		2016	2015	Comments
GEOGRAPHICAL, ECONOMIC AND SOCIAL IMPACTS				
Geographical impact				
SOT01	Number of banking network retail branches	**1,982**	2,015	
SOT01A	Other retail branches	**1**	1	Banque Transatlantique
Associations				
SOT40	Number of non-profit customers (associations, labor unions, works councils, etc.)	**101,933**	92,525	2015 figures revised. Refined management rules.
Patronage and sponsorships				
SOT52	Total patronage and sponsorship budget (euros)	**9,943,914**	9,180,600	
Environmental impact				
SOT63	Number of zero-interest eco-loans granted during the year	**1,121**	1,148	
SOT65	Total amount of zero-interest eco-loans granted during the year (euros)	**20,473,591**	20,346,584	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	**118**	126	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	**607**	217	
SOT17	Amount of credit lines provided (euros)	**2,800,000**	800,000	
Business microloans through intermediaries – France Active Garantie (FAG)				
SOT19A	Number of new microloans financed	**623**	456	
SOT20A	Amounts guaranteed (FAG + FGIF) (in euros)	**10,716,679**	7,884,260	Total amount of loans in 2016: €18,736,748 versus €14,691,889 in 2015.
Business microloans through intermediaries – France Active (Nacre)				
SOT19B	Number of NACRE loans disbursed with a complementary loan from the group	**Not available**	324	
SOT20B	Amounts loaned (euros)	**Not available**	1,429,850	

Indicators		2016	2015	Comments
Business microloans through intermediaries – Initiative France (complementary loans)				
SOT22	Number of complementary bank loans granted	**Not available**	1,838	
SOT23	Amount of complementary bank loans granted (euros)	**Not available**	123,200,000	
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)	**2,357**	2,264	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 LNOV-ISR	SRI assets under management – With SRI NOVETHIC certification (€ millions)	**145**	147	Total CM-CIC Asset Management
SOT28 LNOV-VERT	SRI assets under management – With NOVETHIC Green Fund certification	**0**	0	Total CM-CIC Asset Management
SOT87	Total funds invested using ESG selection criteria (€ millions) except SRI assets under management	**15,758**	19,691	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	**78.5%**	80.7%	Shareholders' meetings in which CM-CIC AM took part
SOT29-R	SRI - Voting policy - Number of resolutions processed	**14,134**	Not available	
SOT30	SRI - Voting policy - Number of shareholders' meetings in which the company took part.	**1,071**	1,064	
Solidarity employee savings plans				
SOT37LCIES	Assets in CIES-approved solidarity employee savings plans (euros)	**151,702,299**	127,944,036	
Solidarity savings				
SOT33L	Assets in Finansol-approved savings products (euros)	**17,743,607**	10,742,998	
SOT33	*of which, assets in interest-paid-to-charity savings accounts (LEA), excluding capitalized interest (euros)*	***17,485,352***	*10,473,294*	
SOT31	*of which, France Emploi investment fund – Assets*	***258,255***	*269,704*	
SOT35	Amount from solidarity products paid to associations (euros)	**95,847**	67,221	
	of which LEA	***86,328***	*59,484*	
	of which, Cartes pour les autres donations	***9,425***	*7,540*	
SOT32	*of which, France Emploi investment fund*	***94***	*196*	

Indicators		2016	2015	Comments
Products and services of a social nature				
SOT71	Amount of regulated social loans outstanding (PLS, PSLA)	**Not available**	Not available	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 €92.6 million at December 31, 2016.
Quality of service				
SOT75	Number of eligible claims submitted to the bank ombudsman	**168**	1,036	Claims received by the customer service department, resolved using the regulatory ombudsman program which changed in 2016 (see page 24).
SOT77	Number of decisions in favor of customers and applied systematically	**69**	605	Data from files processed at 1/31/17 (150).
SOT78	Percentage of decisions in favor of customers, or partially in favor of customers, and applied systematically	**47.3%**	58.4%	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)	**110,961**	106,079	
SOT83	*of which, to individuals*	***58,224***	*56,212*	
	- housing loans	***67,640***	*65,232*	
SOT84	*of which, to individuals*	***51,097***	*49,489*	
	- consumer loans	***5,470***	*5,121*	
SOT85	*of which, to individuals*	***4,385***	*4,067*	
SOT86	*- equipment loans (microenterprises)*	***32,104***	*29,816*	
	of which, to individuals	***2,665***	*2,576*	
	of which, to farmers	***1,267***	*1,181*	
	of which, to self-employed professionals	***11,833***	*11,310*	
	of which, to businesses	***15,297***	*13,835*	
	of which, not-for-profit organizations	***798***	*692*	

2016 CSR REPORT – ENVIRONMENTAL INFORMATION

Mainland France CIC

Indicators		2016	2015	Comments
RESOURCE CONSUMPTION				
ENV04	Water consumption (m3)	**206,394**	187,989	
ENV05	Total energy consumption (kwh)	**136,638,402**	130,407,780	
ENV06	*of which, electricity (kWh)*	***107,241,095***	*102,788,878*	
ENV07	*of which, gas (kWh)*	***18,105,390***	*17,999,983*	
ENV08	*of which, fuel oil (kWh)*	***2,917,256***	*2,775,989*	
ENV05_1	*of which, heat generated by steam supplied by municipal utilities (kWh)*	***5,713,938***	*4,027,887*	
ENV05_2	*of which, cold water supplied by municipal utilities (kWh)*	***2,660,724***	*2,815,043*	
ENV09	Overall paper consumption (metric tons)	**3,428**	3,628	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)	**277**	176	Integration of checkbooks during 2015.
ENV15	Outgoing recycled used paper (waste in metric tons)	**2,912**	3,144	
ENV16	Used toner cartridges recycled after use (number)	**31,289**	28,107	
ENV30	Leaks of refrigeration gases from air conditioning equipment (air and water cooled condensers)	**Not available**	Not available	
ENV20	Business travel – Automobile fleets (km) GHG emissions measured	**46,635,720**	46,276,518	
	of which automobile fleet – number of km in gasoline vehicles	***1,698,366***	*2,256,249*	
	of which automobile fleet – number of km in diesel vehicles	***44,937,354***	*44,020,269*	
ENV23	Business travel using personal vehicles (km)	**11,663,828**	11,880,539	2005: refined figure. Banks and Banque Transatlantique
ENV44	Human resources assigned to CSR issues (full-time equivalent employees)	**2.2**	2.2	
ENV32K	Number of traveled km prevented with videoconferences	**5,892,510**	Not available	
ENV34	Digitized documents (metric tons of paper saved)	**737**	636	
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	**-**	-	

2016 CORPORATE SOCIAL RESPONSIBILITY REPORT – GOVERNANCE

CIC holding company

Indicators		2016	2015
GOUV01	Number of members of the board of directors or supervisory board	**11**	12
GOUV02	Number of women members of the board of directors or supervisory board	**2**	3
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	**0**	0
GOUV9-04	50/59 years	**3**	4
GOUV9-05	>60 years	**9**	8
GOUV25	Overall renewal rate of boards during the year (new members elected out of the total number of members)	**0%**	25%
GOUV26	Attendance rate at board meetings	**73%**	85%

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 CSR 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 CSR 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 CSR 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 à 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 BODY ON THE CONSOLIDATED SOCIAL, EMPLOYMENT AND ENVIRONMENTAL INFORMATION PRESENTED IN THE MANAGEMENT REPORT

Fiscal year ended December 31, 2016

To the shareholders:

In our capacity as independent third party accredited by COFRAC[1] under number 3-1050 and 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 fiscal year ended December 31, 2016, presented in section 4 of the management report (hereinafter "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 that includes the CSR information required by Article R.225-105-1 of the French Commercial Code in accordance with the frames of reference used by the company, which consist of the 2016 version of the environmental, employment, social and governance reporting procedures (hereinafter the "Frames of Reference"), a summary of which is provided in the "Corporate Social Responsibility" section of the management report, and which is available upon request at the corporate headquarters.

