INFORMATION DOCUMENT

of Banque Fédérative du Crédit Mutuel, a French incorporated company (*société anonyme*)
and the CM11-CIC Group, a French mutual banking group

Dated as of 27 May 2013

IMPORTANT PRELIMINARY NOTE

This document contains information on the CM11-CIC Group (and its predecessors), the Banque Féderative du Crédit Mutuel (BFCM) and various other entities in the CM11-CIC Group. It may be incorporated by reference in offering documents for securities issuances by BFCM or its affiliates (including Crédit Mutuel-CIC Home Loan SFH), but it does not constitute an offer of any securities. Offers of securities may be made only by a prospectus, offering memorandum or other offering document that describes the terms of the relevant securities and their plan of distribution.

The information in this document is derived from documents published by the CM11-CIC Group, BFCM and certain of their affiliates, including CIC. Those published documents may include annual and interim reports, investor presentations and other written communications. The information in those published documents (other than that specifically contained herein) is not part of this document.

The information in this document is accurate and complete only as of the date set forth on the cover page hereof. There may be supplements to this document or other documents published subsequent to the date hereof that could supersede or render obsolete some of the information in this document. In addition, the prospectus, offering memorandum or other offering document for an offering may contain or incorporate by reference information on important recent developments that is not contained in this document.

None of CM11-CIC Group, BFCM or any of their affiliates makes any representation regarding, or accepts any responsibility for, the information contained in this document or its use by any person, in the absence of a prospectus or other offering document into which this document is incorporated by reference.

This document may not be distributed or used in any jurisdiction in which such distribution or use would be unlawful or would require the filing of any document or the taking of any action by CM11-CIC Group, BFCM or any of their affiliates.

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TERMINOLOGY

In this Information Document, the following terms have the respective meanings set forth below (and, where the context permits, are deemed to include any successors). See “History and Structure of the CM11-CIC Group” for important information relating to the entities and groups referred to in these definitions.

“**BFCM**” means the Banque Fédérative du Crédit Mutuel.

“**BFCM Group**” means BFCM and its consolidated subsidiaries and associates.

“**CF de CM**” means the Caisse Fédérale de Crédit Mutuel.

“**CIC”** means Crédit Industriel et Commercial (CIC), which is the largest subsidiary of BFCM and the CM11-Group.

“**CM11-CIC Group**”, “**CM10-CIC Group**” and “**CM5-CIC Group**” means the mutual banking group that includes the local Crédit Mutuel banks that are members of the relevant Federations (11 federations, 10 federations or 5 federations, as the case may be), and of the CF de CM, as well as the entities that are part of the BFCM Group.

“**Federation**” means each of the 11 regional federations formed by groups of Local Banks to serve their mutual interests, centralizing their products, funding, risk management and administrative functions as well as the group-wide Federation of which each of the regional federations is a member.

“**Group**” means the CM11-CIC Group as from 1 January 2012, the CM10-CIC Group for the period from 1 January 2011 to 31 December 2011 and the CM5-CIC Group for the period from 1 January 2010 to 31 December 2010.

“**Local Banks**” means the local Crédit Mutuel mutual banks (*caisses locales de Crédit Mutuel*) that are members of the Group at the relevant time. The non-capitalized term “local banks” refers to the Local Banks that are members of the Group, as well as the local Crédit Mutuel mutual banks that are members of federations that are not part of the Group.

FORWARD-LOOKING STATEMENTS

This Information Document contains forward-looking statements. Such items in this Information Document include, but are not limited to, statements made under "Risk Factors Relating to the Group and the BFCM Group". Such statements can be generally identified by the use of terms such as "anticipates", "believes", "could", "expects", "may", "plans", "should", "will" and "would", or by comparable terms and the negatives of such terms. By their nature, forward-looking statements involve risk and uncertainty, and the factors described in the context of such forward-looking statements in this Information Document could cause actual results and developments to differ materially from those expressed in or implied by such forward-looking statements. We have based forward-looking statements on our expectations and projections about future events as of the date such statements were made. These forward-looking statements are subject to risks, uncertainties and assumptions about BFCM or the CM11-CIC Group, including, among other things:

- The risks inherent in banking activities including credit risks, market and liquidity risks, operational risks and insurance risks;
- Risks relating to volatile global market and weak economic conditions, and particularly current economic conditions affecting sovereigns and financial institutions in Europe;
- Risks resulting from recent and proposed legislative and regulatory action affecting financial institutions in France, in Europe and globally.
- The risk to the Group's business and profitability if BFCM were no longer to maintain high credit ratings;
- The risk that the Group's risk management policies may not be effective to prevent losses;
- The impact of competition on the Group's business and operations;
- Lower revenue generated from brokerage and other commission- and fee-based businesses during market downturns;
- The risk to the Group's liquidity if it is unable to sell assets when needed;
- Risks relating to potential changes in interest rates and their impact on profitability;
- The Group's hedging strategies may not prevent losses;
- The Group may not be able to attract and retain qualified employees;
- The Group's provisions are based on assumptions and therefore may prove to be insufficient;
- The effects of the Group's organizational structure and BFCM's position in the Group;
- The fact that local banks outside the Group operate under the Crédit Mutuel name and are part of a mutual liquidity support system to which the Group must contribute if needed; and
- Other factors described in this Information Document under "Risk Factors Relating to the Group and the BFCM Group" and "Management's Discussion and Analysis of Financial Condition and Results of Operations".

INCORPORATION BY REFERENCE

This Information Document should be read and construed in conjunction with the following documents incorporated by reference (the "**Documents Incorporated by Reference**"), which form part of the Information Document as of the date hereof.

1) the following sections of the English translation of the BFCM's 2012 Annual Report / Registration Document (*document de référence*) available on the Group's website at the address referred to below, a French version of which was filed with the French *Autorité des marchés financiers* (AMF) under No. D.13-0423 on 24 April 2013 (such document, the "**2012 BFCM Annual Report**"; page references are to the English translation):

    a. "Risk Report" on pages 55 to 76;

    b. "Report on the Board of Director's operations and internal control procedures" on pages 31 to 42;

    c. "Report on the system of procedures to combat money laundering and terrorism financing" on pages 45 to 47;

    d. "Consolidated Financial Statements of the BFCM Group" on pages 77 to 122; and

    e. "Report of Statutory Auditors on the Consolidated Financial Statements of the BFCM Group" on pages 123 to 124.

2) the English translation of the audited consolidated financial statements of the CM11-CIC Group as of and for the year ended 31 December 2012 and the auditors' report thereon available on the Group's website at the address referred to below (the "**CM11-CIC 2012 Financial Statements**").

3) the English translation of the Basel 3 Pillar 3 Disclosure for the year ended 31 December 2012, available on the Group's website at the address referred to below (the "**Basel Pillar 3 Disclosure**"). Please note that the Basel Pillar 3 Disclosure refers to sections entitled "Risk Report" and "Risk Management Policy and Procedures" which are not included in the document on the Group's website. The relevant information is contained in this Information Document under the heading "Risk Management".

4) the following sections of the Information Document, dated 20 September 2012, available on the Group's website at the address referred to below (such document, the "**2011 Information Document**"):

    a. "Audited Consolidated Financial Statements of the CM-10 CIC Group as of and for the Year Ended December 31, 2011" on pages F-81 to F-157;

    b. "Report of Statutory Auditors on the Consolidated Financial Statements" on pages F-159 to F-161;

    c. "Audited Consolidated Financial Statements of the BFCM Group as of and for the Year Ended December 31, 2011" on pages F-301 to F-377; and

    d. "Report of Statutory Auditor on the Consolidated Financial Statements" on pages F-379 to F-381.

Except as indicated above, the 2012 BFCM Annual Report, the CM11-CIC Financial Statements, the Basel Pillar 3 Disclosure and the 2011 Information Document shall not be deemed incorporated by reference in this Information Document.

The 2012 BFCM Annual Report, the CM11-CIC Financial Statements, the Basel Pillar 3 Disclosure and the 2011 Information Document are available on the website of the CM11-CIC Group at the following addresses:

2012 BFCM Annual Report	http://www.bfcm.creditmutuel.fr/fr/bfcm/pdf/BFCM_Registration_Document_2012_ENG.pdf
CM11-CIC Financial Statements	http://www.bfcm.creditmutuel.fr/fr/bfcm/pdf/CM11CIC_FINANCIAL_DEC2012.pdf
Basel Pillar 3 Disclosure	http://www.bfcm.creditmutuel.fr/fr/bfcm/pdf/PILIER3_CM11CIC_2012_EN.pdf
2011 Information Document	http://www.bfcm.creditmutuel.fr/fr/bfcm/pdf/BFCM_INFORMATION_DOCUMENT_SEPT2012.pdf

Except for the portions of the documents referred to above, the information contained on the website of BFCM shall not be deemed incorporated by reference herein.

PRESENTATION OF FINANCIAL INFORMATION

General

The financial data presented in this Information Document are presented in euros.

The audited consolidated financial statements of the BFCM Group and the Group as of 31 December 2012 and 2011 and for the years ended 31 December 2012, 2011 and 2010 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS). The BFCM Group's and the Group's fiscal year ends on 31 December, and references in this Information Document to any specific fiscal year are to the twelve-month period ended 31 December of such year.

Certain financial information regarding the BFCM Group and/or the Group presented herein constitute non-GAAP financial measures, which exclude certain items contained in the nearest IFRS financial measure or which include certain amounts that are not contained in the nearest IFRS financial measure.

Due to rounding, the numbers presented throughout this Information Document may not add up precisely, and percentages may not reflect precisely absolute figures.

Restatement of the 2011 Consolidated Financial Information

The financial information for the Group and the BFCM Group as at and for the year ended 31 December 2011, presented in the audited consolidated financial statements of the Group and the BFCM Group as of and for the year ended 31 December 2012, has been restated to account for the application of IAS 19 as well as for the correction of an error with respect to the accounting treatment of the investment in Banco Popular Español (BPE). The adjustments and their impact on each of the Group and the BFCM Group are described in note 1.1 to each of the Group's and the BFCM Group's audited consolidated financial statements as at and for the year ended 31 December 2012. The equity method accounting treatment of BPE results from the significant influence the Group has had over BPE since the end of the 2010 fiscal year. The audited consolidated financial statements as at and for the year ended 31 December 2011, and the related comparative 2010 information, have not been restated for this error, as the amounts involved were not material.

INDUSTRY AND MARKET DATA

In this Information Document, BFCM and the Group rely on and refer to information regarding the banking, insurance, finance and related industries, their markets, and their competitive position in the sectors in which they compete. Unless otherwise indicated, BFCM and the Group obtained this information from internal analyses based on the public documents of competitors and industry publications. BFCM and the Group believe that information sources they have used are reliable, but they have not independently verified such information, and none of BFCM or the Group makes any representation as to its accuracy or completeness. Similarly, although BFCM and the Group believe that the market data they have cited is useful in understanding their market positions relative to their competitors, the nature of their industries often makes it difficult to obtain precise and accurate market data, and undue reliance should not be placed on these figures.

OVERVIEW DESCRIPTION OF BFCM AND THE CM11-CIC GROUP

This overview does not contain all of the information that may be important to investors. Investors should read carefully the entire Information Document for more information about BFCM and the CM11-CIC Group.

BFCM and the CM11-CIC Group

BFCM is a licensed French credit institution that is part of the CM11-CIC Group, a major French mutual banking group. The CM11-CIC Group includes two French retail banking networks (the first made up of the Local Banks in the 11 French regional federations in the Crédit Mutuel network, and the second being the CIC network, which operates throughout France), as well as affiliates with activities in international retail banking, consumer finance, insurance, financing and market activities, private banking and private equity.

BFCM plays two principal roles in the CM11-CIC Group. First, BFCM is the central financing arm of the Group, acting as the principal issuer of debt securities in international markets. In this capacity, BFCM provides financing to Group financial institutions to meet their funding needs that are not met with customer deposits. Second, BFCM is the holding company for substantially all of the Group's businesses, other than the Crédit Mutuel retail banking network.

BFCM has its headquarters at 34, rue du Wacken, 67000 Strasbourg, France, telephone +33 (0)3 88 14 88 14. BFCM is registered with the *Registre du Commerce et des Sociétés de Strasbourg*, under registration number C 322 190 109.

Business of the CM11-CIC Group

The CM11-CIC Group is a mutual banking organization that serves approximately 23.8 million customers through 4,674 points of sale, mainly in France, as well as internationally in Germany, Spain and other countries. It includes 1,360 local mutual banks ("*caisses locales*" or "Local Banks") that are autonomous but cooperate through 11 regional Federations (including one that joined as of 1 January 2012 and five that joined as of 1 January 2011), subsidiaries such as CIC (France) and TARGOBANK (Germany and Spain), and other subsidiaries and affiliates in France and abroad.

The Group's focus is retail banking and insurance, which together represented approximately 89% of the Group's net banking income in 2012. Approximately 83% of the Group's 2012 net banking income was generated in France.

The Group had net banking income of €11,462 million and net income (Group share) of €1,622 million in 2012. As of 31 December 2012, the CM11-CIC Group had total customer savings of €506.9 billion, including customer deposits of €213.6 billion and managed savings (such as mutual funds and life insurance) and custody assets of €293.2 billion. As of 31 December 2012, the CM11-CIC Group had outstanding customer loans of €269.4 billion, including €141.0 billion of French home loans. Its shareholders' equity, group share, was €27.3 billion.

The CM11-CIC Group operates in five principal business segments:

- **Retail Banking** (76.6% of 2012 net banking income, before inter-segment eliminations). The retail banking segment provides customers with deposit-taking and lending services, as well as services such as leasing, factoring, mutual funds and employee savings schemes. It also distributes the Group's insurance products. The segment includes primarily the activities of two French retail networks and certain other subsidiaries and affiliates:

    - The Crédit Mutuel network, which serves approximately 6.7 million customers through 1,360 Local Banks that are owned by approximately 4.7 million member-shareholders. The Local Banks in the CM11-CIC group operate in 11 regions of France, including important markets such as Paris, Lyon, Strasbourg and the French Riviera.

    - The CIC network, which serves more than 4.5 million retail customers through 2,074 branches of five regional banks operating throughout France. The CIC network is operated by wholly-owned subsidiaries of BFCM. The CIC network holds a strong position with small and medium-sized enterprises, as well as with individual customers.

    - Several subsidiaries and affiliates, including TARGOBANK Germany (which provides mainly consumer finance to 3.0 million customers through 343 branches and advisory centres in 200 cities in Germany and has approximately 3 million customers), TARGOBANK Spain (a partnership with Banco Popular Español, which concentrates in home loans and operates through 125 branches in three regions of Spain and has approximately 235,000 customers), and Cofidis (which is a leader in the French consumer finance market serving approximately 7.5 million customers across Europe, with €7,728 million of outstanding consumer loans as of 31 December 2012).

- **Insurance** (12.3% of 2012 net banking income, before inter-segment eliminations). The Group's insurance segment operates through Groupe des Assurances du Crédit Mutuel (GACM) and its subsidiaries. GACM provides customers with a range of life and non-life insurance products, insurance brokerage, reinsurance, burglary protection and automobile maintenance insurance. The Group's insurance products are marketed primarily through the Crédit Mutuel Local Banks, CIC branches and Cofidis.

- **Financing and Market** (8.1% of 2012 net banking income, before inter-segment eliminations). The Group's financing and market segment includes two main activities: financing of large companies and institutional clients (including project and asset-based financing), and market activities in fixed income, exchange rate products and equities, both for customers and for the Group's own account. This segment also includes BFCM's activities in its capacity as the Group's central funding arm.

- **Private Banking** (4.0% of 2012 net banking income, before inter-segment eliminations). Private banking offers financial advice and wealth management solutions to suit the needs of high net worth individuals, particularly entrepreneurs and executives, in France, Luxembourg, Switzerland, Belgium and the United Kingdom.

- **Private Equity** (0.9% of 2012 net banking income, before inter-segment eliminations). This segment, which operates under the name CM-CIC Capital Finance, comprises private equity activities conducted both for the Group's own account and for customers.

In addition to these five principal segments, the Group has a "logistics, holding and other" segment that includes intermediary holding companies as well as interests in affiliates with businesses in areas such as information technology, real estate and the press.