Independence and quality control

Our independence is defined by the regulations, the code of ethics of our profession, and the provisions of Article L. 822-11 of the French Commercial Code. Furthermore, we have set up a quality control system that includes documented policies and procedures intended to ensure compliance with ethical rules, professional standards and applicable statutes 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 (CSR Information Presentation Certification);
- to express a limited assurance conclusion that the CSR information presented, considered as a whole, is accurate in all material aspects, in accordance with the Frames of Reference (Reasoned Opinion on the accuracy of CSR Information).

Five people were involved in this work from December 2016 to March 2017, for a total period of around 13 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 - CSR Information Presentation Certification

Nature and scope of work

On the basis of interviews with the individuals in charge 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, if applicable, any initiatives or programs it has implemented as a result.

We compared the CSR Information included in the management report with the list in Article R. 225-105-1 of the French Commercial Code.

If certain consolidated information was not provided, we verified that explanations were provided, in accordance with the provisions of 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 note on methodology in the "Corporate Social Responsibility" section of the management report.

Conclusion

On the basis of our 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 CSR Information

Nature and scope of work

We conducted five interviews with the persons responsible for preparing CSR Information in the finance departments, the department of specialized financing, the corporate banking internal control department, the risk department and the human resources department, in charge of data collection processes and, where appropriate, the persons responsible for internal control and risk management procedures, in order to:

- assess whether the Frames of Reference are appropriate on the basis of their pertinence, completeness, reliability, neutrality and comprehensibility, taking into consideration, where applicable, industry best practices;
- verify that a collection, aggregation, processing and control process has been set up to ensure the completeness and consistency of the CSR Information and examine the internal control and risk management procedures relevant to the preparation of the CSR Information.

We determined the nature and scope of our tests and quality control processes based on the type and importance of the CSR Information with respect to the company's characteristics, the social and environmental impacts of its business activities, its sustainable development strategy, and industry best practices.

For the CSR information we considered the most important[3]:

- at the parent company level, we consulted documentary sources and conducted interviews to corroborate qualitative information (organization, policies, actions, etc.), applied analytical procedures to quantitative information and, on the basis of samples, verified the calculations and aggregation of data, and verified that this information is coherent and consistent with the other information presented in the management report;
- at the level of a representative sample of entities that we selected[4] on the basis of their business activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify that procedures were properly applied, and carried out spot tests, on the basis of samples, to verify calculations performed and reconcile the data with supporting documents. The sample selected represents on average 74% of the workforce and 75% of energy consumption, considered to be characteristic quantities for the social and environmental aspects.

We assessed whether the rest of the consolidated CSR information was consistent with our knowledge of the company.

Lastly, we assessed the adequacy of any justifications that may have been provided to explain the entire or partial exclusion of certain information.

We consider that the sampling methods and the sizes of the samples that we used on the basis of our professional judgment enable us to form a conclusion of limited assurance; a higher level of assurance would have required more extensive work. Due to the use of sampling techniques and other inherent limitations in the functioning of any information or internal control system, the risk that a material misstatement in the CSR Information was not detected cannot be completely eliminated.

Conclusion

On the basis of our work, we have not identified any material misstatement that would call into question the fact that, considered as a whole, the CSR Information presented is accurate in all material aspects, in accordance with the Frames of Reference.

Paris-La Défense, April 19, 2017

Independent third party
Ernst & Young et Associés
Caroline Delerable
Sustainable Development Partner
Hassan Baaj
Partner

(1) Applicability of the accreditation available at www.cofrac.fr

(2) ISAE 3000 – *Assurance engagements other than audits or reviews of historical information*

(3) **Employment information:**
- *Indicators (quantitative data)*: total workforce, new hires and number of employees on permanent contracts who left the organization, including dismissals, gross annual compensation of employees on permanent contracts and progression thereof, total number of days of absence, share of payroll spent on training and the total number of hours spent on training employees, proportion of female managerial staff;
- *Qualitative data*: employment (remuneration and training policy, diversity and equal opportunity).

Environmental and social information:
- *Indicators (quantitative data)*: consumption of paper, total consumption of energy, overall budget dedicated to corporate giving and sponsorship, SRI assets under management, amount of employee solidarity savings, number of non-profit customers, amount of regulated social loans.
- *Qualitative data*: general policy on environmental matters (organization, employee training and information initiatives), waste management, geographical, economic and social impacts (employment, regional development, impacts on local populations), relationships with stakeholders (dialogue conditions, partnership or sponsorship actions), fair operating practices (initiatives to prevent corruption, inclusion, prevention of insolvency).

(4) CIC Lyonnaise de Banque, CIC Nord-Ouest, CIC Sud-Ouest, CIC Ouest, CIC Est.

Legal information

5

SHAREHOLDERS

SHAREHOLDERS' GENERAL MEETINGS

(Summary of Articles 18-24 of the bylaws)

Composition

All shareholders are entitled to attend shareholders' general meetings. There are no double voting rights as these are not provided for in Article 7 of the by-laws, by derogation to the last paragraph of Article L.225-123 of the French Commercial Code (*Code de Commerce*).

Except as stipulated in the section below on disclosure thresholds, access to shareholders' general meetings is not restricted and shareholders are not required to hold a minimum number of CIC shares to exercise the rights conferred upon them by law.

The combined ordinary and extraordinary general meeting of shareholders and holders of voting rights certificates of June 17, 1998:

- authorized shareholders to hold their shares in either bearer or registered form (Article 7 (1) of the bylaws);
- authorized the company to obtain details of identifiable holders of stocks and securities from Euroclear France (Article 7 (3) of the bylaws);
- added mandatory stockholding disclosure thresholds (Article 9 (6) of the bylaws).

Role

Shareholders' general meetings that are duly and properly held represent all shareholders. They may be ordinary or extraordinary if they meet the appropriate conditions.

Shareholders' ordinary general meetings make all decisions other than those that change the capital stock or amend the bylaws, in particular:

- they discuss, approve or adjust the financial statements, including the consolidated financial statements, and decide on the allocation and appropriation of net income;
- they appoint, replace, remove from office or renew the terms of office of directors other than the directors who are elected by employees;
- they appoint or renew the appointments of principal and alternate statutory auditors.

Generally, they examine all proposals on the agenda other than those that are within the powers of shareholders' extraordinary general meetings.
Every year, before the deadline that applies to credit institutions, a shareholders' ordinary general meeting is held to discuss and vote on the annual financial statements and all other documents required by the French laws and regulations in force that apply to CIC.
This general meeting decides after reviewing the reports of the board of directors and the statutory auditors. Shareholders' extraordinary general meetings examine all the proposals made by the issuer of the convening notice that involve changing the capital stock or amending the bylaws.

Disclosure thresholds

(summary of Article 9 of the bylaws)

Aside from what is stipulated by law, the bylaws require disclosure whenever the threshold of 0.5% of share capital is crossed, either upward or downward, and subsequently for any fraction of share capital equal to at least 0.5%. If a shareholder fails to comply with this requirement, the shares held in excess of the disclosure threshold may be stripped of voting rights following a request noted in the minutes of a general meeting by one or more shareholders holding shares or voting rights at least equal to the smallest proportion of capital stock or voting rights requiring disclosure. The resulting suspension of voting rights is for a period of two years from the disclosure date.

Convening shareholders' general meetings

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.

Requirements for attending shareholders' general meetings

In order to have the right to attend, vote by mail or be represented at general meetings, holders of bearer stock are required to provide evidence of their capacity as shareholders no later than at midnight on the second working day prior to the general meeting, Paris time, by providing a certificate of participation issued by the relevant authorized intermediary.

Holders of registered stock are required to arrange for their shares to be registered on CIC's registers no later than two days before the date of the shareholders' general meeting. Shareholders' general meetings may be attended by shareholders or their proxy or proxies if they provide evidence of their capacity and identity. However, if the board of directors considers it appropriate, it may decide to issue named, personal admission tickets to shareholders beforehand, and to require said tickets to be shown.

Voting at shareholders' general meetings

All shareholders may vote by mail after providing evidence of their capacity at least two days before the general meeting by the depository demonstrating that their shares are duly registered. The company must receive forms for voting by mail at least two days before the date of the general meeting.

All shareholders may be represented under the conditions set forth in Article L.225-106 of the French Commercial Code.

Voting by mail means no proxy may be appointed and vice versa. If shareholders vote by mail or appoint a proxy, shareholders may not choose another method of taking part in the shareholders' general meeting. All members of shareholders' ordinary or extraordinary general meetings have a number of votes that is the same as the number of shares they own or represent, subject to the application of the French law and regulations in force and the provisions of Articles 8 and 9 of the bylaws.

Decisions are adopted under the conditions as regards majorities set forth in French law and are binding on all shareholders.

Appropriation of net income

(Article 27 of the bylaws)

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' general meetings may grant all shareholders the choice between payment of the dividend or interim dividends distributed in cash or payment in shares, in whole or in part.

SHAREHOLDERS' EXTRAORDINARY GENERAL MEETING OF MAY 24, 2017

Board of directors' report to the shareholders' extraordinary general meeting of May 24, 2017

We have called this shareholders' extraordinary general meeting to discuss the matters included on the agenda that are the subject of the resolutions submitted for your approval. A report made available to you contains the necessary information:

- on the amendment to the bylaws with respect to the alternate statutory auditors authorized by the French Act 2016-1691 of December 9, 2016. This law amends Article L283-1 of the French Commercial Code to no longer require the appointment of an alternate statutory auditor when the statutory auditor is a legal entity,
- and on the regular authorizations renewed every three years which are brought to your attention.

1 - Amendment to the bylaws: Article 17 concerning the statutory auditor

(first resolution)

This amendment to the bylaws concerns the alternate statutory auditors and is authorized by French Act 2016-1691 of December 9, 2016 which amended Article L823-1 of the French Commercial Code by removing the requirement to appoint an alternate statutory auditor when the primary statutory auditor is a legal entity. This is an opportunity to simplify our bylaws.

2 – Delegations of powers to the board of directors for the purpose of carrying out capital increases

(second to eighth resolutions)

Pursuant to its fifteenth to twentieth resolutions, the shareholders' general meeting of May 27, 2015 delegated to the board of directors the powers necessary to increase capital with or without preemptive subscription rights or to make a public exchange offering*. These delegations of powers were valid for a 26-month period and will therefore expire soon. These delegations of powers have not been used. However, as is customary for most listed companies, and in order to facilitate any such transactions, it is proposed that you renew said delegations of powers.

The legal framework for said delegations of powers is provided by Article L.225-129 of the French Commercial Code, which allows shareholders' extraordinary general meetings to delegate their powers with respect to capital increases in accordance with the requirements of Articles L.225-129-2 and L.225-136 of the same Code. This is what is it is proposed that you do, keeping in mind that:

- the overall cap on any capital increases decided by the board of directors is set at the nominal amount of €150 million, or the equivalent thereof in other currencies or monetary units;
- in addition, if the board of directors were to issue debt securities that confer equity rights, the total nominal amount of such securities would in turn be capped at one billion six hundred million euros;
- the delegations of powers would be granted for a 26-month period from the date of the shareholders' general meeting.

The special reports of the statutory auditors required in such cases have also been made available or provided to you.

Seven delegations of powers are proposed.

a) Delegation of powers to the board of directors for the purpose of increasing capital, retaining preemptive subscription rights:

- either by issuing ordinary shares or any securities that confer equity rights, or by capitalizing premiums, reserves, profits, etc.;

* Public exchange offer.

- with, if applicable, the board of directors being entitled to limit the issue to the amount of subscriptions received, to freely allocate securities that have not been subscribed or to make a public offering of all or some of the securities that have not been subscribed.

(second resolution).

b) Delegation of powers to the board of directors for the purpose of increasing capital by capitalizing premiums, reserves, profits, etc.:
- the capital may be increased by issuing new shares, increasing the nominal value of the shares, or by a combination of the two procedures;
- rights entitling their holders to fractional shares may not be traded or transferred, and the corresponding shares will be sold.

Pursuant to Article L.225-130 of the French Commercial Code, voting on this resolution shall be subject to the quorum and majority requirements for shareholders' ordinary general meetings. (third resolution).

c) Delegation of powers to the board of directors for the purpose of increasing capital, canceling preemptive subscription rights:
- either as part of a public offering (fourth resolution),
- or by a private placement, as provided for in Article L.411-2, II of the French Monetary and Financial Code (fifth resolution):
  - by issuing ordinary shares or any securities that confer equity rights;
  - with the board of directors being entitled to grant preemptive rights to the shareholders;
  - subscriptions may be made for cash, by setoff against receivables, or in consideration for securities tendered pursuant to a public exchange offering made by the company in accordance with Article L.225-148 of the French Commercial Code;
  - in the case of a public offering, the issue price may not be less than the weighted average share price during the three stock market trading days prior to the decision, less 5%, in accordance with Article R 225-119 of the French Commercial Code. Furthermore, this minimum price shall also apply to the sum of the prices of the warrant and the share in the event that warrants conferring equity rights are issued independently;
  - in the case of a private placement, the issue price of shares issued directly may not be less than the weighted average share price during the three stock market trading days prior to the decision, less 5%. Furthermore, this minimum price shall also apply to the sum of the prices of the warrant and the share in the event warrants that confer equity rights are issued independently.

d) Right granted to the board of directors to increase the amount of issues in the event of excess demand:
- on the grounds of Articles L.225-135-1 and R.225-118 of the French Commercial Code;
- within thirty days of the close of the initial issue;
- up to 15% of the amount thereof; and
- for the same price.

(sixth resolution)

e) Delegation of powers to the board of directors for the purpose of increasing capital in consideration for equity securities or securities that confer equity rights contributed in-kind to CIC:
- on the grounds of Article L.225-147 of the French Commercial Code;
- without preemptive subscriptions rights; and
- up to 10% of the share capital.

(seventh resolution).

f) Authorization granted to the board of directors to carry out a capital increase reserved for employees, canceling preemptive subscriptions rights:

Pursuant to Article L.225-129-6 of the French Commercial Code, all companies are required to submit to their shareholders at a shareholders' extraordinary general meeting a proposed resolution that would authorize a capital increase reserved for employees in accordance with the requirements of Articles L.3332-18 to L.3332-24 of the French Labor Code if the shareholders' general meeting delegates its powers on the grounds of Article L.225-129-2.

Therefore, this resolution has been included in the agenda for this meeting in order to comply with the aforementioned provisions. However, this does not mean that the board of directors intends to use said authorization in the event that, despite the recommendation to reject the resolution, it is adopted.

Consequently, on the combined grounds of Articles L.225-129-2 and L.225-138 of the French Commercial Code on the powers of shareholders' general meetings with respect to capital increases, it is proposed that you authorize the board of directors to carry out, at the time and under the terms and conditions it may decide, a capital increase, for cash, reserved for employees.

Such capital increase would be carried out in accordance with the requirements prescribed by the statutes applicable to employee savings plans. In the case of CIC, such savings plan applies at group level.

This authorization would cause the existing shareholders to automatically waive their preemptive subscription rights. (eighth resolution).

(Ninth resolution)
The ninth resolution concerns powers.

Resolutions

First resolution

Amendments to the bylaws: removal of the appointment of an alternate statutory auditor

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 and in accordance with the law, resolves to remove the requirement to appoint an alternate statutory auditor. It resolves to amend the bylaws as follows:

TITLE: STATUTORY AUDITOR
Article 17 – appointment - mission

Former wording
The shareholders' ordinary general meeting appoints, at the times and under the conditions stipulated by the laws in force, the statutory auditors in charge of fulfilling the mission defined by the law. It also appoints alternate statutory auditors.

New wording
The shareholders' ordinary general meeting appoints, at the times and under the conditions stipulated by the laws in force, the statutory auditors in charge of fulfilling the mission defined by the law.