The BFCM Group

The BFCM Group includes BFCM and its consolidated subsidiaries, including CIC. All entities in the BFCM Group are also in the CM11-CIC Group. The principal difference between the CM11-CIC Group and the BFCM Group is that the BFCM Group does not include any of the Local Banks.

The BFCM Group had net banking income of €8,159 million and net income (group share) of €930 million in 2012. Retail banking is the largest activity of the BFCM group, representing €5,854 million of net banking income in 2012. Insurance and financing and market activities are the second and third largest business segments, representing €1,318 million and €927 million, respectively, of net banking income in 2012. At 31 December 2012, the BFCM Group had outstanding customer loans of €165.8 billion. Its shareholders' equity, group share, was €12.7 billion.

History and Structure of the CM11-CIC Group

The CM11-CIC Group traces its roots to 1882, when the first Crédit Mutuel local bank was founded in the Alsace region in Northeastern France. Initially, loans were granted only to members, who were also the owners of the local banks. All profits were placed in a non-distributable reserve. Although the Local Banks now welcome customers who are not members, and distribute a modest portion of their profits to their members, they are still guided by the co-operative principles that were present at the founding of the Group.

Over time, the number of local banks in the Crédit Mutuel network expanded, and they formed regional federations to serve their mutual interests. Eighteen regional federations currently exist nationwide, varying widely in their number of local banks and clients and their economic weight. Over time, a number of these regional federations have joined together to form the Group. Through the Group, these federations centralize their products, funding, risk management and administrative functions, as well as holding interests in affiliates in France and internationally.

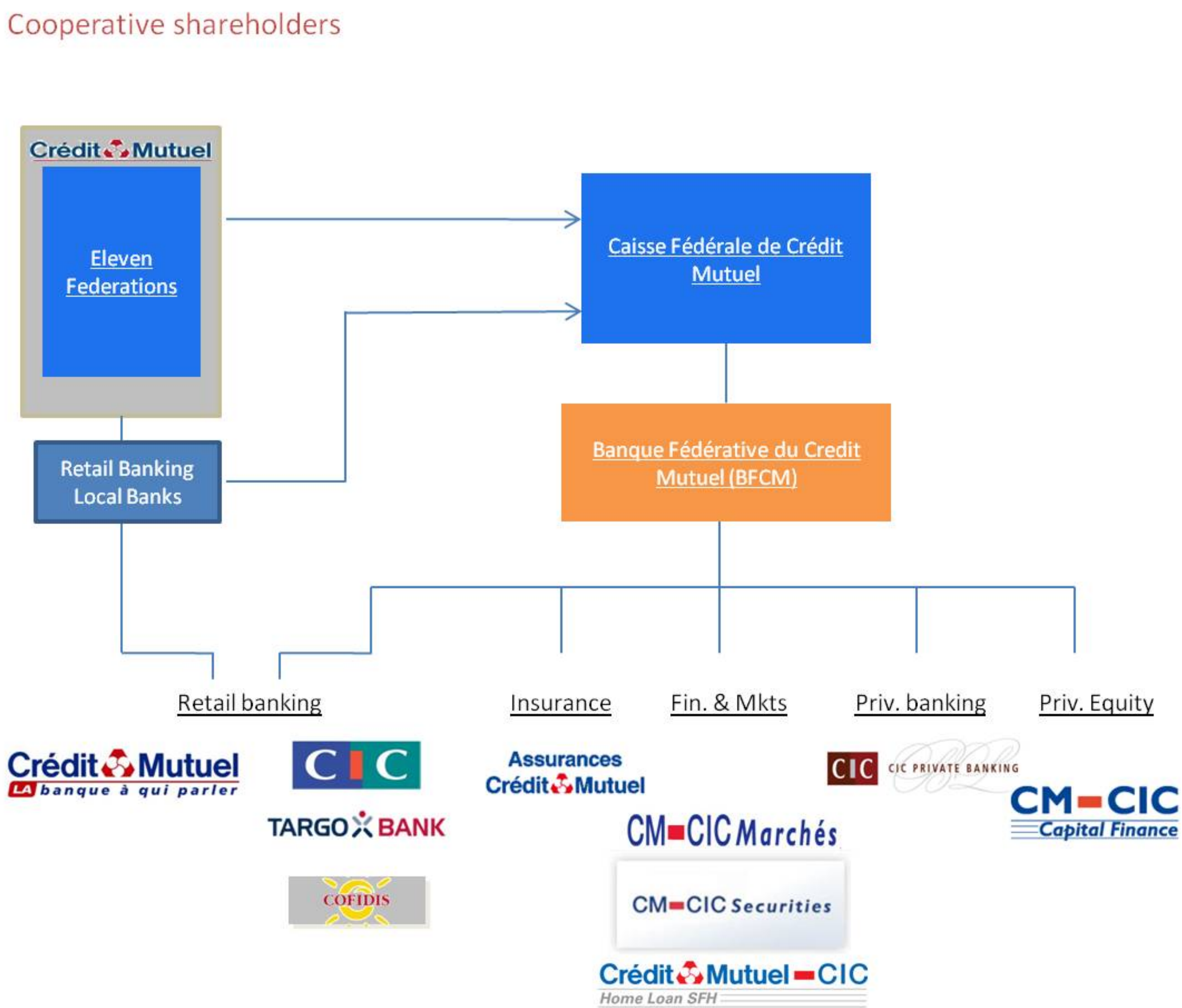
In 2010, the Group included five regional federations, and the Group was called CM5-CIC. Five additional regional federations joined as of 1 January 2011 (CM10-CIC) and another regional federation joined as of 1 January 2012 (CM11-CIC). The 11 regional federations that currently form the CM11-CIC Group include 1,360 Local Banks as members. The regional coverage of the 11 federations in the Group is illustrated by the following diagram:

The strategy and policies of the CM11-CIC Group are determined by a group-wide body (known as the "*Chambre Syndicale*"), with headquarters in Strasbourg, in which each of the regional federations is represented. Funding needs are met by a group central bank, the Caisse Fédérale de Crédit Mutuel (CF de CM), which takes deposits from and provides financing to the Local Banks. CF de CM in turn owns substantially all of BFCM (the remainder is owned by certain Local Banks). BFCM raises funds in international markets on behalf of the Group, which it on-lends to the Local Banks (through CF de CM), and also provides funding for other businesses of the Group. BFCM also holds substantially all of the Group's interests in entities other than those in the Crédit Mutuel network.

Over time, the Group has acquired interests in financial institutions with complementary activities. The most significant acquisition was Crédit Industriel et Commercial (CIC), of which 67% was acquired in 1998 and most of the remainder in 2001 (CIC still maintains a small public float). The CIC group operates through five regional banks that together cover all of France, and also operates the Group's financing and market, private banking and private equity businesses. CIC also has three foreign branches (New York, London and Singapore) and 36 representative offices around the world.

In 2008, the Group acquired Citibank Deutschland (now TARGOBANK Germany), and in 2009, the Group acquired a controlling interest in the consumer finance group Cofidis. In 2010, the Group created a 50/50 partnership with Banco Popular Español, currently known as TARGOBANK Spain. The Group has also developed various partnerships and acquired various minority interests, including interests in Banca Popolare di Milano, Banque de Tunisie, and Banque Marocaine du Commerce Extérieur.

The following diagram illustrates the structure of the CM11-CIC Group as of the date of this Information Document:



There are seven other regional Crédit Mutuel federations that are not part of the CM11-CIC Group. All eighteen federations are members of the Confédération Nationale du Crédit Mutuel, which represents all of the local banks in the eighteen federations in dealings with French banking regulators and is responsible for oversight and supervision of the local banks. In addition, the Confédération Nationale du Crédit Mutuel administers a mutual financial and liquidity support mechanism covering all eighteen federations, pursuant to which each federation agrees to provide liquidity to support the other federations if the need arises, as determined by the Confédération National du Crédit Mutuel. Similarly, there are mechanisms within each federation to provide financial and liquidity support among local banks. See "History and Structure of the CM11-CIC Group—The CM11-CIC Group and the Eighteen Crédit Mutuel Federations—Financial Solidarity Mechanism".

Strengths and Strategy

The CM11-CIC Group is a cooperative organisation that has remained true to the basic principles established at its founding in the late 19th century – service to members and the promotion of rational development. These principles are the basis for the Group's strong identity and sound credit profile, with the image of a safe retail bank that has been strengthened during the financial crisis. The Group has a well-balanced, high quality asset portfolio, structurally strong capital levels and a good capacity to source liquidity internally and externally. It is positioned from a human, material and financial perspective to continue its record of prudent growth, based on its position as a cooperative banking group focussed on retail banking and insurance, with an attractive model for the combined federations, progressive and well-controlled European development, a conservative and prudent approach to risk taking and a strong level of liquidity and capitalization, as a result of the cooperative banking model that provides strong capitalization and a modest distribution of profits.

By following these principles, the CM11-CIC Group has become one of the leading banking groups in France, with solid positions in home loans and deposits. The Group has been a pioneer in developing new products that are complementary to its core business. It was the first French banking group to provide insurance to customers, a decision initially made to attract retail banking customers, which over time has made the Group the leader in non-life insurance provided by banks in France. The Group is continuing this tradition with leading technological offers, including a leading internet banking service, mobile telephone subscriptions and e-money programs for customers.

Financial Structure and Capital Adequacy Ratios

Approximately 90% of the Group's annual profits are retained, which serves to strengthen the Group's financial structure and to reinforce the cooperative nature of the Group. The Group's financial structure also benefits from the concentration of its activities in retail banking, as well as its limited presence in the most volatile product and geographic markets.

The Tier 1 capital ratio of the Group (based on Basel II Standards) was 10.8% as of 31 December 2010 (when the Group included five federations), 11.0% as of 31 December 2011 (when the Group included ten federations) and 14.1% as of 31 December 2012 (when the Group included eleven federations). For more detail, including a description of the expected impact of the Basel III standards, see "Capital Adequacy of the Group".

SELECTED FINANCIAL DATA FOR THE GROUP

Investors should read the following selected consolidated financial data together with the historical consolidated financial statements of the Group, the related notes thereto and the other financial information included or incorporated by reference in this Information Document. The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards, as adopted in the European Union, and have been audited by Ernst & Young et Autres and KPMG Audit. The Group expanded from five federations to 10 federations on 1 January 2011, and to 11 federations on 1 January 2012. The financial information for the year ended 31 December 2011 included in the Group's audited consolidated financial statements as at and for the year ended 31 December 2012 included herein was restated as described in note 1.1 to such financial statements. The consolidated audited financial statements as at and for the year ended 31 December 2010 and the below selected consolidated financial data for such year have not been restated.

Selected Consolidated Balance Sheet Data of the Group

	At 31 December	
	2011 (CM10-CIC)	**2012 (CM11-CIC)**
	(in millions of euros)	
Assets		
Financial assets at fair value through profit or loss	38,063	44,329
Available-for-sale financial assets	71,956	72,064
Loans and receivables due from credit institutions	38,603	53,924
Loans and receivables due from customers	263,906	269,411
Held-to-maturity financial assets	16,121	13,718
Other assets	39,843	45,781
Total Assets	**468,492**	**499,227**
Liabilities and Shareholders' Equity		
Financial liabilities at fair value through profit or loss	31,009	31,539
Due to credit institutions	36,422	28,885
Due to customers	200,086	216,503
Debt securities	87,227	93,919
Technical reserves of insurance companies	65,960	72,712
Provisions	1,800	2,002
Remeasurement adjustment on interest rate risk-hedged portfolios	(2,813)	(3,451)
Current tax liabilities	561	674
Deferred tax liabilities	842	885
Accruals and other liabilities	10,030	16,284
Subordinated debt	6,563	6,375
Minority interests	2,382	2,441
Shareholders' equity - group share	**24,217**	**27,326**
Total Liabilities and Shareholders' Equity	**468,492**	**499,227**

Selected Income Statement Data of the Group

	Year ended 31 December		
	2010	**2011**	**2012**
	(CM5-CIC)	**(CM10-CIC)**	**(CM11-CIC)**
		(in millions of euros)	
Net banking income	**10,889**	**11,065**	**11,462**
Gross operating income/(loss)	**4,533**	**4,135**	**4,121**
Cost of risk	(1,305)	(1,456)	(1,081)
Operating income/(loss)	**3,228**	**2,679**	**3,040**
Share of income/(loss) of associates	26	33	(149)
Net income attributable to the Group	**1,961**	**1,660**	**1,622**

SELECTED FINANCIAL DATA FOR THE BFCM GROUP

Investors should read the following selected consolidated financial data together with the historical consolidated financial statements of the BFCM Group, the related notes thereto and the other financial information included or incorporated by reference in this Information Document. The consolidated financial statements of BFCM the Group have been prepared in accordance with International Financial Reporting Standards, as adopted in the European Union, and have been audited by Ernst & Young et Autres and KPMG Audit. The financial information for the year ended 31 December 2011 included in the BFCM Group's audited consolidated financial statements as at and for the year ended 31 December 2012 included herein was restated as described in note 1.1 to such financial statements. The consolidated audited financial statements as at and for the year ended 31 December 2010 and the below selected consolidated financial data for such year have not been restated.

Selected Consolidated Balance Sheet Data of the BFCM Group

	At 31 December	
	2011	2012
	(in millions of euros)	
Assets		
Financial assets at fair value through profit or loss	36,875	43,091
Available-for-sale financial assets	64,125	63,570
Loans and receivables due from credit institutions	66,055	70,703
Loans and receivables due from customers	165,358	165,775
Held-to-maturity financial assets	14,377	11,593
Other assets	35,568	42,473
Total Assets	**382,358**	**397,205**
Liabilities and Shareholders' Equity		
Financial liabilities at fair value through profit or loss	30,928	30,970
Due to credit institutions	49,114	34,477
Due to customers	126,146	134,864
Debt securities	86,673	93,543
Technical reserves of insurance companies	55,907	62,115
Provisions	1,418	1,512
Remeasurement adjustment on interest rate risk-hedged portfolios	(1,664)	(1,947)
Current tax liabilities	387	446
Deferred tax liabilities	771	805
Accruals and other liabilities	7,596	13,430
Subordinated debt	8,025	7,836
Minority interests	3,070	3,338
Shareholders' equity - group share	**10,731**	**12,709**
Total Liabilities and Shareholders' Equity	**382,358**	**397,205**

Selected Income Statement Data of the BFCM Group

	Year ended 31 December		
	2010	2011	2012
	(in millions of euros)		
Net banking income	**8,481**	**7,740**	**8,159**
Gross operating income	**3,570**	**2,838**	**3,019**
Cost of risk	(1,214)	(1,336)	(962)
Operating income/(loss)	**2,356**	**1,503**	**2,057**
Share in income/(loss) of associates	35	42	(131)
Net income attributable to the Group	**1,405**	**852**	**930**

RISK FACTORS RELATING TO THE GROUP AND THE BFCM GROUP

Risks Related to the CM11-CIC Group, the BFCM Group and the Banking Industry

The Group is subject to several categories of risks inherent in banking activities.

There are four main categories of risks inherent in the Group's activities, which are summarized below. The risk factors that follow elaborate on or give specific examples of these different types of risks, and describe certain additional risks faced by the Group.

- *Credit Risk.* Credit risk is the risk of financial loss relating to the failure of a counterparty to honor its contractual obligations. The counterparty may be a bank, a financial institution, an industrial or commercial enterprise, a government and its various entities, an investment fund, or a natural person. Credit risk arises in lending activities and also in various other activities where the Group is exposed to the risk of counterparty default, such as its trading, capital markets, derivatives and settlement activities. With respect to home loans, the degree of credit risk also depends on the value of the home that secures the relevant loan. Credit risk also arises in connection with the factoring businesses of the Group, although the risk relates to the credit of the counterparty's customers, rather than the counterparty itself.

- *Market and Liquidity Risk.* Market risk is the risk to earnings that arises primarily from adverse movements of market parameters. These parameters include, but are not limited to, foreign exchange rates, bond prices and interest rates, securities and commodities prices, derivatives prices, credit spreads on financial instruments and prices of other assets such as real estate.

  Liquidity is also an important component of market risk. In instances of little or no liquidity, a market instrument or transferable asset may not be negotiable at its estimated value (as has been the case for some categories of assets in the recent disrupted market environment). A lack of liquidity can arise due to diminished access to capital markets, unforeseen cash or capital requirements or legal restrictions.