Second resolution

Delegation of powers to the board of directors for the purpose of increasing capital by issuing ordinary shares or any securities that confer equity rights, retaining shareholders' preemptive subscription rights

Voting in accordance with the quorum and majority requirements for shareholders' extraordinary general meetings, after having reviewed the board of directors' report and the statutory auditors' special report, and in accordance with the provisions of Articles L. 225-129, L. 225-129-1, L. 225-129-2 et seq., and L. 228-92 et seq. of the French Commercial Code, the shareholders' general meeting:

1. Delegates its powers to the board of directors for the purpose of deciding to carry out one or more capital increases, in the amounts, pursuant to the terms and conditions and at the times in its discretion, within the framework established by this resolution, by issuing, in France or abroad, ordinary shares in the company or any securities of any type, including equity warrants issued independently for consideration or free of charge, that immediately or in the future confer the right, by any means, to ordinary shares in the company. Such securities may be denominated in euros, foreign currencies or any monetary unit established with reference to several currencies.

Subscriptions for securities may be made for cash or by setoff against receivables.
The issue price of each share shall not be less than its par value.

The powers thus delegated to the board of directors shall be valid for a period of twenty-six months from the date of this meeting.

2. Resolves that the total amount of increases in the corporate capital that may be thus carried out, immediately or in the future, shall not exceed the nominal amount of one hundred fifty million euros (€150,000,000), or the equivalent thereof in any other currency, to which amount shall be added, if applicable, the additional amount of shares to be issued to maintain, in accordance with the law, the rights of holders of securities that confer the right to shares. Any capital increases that may be carried out pursuant to the powers delegated to the board of directors by resolutions 2 to 8 adopted by this shareholders' general meeting shall be included in this limit. In addition, the nominal amount of debt securities that confer equity rights, immediately or in the future, that may be issued pursuant to this delegation of powers shall not exceed one billion six hundred million euros (€1,600,000,000), or the equivalent thereof in any other currency.

3. Resolves that the shareholders shall have, in proportion to the number of shares they hold, a preemptive right to subscribe for the securities issued pursuant to this resolution.

Furthermore, the board of directors shall be entitled to grant shareholders the right to subscribe for a reducible number of securities that exceeds the number to which they are entitled to subscribe on a non-reducible basis, in proportion to the subscription rights they hold and, in any event, up to the limit of their requests.

4. Resolves that if the issue is undersubscribed after the exercise of non-reducible subscription rights and, if applicable, of reducible subscription rights, the board of directors may exercise, in the order that it chooses, any of the powers below:
- limit the issue to the number of subscriptions received, provided such number is at least three-quarters of the issue;
- freely distribute all or some of the securities that were not subscribed;
- offer to the public all or some of the securities that were not subscribed.

5. Acknowledges that, to the extent necessary, this delegation of powers automatically entails, in favor of the holders of securities issued pursuant to this resolution that confer future rights to shares in the company that may be issued, a waiver by the shareholders of their preemptive rights to subscribe for the shares to which such securities entitle their holders.

6. Resolves that this delegation of powers also authorizes the board of directors to amend the bylaws accordingly.

The 15th resolution adopted by the shareholders' general meeting of May 27, 2015 is revoked.

Third resolution

Delegation of powers to the board of directors for the purpose of increasing capital by capitalizing premiums, reserves, profits or other funds

Applying Article L. 225-130 of the French Commercial Code, voting in accordance with the quorum and majority requirements for shareholders' ordinary general meetings, and after having reviewed the board of directors' report, the shareholders' general meeting:

1. Delegates its powers to the board of directors, for a period of 26 months from the date of this shareholders' general meeting, for the purpose of deciding to carry out one or more capital increases by capitalizing premiums, reserves, profits or other funds that may be capitalized in accordance with the law and the bylaws, by granting free shares, increasing the nominal value of existing shares or a combination of these two procedures. However, the total amount of the increases of the corporate capital that may be carried out, increased by the amount necessary to maintain, in accordance with the law, the rights of holders of securities that confer the right to shares, shall not exceed the amount of the reserves, premiums or profits in existence at the time of the capital increase, or exceed a maximum amount of one hundred fifty million euros (€150,000,000). This limit shall be reduced by the amounts of any capital increases carried out pursuant to resolutions 2 to 8.

2. Resolves that, in the event the board of directors uses this delegation of powers, rights entitling their holders to fractional shares may not be traded or transferred, and the corresponding shares will be sold. Sums generated by such sale will be allocated to the holders of the rights within the time period prescribed by the laws in force.

3. Resolves that this delegation of powers also authorizes the board of directors to amend the bylaws accordingly.

The 16th resolution adopted by the shareholders' general meeting of May 27, 2015 is revoked.

Fourth resolution

Delegation of powers to the board of directors for the purpose of increasing capital by issuing ordinary shares or any securities that confer equity rights, canceling shareholders' preemptive subscription rights, by means of a public offering

Voting in accordance with the quorum and majority requirements for shareholders' extraordinary general meetings, after having reviewed the board of directors' report and the statutory auditors' special report, and in accordance with the provisions of Articles L. 225-129, L. 225-129-1, L. 225-129-2 et seq., L. 225-135, L. 225-136, and L. 228-92 et seq. of the French Commercial Code, the shareholders' general meeting:

1. Delegates its powers to the board of directors for the purpose of deciding to carry out one or more capital increases, in the amounts, pursuant to the terms and conditions and at the times in its discretion, within the framework established by this resolution, by issuing, in France or abroad, ordinary shares in the company or any securities of any type, including equity warrants issued independently for consideration or free of charge, that immediately or in the future confer the right, by any means, to ordinary shares in the company. Such securities may be denominated in euros, foreign currencies or any monetary unit established with reference to several currencies.

Subscriptions for securities may be made for cash, by setoff against receivables or in consideration for securities tendered pursuant to a public exchange offering made by the company in accordance with Article L.225-148 of the French Commercial Code.

The powers thus delegated to the board of directors shall be valid for a period of twenty-six months from the date of this meeting.

2. Resolves that the total amount of increases in share capital that may be carried out, immediately or in the future, shall not exceed the nominal amount of one hundred fifty million euros (€150,000,000), or the equivalent thereof in any other currency. Any capital increases that may be carried out pursuant to the powers delegated to the board of directors by resolutions 2 to 8 adopted by this shareholders' general meeting shall be included in this limit. In addition, the nominal amount of debt securities that confer equity rights, immediately or in the future, that may be issued pursuant to this delegation of powers shall not exceed one billion six hundred million euros (€1,600,000,000), or the equivalent thereof in any other currency.

3. Resolves to cancel shareholders' preemptive rights to subscribe for the securities to be issued pursuant to this delegation of powers, and to authorize the board of directors to grant shareholders a priority right to subscribe, on a non-reducible basis and, if applicable, on a reducible basis, for all or part of the issue, during the time and pursuant to the terms and conditions it decides, in compliance with the statutes and regulations in force on the date it decides to use this delegation of powers. This subscription priority shall not create negotiable rights.

4. Resolves that in accordance with Articles L.225-136, paragraph 1, and R.225-118 of the French Commercial Code:
- the issue price of shares issued directly shall not be less than the weighted average share price during the three stock market trading days prior to the decision, less 5%;
- the issue price of securities that confer equity rights and the number of shares for which each security that confers equity rights may be converted shall be such that, for each share issued in consequence of the issue of such securities, the sum received by the company shall be at least equal to the minimum amount defined in the preceding paragraph. In the event equity warrants that immediately or in the future confer equity rights are issued independently, such minimum amount shall apply to the sum of the prices for the warrant and the share.

5. Acknowledges that, to the extent necessary, this delegation of powers automatically entails, in favor of the holders of securities issued pursuant to this resolution that confer future rights to shares in the company that may be issued, a waiver by the shareholders of their preemptive rights to subscribe for the shares to which such securities entitle their holders.

6. Resolves that this delegation of powers also authorizes the board of directors to amend the bylaws accordingly.

The 17th resolution adopted by the shareholders' general meeting of May 27, 2015 is revoked.