  Market risk arises in trading portfolios and in non-trading portfolios. In non-trading portfolios, it encompasses:

  - the risk associated with asset and liability management, which is the risk to earnings arising from asset and liability mismatches in the banking book or in the insurance business. This risk is driven primarily by interest rate risk;

  - the risk associated with investment activities, which is directly connected to changes in the value of invested assets within securities portfolios, which can be recorded either in the income statement or directly in shareholders' equity; and

  - the risk associated with certain other activities, such as real estate, which is indirectly affected by changes in the value of negotiable assets held in the normal course of business.

- *Operational Risk.* Operational risk is the risk of losses due to inadequate or failed internal processes, or due to external events, whether deliberate, accidental or natural occurrences. Internal processes include, but are not limited to, human resources, information systems, risk management and internal controls (including fraud prevention). External events include, for example, floods, fires, windstorms, earthquakes and terrorist attacks.

- *Insurance Risk.* Insurance risk is the risk to earnings due to mismatches between expected and actual claims. Depending on the insurance product, this risk is influenced by macroeconomic changes, changes in customer behavior, changes in public health, pandemics, accidents and catastrophic events (such as earthquakes, windstorms, industrial disasters, or acts of terrorism or war).

Difficult market and economic conditions could have a material adverse effect on the operating environment for financial institutions and hence on the Group's financial condition and results of operations.

The Group's businesses are sensitive to changes in financial markets and economic conditions generally in France, Europe and elsewhere around the world. The Group could be confronted with a significant deterioration of market and economic conditions resulting from, among other things, crises affecting sovereign obligations, capital, credit or liquidity markets, regional or global recessions, sharp fluctuations in commodity prices, currency exchange rates or interest rates, inflation or deflation, or adverse geopolitical events (such as natural disasters, acts of terrorism or military conflicts). Market disruptions and sharp economic downturns, which may develop quickly and hence 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 condition, results of operations or cost of risk.

European markets have recently experienced significant disruptions as a result of concerns regarding the ability of certain countries in the euro-zone to refinance their debt obligations and the extent to which European Union member states will be willing or able to provide financial support to the affected sovereigns. These disruptions have contributed to increased volatility in the exchange rate of the euro against other major currencies, affected the levels of stock market indices and created uncertainty regarding the near-term economic prospects of certain countries in the European Union as well as the quality of debt obligations of sovereign debtors in the European Union. Financial markets have recently been and could continue to be highly volatile.

The Group holds sovereign obligations issued by certain of the countries that have been most significantly affected by the current crisis, and it has recorded significant impairment charges relating to its holdings of Greek sovereign debt. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Introduction—Certain Factors Affecting Results of Operations and Financial Condition—European Sovereign Debt Exposure" for more detail on the Group's exposure to European sovereign debt. The Group is also active in the interbank financial market and as a result, is indirectly exposed to risks relating to the sovereign debt held by the financial institutions with which it does business. In addition, the current uncertainty regarding sovereign obligations of some European countries has had, and may continue to have, an indirect impact on financial markets in Europe and worldwide, and therefore on the environment in which the Group operates.

In addition to these direct impacts, the Group has been indirectly affected by the spread of the euro-zone crisis, which has affected most countries in the euro-zone, including the Group's home market of France. The credit ratings of French sovereign obligations were downgraded in 2011, resulting mechanically in a downgrading of the credit ratings of French commercial banks, including that of BFCM.

In addition, the perception of the impact of the European crisis on French banks has made certain market participants, such as U.S. money market funds, less willing to extend financing to French banks than they were in the past, affecting the access of French banks, including that of the Group, to liquidity, particularly in U.S. dollars. This situation has eased somewhat since the European Central Bank has provided significant amounts of liquidity to the market, but there can be no assurance that the adverse market environment will not return.

If economic or market conditions in France or elsewhere in Europe were to deteriorate further, particularly in the context of an exacerbation of the sovereign debt crisis (such as a sovereign default or the perception that a sovereign might withdraw from the euro), the markets in which the Group operates could be more significantly disrupted, and the Group's business, results of operations and financial condition could be adversely affected.

Legislative action 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.

Legislation and regulations recently have been enacted or proposed with a view to introducing a number of changes, some permanent, in the global financial environment. While the objective of these new measures is to avoid a recurrence of the financial crisis, the impact of the new measures could be to change substantially the environment in which the Group and other financial institutions operate.

The new measures that have been or may be adopted include more stringent capital and liquidity requirements, taxes on financial transactions, limits or taxes on employee compensation over specified levels, limits on the types of activities that commercial banks can undertake (particularly proprietary trading and investment and ownership in private equity funds and hedge funds) or new ring-fencing requirements relating to certain activities, restrictions on certain types of financial activities or products such as derivatives, mandatory writedown or conversion into equity of certain debt instruments, enhanced recovery and resolution regimes, and the creation of new and strengthened regulatory bodies. Some of the new measures are proposals that are under discussion and that are subject to revision and interpretation, and need adapting to each country's framework by national regulators.

As a result of some of these measures, the Group has had to significantly adjust, and may continue to adjust, certain of its activities in order to allow the Group to comply with the new requirements. Moreover, the general political environment has evolved unfavorably for banks and the financial industry, resulting in additional pressure on the part of legislative and regulatory bodies to adopt more stringent regulatory measures, despite the fact that these measures can have adverse consequences on lending and other financial activities, and on the economy. Because of the continuing uncertainty regarding the new legislative and regulatory measures, it is not possible to predict what impact they will have on the Group.

The Group's activities are highly concentrated in France, exposing the Group to risks relating to a potential downturn in French economic conditions.

The French market represents the largest share of the Group's net banking income and assets. In 2012, approximately 83% of the Group's net banking income was realized in France, and approximately 84.2% of the Group's customer credit risk (including loans to customers and off-balance sheet liabilities such as credit lines and guarantees) was in France at the end of 2012.

Because of the concentration of the Group's business in France, a significant deterioration in French economic conditions would have a greater impact on the Group's results of operations and financial condition than would be the case for a Group with more internationally diversified activities. An economic downturn in France could impact the credit quality of the Group's individual and business customers, make it more difficult for the Group to identify customers for new business that meet its credit criteria, and affect commission income through a reduction of life insurance policy sales, assets under management or brokerage activities. In addition, if home values in France were to be significantly affected by adverse economic conditions, the Group's home loan activities and portfolio (which represented approximately 53% of the Group's total portfolio of performing loans, excluding accrued interest, as of 31 December 2012) could be significantly and adversely affected.

BFCM must maintain high credit ratings, or the business and profitability of the Group could be adversely affected.

Credit ratings are important to the liquidity of BFCM, and thus of the Group. A downgrade in credit ratings could adversely affect the liquidity and competitive position of BFCM, increase borrowing costs, limit access to the capital markets or trigger obligations under certain bilateral provisions in some derivatives contracts of the Group's financing and market segment (CM-CIC Marchés). On 14 December 2011, Fitch Ratings downgraded BFCM to A+ from AA-, and on 15 June 2012, Moody's Investors Service confirmed BFCM's long-term credit rating of Aa3, after having placed it under review for possible downgrade on 17 February 2012.

BFCM's cost of obtaining long-term unsecured funding is directly related to its credit spread (the amount in excess of the interest rate of government securities of the same maturity that is paid to debt investors), which in turn depends in large part on its credit 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 perceptions of creditworthiness. In addition, credit spreads may be influenced by movements in the cost to purchasers of credit default swaps referenced to BFCM's debt obligations, which is influenced both by the credit quality of those obligations, and by a number of market factors that are beyond the control of BFCM and the Group.

The Group's risk management policies, procedures and methods may leave it exposed to unidentified or unanticipated risks, which could lead to material losses.

The Group has devoted significant resources to developing its risk management policies, procedures and assessment 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 mitigating its risk exposure in all economic market environments or against all types of risk, including risks that the Group fails to identify or anticipate.

Some of the Group's qualitative tools and metrics for managing risk are based upon its use of observed historical market behavior. The Group applies statistical and other tools to these observations to assess its risk exposures. These tools and metrics may fail to 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 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 intentional misfeasance. 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 to avoid losses from unauthorized activities.

Due to the international scope of its activities, the Group may be vulnerable to specific political, macroeconomic and financial environments or circumstances in certain countries.

The Group is subject to country risk, meaning the risk that economic, financial, political or social conditions in a foreign country, especially countries in which it operates, will affect the Group's financial interests. While the relatively limited international activities of the Group reduce its exposure to country risk compared to financial institutions that are more active internationally, the Group has important business activities and affiliates in Spain, Italy, Eastern Europe and North Africa that could expose the Group to significant risks. The Group monitors country risk and takes it into account in the provisions recorded in its financial statements. However, a significant change in political or macroeconomic environments may require the Group to record additional provisions or to incur losses in amounts that exceed the current provisions.

The Group is subject to extensive supervisory and regulatory regimes, which may change.

A variety of regulatory and supervisory regimes apply to the Group and its subsidiaries in France and in each of the other countries in which the Group operates. See "Government Supervision and Regulation in France" for a description of certain aspects of the French regulatory system applicable to the Group. Non-compliance could lead to significant intervention by regulatory authorities as well as fines, public reprimand, damage to reputation, enforced suspension of operations or, in extreme cases, withdrawal of authorization to operate. The financial services industry has experienced increased scrutiny from a variety of regulators in recent years, as well as an increase in the penalties and fines sought by regulatory authorities, a trend that may be accelerated in the current environment.

In addition, the businesses and earnings of Group entities can be materially adversely affected by the policies and actions of various regulatory authorities of France, other European Union or foreign governments and international agencies. 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 are beyond the Group's control. Such changes could include, but are not limited to, the following:

- the liquidity, interest rate and other policies of central banks and regulatory authorities;
- general changes in government or regulatory policy that may significantly influence investor decisions in particular markets in which Group entities operate;
- general changes in regulatory requirements, for example, prudential rules relating to the capital adequacy framework, such as those that are part of the Basel III / CRD IV process;
- changes in rules and procedures relating to internal controls;
- changes in the financial reporting environment;
- limitations on employee compensation;
- expropriation, nationalization, price controls, exchange controls, confiscation of assets and changes in legislation relating to foreign ownership; and

- any adverse change in political, military or diplomatic environments creating social instability or an uncertain legal situation capable of affecting demand for the products and services offered by the Group.

The Group faces significant competition.

The Group faces intense competition in all financial services markets and for the products and services it offers. The French and European financial services markets are relatively mature, and the demand for financial services products is, to some extent, related to overall economic development. Competition in this environment is based on many factors, including 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 greater brand recognition in certain areas of France. The Group's international affiliates also face significant competition from banks and financial institutions that have their head offices in the countries where such affiliates 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 product and service offerings that are profitable, it may lose market share in important areas of its business or incur losses on some or all of its activities. In addition, downturns in the global economy or in the economy of the Group's major markets could add to the competitive pressure, through, for example, increased price pressure and lower business volumes for the Group and its competitors.

The Group may generate lower revenues from life insurance, brokerage, asset management and other commission- and fee-based businesses during market downturns.

The recent market downturn led to a decline in the volume of transactions in the market and to a reduction in growth of mutual funds, life insurance and similar products. These transactions and products generate commission income for the Group, which has been adversely affected by the slowdown in these areas during the financial crisis. In addition, because the fees that the Group charges for the management of its customers' portfolios are in many cases based on the value or performance of those portfolios, the market downturn reduced the value of the managed portfolios, reducing the revenues the Group received from its asset management and private banking businesses. Future downturns could have similar effects on the Group's results of operations and financial position.

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

The soundness 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 the soundness of other financial institutions or market participants. Financial services institutions are interrelated as a result of trading, clearing, counterparty, funding or other relationships. As a result, defaults by, or even rumors or questions about, one or more financial services institutions, or the loss of confidence in the financial services industry generally, may lead to market-wide liquidity problems and could lead to further losses or defaults. The Group has exposure to many counterparties in the financial industry, directly and indirectly, including brokers and dealers, commercial banks, investment banks, mutual 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, the Group's credit risk may be exacerbated when the collateral held by it cannot be realized upon or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure due to the Group.

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, protracted market movements, particularly asset price declines, can reduce the level of activity in the market or reduce market liquidity. These developments can lead to material losses if the Group cannot close out deteriorating positions in a timely way. This may especially be the case for assets the Group holds for which there are not very liquid markets to begin with. Assets that are not traded on stock exchanges or other public trading markets, such as derivatives contracts between banks, may have values that the Group calculates using models other than publicly-quoted prices. Monitoring the deterioration of prices of assets like these is difficult and could lead to losses that the Group did not anticipate.

Significant interest rate changes could adversely affect 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 highly sensitive to many factors beyond the Group's control. Changes in market interest rates could affect the interest rates charged on interest-earning assets differently than the interest rates paid on interest-bearing liabilities. 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 adversely affect the Group's profitability.

A substantial increase in new asset impairment charges or a shortfall in the level of previously recorded asset impairment charges could adversely affect the Group's results of operations and financial condition.

In connection with its lending activities, the Group periodically establishes asset impairment charges to reflect actual or potential loan losses, which are recorded in its profit and loss account under "cost of risk". The Group's overall level of asset impairment charges is based upon its assessment of prior loss experience, the volume and type of lending being conducted, industry standards, past due loans, economic conditions and other factors related to the recoverability of various loans. Although the Group seeks to establish an appropriate level of asset impairment charges, its lending businesses may have to increase their charges for loan losses in the future as a result of increases in non-performing assets or for other reasons, such as deteriorating market conditions of the type that occurred in 2008 and 2009 or factors affecting particular countries, such as Greece. Any significant increase in 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, as well as the occurrence of loan losses in excess of the charges recorded with respect thereto, could have an adverse effect on the Group's results of operations and financial condition.

The Group's hedging strategies may not prevent losses.

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.

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 its most important resource 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.

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 as of the date of this Information Document, the Group is required to use certain estimates in preparing its financial statements, including accounting estimates to determine loan loss impairment charges, reserves related to future litigation, and the fair value of certain assets and liabilities, among other items. Should the Group's determined values for such items 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.

An interruption in or breach of the Group's information systems may result in lost business and other losses.

As with most other banks, the Group relies heavily on communications and information systems to conduct its business. Any failure or interruption or breach in security of these systems could result in failures or interruptions in the Group's customer relationship management, general ledger, deposit, servicing and/or loan organization systems. If the Group's information systems were to fail, even for a short period of time, it would be unable to serve in a timely manner some customers' needs and could thus 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 that are required 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. The occurrence of any failures or interruptions could have a material adverse effect on the Group's financial condition and results of operations.

Unforeseen events can interrupt the Group’s operations and cause substantial losses and additional costs.

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

The Group’s profitability and business prospects could be adversely affected by reputational and legal risk.

Various issues may give rise to reputational risk and cause harm to Group entities and their 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 (including practices relating to disclosures to customers). Failure to address these issues appropriately could also give rise to additional legal risk, which could increase the number of litigation claims and the amount of damages asserted against Group entities, or subject Group entities to regulatory sanctions.

Risks relating to the Group's organizational structure

BFCM does not hold any ownership or financial interest in the Local Banks.

BFCM does not own any interest in the Local Banks. As a result, BFCM does not share in the profits and losses of the Local Banks. Instead, its economic interest in the results of operations of the Local Banks is limited to the financing that it provides to them as part of its activity as the central funding arm of the Group. Moreover, BFCM has no voting rights or other rights to influence the management, strategy or policies of the Local Banks. While BFCM’s management participates actively in the determination of the overall strategy and policies of the Group, and its activities are significantly integrated with those of the Group, this does not provide BFCM with the same legal rights that it would have if it were to hold an ownership interest in the Local Banks.

The Local Banks control BFCM and may have interests that are different from those of investors in BFCM’s securities.

Substantially all of BFCM’s shares are held by the Local Banks, including 93% through Caisse Fédérale de Crédit Mutuel, or CF de CM. As a result the CF de CM and the Local Banks have the power to control the outcome of all votes at meetings of BFCM’s shareholders, including votes on decisions such as the appointment or approval of members of its board of directors and the distribution of dividends. The Local Banks may have interests that are different from those of BFCM, the holders of BFCM’s debt securities and the holders of covered bonds backed by loans to BFCM.

BFCM does not have any entitlement to financial support from the Local Banks.

The Local Banks are not required to support the liquidity or solvency of BFCM in the event such support is ever needed. While BFCM's credit ratings are based in part on the assumption by the rating agencies that such support would be available if needed due to the central role played by BFCM in the Group's financial structure, this assumption is based on the views of the rating agencies regarding the economic interest of the Local Banks, and not on any legal obligation. If BFCM's financial condition were to deteriorate, there can be no assurance that the Local Banks or the CF de CM would recapitalize or otherwise provide support to BFCM.

Banks that are not part of the Group operate under the Crédit Mutuel name in certain regions of France.

Of the eighteen Crédit Mutuel federations operating in France, only 11 are part of the CM11-CIC Group. Banks in the other seven federations use the Crédit Mutuel name and logo, but they operate outside the Group. Three of these federations operate together and hold themselves out as competing throughout France in many of the businesses in which the Group is active. If one or more of the Crédit Mutuel federations that are outside the Group were to experience difficulties, such as a business downturn, a deterioration in asset quality or a downgrading of a rating, it is possible that the market would fail to understand that the federation in difficulty is not part of the Group. In such event, difficulties experienced by a federation outside of the Group could adversely affect the reputation of the Group and/or have an impact on the Group's financial condition and results of operations.

The Local Banks that are part of the Group are part of a mutual financial support mechanism that includes all eighteen Crédit Mutuel federations, including those that are outside the Group.

The eighteen Crédit Mutuel federations have a mutual financial support mechanism that could require the Local Banks in the Group to provide support to local banks in federations that are outside the Group. While the support system for a local bank would initially be implemented at the regional level, within such local bank's federation, if the resources available at the regional level were insufficient, then the national support mechanism could be called upon, requiring support from other federations. While the Local Banks in the Group also benefit from the support of the federations that are outside the Group, they remain exposed to risks relating to local banks that are not part of the Group. See "History and Structure of the CM11-CIC Group—The CM11-CIC Group and the Eighteen Crédit Mutuel Federations—The Financial Solidarity Mechanism" for a more detailed description of this mutual support mechanism.

Certain aspects of the Group's governance are subject to decisions made by the Confédération Nationale de Crédit Mutuel, which represents the Group as well as local banks that are not part of the Group.

Under French law, certain matters relating to the governance of the eighteen Crédit Mutuel federations (including 11 in the Group and seven outside the Group) are determined by a central body known as the Confédération Nationale du Crédit Mutuel ("**CNCM**"). The CNCM represents all local banks in the eighteen federations in dealings with French bank regulatory and supervisory authorities. In addition, the CNCM has the power to exercise financial, technical and administrative oversight functions relating to the organization of the Crédit Mutuel banks, and to take steps to ensure their proper functioning, including striking a bank from the list of banks authorized to operate as part of the Crédit Mutuel system.

HISTORY AND STRUCTURE OF THE CM11-CIC GROUP

History of the CM11-CIC Group

The CM11-CIC Group traces its roots to 1882, when the first Crédit Mutuel local bank was founded in the Alsace region in Northeastern France. Initially, loans were granted only to members, who were also the owners of the local banks. All profits were placed in a non-distributable reserve. Although the Local Banks now welcome customers who are not members, and distribute a modest portion of their profits to their members, they are still guided by the cooperative principles that were present at the founding of the Group.

Over time, the number of local banks in the Crédit Mutuel network expanded, and they formed regional federations to serve their mutual interests. Eighteen regional federations currently exist nationwide, varying widely in their number of local banks and clients and their economic weight. Over time, a number of these regional federations have joined together to form the Group. Through the Group, these federations centralize their products, funding, risk management and administrative functions, as well as holding interests in affiliates in France and internationally.

In 2010, the Group included five regional federations, and the Group was called CM5-CIC. Five additional regional federations joined as of 1 January 2011 (CM10-CIC) and another regional federation joined as of 1 January 2012 (CM11-CIC). The 11 regional federations that currently form the CM11-CIC Group include 1,360 Local Banks as members. The regional coverage of the 11 federations in the Group is illustrated by the following diagram:

The strategy and policies of the CM11-CIC Group are determined by a group-wide body (known as the "*Chambre Syndicale*"), with headquarters in Strasbourg, in which each of the regional federations is represented. Funding needs are met by a group central bank, the Caisse Fédérale de Crédit Mutuel (CF de CM), which takes deposits from and provides financing to the Local Banks. CF de CM in turn owns substantially all of BFCM (the remainder is owned by certain Local Banks). BFCM raises funds in international markets on behalf of the Group, which it on-lends to the Local Banks (through CF de CM), and also provides funding for other businesses of the Group. BFCM also holds substantially all of the Group's interests in entities other than those in the Crédit Mutuel network.

Over time, the Group has acquired interests in financial institutions with complementary activities. The most significant acquisition was CIC, of which 67% was acquired in 1998 and most of the remainder in 2001 (CIC still maintains a small public float). The CIC group operates through five regional banks that together cover all of France and also operates the Group's financing and market, private banking and private equity businesses. CIC also has three foreign branches (New York, London and Singapore) and 36 representative offices around the world. The following map shows the coverage of the regional CIC banks in France.

The Group has also pursued a strategy of prudent international expansion. In 2008, the Group acquired Citibank Deutschland (now TARGOBANK Germany), and in 2009, the Group acquired a controlling interest in the consumer finance group Cofidis. In 2010, the Group created a 50/50 partnership with Banco Popular Español, currently known as TARGOBANK Spain. The Group has also developed various partnerships and acquired various minority interests, including interests in Banca Popolare di Milano, Banque de Tunisie, and Banque Marocaine du Commerce Extérieur. The Group has no presence in Greece, Cyprus or Ireland, and only a small presence in Italy (through Cofidis and the Group's interest in Banca Popolare di Milano) and Portugal (through Cofidis).

Organisational Structure of the CM11-CIC Group

As a result of the historical development described above, the Group currently includes the following principal entities:

- 1,360 Local Banks owned by 4.7 million member-shareholders, with 16,290 locally elected board members who serve without compensation and anchor the Local Banks in their communities. The activities of the Local Banks are exclusively focussed on retail banking and distribution of insurance and other Group products and services.

- The CF de CM, in which the Local Banks own 82% of the share capital and a group insurance company owns the remainder.

- BFCM, in which the CF de CM owns 93% of the share capital and various Local Banks the remainder. See "—Role of BFCM in the CM11-CIC Group" for information on the activities of BFCM.

- CIC (Crédit Industriel et Commercial) and subsidiaries, which operate one of the Group's retail networks, as well as the Group's financing and market, private banking and private equity segments.

- Banque Européenne du Crédit Mutuel (BECM) (formerly "Banque de l'Economie du Commerce et de la Monétique SAS"), owned by BFCM, which has provided financing to the corporate clients of the CM11-CIC Group retail banks since 1992.

- TARGOBANK Germany, which provides mainly consumer finance in Germany, and TARGOBANK Spain, a 50/50 partnership with Banco Popular Español (in which the Group holds a 5% equity interest).

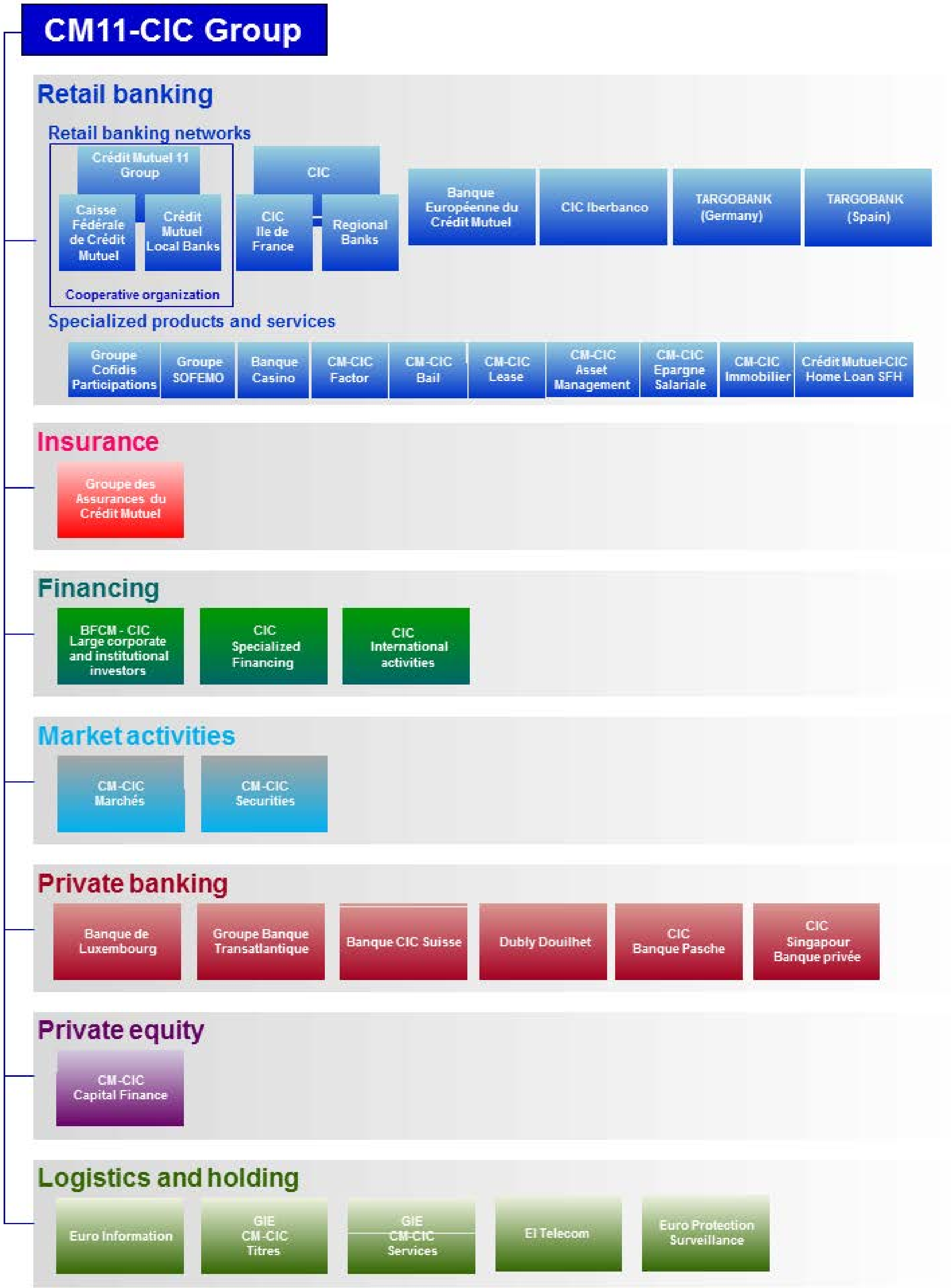
- Cofidis, which is one of the leaders in French consumer finance and also has activities elsewhere in Europe.

- Interests in other international financial institutions in Europe and North Africa.

- Groupe des Assurances du Crédit Mutuel and subsidiaries, which operate the Group's insurance segment.

- Subsidiaries that provide support functions (such as information technology) or that operate in non-banking sectors such as real estate and press/media.

The following diagram illustrates the structure of the CM11-CIC Group and its principal entities as of the date of this Information Document:



Role of BFCM in the CM11-CIC Group

BFCM plays two principal roles in the CM11-CIC Group. First, BFCM is the central financing arm of the Group, acting as the principal issuer of debt securities in international markets. In this capacity, BFCM provides financing to Group financial institutions to meet their funding needs, and receives deposits from Group financial institutions that have excess liquidity. Second, BFCM is the holding company for all of the Group's businesses, other than the Local Banks that operate the Crédit Mutuel retail banking network.

The financial results of BFCM as the financing arm of the CM11-CIC Group are included in the financing and market segment of the CM11-CIC Group. As BFCM is a holding company for the CM11-CIC Group, BFCM's consolidated financial results reflect the financial results of the CM11-CIC Group, excluding the results of the Crédit Mutuel retail network. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Presentation of Information in this Section" for more detail.

The CM11-CIC Group and the Eighteen Crédit Mutuel Federations

There are a total of eighteen Crédit Mutuel federations operating in France. Eleven of these are part of the CM11-CIC Group. Three federations that are not a part of the CM11-CIC Group have joined together in a group that operates in a manner that is somewhat similar to that of the Group. In addition to the eighteen regional federations, there is a federation with nationwide scope specifically for the farming sector, which is not part of the CM11-CIC Group.

The Local Banks in the CM11-CIC Group share a common French bank authorization code, own interests in the CF de CM (and thus BFCM and the BFCM Group), raise external funding through BFCM and pool various administrative resources, such as their risk management structure and information technology system.

The National Crédit Mutuel Confédération and Caisse Centrale

While the local banks in the other seven federations operate outside the CM11-CIC Group, there is a certain degree of cooperation among all eighteen federations (in addition to the fact that they all operate under the same tradename using the same logo). The local banks in the eighteen federations are collectively represented by the Confédération Nationale du Crédit Mutuel ("**CNCM**"), which acts as the "central body" of the entire Crédit Mutuel network in accordance with French law. The role of the CNCM as "central body" includes representing the entire group (the local banks in all eighteen federations) in dealings with the *Autorité de contrôle prudentiel* (ACP, the French banking regulator), as well as exercising certain supervisory functions with respect to administrative, technical and financial matters. The CNCM is empowered to take any necessary measures in this regard, including causing local banks to merge or to close operations.

The eighteen federations are also members of an institution known as the *Caisse Centrale du Crédit Mutuel* (the "**Caisse Centrale**"). The local banks, through central banks at the level of each federation, are required to place at least 2% of their deposits with the *Caisse Centrale*, which is available to fund the liquidity needs of the local banks (again, through their federation-level central banks). Historically, the *Caisse Centrale* provided funding for federations without direct access to financial markets. Today, that role is largely played by BFCM for the Local Banks in the Group.

The Financial Solidarity Mechanism

The local banks are part of a financial solidarity mechanism that operates at both the regional and national levels. At the regional level, the mechanism involves the local banks that are part of the same federation. At the national level, the mechanism involves all eighteen federations, including the seven federations that are not part of the CM11-CIC Group.

At the regional level, Crédit Mutuel's solidarity mechanism is organized in accordance with Article R.515-1 of the French Monetary and Financial Code. This article provides that the ACP may, with respect to mutual and cooperative groups, issue a collective license to a local bank for itself and all its affiliated local banks "when the liquidity and solvency of the local banks are guaranteed through this affiliation". Each of the regional central banks has received a collective license for itself and all of its member local banks. The ACP has deemed that the liquidity and solvency of the local banks is guaranteed through this affiliation. In addition, each regional federation manages a solidarity fund, to which each of the local banks and the regional central bank contribute funds. The regional federation determines the levels of contributions and whether local banks receive subsidies, loans, advances or other assistance from the fund. If the fund were to prove to be insufficient to support a local bank in difficulty, then the regional federation could require the other local banks in that federation (including those in the Group) to provide additional support beyond their contributions to the fund.

At the national level, the regional groups' membership in the national CNCM and the *Caisse Centrale* ensures nationwide solidarity. As the central body, the CNCM ensures the solidarity and proper operation of all Crédit Mutuel local banks and guarantees the liquidity and solvency of each member institution and of the entire network. In this respect, it may take all necessary measures to guarantee the liquidity and the solvency of each of the institutions as well as the whole network. As a result, if a local bank were to experience difficulties and the resources of its federation were to prove insufficient, then the CNCM could call upon the other federations to provide support. The federations that are part of the CM11-CIC Group could in such circumstances be required to provide support to a federation that is not part of the Group. While this has never occurred since the Group was created, the risk of it occurring in the future cannot be excluded, even if the Group considers that it is highly unlikely absent extremely unusual circumstances.

BUSINESS

Introduction

BFCM is a licensed French credit institution that is part of the CM11-CIC Group, a major French mutual banking group. The CM11-CIC Group includes two French retail banking networks (11 French regional federations in the Crédit Mutuel network, and the CIC network that operates throughout France), as well as affiliates with activities in international retail banking, consumer finance, insurance, financing and market activities, private banking and private equity.

BFCM plays two principal roles in the CM11-CIC Group. First, BFCM is the central financing arm of the Group, acting as the principal issuer of debt securities in international markets. In this capacity, BFCM provides financing to Group financial institutions to meet their funding needs that are not met with customer deposits. Second, BFCM is the holding company for substantially all of the Group's businesses, other than the Crédit Mutuel retail banking network.