Fifth resolution

Delegation of powers to the board of directors for the purpose of increasing capital by issuing ordinary shares or any securities that confer equity rights, canceling shareholders' preemptive subscription rights, by means of a private placement, as provided for in Article L. 411-2, II of the French Monetary and Financial Code

Voting in accordance with the quorum and majority requirements for shareholders' extraordinary general meetings, after having reviewed the board of directors' report and the statutory auditors' special report, and in accordance with the provisions of Articles L. 225-129, L. 225-129-1, L. 225-129-2 et seq., L. 225-135, L. 225-136, and L. 228-92 et seq. of the French Commercial Code, the shareholders' general meeting:

1. Delegates its powers to the board of directors for the purpose of deciding to carry out one or more capital increases, in the amounts, pursuant to the terms and conditions and at the times in its discretion, within the framework established by this resolution, by issuing, in France or abroad, ordinary shares in the company or any securities of any type, including equity warrants issued independently for consideration or free of charge, that immediately or in the future confer the right, by any means, to ordinary shares in the company. Such securities may be denominated in euros, foreign currencies or any monetary unit established with reference to several currencies.

Subscriptions for securities may be made for cash, by setoff against receivables or in consideration for securities tendered pursuant to a public exchange offering made by the company in accordance with Article L.225-148 of the French Commercial Code.

The powers thus delegated to the board of directors shall be valid for a period of twenty-six months from the date of this meeting.

2. Resolves that:
- the total amount of increases in share capital that may be carried out, immediately or in the future, shall not exceed the nominal amount of one hundred fifty million euros (€150,000,000), or the equivalent thereof in any other currency. Any capital increases that may be carried out pursuant to the powers delegated to the board of directors by resolutions 2 to 8 adopted by this shareholders' general meeting shall be included in this limit;
- In addition, the nominal amount of debt securities that confer equity rights, immediately or in the future, that may be issued pursuant to this delegation of powers shall not exceed one billion six hundred million euros (€1,600,000,000), or the equivalent thereof in any other currency;
- In any event, equity securities issued pursuant to this delegation of powers shall not exceed the limits established by the regulations in force on the issue date (as of this date, 20% of capital per year).

3. Resolves to cancel shareholders' preemptive rights to subscribe for the securities to be issued pursuant to this delegation of powers, and to authorize the board of directors to grant shareholders a priority right to subscribe, on a non-reducible basis and, if applicable, on a reducible basis, for all or part of the issue, during the time and pursuant to the terms and conditions it decides, in compliance with the statutes and regulations in force on the date it decides to use this delegation of powers. This subscription priority shall not create negotiable rights.

4. Resolves that in accordance with Articles L.225-136, paragraph 1, and R.225-118 of the French Commercial Code:
- the issue price of shares issued directly shall not be less than the weighted average share price during the three stock market trading days prior to the decision, less 5%;
- the issue price of securities that confer equity rights and the number of shares for which each security that confers equity rights may be converted shall be such that, for each share issued in consequence of the issue of such securities, the sum received by the company shall be at least equal to the minimum amount defined in the preceding paragraph. In the event equity warrants that immediately or in the future confer equity rights are issued independently, such minimum amount shall apply to the sum of the prices for the warrant and the share.

5. Acknowledges that, to the extent necessary, this delegation of powers automatically entails, in favor of the holders of securities issued pursuant to this resolution that confer future rights to shares in the company that may be issued, a waiver by the shareholders of their preemptive rights to subscribe for the shares to which such securities entitle their holders.

6. Resolves that this delegation of powers also authorizes the board of directors to amend the bylaws accordingly.

The 17th resolution adopted by the shareholders' general meeting of May 27, 2015 is revoked.

Sixth resolution

Right to increase the amount of issues in the event of excess demand

Voting in accordance with the quorum and majority requirements for shareholders' extraordinary general meetings, and after having reviewed the board of directors' report, the shareholders' general meeting resolves that for each issue decided pursuant to the 3rd, 4th and 5th resolutions above, the number of securities to be issued may be increased by the board of directors in accordance with the requirements prescribed by Article L.225-135-1 of the French Commercial Code if it observes that there exists excess demand, within thirty days of the end of the original subscription period and up to 15% of the amount thereof, in accordance with Article R.222-118 of the French Commercial Code. The subscription price shall be the same as that for the original issue. However, such increase shall not exceed the overall maximum amount of one hundred fifty million euros (€150,000,000) authorized for all capital increases carried out by the board of directors pursuant to resolutions 2 to 8 adopted by this shareholders' general meeting.

The 18th resolution adopted by the shareholders' general meeting of May 27, 2015 is revoked.

Seventh resolution

Share issue without preemptive subscription rights in consideration for equity securities or securities that confer equity rights contributed in-kind to CIC

Within the overall maximum amount of one hundred fifty million euros (€150,000,000) applicable to the capital increases authorized by resolutions 2 to 8 adopted by this shareholders' general meeting, and in accordance with the requirements prescribed by Article L.225-147 of the French Commercial Code, 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, delegates to the board of directors, for a period of 26 months from the date of this shareholders' general meeting, its powers to issue ordinary shares, pursuant to the report of the contributions auditor(s), up to a maximum of 10% of the share capital, in consideration for in-kind contributions to the company in the form of equity securities or securities that confer equity rights. This delegation of powers also authorizes the board of directors to amend the bylaws accordingly.

The 19th resolution adopted by the shareholders' general meeting of May 27, 2015 is revoked.

Eighth resolution

Authorization granted to the board of directors to carry out a capital increase reserved for employees, canceling preemptive subscription rights

Voting in accordance with the quorum and majority requirements for shareholders' extraordinary general meetings, after having reviewed the board of directors' report and the statutory auditors' special report, and in application of the provisions of Articles L.225-129-6 and L.225-138 of the French Commercial Code, the shareholders' extraordinary general meeting, considering the foregoing resolutions that authorize the board of directors to carry out possible capital increases, delegates its powers to the board of directors to carry out, on one or more occasions, a share capital increase, in consideration for cash, reserved for employees and, if applicable, for former employees, retired employees and employees on early retirement of the company and all or some of the companies and groups affiliated with it within the meaning of Article L.225.180 of the French Commercial Code, who are members of a company or group employee savings plan, which shall be carried out in accordance with the provisions of Articles L.3332-18 to L.3332-24 of the French Labor Code. This authorization automatically entails a waiver by the shareholders of their preemptive rights to subscribe for any capital increase that may be carried out.

The shareholders' general meeting grants all powers to the board of directors, with the right to sub-delegate its powers within legal limits, for the purpose of inter alia:

1° determining the amount of the issue;

2° setting the subscription price of the new shares in accordance with the requirements prescribed by Article L.443-5 of the French Labor Code;

3° deciding all terms and conditions and procedures of the capital increase(s) to be carried out and, in particular, to:
- determine the company or companies whose employees and former employees may subscribe for shares;
- set the length of service conditions to be met by the subscribers and the time within which the shares to be issued must be paid;
- deciding whether subscriptions may be made via a company mutual fund or directly for the benefit of the beneficiaries;
- determining the duration of the subscription period, the date on which the new shares acquire dividend rights and, in general, any other condition or procedure it may deem necessary;
- setting off the costs of the capital increase against the issue premium and deducting from such premium the sums necessary to fund the legal reserve by an amount equal to one-tenth of the new capital;
- lastly, carrying out all acts and formalities required in connection with the capital increase, certifying completion of the capital increase, requesting that the shares issued be admitted to trading on a regulated market, amending the bylaws accordingly, and taking all necessary actions.

This capital increase shall be included within the overall limit of one hundred and fifty million euros (€150,000,000) and capped at 3% of share capital, applicable to capital increases carried out by the board of directors pursuant to resolutions 2 to 8 adopted by this shareholders' general meeting.
This delegation of powers is granted for a period of 26 months from the date of this shareholders' general meeting.

Ninth 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.

SHAREHOLDERS' ORDINARY GENERAL MEETING OF MAY 24, 2017

Board of directors' report to the shareholders' ordinary general meeting of May 24, 2017

We have called this shareholders' ordinary general meeting to discuss the matters included on the agenda that are the subject of the resolutions submitted for your approval. A report including details of business developments since the beginning of the current year and prospects for the full year has been made available or provided to you.

For legal information on the social and environmental impacts of the company's business, including impacts on climate change of its business and of the use of the goods and services it produces, we refer you to the CIC group's CSR report (starting on p. 263).