The CM11-CIC Group serves approximately 23.8 million customers through 4,674 points of sale, mainly in France, as well as internationally in Germany, Spain and other countries. It includes 1,360 Local Banks that are autonomous but cooperate through 11 regional federations (including one that joined as of 1 January 2012 and five that joined as of 1 January 2011), subsidiaries such as CIC (France) and TARGOBANK (Germany and Spain), and other subsidiaries and affiliates in France and abroad.

The Group's focus is retail banking and insurance, which together represented approximately 89% of the Group's net banking income in 2012. Approximately 83% of the Group's 2012 net banking income was generated in France, with approximately 8% generated in Germany, 4% in Benlux and Switzerland and 3% in Portugal and Spain.

The CM11-CIC Group operates in five principal business segments:

- **Retail Banking** (76.6% of 2012 net banking income, before inter-segment eliminations). The retail banking segment provides customers with deposit-taking and lending services, as well as services such as leasing, factoring, mutual funds and employee savings schemes. It also distributes the Group's insurance products. The segment includes primarily the activities of two French retail networks and certain other subsidiaries and affiliates:
    - The Crédit Mutuel network, which serves approximately 6.7 million customers through 1,360 Local Banks that are owned by approximately 4.7 million member-shareholders. The Local Banks in the CM11-CIC group operate in 11 regions of France, including important markets such as Paris, Lyon, Strasbourg and the French Riviera.
    - The CIC network, which serves over 4.5 million retail customers through 2,074 branches of five regional banks operating throughout France. The CIC network is operated by wholly-owned subsidiaries of BFCM. The CIC network holds a strong position with small and medium-sized enterprises (SMEs), as well as with individual customers.
    - Several subsidiaries and affiliates, including TARGOBANK Germany (which provides mainly consumer finance to 3.0 million customers through 343 branches and advisory centres in 200 cities in Germany), TARGOBANK Spain (a partnership with Banco Popular Español, which concentrates in home loans and operates through 125 branches in three regions of Spain), and Cofidis (which is a leader in the French consumer finance market serving approximately 7.5 million customers across Europe, with €7,728 million of outstanding consumer loans as of 31 December 2012).
- **Insurance** (12.3% of 2012 net banking income, before inter-segment eliminations). The Group's insurance segment operates through Groupe des Assurances du Crédit Mutuel (GACM) and its subsidiaries. GACM provides customers with a range of life and non-life insurance products, insurance brokerage, reinsurance, burglary protection and automobile maintenance insurance. The Group's insurance products are marketed primarily through the Crédit Mutuel Local Banks, CIC branches and, since the beginning of 2011, Cofidis.

- **Financing and Market** (8.1% of 2012 net banking income, before inter-segment eliminations). The Group's financing and market segment includes two main activities: financing of large companies and institutional clients (including project and asset-based financing), and market activities in fixed income, exchange rate products and equities, both for customers and for the Group's own account. This segment also includes BFCM's activities in its capacity as the Group's central funding arm.

- **Private Banking** (4.0% of 2012 net banking income, before inter-segment eliminations). Private banking offers financial advice and wealth management solutions to suit the needs of high net worth individuals, particularly entrepreneurs and executives, in France, Luxembourg, Switzerland, Belgium and the United Kingdom.

- **Private Equity** (0.9% of 2012 net banking income, before inter-segment eliminations). This segment, which operates under the name CM-CIC Capital Finance, comprises private equity activities conducted both for the Group's own account and for customers.

In addition to these five principal segments, the Group has a "logistics, holding and other" segment that includes intermediary holding companies as well as interests in affiliates with businesses in areas such as information technology, real estate and the press.

Strengths and Strategy

The CM11-CIC Group is a cooperative organisation that has remained true to the basic principles established at its founding in the late 19^{th} century – service to members and the promotion of rational development. These principles are the basis for the Group's strong identity and sound credit profile, with the image of a safe retail bank that has been strengthened during the financial crisis. The Group has a well-balanced, high quality asset portfolio, structurally strong capital levels and a good capacity to source liquidity internally and externally. It is positioned from a human, material and financial perspective to continue its record of prudent growth, based on the following advantages and strategic perspectives:

- ***A cooperative banking Group focused on retail banking and insurance.*** The strength of the Group's cooperative banking model focused on retail banking and insurance is recognized by customers, financial markets and observers. Customers have shown their confidence through increased deposits and financial savings, as well as regular subscriptions to cooperative shares and retail bond issuances. As of 31 December 2012, the Group had 23.8 million customers, and approximately 89% of the Group's net banking income in 2012 was generated by retail banking and insurance segments. The Local Banks are governed by boards composed of volunteers (16,290 currently) elected from among customers, who often represent some of the most influential members of their local communities.

  Guided by its cooperative principles, the development of the Group's retail customer-oriented business has consistently been the principal focus of the Group's strategy. The Group has been a pioneer in developing new products that are complementary to its core business. It was the first French banking group to provide insurance products to customers, a decision initially made to attract retail banking customers, on the theory that customers switch insurers more readily than they switch banks. This strategy has made the Group the leader in non-life insurance provided by banks in France. The Group is continuing this tradition with leading technological offers for retail customers that are designed to maintain their loyalty and to attract them to visit the Group's branches. As an example, the Group provides a leading internet banking service to customers, while also offering them mobile telephone subscriptions through boutiques in the branches. It is also the second leading electronic money issuer in France, according to data from the *Groupement des Cartes Bancaires*. The Group also provides a complete service offering for small and medium-sized enterprises that includes electronic payment services, employee savings schemes and financing solutions, as well as private banking offers that are targeted to executives of companies that are customers of the retail network banks.

  By following these principles, the CM11-CIC Group has become one of the leading banking groups in France. As of the end of 2012, the CM11-CIC Group had a 13.2% market share in home loans and a 11.5% market share in deposits. More broadly, as of the end of 2012, the Crédit Mutuel Group (including all Federations) had a 17.1% market share in home loans (third in the market) and a 15% market share in deposits as of the end of 2012, based on data from the *Banque de France*. The Crédit Mutuel network (including the local banks in the Group and the other seven federations) was named the best bank in France by *Global Finance* in 2012 and by *The Banker* in both 2010 and 2011.

- ***An attractive model for the combined federations***. The expansion of the number of Crédit Mutuel federations that are part of the Group – from four initially, to five in 2009, ten in 2011 and now 11, provides the Local Banks in the Group with access to liquidity and refinancing capacities, powerful growth sources that should allow them to invest in their networks, efficient tools and products in areas such as technology, insurance and services, and participation in the Group's governance system. The Group has moved quickly to exploit the potential of its structural partnership, which represents a strong platform for continued, prudent growth.

- ***Progressive and well-controlled acquisition strategy***. The Group's acquisition strategy focuses on strengthening its position in geographical and product markets complimentary to the Group's existing position, particularly in Europe. The acquisition of CIC starting in 1998 reflected this strategy, as it provided the Group with retail network coverage throughout France, as well as reinforcing the Group's position with small and medium-sized enterprise customers. In past years, therefore, the Group has expanded beyond France to build solid positions in Germany, Switzerland and Luxembourg. Its expansion in Europe has been focused on retail banking, through the acquisition of TARGOBANK Germany (formerly Citibank Deutschland) in 2008, the acquisition of control of Cofidis in 2009 and the establishment of a partnership (TARGOBANK Spain) with Banco Popular Español in 2010. The TARGOBANK Germany and Cofidis acquisitions gave the Group the opportunity to expand its consumer finance business in solid geographical markets. TARGOBANK Germany also gives the Group a platform to launch a complete retail bank offering in areas close to the Group's historical base in Eastern France. The establishment of TARGOBANK Spain provided the Group with a new banking platform in a market adjacent to France, with a strong capital foundation and an opportunity to participate in the reorganization of the Spanish financial sector. In contrast, the Group has not expanded at all into Greece or Ireland, and it has minimal activities in Italy, Portugal and Central and Eastern Europe.

- ***A conservative and prudent approach to risk-taking.*** The Group's high quality asset portfolio is the result of strong risk management and monitoring that has resulted in consistently low ratios of doubtful loans to total outstanding loans (4.1% as of 31 December 2012), conservative provisioning (64.7% coverage as of 31 December 2012) and limited exposure to the most volatile product and geographic markets. The Group also maintains a strict liquidity management policy, funding an ever greater proportion of its loans with customer deposits (1.26x ratio as of 31 December 2012, with a target of 1.20x in the medium term), and limiting reliance on the interbank funding market.

- ***A strong level of liquidity and capitalization.*** The Group has demonstrated its ability to manage its liquidity, with lower dependence on the markets and good coverage of liquid assets. Its capitalization is strong, with a modest distribution of profits to its member shareholders. The Group continues to strengthen its capital ratio, with a Tier 1 ratio of 14.1% at 31 December 2012.

Business Segments

The CM11-CIC Group operates in five principal business segments: retail banking, insurance, financing and market, private banking and private equity.

Retail Banking

The retail banking segment provides banking services for individuals, independent professionals, small businesses, corporations and public authorities. Through its various networks and subsidiaries, the Group provides a full range of banking products and services; savings products (money market, bonds, securities); life insurance investment products; lending (home loans and consumer finance loans, loans to SMEs and farmers); payment instruments; personal services; banking-related services; and wealth and asset management. The Group also distributes a wide range of property & casualty and death & disability insurance products.

The segment includes the activities of two principal French retail networks, Crédit Mutuel (in 11 French regions) and CIC (throughout France), as well as several specialized and international affiliates such as TARGOBANK Germany and TARGOBANK Spain (a partnership with Banco Popular Español). The Group also has a number of affiliates that provide specialized products and services, such as consumer finance affiliates Cofidis, Groupe Sofemo and Banque Casino, as well as interests in European and North African banking groups with which the Group maintains partnerships.

The following table sets out the number of customers, points of sale and employees of selected Group networks as of 31 December 2012.

	CM11	CIC	TARGOBANK Germany	TARGOBANK Spain	Cofidis	CM11-CIC Group Total
Customers	6.7 million, including 4.7 million member shareholders	4.6 million	3.0 million	0.24 million	7.5 million	23.8 million
Points of sale[(1)]	2,017	2,074	343	125	-	4,674
Employees	18,136	18,304	6,677	569	4,049	65,863

(1) Points of sale are full-time or part-time physical establishments where Group employees interface with clients.

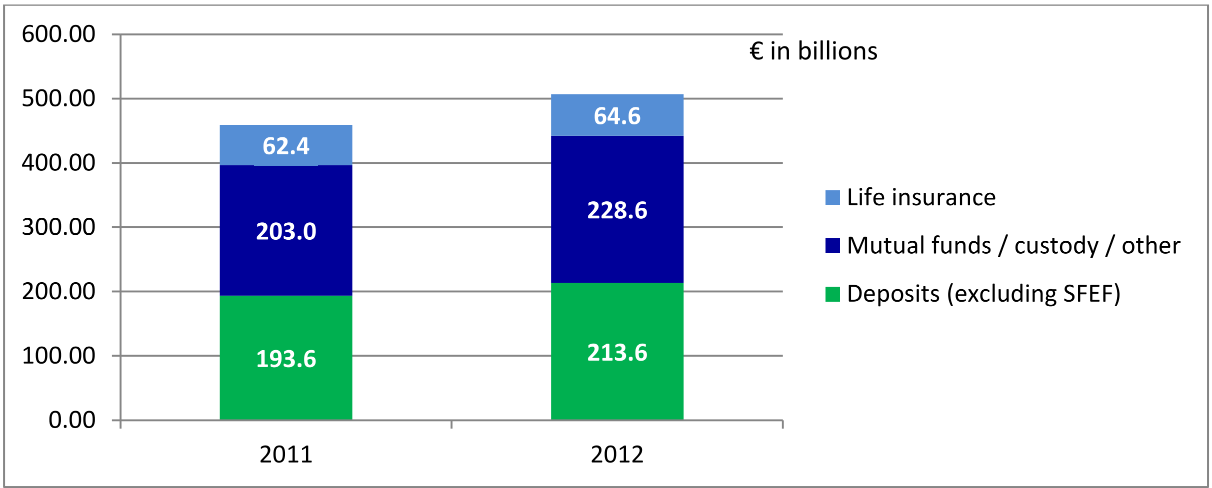
The Group's customer base and points of sale have grown significantly over the years, increasing from 7.9 million customers and 3,367 points of sale in 2007 to approximately 23.8 million customers and 4,674 points of sale as of 31 December 2012, through a combination of internal and external growth (the addition of federations as well as acquisitions such as TARGOBANK Germany, TARGOBANK Spain, Cofidis and Banque Casino).

The Group seeks to maximize contact with its customers and views its extensive offering of products and services as a way to ensure that its customers maintain contact with their bank. The Group also seeks to maximize cross-selling, offering insurance products to accompany loans, such as homeowner's insurance with a home loan or auto liability insurance with an automobile loan. Customer service representatives in the Group's branches are encouraged to promote all banking and financial products, rather than specializing by product, assuming a comprehensive service function that places them close to the customers' needs.

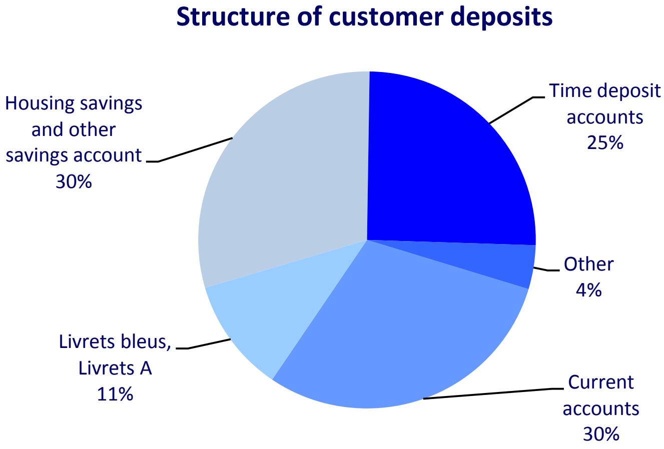
Products and Services Offered through the French Retail Networks

Savings Products

The Group offers a range of flexible savings solutions, to respond to different savings objectives, including building a "safety-net", building capital, increasing capital, tax optimisation and transmission of assets. The strength of the Group's retail networks can be seen in the levels of its deposits and savings. As of 31 December 2012, the Group has total customer deposits of €213.6 billion, compared to €193.6 billion as of 31 December 2011 (in each case excluding SFEF deposits, which are deposits of a vehicle established by the French government to provide liquidity to banks at the height of the financial crisis). The Group also has managed savings and custody assets of €293.2 billion as of 31 December 2012, including both mutual funds and life insurance. The following chart shows the development of the Group's savings solutions over the past two years:



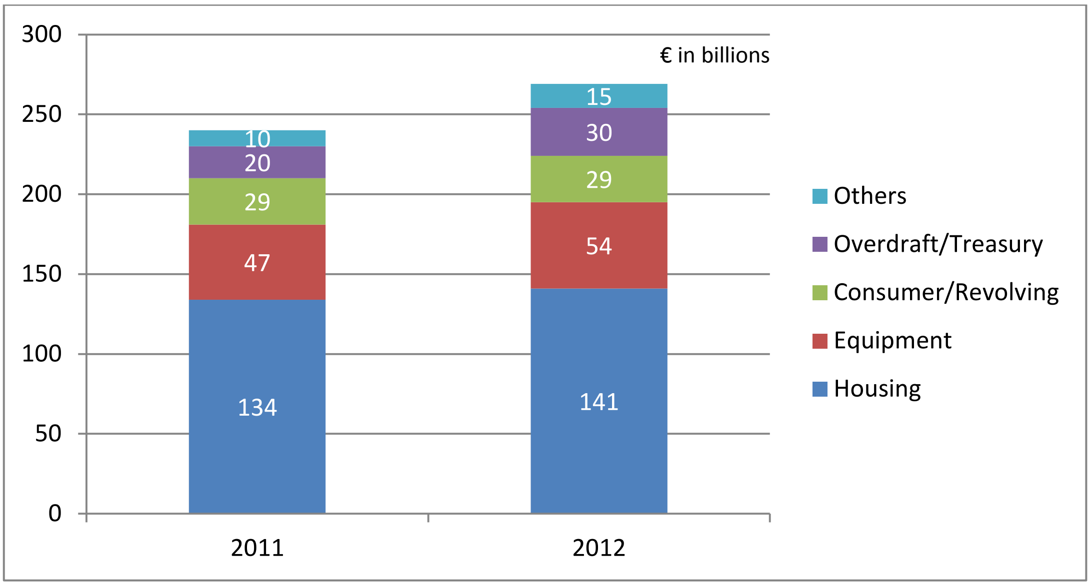
The following chart shows the breakdown in the customer deposits of the Group by type of product as at 31 December 2012:



Lending

The Group's retail networks and specialized subsidiaries offer home loans, consumer loans and loans to SMEs and farmers.

At 31 December 2012, outstanding customer loans totalled €269.4 billion, compared to €263.9 billion at 31 December 2011. The following table shows the evolution of outstanding customer loans provided by the Group's retail banking segment over the past two years:



Other Retail Banking Products and Services for Individuals

Insurance. The Group's retail banking networks market the Group's insurance products, often in connection with another service being provided by the retail bank (i.e., borrower insurance and homeowner's insurance in connection with a home loan; automobile insurance in connection with a car loan) or simply through contact with the retail banking network which seeks to maximize contact and solutions for its customers. All of the insurance products marketed by the retail networks are written by the Groupe des Assurances du Crédit Mutuel, the Group's insurance segment. See "—Insurance". The vast majority of the Group's insurance contracts are sold through the Crédit Mutuel and CIC networks.

Mutual Funds and Asset Management. The Group sells a wide range of mutual fund products, including money-market products, index funds and other equity debt funds. The Group's internal asset management group, operating under the trade name CM-CIC Asset Management, provides asset management services for products that are sold by the retail banking networks, including mutual funds, life insurance products and employee savings plans. The Group's client base covers individuals, private bank clients and companies, and it seeks to increase its institutional client base. At 31 December 2012, assets under management stood at €57.8 billion distributed across 626 funds. In 2012, CM-CIC Asset Management also provided accounting services to 75 mutual fund management companies.

Electronic and Mobile Telephone Banking and Services. The Group's retail networks offer a wide range of services, including bank cards, service contracts and remote banking. These include using the Internet, telephone or WAP to view accounts, carry out transactions and make payments remotely, with over 90% of Group customer banking transactions now conducted remotely. Bank cards may also include deferred payment options, providing for payment in instalments, or overdraft protection, possibly combined with a borrower's insurance product.

The Group is the second leading bank in France for electronic payment solutions, with over 2.8 billion transactions in 2012. The Group is also a technical service provider for other financial institutions, retail stores and highways, including with respect to ATMs and other payment tools. It considers its positioning in this market as strategic. Its positioning began with bank cards launched in 1982 and continues through individualisation of cards to the needs of its clients as well as other types of cards, including health cards and GSM SIM cards.

The Group continues to innovate in this area, with projects to develop mobile telephone banking (including "M-Payment" and remote payment) and mobile telephone services through EI Telecom (formerly NRJ Mobile and of which the Group owns 95%). The Group was a pioneer in the offering by a bank of mobile telephone services, based on a strategy of increasing the use of remote payment. The growth of this activity is reflected in the Group's revenues from mobile telephone services (recorded in the "logistics and holding" segment), which have grown from revenues of €31 million in 2007 to €321 million in 2011 and €376.3 million in 2012, despite an aggressive competitive environment in 2012. As of 31 December 2012, EI Telecom had 1,017,000 subscriber customers and 45,000 prepaid customers, of which 76% and 20% originated from the CM-CIC retail banking networks. In 2012, EI Telecom established itself as a full Mobile Virtual Network Operator, providing it with technical and marketing independence and a greater ability to negotiate with the different operators from which EI Telecom buys its traffic.

Security surveillance. The Group is one of the leaders in France of remote security surveillance solutions through Euro Protection Surveillance, with 283,487 customers as of 31 December 2012 (up 60,000 compared to 2011), including home and business alarm systems. Euro Protection Surveillance was created in 1986. Home security surveillance contracts are often sold in connection with a home loan, home insurance product or in connection with the establishment of a bank account. EPS also offers management services for businesses, including with respect to energy consumption for energy providers. It offers various back-office services and hotlines.

Other Retail Banking Products and Services for Professionals and Businesses

Employee Savings. The Group's employee savings management activity is offered through CM-CIC Epargne Salariale, with, at 31 December 2012, 62,484 corporate clients, €6,153 million in assets under management representing the savings of 1,402,486 employees.

Equipment leasing. The Group offers leasing options to professionals and businesses through its subsidiary CM-CIC Bail in France and local subsidiaries in Belgium and Germany. Leasing is available for a variety of types of property, including boats, fine art, vehicles and agricultural equipment.

Factoring. The Group offers solutions for financing and managing receivables to large and medium sized enterprises. The Group's specialized subsidiary, CM-CIC Factor (formerly Factocic), purchased invoices totalling €16.3 billion in 2012 and had €2.6 billion of customer loans outstanding as of 31 December 2012.

Real Estate. The Group also works with real estate developers to offer new homes with financing solutions. In addition to the business directly generated with developers, the Group views this activity as a way to gain new individual customers, particularly young families who are often the type of customer seeking to purchase a home in new residential developments.

Retail Banking Networks

The Group's products and services are marketed through its retail networks and subsidiaries. The Crédit Mutuel and CIC networks offer the same types of products, while the specialised and international subsidiaries and interests of the retail banking segment offer products and services adapted to their customer base and geographic location.

The Crédit Mutuel Retail Banking Network

The Crédit Mutuel retail banking network is made up of the Local Banks of the 11 Federations that are part of the CM11-CIC Group, which includes 1,360 Local Banks in France (the "CM11 network"). As described under "History and Structure of the CM11-CIC Group" above, the Crédit Mutuel retail banking network is the historic base of the Group, with its origins in the Eastern part of France. The CM11 network serves 6.7 million customers, including 4.7 million member shareholders; its customers include 5.99 million individuals and approximately 632,000 associations, professionals and businesses. As of 31 December 2012, the CM11 network employed 18,136 employees. As of 31 December 2012, the network had €103.6 billion in customer loans outstanding and €82.2 billion in customer deposits.

The Local Banks in the CM11 network operate in 11 regions of France, including wealthy areas such as Paris, Lyon, Strasbourg and the French Riviera. They are particularly strong in the Eastern part of France, given the historic origins of the Crédit Mutuel Group. The Group is focused on strengthening the CM11 network, with a view to enhancing local coverage through the development of new Local Banks and through continuously improving client service and contact. The following table provides information about the coverage of the CM11 network as of 31 December 2012:

Federation	**Population Covered**	**Number of Local Banks**	**Number of Points of Sale**
Centre Est Europe	7 million	403	841
Ile-de-France	12 million	185	221
Savoie-Mont Blanc	1.2 million	44	66
Sud-Est	4.2 million	107	142
Dauphiné-Vivarais	2 million	49	60
Méditerranéen	7.8 million	113	122
Midi-Atlantique	3.9 million	109	111
Loire-Atlantique et Centre Ouest	2.5 million	145	174
Normandie	2.4 million	68	85
Centre	2.5 million	99	121
Anjou	0.8 million	38	76

The Crédit Mutuel network grows through the establishment of new Local Banks to serve a community, neighbourhood or town. New Local Banks are established based on an assessment of the market and growth potential of a particular location. The non-specialist nature of the customer relations staff of the Local Banks allows new Local Banks to provide a full service offering to customers rapidly after opening, allowing the Group to minimize costs by increasing to full staffing over time. In 2012, the 11 Crédit Mutuel federations established 33 new points of sale.

The network offers its customers remote and telephone banking services, theft protection and electronic payment terminals. It has 3,176 ATM terminals and also offers customers' access to their bank accounts through its website.

In 2012, the Crédit Mutuel network increased its number of customers by 0.3 million to reach 6.7 million customers. Outstanding loans to customers increased by €5 billion in 2012 to €103.6 billion at 31 December 2012. The most significant increase was in equipment loans and home loans, which increased 5.9% and 1.3%, respectively. Outstanding customer deposits of the network increased to €82.2 billion. *Livret bleu* savings accounts (a form of French regulated savings account) and other savings accounts showed the most growth, increasing 13.2% and 14.3%, respectively.

The CIC Retail Banking Network

The CIC retail banking network is made up of the holding company, CIC (Crédit Industriel et Commercial), and five regional banks, each of which serves a clearly defined region. The holding company acts both as the head of the CIC network and as the regional bank for the Greater Paris region. Collectively, the regional banks cover all of France. CIC also has specialized subsidiaries that contribute to the other segments of the Group.

CIC was acquired by BFCM in multiple steps, with 67% of CIC acquired in 1998 and most of the remainder acquired in 2001 (CIC continues to maintain a small public float). Given the strength of the brand name, CIC continues to operate under its own brand.

The CIC retail banking network is made up of 2,074 branches located throughout France. The CIC retail network serves more than 4.5 million customers, including 3.7 million individuals and 0.8 million associations, professionals and businesses. It has 18,304 employees.

The network offers its customers remote and telephone banking services, theft protection and electronic payment terminals. It has 3,700 ATM terminals and also offers customers' access to their bank accounts through its website. Twenty-four new branches were created in 2012, which enabled the network to increase its number of customers by 100,000.

In 2012, outstanding customer loans increased 0.8% to reach €100.1 billion and customer deposits increased 7.5% to reach €82.4 billion; assets managed remained relatively stable, totalling €54 billion at 31 December 2012.

Banque Européenne du Crédit Mutuel

Banque Européenne du Crédit Mutuel (BECM) (formerly Banque de l'Economie du Commerce et de la Monétique SAS) is a subsidiary of BFCM that works with both the Crédit Mutuel and CIC networks to provide banking services to corporations and small and medium-sized enterprises, to finance real estate development and real estate management companies and to provide wealth management services. BECM operates through a network of 50 branches (including branches in Germany (three branches), Saint Martin (one branch) and Monaco (one branch)). The Group is actively pursuing the development of BECM, opening five branches in 2012. The Group plans to expand BECM's client base by targeting companies operating on a European scale and prioritizing support for companies' international activities, while also ensuring the proper balance between the uses and sources of funds in a market environment characterized by tight liquidity.

As of 31 December 2012, BECM had approximately 20,800 customers and €10.4 billion of customer loans outstanding (up 3% compared to 2011) and €5.4 billion of customer deposits (up 28.8% compared to 2011).

CIC Iberbanco

CIC Iberbanco is made up of 21 branches in Ile de France, the Lyon area and the South of France (Bordeaux, Midi-Pyrénées and Languedoc Roussillon). As of 31 December 2012, CIC Iberbanco had 122 employees and approximately 36,000 customers; it managed savings of €440 million and had customer loans outstanding of approximately €332 million.

TARGOBANK Germany

TARGOBANK Germany is a retail bank in Germany, with 343 branches and advisory centres (of which 11 were opened in 2012) in 200 cities, serving 3.0 million customers. Having served the German market for over 80 years, it focused primarily on consumer finance when it was acquired by the Group in 2008. It has expanded its offering and now provides a wide range of banking products and services, including savings and investment products, insurance products, credit and financing products and remote access.

BFCM acquired TARGOBANK (formerly Citibank Deutscheland) in December 2008. The acquisition of TARGOBANK contributed to the diversification of the Group, as TARGOBANK's lending activities are concentrated in consumer loans, although it is developing a broader retail offering. In 2010, TARGOBANK Germany was migrated to the Group's information technology platforms. In 2011, TARGOBANK Germany implemented new marketing campaigns, focusing in particular on consumer loans and on enhancing its customer service. As of 31 December 2012, TARGOBANK Germany had €10.1 billion in customer loans outstanding (mainly consumer loans) and €1 billion in customer deposits.

In June 2011, new synergies with the Group were realized as TARGOBANK Germany marketed a bond issued by BFCM to its customers for the first time. TARGOBANK Germany also offers its customers the possibility to invest in three funds of Banque de Luxembourg as well as three funds managed by CM-CIC Asset Management. TARGOBANK Germany also is the first bank to offer, in coordination with the telecommunications provider E-Plus, the mobile payment option developed by the Group.

TARGOBANK Germany's lending business consists mainly of consumer finance loans, as home loans in Germany are generally provided by specialised mortgage lending banks. It recently widened its range to include automobile financing.

TARGOBANK Spain

In 2010, the Group launched TARGOBANK Spain, which is 50% held by BFCM and 50% held by Banco Popular Español. As of 31 December 2012, TARGOBANK Spain had 235,000 customers (of which more than 80% were individuals), 125 branches and advisory centres located in 14 cities and regional areas in Spain and 152 ATMs, and managed more than 125,000 debit/credit cards. As of 31 December 2012, TARGOBANK Spain had 569 employees and more than €1 billion of customer loans outstanding and €787 million of customer deposits.

Like the Group's retail banks, TARGOBANK Spain also markets insurance products, including automobile and residential insurance and payment options adapted to the Spanish market. The Group plans to apply its successful "bankinsurance" model in Spain. Information technology tools for estimates, subscription and management of contracts have been made available to all of TARGOBANK Spain's branches and platforms to support the TARGOBANK Spain network and claims management. In 2012, the Group widened the services offered to include life insurance savings products and borrowers' insurance with its acquisition of Agrupacio Mutua (see "—Insurance" below).

Specialized Products and Services

Cofidis

Cofidis is among the top five providers of consumer credit in France (according to the *Association Française des Sociétés Financiéres* and the *Banque de France*), and it has been serving the French market for almost three decades. It also provides consumer finance to customers throughout Europe.

BFCM acquired control of Cofidis in 2009 from the 3 Suisses International Group, a major French mail-order retailing group. BFCM holds an economic interest of 42% in substantially all of the Cofidis affiliates, but fully consolidates their results of operations because it exercises exclusive control. See "Management's Discussion and Analysis of Financial Condition and Results of Operations". According to the terms of the agreements entered into in connection with the transaction, BFCM may increase its shareholding in Cofidis Participations to 67% (in share capital and voting rights) by 2016, at the option of either party.

Cofidis offers individual customers revolving loans and personal loans, instalment plans, debt consolidation and payment cards. It assists consumers in financing home renovations, car purchases and purchases of other consumer goods and also provides cash loans.

Cofidis offers its consumer finance solutions through its website as well as through toll-free numbers. The website includes interactive tools such as a budget coach, loan simulators and credit comparisons to assist customers in finding the credit solution best adapted to their situation. Cofidis also has 850 retail partners in France that propose its financing solutions, including instalment payment plans based on financing provided by Cofidis. Cofidis has a 15-year agreement with 3 Suisses for the provision of consumer finance solutions to 3 Suisses customers.

When providing consumer credit, Cofidis also offers borrower's insurance, which provides for partial or full payment of the loan in certain events, which may include the inability to work due to illness or accident, unemployment, disability or death, and is supported by the Group's insurance segment. See "—Insurance" below.

Cofidis also offers its consumer credit solutions outside of France, in Spain, Portugal, Italy, Belgium, the Czech Republic, Slovakia and Hungary.

As of 31 December 2012, Cofidis had 7.5 million customers and €7,728 million of customer loans outstanding.

Groupe Sofemo

Group Sofemo's activities are focused on instalment payment solutions, and it is developing its sale financing activities. As of 31 December 2012, Groupe Sofemo had 142 employees, more than 476,000 clients and €1.1 billion of customer loans outstanding.

Banque Casino

The Group acquired a 50% interest in Banque Casino in July 2011; the remainder of Banque Casino is held by the Casino Group, a major French retail group. Banque Casino offers credit cards, consumer loans and insurance in Casino hypermarkets and also through the website Cdiscount. As of 31 December 2012, it had 1,138,000 customers and €279 million of customer loans outstanding.

Interests and Partnerships in International Banks

BFCM also holds interests in and has partnerships with other banks outside of France:

- *Banque Marocaine du Commerce Extérieur* (BMCE). BFCM holds a 25% interest in BMCE, one of the leading commercial banks in Morocco. The Group has significant commercial relationships with BMCE in areas such as the distribution of financial products, the delivery of banking and insurance services, real estate transactions, consumer credit and lending transactions.