Resolutions within the powers of the shareholders' ordinary general meeting

1 – Approval of the financial statements for the fiscal year ended December 31, 2016

(first and second resolutions)
The corporate financial statements of CIC, which were approved by the board of directors at its February 23, 2017 meeting, show net income of €881,553,568.13. The board of directors' report provided with the financial statements gives details of the various elements that make up this income.
CIC's consolidated financial statements show net income of €1,361 million and net income attributable to owners of the company of €1,352 million. The related board of directors' report shows how this income was generated and how the group's various businesses and entities contributed to such income.
You have also been given the opportunity to review the report of the chairman of the board of directors regarding the functioning of the board of directors and internal control and the statutory auditors' reports, enclosed with the board of directors' report.
We ask you to approve the corporate and consolidated financial statements as presented to you.

2 – Appropriation of net income

(third resolution)
The net income for the fiscal year amounts to €881,553,568.13. After taking into account positive retained earnings of €126,471,814.70, the amount to be allocated by the shareholders' general meeting therefore totals €1,008,025,382.83. The board of directors proposes that you vote to pay shareholders a dividend of €9.00 per share. The balance would be allocated to reserves and to the retained earnings account.

The board of directors therefore invites you to:
- distribute a dividend of €342,247,437.00 to 38,027,493 shares in respect of fiscal year 2016;
- allocate an amount of €500,000,000.00 to reserves,
- allocate the available balance, i.e., €165,777,945.83, to the retained earnings account.

The dividend would be paid on June 2, 2017. As provided under the tax regime applicable to distributions, it is specified that the entire dividend distributed is eligible for the 40% tax abatement mentioned in point 2 of Article 158 (3) of the French Tax Code (*Code général des impôts*).

In accordance with the provisions of French law, the shareholders' meeting is reminded that:
- for 2013, a dividend of €266,192,451.00 was distributed i.e., €7.00 per share eligible for the 40% tax abatement mentioned in point 2 of Article 158 (3) of the French Tax Code.
- for 2014, a dividend of €304,219,944 was distributed i.e., €7.00 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 €266,192,451.00 was distributed i.e., €7.00 per share eligible for the 40% tax abatement mentioned in point 2 of Article 158 (3) of the French Tax Code.

3 – Agreements mentioned in Article L.225-38 of the French Commercial Code

(fourth resolution)
In their special report, the statutory auditors list the regulated agreements governed by Article L.225-38 of the French Commercial Code that were entered into or that remained in effect during 2016 with the board of directors' consent.

You are asked to approve said agreements.

4 - Provisions on compensation, in accordance with Article L.511-73 of the French Monetary Code and Article L-225-37-2 and Article 161 created by French Act 2016-1691 of December 9, 2016

(fifth, sixth and seventh resolutions)
Pursuant to Article L.511-73 of the French Monetary and Financial Code, shareholders' ordinary general meetings of credit institutions and financial institutions shall be consulted annually on the total compensation of all types paid during the previous fiscal year, for the Crédit Mutuel-CM11 scope, to the persons mentioned in Article L.511-71, i.e., the effective managers and categories of staff that include risk takers, persons engaged in control functions, and any employee who, taking into account his 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.

The shareholders' general meeting is asked to approve the amount of said budget, which is presented in the company's registration document, in the "Corporate governance" section under "Compensation of corporate officers" and in the table of "Compensation" due or allocated to Mr. Nicolas Théry and Mr. Alain Fradin, for the fiscal year ended on December 31, 2016 (pages 52-54).

5 – Authorization granted to the board of directors to buy back the company's stock

(eighth resolution)
We ask you to cancel the authorization previously given to the board of directors to trade in CIC stock on the stock exchange with immediate effect and to give it a new authorization for this purpose. It should be stressed that the legal framework for such transactions is set out in EU regulation no. 2273/2003 of December 22, 2003, Articles L.225-209 et seq. of the French Commercial Code, and in Title IV of Book II and Chapter I of Title III of Book IV of the general regulations of the French securities regulator (*Autorité des Marchés Financiers* – AMF), and in its implementing instructions. Within this framework, CIC wishes to trade on the stock exchange as follows:

- stock will be traded in accordance with the liquidity agreement entered into by CIC with Rothschild & Cie Banque, in the capacity of investment service provider, which is the trader;
- the provisions of this liquidity agreement comply with the code of ethics drawn up by the AMAFI on March 8, 2011 and approved by the AMF on March 21, 2011;
- stock will be traded freely by the investment service provider with the sole aim of ensuring the liquidity and regular listing of CIC stock on the Paris stock exchange;
- bearing in mind that, according to the regulatory framework, it is only necessary to set a maximum purchase price in order to expressly cap the corresponding commitment, the maximum purchase price will be set at €300;
- shares held in this framework shall not be canceled;
- the maximum number of shares that may be purchased in this context remains unchanged at 100,000, i.e. 0.26 % of the capital stock at the beginning of this shareholders' meeting, it being specified that the maximum commitment that may result from the use of this amount in full, taking into account the price limit set, will be €30 million;
- CIC will provide the AMF with the statistics relating to the trading of this stock every month and with a statement every six months.

For information purposes, at December 31, 2016, the liquidity grouping created pursuant to the agreement in force held 1,315 CIC shares after having purchased 18,547 shares and sold 24,241 shares in 2016.

6 – Terms of office of directors

(ninth and tenth resolutions)

The terms of office of one-third of the nine members appointed by the shareholders' general meeting of May 19, 2011 are expiring. The directors concerned are:

- Catherine Allonas Barthe;
- Michel Lucas
- Banque Fédérative du Crédit Mutuel;

The shareholders' general meeting is asked to renew the term of office of BFCM for a period of six years, i.e. until the conclusion of the shareholders' ordinary general meeting called to approve the financial statements for fiscal year 2022, and to not renew the terms of office of Catherine Allonas Barthe and Michel Lucas.

7 – Renewal of the terms of office of the statutory auditors

(eleventh resolution)

The terms of office of one primary statutory auditor and one alternate statutory auditor expire with the present shareholders' general meeting.
The persons concerned are:

- Ernst & Young et Autres, primary statutory auditor;
- Picarle et Associés, alternate statutory auditor.

It is proposed that the shareholders' general meeting renew the term of office of the primary statutory auditor for a period of six fiscal years, i.e. until the conclusion of the shareholders ordinary general meeting called to approve the financial statements for fiscal year 2022.
Given the amendment to the bylaws voted by the shareholders' extraordinary general meeting today, there is no longer a need to renew the term of the alternate statutory auditor.

(twelfth resolution)

The twelfth resolution concerns powers.

Resolutions

First resolution

Approval of CIC's financial statements for the fiscal year ended December 31, 2016

After reviewing the board of directors' report to the general meeting, its report on CIC's financial statements, the appended report of the chairman of the board of directors regarding the functioning of the board of directors and internal control, the statutory auditors' report, and the annual financial statements for the fiscal year ended December 31, 2016, the shareholders' general meeting approves said annual financial statements as presented to it, which show net income of €881,553,568.13. The general meeting also approves the overall amount of expenses that may not be deducted from income subject to corporate income tax totaling €57,306 as well as the tax liability resulting from these expenses totaling €19,730.

Second resolution

Approval of the consolidated financial statements for the fiscal year ended December 31, 2016

After reviewing the board of directors' report to the general meeting, its report on the consolidated financial statements, the appended report of the chairman of the board of directors regarding the functioning of the board of directors and internal control, the statutory auditors' report, and the consolidated financial statements for the fiscal year ended December 31, 2016, the shareholders' general meeting approves said financial statements as presented to it, which show net income attributable to owners of the company of €1,352 million.

Third resolution

Appropriation of net income

The shareholders' general meeting notes that:
- the company's net income for the fiscal year amounts to: €881,553,568.13
- retained earnings amount to: €126,471,814.70
- as a result, distributable income amounts to: €1,008,025,382.83

and decides to allocate this amount as follows:
- dividend for shares in respect of fiscal year 2016: €342,247,437.00
- allocation to reserves in an amount of: €500,000,000.00
- remaining balance to be allocated to retained earnings: €165,777,945.83

As a result, the shareholders' general meeting sets the dividend to be paid for each of the 38,027,493 shares at €9.00. 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 2, 2017.