- *Banque de Tunisie*. CIC holds a 20% interest in Banque de Tunisie, a historical partner of CIC and one of the leading banks in Tunisia. CIC is the reference shareholder, as the Tunisian State holds a 13% interest and the remainder is listed on the Tunis Stock Exchange.

- *Banco Popolare di Milano*. BFCM holds a 7.55% interest in Banco Popolare di Milano, accounted for by the equity method due to the Group's notable influence over key management decisions.

Insurance

The CM11-CIC Group is the leading non-life insurance provider and fourth leading life insurance provider among banks providing insurance in France. It has also extended its offerings internationally through subsidiaries and affiliates in Belgium, Luxembourg, Spain and Morocco.

The segment operates through Groupe des Assurances du Crédit Mutuel S.A. (GACM) and its subsidiaries. BFCM owns 53% of the capital of GACM, CIC holds 20.5%, the CF de CM holds 12.8%, and substantially all of the remainder is held by three other federations of the Crédit Mutuel network.

In 2012, GACM expanded its international presence with the acquisition of Agrupacio Mutua in Spain. This acquisition is expected to provide new development opportunities in Spain and allow Targobank Spain to have a more complete insurance offering. Agrupacio Mutua strengthens GACM's know-how in the health insurance field and provides a strong base for providing complementary health insurance.

GACM offers a wide range of life, property and casualty, civil liability, health, death and disability, and borrower-protection insurance. Its insurance products are marketed through the Crédit Mutuel network, all of the CIC banks and branches and Cofidis (for borrower-protection insurance). GACM also offers its products to a limited extent through brokers, as well as directly through the networks of agencies such as MTRL (the Group's complementary health insurance subsidiary).

The CM11-CIC Group considers its insurance products to be a significant driver of the Group's development, allowing the Group's retail networks to offer customers and members complete and high-quality financial solutions. The Group continuously monitors the market and adjusts its policies, with a view to differentiating products from those of the competition.

As of 31 December 2012, GACM insured 7.9 million persons or entities and had 24.8 million insurance contracts outstanding, including 2.99 million fixed income and unit-linked life insurance contracts, 9.98 million property and casualty contracts (mainly homeowners, renters and auto insurance), and 11.86 million other contracts (mainly death and disability insurance, complementary health insurance and borrower protection insurance).

Non-Life Insurance

GACM offers customers a full range of non-life insurance products through the Group's retail banking networks and, since the beginning of 2011, through Cofidis (for borrower-protection insurance). The following table sets forth information relating to the non-life insurance products of the Group as of 31 December 2012.

Type of Insurance	**Contracts outstanding 31 Dec 2012**	**Net new contracts 2012**	**Premiums written 2012 (millions of euros)**
Automobile	2,141,575	60,227	718
Homeowners and renters	7,841,235	277,913	579
Complementary Health	1,020,187	66,665	581
Death and Disability	4,873,427	176,920	387
Borrower protection	5,971,059	(161,133)	1,198
Total	**21,847,483**	**420,592**	**3,266**

GACM is the leading bank insurer in the non-life segment in France, based on information from the *Argus de l'Assurance*. Its market shares in France in 2012, based on number of contracts, were 5.58% for automobile insurance and 5.95% for homeowners and renters insurance, the two largest categories in the market.

The Group believes that, despite its already strong position, there is substantial growth potential in the insurance segment, particularly with clients in the CIC network. A significant percentage of the customers of the Crédit Mutuel network have at least one insurance contract with GACM, and the Group is seeking to achieve a similar penetration rate with customers of the CIC network. It expanded its international insurance offering with the acquisition of Agrupacio Mutua.

Life Insurance

GACM offers customers of the Group a comprehensive range of life insurance products, which benefit from the asset management expertise of CM-CIC Asset Management, the Group's asset management arm. The Group's offering of life insurance products is a key component of the overall savings product offering of the retail banking networks.

The Group's life insurance offerings meet the changing and varying needs of its entire customer base. The Group offers a contract in euros which provides a secure, fixed return, with an intergenerational contract particularly adapted for individuals seeking to provide for children. The Group's multi-support *Plan Assurance Vie* is adapted to the changing financial situation of customers and their desire to diversify their investments. The Group also has a policy marketed under the name *Sérénis Vie*, which is designed for the Group's Private Banking customers, providing diversified investment choices and tax advantages.

As of 31 December 2012, GACM had 2.99 million life insurance contracts outstanding, including 1.45 million unit-linked policies and 1.54 million fixed income policies. Total assets under management as of 31 December 2012 were €77.6 billion, a figure that has grown significantly in recent years (including 16.9% net growth in 2012, resulting primarily from an increase in the market value of assets under management).

International development

The Group has pursued a policy of prudent international expansion of its insurance activities. In Luxembourg, its Luxembourg subsidiary ICM Life is specialized in life insurance saving products, with customers concentrated in the Group's private banking segment. The Group also has a 22% interest in the leading insurer in Morocco, RMA Watanya, a 100% interest in the Belgian non-life insurer Partners Assurances, and a 30% interest in ASTREE, one of the leading insurers in Tunisia and of which 50% is held by the Banque de Tunisie. The Group also has a 49% interest in RACC Seguros, a joint venture with the leading automobile insurance broker in Spain, the Royal Automobile Club of Catalonia.

As stated above, the Group plans to apply its "bankinsurance" model to TARGOBANK Spain and develop its insurance offering through this network.

Investments

Insurance assets are invested in a diverse range of products that are adapted to market conditions. Given the uncertainty in the international financial markets, GACM's investment policy in 2012 was prudent, with a significant concentration in highly-rated counterparties in solid European countries.

As of 31 December 2012, approximately 77.3% of life insurance assets were invested in long-term fixed income products (including 18.2% in AAA-rated products, mainly highly rated sovereigns and covered bonds). Approximately 11.1% was invested in shares (mainly large companies with low debt levels), 8.7% in money-market assets and 2.9% in real estate (62% office properties and 29% residential; 64.3% in Paris and Ile-de-France).

The significant weighting in favour of fixed income investments had an impact on the overall portfolio yield. Given the state of European equity markets, the Group's share portfolio had unrealized capital losses, which did not allow the Group to improve the overall yield. As a result, the yields offered on the Group's euro life insurance policies were on the order of 2.80% to 3.35%, with an average of 2.95%, in 2012.

Financing and Market

Financing

Through CIC and, to a lesser extent, BFCM, the Group provides a full range of financing and related products and services for large corporate and institutional customers, primarily in France, as well as internationally through CIC's three international branches (London, New York and Singapore) and 36 representative offices. The Group provides general financing and cash management products, as well as specialized financing such as acquisition financing, asset financing and project financing.

As of 31 December 2012, outstanding loans were €13 billion and customer deposits were €5.6 billion.

Large Corporate and Institutional Customers

CIC and BFCM serve their large corporate and institutional customers through a team of approximately 60 representatives specialized by sector. They are responsible for all of the banking needs of the customer groups that they cover, and they work directly with the operational units of the large accounts division (*Direction des Grands Comptes*, or DGC).

Key customer representatives cover specific industries, such as energy, environment, telecom-media or defense-aeronautic, as well as specialized customer groups such as large companies with international activities in OECD countries and institutional investors. A specialized team is responsible for preparing bids for corporate cash management and payment services.

The DGC provides a full range of financing solutions to large corporate and institutional customers, including working capital and investment-related financing, syndicated credits, international commercial finance, guarantees, leasing and factoring. Customers are also offered complete cash flow management services, including payment services, treasury management, e-commerce and security solutions. Specialized international services, including payment flows, cash pooling and international guarantees, are also offered to customers. In 2012, the DGC successfully increased its bilateral credit contracts, while syndicated loans decreased significantly due to market conditions.

The Group's relationships with corporate and institutional customers provide significant cross-selling opportunities. Large corporate and institutional customers are offered both straight corporate and specialized financing solutions, as well as a range of capital markets services (foreign exchange, hedging, securities services for institutional customers), asset management services, private banking services for executives and employee savings plans. The Group's operations are also designed to generate synergies and efficiencies, with services such as treasury management, international payments and employee savings offered to both large customers and to SMEs that are customers of the retail banking segment. When services that are part of the retail banking segment (such as factoring, leasing and some payment services) are sold to corporate and industrial customers, the retail banking network receives commissions.

Specialized Financing

The Group's specialized financing activities, conducted in the CIC group, include acquisition finance, asset financing and project financing. In all three areas, the Group's strategy is to serve the needs of key customers, but not to seek high financing volumes (this is reflected in the modest size of the Group's specialized financing teams). In France, the Group seeks lead arranger mandates and participations in club deals, but generally does not acquire positions in syndicates where it is not lead arranger or agent. Outside of France, the Group seeks lead arranger mandates in key areas in which it has specialized expertise and to assemble portfolios of interests in high quality loan assets.

Activity in 2012 was significantly impacted by a halt in the production of USD transactions starting at the end of 2011 and continuing through the first quarter of 2012, which improved in the second half of the year.

Acquisition Finance

The Group supports its customers by providing financing for business transfers and external growth and development. The Group strives to maintain a balanced position, providing financing for corporate acquisitions (which often develops opportunity for further investment and working capital financing), as well as financing leveraged acquisitions by financial customers. The Group does not underwrite with a view to possible syndication, and it had no material non-syndicated commitments when the LBO market dried up at the height of the financial crisis.

In France, the Group has a strong position with mid-cap customers, providing financing both through both the acquisition financing division in Paris and the regional CIC banks (which have significantly larger total outstanding acquisition loans and commitments than the Paris division).

Outside of France, the Group provides acquisition financing to customers through the New York and Singapore branches of CIC, with the aim of building a portfolio of high quality loans to be held for significant periods of time.

In the second half of 2012, the deteriorated market environment impacted the credit rating of our counterparties, increasing our cost of risk (which remained moderate).

Asset finance

The Group provides asset-based financing to customers through activities that are evenly spread among the New York, Singapore and Paris offices. Aircraft financing represents the largest share of the Group's activity, which also includes shipping equipment, oil and gas platforms and other assets.

The Group seeks lead arranger mandates in all of its offices. Many transactions arranged by the Group involve complex tax structures. For example, in 2010, the asset finance teams received an international distinction from Jane's Transport Finance: Asia Pacific Tax Deal of the Year for a structured finance deal with China Southern Airlines for ten Airbuses, combining a French tax lease with export credit financing. 2012 was marked by a decrease in activity in the traditional sectors, in particular due to difficulties in the marine transport market and difficult access to US dollar financing in the first half of the year. Structured financing, with tax optimization, in particular in China and Turkey, remain a priority for the activity.

Project finance

The Group's project financing activities are focused mainly on electricity projects (including renewable energy sources such as onshore wind farms) and infrastructure (public-private partnership and similar structures for toll roads, high-speed rail lines and other projects), with some activity in oil and gas and telecommunications projects.

Project financing is provided through the Paris head office and the London and Singapore branches. The large majority of the activity is concentrated in France and Europe, while the Singapore branch concentrates mainly on projects in Australia. The Group often acts as lead arranger in France, and has close relationships with the major utility and energy companies. Outside France, much of the business constitutes taking participations in financings for projects sponsored by major French customers. 2012 was a difficult year, reflecting the scarcity of non-euro funding, the increased cost of long-term liquidity and a decrease in demand in certain geographic sectors.

International

The main focus of the Group's international financial services strategy is to support customers in their international development, with a diversified product portfolio tailored to companies' needs. Many of the Group's programs are conceived for mid-sized customers of the regional CIC banks, while also being offered to large corporate customers.

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 support of CIC Développement International's international consulting subsidiary, CM-CIC Aidexport, and CIC's foreign branches and representative offices. Services are promoted on an ongoing basis by the branch network and at special events such as one-day seminars and country-specific discussion forums.

CIC also offers its investment clients 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.

Through agreements with partner banks, CIC is able to offer competitive services in the area of international transaction processing, particularly cash management and the opening of accounts abroad. CIC's partner banks include the Bank of East Asia in China, Banque Marocaine du Commerce Extérieur and Banque de Tunisie in North Africa, Banca Popolare di Milano in Italy and Banco Popular in Spain.

Markets

CM-CIC Marchés

The Group's markets and trading activities, as well as refinancing activities, are conducted under the CM-CIC Marchés name. As a result, CM-CIC Marchés serves as a vehicle for refinancing its own business development (and that of the Group generally) and also provides services for key client segments, including corporates, local governments and large accounts, as well as private banking and institutional clients interested in the innovative products developed by its financial engineering teams. These activities are carried out mainly in France, but also in the New York, London, Frankfurt and Singapore offices.

The market activities include a wide range of foreign exchange, interest rate and investment products, as well as advisory services for customers. CM-CIC Marchés' sales teams are based in Paris and in the main regional cities of French clients, other European network clients and large corporate clients.

Proprietary trading activities are conducted through CM-CIC Marchés and are organized into specialized desks for equity/hybrid instruments, credit spread, fixed income and volatility arbitrage. Through these activities, CM-CIC Marchés creates value in a disciplined risk environment and drives commercial development for the Group. See "Risk Management" for more information about the Group's risk management system.

CM-CIC Marchés also manages the external refinancing needs of the Group through three front office groups (in Paris, London and Frankfurt) that are responsible for short-term and long-term issuances by BFCM, CIC and the Group's covered bond and securitization vehicles, as well as Paris-based teams responsible for treasury management, asset-liability management and management of the Group's portfolio of liquid securities (mainly ECB-eligible securities). For a description of the refinancing activity, please see "Management's Discussion and Analysis of Financial Condition and Results of Operations—CM11-CIC Group Financial Condition—Liquidity and Funding".

CM-CIC Securities

CM-CIC Securities acts as a broker-dealer, clearing agent and custodian, and serves the Group's institutional investors, private asset management companies and corporate clients. It is also a member of ESN LLP, a "multi-local" network of nine brokers operating in 12 European countries (Germany, the Netherlands, Belgium, United Kingdom, Ireland, Finland, Italy, Spain, Portugal, Greece, Cyprus and France), and a majority shareholder of ESN North America (operating in the United States and Canada). This international network allows CM-CIC Securities to trade for its clients on all European and North American equity markets, as well as in several emerging markets.

CM-CIC Securities has 30 analysts and 31 strategists based in France, a sales team of 30 people in Paris and Lyon, four people in London (branch opened in 2010) and nine people in New York (ESN North America). CM-CIC Securities also employs five salespersons for index-linked and equity derivative products and eight salespersons and traders for traditional and convertible bonds.

CM-CIC Securities also has a research group for U.S. and Canadian equities at its disposal through exclusive distribution agreements signed between ESN North America and Needham & Co, an independent US investment bank based in New York, and Valeurs Mobilières Desjardins, a subsidiary of Caisse Desjardins, Canada's sixth largest bank.

As a securities custodian, CM-CIC Securities serves 114 asset management companies and administers 27,715 personal investor accounts and 288 mutual funds, representing €16.4 billion in assets. CM-CIC Securities also organizes over 300 company presentations, road shows and seminars a year in France and abroad.

CM-CIC Securities (through its primary markets division, CM-CIC Emetteur) is the Group's underwriter and arranger of financial transactions. It relies on the expertise of teams specializing in capital structuring and specialized financing and benefits from the commercial coverage of large corporate and institutional customers (described above), as well as the remainder of the Group network, including CIC Banque Privée. Partnership agreements with all ESN members have extended its stock market operations and merger and acquisition activities throughout Europe. The teams of CM-CIC Emetteur also provide issuer services, such as financial communication, liquidity contracts and stock buybacks, financial secretarial and securities services.

Private Banking

The Group's private banking segment is active in France, particularly with executives of the Group's business customers, as well as internationally in countries and areas where private banking offers growth potential: Belgium, Luxembourg, Switzerland and Asia. Its brands offer its customers a wide range of high value-added services, including wealth management, legal and tax services, life insurance products and financing and investments in real estate and art. Its customers include wealthy individuals and families as well as institutions and corporations.

As of 31 December 2012, the private banking segment had €81.7 billion of assets under management, including €15.8 billion of customer deposits, and had €7.5 billion in customer loans outstanding.

France

In France, private banking services are provided mainly under three trade names:

- *CIC Banque Privée*, a business arm integrated with the CIC network that serves mainly senior executives. CIC Banque Privée has 350 employees located in 55 towns and cities throughout France. It assists high net worth individuals and supports senior executives, particularly at key stages in the lives of their companies: broadening their capital base, growth through acquisitions and family transfers. Working together with financial and wealth engineers, 183 private banking managers meet with senior business executives to identify and advise on their concerns and establish appropriate business and wealth strategies.