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 2013, a dividend of €266,192,451.00 was distributed i.e., €7.00 per share eligible for the 40% tax abatement mentioned in point 2 of Article 158 (3) of the French Tax Code.
- 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.
- por 2015, a dividend of €266,192,451.00 was distributed i.e., €7.00 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 appended 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 scope, 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 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

Opinion on the elements of compensation due or allocated to Nicolas Théry for the fiscal year ended December 31, 2016, pursuant to Article L.225-37-2 and Article 161 created by French Act 2016-1691 of December 9, 2016

The shareholders' general meeting, after reviewing the board of directors' report to the general meeting, approves the elements of compensation due or allocated to Nicolas Théry for fiscal year 2016.

Seventh resolution

Opinion on the elements of compensation due or allocated to Alain Fradin for the fiscal year ended December 31, 2016, pursuant to Article L.225-37-2 and Article 161 created by French Act 2016-1691 of December 9, 2016

The shareholders' general meeting, after reviewing the board of directors' report to the general meeting, approves the elements of compensation due or allocated to Alain Fradin for fiscal year 2016.

Eighth resolution

Authorization given to the board of directors to buy back shares in the company

The shareholders' general meeting, after reviewing the board of directors' report to the general meeting:
within the scope of EU regulation no. 2273/2003 of December 22, 2003, the provisions of Articles L.225-209 et seq. of the French Commercial Code, and of Title IV of Book II and Chapter I of Title III of Book IV of the AMF General Regulations and its implementing instructions, the shareholders' general meeting authorizes the board of directors, with immediate effect, to trade in stock in the company on the stock exchange under the following conditions:
- shares must be purchased and sold by means of a liquidity agreement entered into with an investment service provider in accordance with the regulations in force;
- these transactions will be carried out by the service provider with the aim of ensuring the liquidity and regular listing of CIC stock on the Paris stock exchange;
- the maximum purchase price is set at €300 per share;
- the maximum number of shares that may be purchased is set at 100,000, representing a maximum potential commitment of €30 million;
- the shares held in the framework of the liquidity agreement will not be canceled.

This authorization will remain in effect until October 31, 2018 inclusive.

The shareholders' general meeting grants full powers to the board of directors to enter into all agreements, carry out all formalities, and, in general, take all the necessary steps within the aforementioned framework.

Ninth resolution

Renewal of the term of office of BFCM

After noting that the term of office of Banque Fédérative du Crédit Mutuel as a member of the board of directors will expire at the conclusion of this shareholders' general meeting, the shareholders' general meeting decides to renew said term of office for a period of six years, i.e., until the conclusion of the shareholders' general meeting called to approve the financial statements for fiscal year 2022.

Tenth resolution

Non-renewal of directors' term of office

After noting that the terms of office as members of the board of directors of Catherine Allonas Barthe and Michel Lucas will expire at the conclusion of this shareholders' general meeting, the shareholders' general meeting decides to not renew said terms.

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 Ernst & Young et Autres, member company of the Compagnie des Commissaires aux Comptes de Versailles headquartered at Tour First, 1 place des Saisons 92400 Courbevoie, France, will expire at the conclusion of this shareholders' general meeting, the shareholders' general meeting decides to renew the term of office as primary statutory auditor of the company Ernst & Young et Autres 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 2022.

Twelfth 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.

STATUTORY AUDITORS' REPORT

on the issuance of shares and other marketable securities with the maintenance and/or waiver of preferential subscription rights

Shareholders' extraordinary general meeting of May 24, 2017
Second, fourth, fifth and sixth resolutions

To the shareholders:

In our capacity as statutory auditors of your company and pursuant to the assignment subject to articles L. 228-92 and L. 225-135 et seq. of the French Commercial Code, we hereby present our report on the proposed delegations of authority to the board of directors with respect to various issuances of shares and/or marketable securities, your approval being required on these transactions.

Based on its report, your board of directors requests that you:

- authorize it, for a period of twenty-six months, to decide on the following transactions and set the definitive terms of these issuances and, where applicable, recommends that you waive your preferential subscription right:
  - issuance with maintenance of preferential subscription right of shareholders (second resolution) of ordinary shares or all other marketable securities giving access to the share capital;
  - issuance with waiver of preferential subscription rights through a public offering (fourth resolution) of ordinary shares or all other marketable securities giving access to ordinary shares of the company, it being noted that these securities may be issued as consideration for securities contributed to the company as part of a public exchange offer of securities satisfying the terms set by article L. 225-148 of the French Commercial Code;
  - issuance with waiver of preferential subscription rights through offerings subject to section II of article L. 411-2 of the French Monetary and Financial Code and up to 20% of the share capital per year (fifth resolution) of ordinary shares or all other marketable securities giving access to ordinary shares.

The overall nominal amount of capital increases that may be carried out immediately or in the future may not exceed €150 million under the second to eighth resolutions.

The overall nominal amount of debt securities that may be issued may not exceed €1,600 million for the second, fourth and fifth resolutions.

These ceilings take into account the additional number of marketable securities to be created as part of the implementation of delegations of authority covered by the second, fourth and fifth resolutions, under the conditions laid down in article L.225-135-1 of the French Commercial Code, if you adopt the sixth resolution.

The board of directors is required to prepare a report in accordance with Articles R. 225-113 et seq. of the French Commercial Code. We are required to give our opinion on the accuracy of the figures taken from the financial statements, on the proposal to cancel preemptive subscription rights and on certain other information about these transactions included in such report.

We have performed the work that we deemed necessary in accordance with the professional guidance of the French Statutory Auditors' Association (*Compagnie nationale des commissaires aux comptes*) regarding this type of assignment. This work consisted of verifying the content of the board of directors' report on these transactions and the methods for determining the issue price of the securities to be issued.

Subject to a subsequent review of the terms and conditions of the issues that may be decided, we have no observations to make on the methods for determining the issue price of equity securities to be issued pursuant to the fourth and fifth resolutions, as described in the board of directors' report.

However, that report does not describe the methods for determining the issue price of equity securities to be issued pursuant to the second resolution and, therefore we are unable to give our opinion on the choice of criteria used to calculate the issue price.

In light of the fact that the definitive terms under which the issues will be carried out have not yet been set, we do not express an opinion on them or, as a result, on the proposed waiver of preferential subscription rights made to you in the fourth and fifth resolutions.

In accordance with article R. 225-116 of the French Commercial Code, we will prepare a supplementary report, where necessary, if these authorizations are used by your board of directors in the event of issuances of marketable securities that are equity securities giving access to other equity securities or giving rights to the grant of debt securities, in the event of issuances of marketable securities giving access to equity securities to be issued and in the event of issuances of shares with the waiver of preferential subscription rights.

Paris La Défense and Neuilly-sur-Seine, April 19, 2017

The statutory auditors

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

STATUTORY AUDITORS' REPORT

on the capital increase reserved for members of a company savings plan

Shareholders' general meeting of May 24, 2017 - Resolution 8

To the shareholders:

In our capacity as statutory auditors, and in performance of the work prescribed by Articles L.225-135 et seq. of the French Commercial Code, we hereby report to you on the proposal to increase the share capital by issuing ordinary shares, with the cancellation of preemptive subscription rights, capped at 3% of the share capital. This capital increase would be reserved for employees and, if applicable, for former employees, retired employees and employees on early retirement of the company and all or some of the companies and groups affiliated with it within the meaning of Article L.225-180 of the French Commercial Code, who are members of a company or group employee savings plan – a transaction on which you are requested to vote.

This capital increase is subject to your approval, as required by the provisions of Article L. 225-129-6 of the French Commercial Code and Articles L. 3332-18 et seq. of the French Labor Code.

Based on its report, your board of directors recommends that you authorize it, for a period of 26 months, to set the terms of this transaction and to waive your preferential subscription rights to shares to be issued.

The board of directors is required to prepare a report in accordance with Articles R. 225-113 and R. 225-114 of the French Commercial Code. We are required to give our opinion on the accuracy of the figures taken from the financial statements, on the proposal to cancel preemptive subscription rights and on certain other information about the issue included in such report.

We have performed the work that we deemed necessary in accordance with the professional guidance of the French Statutory Auditors' Association (*Compagnie nationale des commissaires aux comptes*) regarding this type of assignment. This work consisted of verifying the content of the board of directors' report on this transaction and the methods for determining the issue price of the shares.

Subject to a subsequent review of the terms and conditions of the proposed capital increase, we have no observations to make on the methods for determining the issue price of the ordinary shares to be issued, as described in the board of directors' report.

Because the final terms and conditions of the capital increase have not been determined, we do not express an opinion thereon and, consequently, on the proposal made to you to cancel preemptive subscription rights.

In accordance with Article R. 225-116 of the French Commercial Code, we will prepare an additional report in the event your board of directors uses this delegation of powers.

The statutory auditors

Paris La Défense, April 19, 2017	Paris La Défense, April 19, 2017	Neuilly-sur-Seine, April 19, 2017
KPMG Audit.	ERNST & YOUNG et Autres	PricewaterhouseCoopers Audit
Department of KPMG S.A.	Olivier Durand	Jacques Lévi
Arnaud Bourdeille	*Partner*	*Partner*
Partner		

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 had appealed the decision of the Paris Court of Appeal canceling the fines levied against the banks. The ruling by the Cour de Cassation (highest court of appeal) was handed down on April 14, 2015. Without reviewing the legal arguments of the banks, the Cour de Cassation reversed the Court of Appeal's decision on procedural grounds, namely that after having rejected the arguments of the antitrust authority, the Court of Appeal had concluded that there was no reason to examine the arguments put forth by two consumer associations in support of the position of the competition authority. Following this reversal, in September 2015, the case was once again remanded to the Paris Court of Appeal. The ruling by the Court will be handed down on May 11, 2017.

There are no other pending or threatened government, judicial or arbitration proceedings, including any proceeding of which the company is aware, that may have or has had, during the past 12 months, material impacts on the financial position or profitability of the company and/or group.

Crédit photo : Samuel Cornillet

Additional information

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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 (see below, "Financial communication").

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).

FINANCIAL COMMUNICATION

The board of directors of CIC plans to approve the financial statements for the first half of 2017 on July 27. A press release will be published at this time in the financial press. Approval of the financial statements for 2017 is expected to take place in February 2018. The board of directors organizes annual meetings with the press and specialist banking sector financial analysts in order to present the group's results and to respond to their questions. These results are then reported and commented on in the specialist press and the national daily newspapers. Every six months, CIC publishes a newsletter for its individual shareholders, which has a print run of more than 19,000 copies and is also available online. Persons wishing to receive this newsletter can request it by calling +33 (0)1 53 48 79 57.
Shareholders are thus regularly informed of the company's results and significant events affecting or involving it.

CIC's website (www.cic.fr) carries all these publications under the headings "institutional" and "shareholders and investors". The latter section contains all the financial information: publications such as the "Letter to shareholders", financial calendar, regulatory information required by the Transparency Directive, issuance programs required by the Prospectus Directive, exposure to sovereign debt, share prices and volumes, and the group's ratings by rating agencies. The regulatory information and details of the issuance programs are also available online, from the AMF's website (www.amf-france.org) under the heading "Decisions and final disclosures", subheading "Search", then "Prospectus & other information documents".

PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

Person with overall responsibility for the registration document

Alain Fradin, 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 page 328 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 19, 2017
Alain Fradin
Chief Executive Officer

STATUTORY AUDITORS

The statutory auditors, PricewaterhouseCoopers Audit, Ernst & Young and KPMG SA, 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 Agnès Hussherr and 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 ending December 31, 2017.

Name: Ernst & Young et Autres
Address: Tour First, 1 place des Saisons, 92400 Courbevoie
Represented by Olivier Durand
First term of office began on: May 26, 1999
Length of current term of office: six years from May 19, 2011
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, 2016.

Name: KPMG SA
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, Picarle & Associés, KPMG Audit FS 1.

CROSS-REFERENCE TABLE

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

		Pages
1	**Declaration by the person responsible for the registration document**	325
2	**Board of directors' reports**	
2.1	Analysis of financial results, the financial position, risks and lists of delegations of authority as regards increases in capital stock by the parent company and the consolidated entity (Articles L.225-100 and L.225-100-2 of the French Commercial Code)	52 / 73-259 / 309-314
2.2	Information required by Article L.225-100-3 of the French Commercial Code relating to facts or events that may have an effect in the event of public offerings	58
2.3	Information relating to share purchases (Article L.225-211, paragraph 2 of the French Commercial Code)	33-37 / 315-317
2.4	Compensation policy	52-57 / 315-317
2.5	Sustainable development and statutory auditors' report thereon	261-305
2.6	Information on presence by country or territory (Article L.511-45 of the French Monetary and Financial Code)	83-84/179-181
3	**Financial statements**	
3.1	Company financial statements	220-257
3.2	Statutory auditors' report on the company annual financial statements	258-259
3.3	Consolidated financial statements	158-217
3.4	Statutory auditors' report on the consolidated financial statements	218
In accordance with Articles 212-13 and 221-1 of the AMF's General Regulations, the following information is also published:		
	• Fees paid to the statutory auditors	212
	• Report of the chairman of the board of directors on the conditions for preparing and organizing the board's work and internal control procedures, as well as the statutory auditors' report thereon	56-69

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, 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 annual and consolidated financial statements, as well as the group management report for the fiscal year ended December 31, 2014 and the statutory auditors' reports on the annual and consolidated financial statements as of December 31, 2014, which are presented, respectively, on pages 175 to 213 and 72 to 173 and on pages 214 to 215 and 174 of registration document D.13-0384 filed with the AMF on April 21, 2015.

The chapters of registration documents D.16-0369 and D.15-0384 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	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.
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
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.
Ratio of net additions to/reversals from provisions for customer loan losses calculated on an individual basis to outstanding loans (expressed as a % or in basis points)	Ratio of net additions to/reversals from provisions for customer loan losses (see note 35 to the consolidated financial statements) less collective provisions to end-of-period gross outstanding loans excluding repurchase agreements (see note 8 to the consolidated financial statements: loans and receivables due from customers excluding individual and collective provisions).
Individual net additions to/reversals from provisions for loan losses	Total net additions to/reversals from provisions for loan losses (the "net additions to/reversals from provisions for loan losses" line on the consolidated income statement) excluding collective provisions.
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	The "Loans and receivables due from customers" line on the assets side of the consolidated balance sheet.
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	The "Amounts due to customers" line on the liabilities side of the consolidated balance sheet.
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).
Expected loss (EL)	Loss expected in the event of default. EL is determined by multiplying exposure at default (EAD) by probability of default (PD) and by loss given default (LGD).
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*.
General operating expenses	These correspond to the sum of "Employee expenses" (note 29a to the consolidated financial statements), "Other operating expenses" (note 33) and "Movements in depreciation, amortization and provisions for property and equipment and intangible assets" (note 34). The terms "general operating expenses" and "operating expenses" are used interchangeably throughout the document.
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 28 global systemically important banks; the list is updated every year.
Hedge funds	Investment fund whose management objective is set in terms of absolute return. It seeks to obtain the maximum return on invested capital by using *hedging*, arbitrage and leverage techniques.
HQLA	High quality liquid assets.
Hybrid (security)	Security that combines the characteristics of equity and debt (convertible bonds, equity notes, etc.).

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*. 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.
Leverage ratio (LR)	*Leverage ratio* - 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).
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; calculation based on note 8a 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 8a to the consolidated financial statements: "Individual provisions" + "Collective provisions"/"Individually impaired receivables."
LCR (Liquidity Coverage Ratio)	Short-term (30-day) ratio which aims to require that banks at all times maintain a reserve of liquid assets to survive an acute 30-day crisis. This monthly ratio is one of the provisions of Basel III.
NSFR (Net Stable Funding Ratio)	One-year ratio of available stable funding relative to required stable funding. Sources of funding must cover applications of funding at a ratio of 100% over a one-year horizon. Amounts to be funded are weighted by their liquidity and sources of funding by their stability. This quarterly ratio is one of the provisions of Basel III.
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*.
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.
Non-performing loan ratio	See non-performing loan ratio
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).
TPE	*Très petites entreprises* (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.
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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