- *Groupe Banque Transatlantique*, whose tailor-made services are aimed largely at French nationals living abroad. CIC also operates asset management subsidiaries Transatlantique Gestion and GPK Finance, as well as affiliates in Belgium and Luxembourg.

- *Dubly-Douilhet*, an investment company specializing in discretionary portfolio management for high net worth clients in northern and eastern France.

International

The international activities of the private banking segment include the following banks and branches:

- *Banque CIC (Suisse)*, which serves both individual customers as well as corporate clients through eight establishments covering the principal Swiss business areas.

- *Banque de Luxembourg*, which provides private banking and asset management services to individuals and professionals in Luxembourg and neighbouring countries, with a tailor-made offering that corresponds to the needs of an institutional clientele composed of promoters of investment funds, independent investment managers and insurance companies.

- *CIC Private Banking - Banque Pasche*, which is active in more than 70 countries, with an offering constructed on the open architecture principle.

- *CIC Singapore Branch* and *CICIS Limited Hong Kong*, which manage assets for customers in Asia. Managed assets have increased by 17% in 2012.

Private Equity

Private Equity is primarily conducted through CM-CIC Capital Finance, which invests both for the Group's own account and on behalf of customers in companies in a variety of sectors, primarily in France, but also internationally. As of 31 December 2012, CM-CIC Capital Finance had €2.7 billion of assets under management, and had invested in 497 total equity holdings, mostly unlisted companies. Approximately €1.8 billion of this amount was invested for the Group's own account, with the remainder invested for the account of third party customers.

Logistics and Holdings

This segment includes two separate components. The first includes activities that are not part of one of the other segments, such as the Group's historical interests in press and media companies in the Eastern part of France, EI Telecom (formerly NRJ Mobile), which provides mobile phone services to retail banking customers, and Euro-Protection Surveillance, which provides security surveillance services to retail customers. The second includes organizational and holding company activities, including information technology systems, Group real estate, other services provided by CM-CIC Services, a subsidiary created in May 2008 to centralize and streamline logistics, payment processes, service platforms and support services for members of CM11-CIC and local banks in certain other federations. The results of the holding company component also include the Group's equity investments, acquisitions (including purchase accounting entries and acquisition financing costs) and start-up costs for new branches and local banks.

<u>Support Functions</u>

IT Systems

The Group dedicates substantial resources to maintaining a sophisticated information technology system to support its operations management and provide quality customer service. In order to maximize synergies within the Group, the Group is building and implementing a single Group-wide information technology system known as "Euro-Information", which serves as the foundation of its customer relations management capabilities, its risk management system and data processing centre. In June 2010, the Group began integrating the information technology system of TARGOBANK and expects to complete the integration by mid-2014. The Group operates its information technology system based on a comprehensive Group-wide information collection and processing.

The Group's information technology systems are based on the following principles:

- a commitment to quality customer service to all of the Group's clients and, in particular, to its information technology users, including 24-hours, seven days a week customer service;

- promoting its security policy and ensuring its compliance at all levels (internal network systems, internet services and in its branches), including ensuring at all times that the security policy is appropriate to the risks incurred, identifying the security services to be implemented and verifying and monitoring compliance with its security policy throughout the Group; and

- the implementation of risk prevention measures and contingency plans for an eventual systems shutdown.

The Group has established completely duplicative back-up IT systems in four different, inter-connected IT hubs in Lille, Lyon, Strasbourg and Val de Fontenay to assure the protection of the Group's information technology in the event of any system failure of its primary information technology system. The Group's information technology system is able to fully resume operations within 48 hours in the case of a complete disruption of the primary information technology system.

Through its IT systems, the Group has access to the main domestic and international inter-banking systems such as CORE, ABE/EBA STEP 2, Deutsche Bundesbank's Retail Payment System, the Swift network, MasterCard France, MasterCard International, Visa Europe, Visa World and Target 2 (Trans-European Automated Real-Time). In addition, through CM-CIC Securities, the Group is also connected to NYSE Euronext, CHIX (for access to the European MTF market) and to international markets via several brokers (including the United States, Germany, Spain, United Kingdom, Finland and Greece).

In 2012, the Group's information technology system comprised a wide-ranging perimeter, reaching more than 45.6 million client accounts, 36.5 billion real-time transactions, 216,853 electronic payment terminals and 8,250 ATMs. Also in 2012, the Group continued to expand its online banking system, including innovations such as smartphone banking, which continues to grow in importance to the Group's clients, and the development of upgrades to the Group's information technology system to accommodate new business demands and strengthen response capabilities to system deficiencies. The Group continues to work toward increasing operational efficiency through the optimization of its software program and data processing.

Insurance

The Group and its subsidiaries throughout the world are insured for general risks and risks specific to their business principally as follows:

- Risk of internal and external fraud;

- Risk of theft;

- Civil liability is covered by several policies for different amounts depending on their nature and, in certain cases, legal requirements (including operational, automobile and professional liability worldwide excluding the U.S., directors' liability and specific business line liability);

- Buildings used for business in France and their contents (excluding IT equipment) are insured at reconstruction or replacement value. Buildings outside France are insured locally; and

- IT equipment and consequential loss of banking business are covered under a blanket Group policy. The amount insured varies depending on the geographical sites insured.

LEGAL PROCEEDINGS

Group entities are subject to litigation from time to time in the ordinary course of business. The Group believes that it is not subject to any litigation that is likely, individually or collectively, to have a material adverse effect on its financial condition, liquidity or results of operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the consolidated financial statements of the Group and the BFCM Group, in each case together with the related notes thereto, incorporated by reference in this Information Document. Such consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

The financial information relating to the Group includes the results of operations of five federations (CM5-CIC) as at and for the year ended 31 December 2010, and the results of operations and financial condition of ten federations (CM10-CIC) as at and for the year ended 31 December 2011, and of eleven federations as at and for the year ended 31 December 2012.

Presentation of Information in this Section

This section contains an analysis of the results of operations of both the Group (CM5-CIC in 2010, CM10-CIC in 2011 and CM11-CIC in 2012) and the BFCM Group.

- The Group is a mutual banking group that includes the Crédit Mutuel Local Banks that are members of the federations included in the Group, as well as the entities that are directly or indirectly owned by those Local Banks (mainly BFCM and its subsidiaries). Consolidated financial statements are prepared for the Group in accordance with IAS 27, based on the community of interests of the members. See Note 1.2 to the Group's consolidated financial statements for more details.

- The BFCM Group includes BFCM and its consolidated subsidiaries, including CIC. All entities in the BFCM Group are also in the Group. The principal difference between the Group and the BFCM Group is that the BFCM Group does not include any of the Local Banks.

The analysis below focuses mainly on the results of operations and financial condition of the Group. This information is relevant to the holders of securities issued by BFCM, and holders of covered bonds issued by Crédit Mutuel-CIC Home Loan SFH with proceeds that are on-lent to BFCM, for the following reasons:

- The entire BFCM Group is included in the Group.

- BFCM finances the funding requirements of the Local Banks that are not satisfied with customer deposits. The results of operations and financial condition of BFCM therefore depend on the results of operations and financial condition of all Group entities, including the Local Banks.

- Similarly, BFCM is effectively exposed to the same risks as the entire Group, including the risks borne by the Local Banks.

In order to avoid repeating information that is common to both the Group and the BFCM Group, the analysis of the results of operations of the BFCM Group in each period concentrates only on items that are different between the two groups – primarily the results of operations of the retail banking segment, which does not include the results of the Local Banks in the consolidated financial statements of the BFCM Group. In addition, the insurance segment of the Group includes the results of a legacy entity owned by the Local Banks, which no longer writes new policies, in addition to the results of GACM that are included in the consolidated results of both the Group and the BFCM Group. Finally, revenues and expenses from Euro Information, which provides information technology services to Group entities, appear in the "logistics and holdings" segment in the consolidated financial statements of the Group, but not in the consolidated financial statements of the BFCM Group, in which Euro Information is accounted for by the equity method.

Restatement of the 2011 Consolidated Financial Information

The consolidated financial information of the Group and the BFCM Group as at and for the year ended 31 December 2011, presented in the comparative column of the audited consolidated financial statements as of and for the year ended 31 December 2012, has been restated to account for the application of IAS 19 as well as for the correction of an error with respect to the accounting treatment of the investment in Banco Popular Español (BPE). The adjustments and their impact on each of the Group and the BFCM Group are described in note 1.1 to each of the Group's and the BFCM Group's audited consolidated financial statements as at and for the year ended 31 December 2012. The equity method accounting treatment of BPE results from the significant influence the Group has had over BPE since the end of the 2010 fiscal year. The audited consolidated financial statements as at and for the years ended 31 December 2010 and 2011 have not been restated for this error, as the amounts involved were not material.

In this section, the comparison between results of operations for the year ended 31 December 2012 and the year ended 31 December 2011 includes restated information for 2011. The comparison between results of operations for the year ended 31 December 2011 and the year ended 31 December 2010 includes 2011 figures as originally published, which differ slightly from the restated information.

Introduction

Overview of Results of Operations and Financial Condition

The Group's results of operations and financial condition in 2010, 2011 and 2012 reflected the expansion of the Group's scope of consolidation, a volatile economic environment and generally strong commercial performances, particularly in the core retail banking activity. Key factors that impacted the Group's results of operations and financial condition during this period included the following:

- The addition of five new federations as of 1 January 2011, as the CM5-CIC Group became the CM10-CIC Group (it expanded again as of 1 January 2012, with the addition of an eleventh federation to become the CM11-CIC Group).

- An initial economic recovery in 2010 and the first half of 2011, followed by a difficult economic context in the second half of 2011 as a result of the Greek sovereign debt restructuring and other concerns regarding the ability of sovereigns to refinance their debts. These difficult conditions continued in 2012, reflecting continued uncertainty with respect to European sovereign debt and economic conditions.

In this context, the Group recorded strong growth in the number of customers, deposits, total savings (deposits and managed savings such as life insurance and mutual funds) and loans to customers. Increases were recorded in all of these categories on a "comparable" basis (without regard to changes in scope of consolidation, as described further below), while the Group's expansion added to this growth.

The Group recorded net banking income of €11,462 million in 2012 (up 3.6% compared to 2011). The Group's 2012 net income (Group share) of €1,622 million was slightly lower than the 2011 figure. These figures reflect the following key factors:

- In 2012, the addition of a new federation and strong commercial performance in retail banking offset by tighter net interest margins; increased non-life insurance premiums that offset a modest decline in life insurance premiums; reduced activity in the financing segment offset by improved results in market activities; modestly higher operating expenses; and lower cost of risk relating to specific doubtful loans, but higher collective provisions.

- In 2011, the addition of five new federations, strong commercial performance in retail banking and non-life insurance; stable operating expenses; and a sharply lower cost of risk from ongoing banking activities (excluding Greek impairment charges). These were offset by tighter margins in retail lending; reduced life insurance business (consistent with the market as a whole); difficult conditions for financial market activities; the absence of a one-time tax benefit recorded in 2010; and Greek impairment charges.

The Group has maintained a strong financial structure while adjusting its balance sheet in light of anticipated future regulatory requirements. The loan-to-deposit ratio has decreased substantially to 1.26x as of 31 December 2012, compared to 1.36x as of 31 December 2011 and 1.48x as of 31 December 2010. The Group has significantly increased its proportion of medium and long-term funding, which represented approximately 70% of total refinancing debt as of the end of 2012 (compared to 64% as of the end of 2011). The Group's solid capital position is reflected in a Tier 1 ratio of 14.1% as of 31 December 2012.

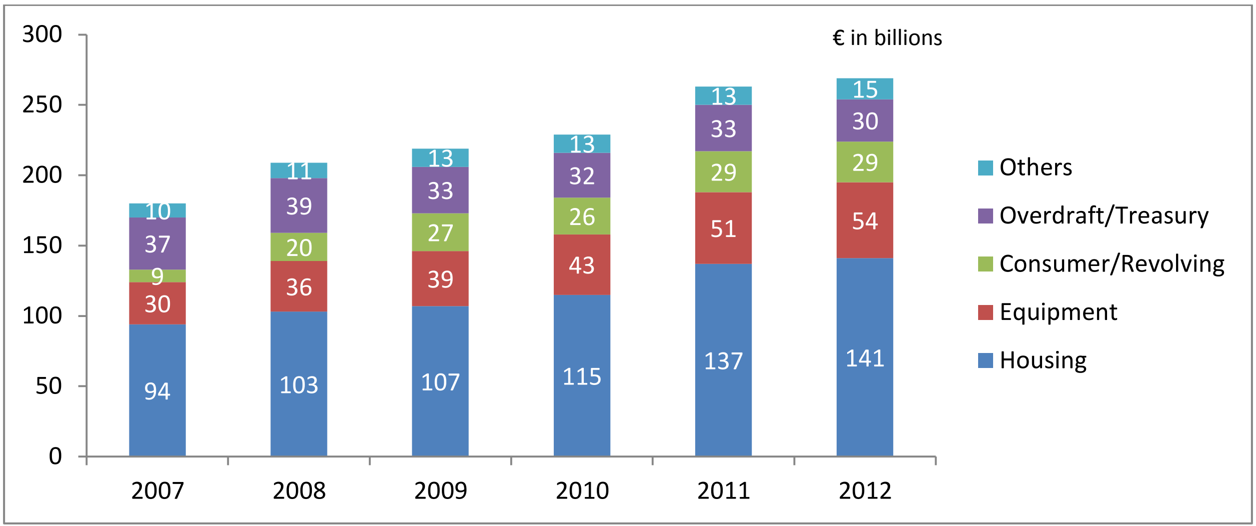
Certain Factors Affecting Results of Operations and Financial Condition

Business Structure and Segments

The results of operations and financial condition of the Group reflect the heavy orientation of the Group's business in the retail banking and insurance areas. More than three-quarters of the net banking income of the Group is regularly derived from retail banking (77% in 2012), with another ten to fifteen percent typically represented by insurance that is sold primarily through the retail networks. Corporate and investment banking, including proprietary trading, generally represent a relatively small proportion of net banking income, as do private banking and private equity. In addition, insurance and private banking clients are also often retail banking clients, and gaining clients in these segments is a way to reinforce the results of the retail banking segment, both through the payment of distribution commissions and cross-selling of products. For example, a private banking client may also be a retail banking client, contributing to results in both segments. Asset management activities are provided to clients of the retail banking and insurance segments. As a result, costs relating to asset management are recorded in these segments, but asset management does not generate separate net banking income.

The business of the Group is concentrated in France, which typically represents approximately three-quarters of the net banking income of the Group (83% in 2012). Internationally, the Group has significant activities in Germany and, to a lesser degree, Spain, as well as affiliated entities in Italy and North Africa. The Group has no activities in Greece. CIC also maintains international branches in London, New York and Singapore, as well as treasury operations in Frankfurt, and representative offices elsewhere around the world. These international activities generally represent a small portion of the Group's overall net banking income.

Home loans typically represent approximately half of the Group's total loans to customers. The Group's consumer finance business has expanded in recent years with the acquisitions of TARGOBANK in Germany and Cofidis. The following graphic shows the composition of the Group's loan portfolio during the six year period ended 31 December 2012.



The Group's net interest income includes margins on French regulated savings accounts known as the Livret A and the Livret Bleu, which represented more than 10% of the Group's customer deposits as of 31 December 2012. The majority of the deposits made by customers in these accounts are transferred to the Caisse de dépôts et consignations (CDC), a French State-owned financial institution, to fund public programs such as low income housing development. The CDC pays a fixed margin over the interest rate paid on these savings accounts. Because the margin is fixed, the mix of regulated savings account deposits in the Group's overall customer deposits can have an impact on average margins (as was the case in 2012).

Cost Structure

The Group carefully monitors its operating expenses, seeking where possible to industrialize processes in retail banking to achieve operating efficiencies. Substantially all of the Group's entities use the same information technology system, which provides substantial efficiency gains. In addition, retail banking personnel are encouraged to promote all of the Group's products and services, rather than being specialized by types of products. As a result of the Group's efforts, its cost-to-income ratio has been consistently below that of the European average, despite the unfavourable effects of costs related to fiscal and social regulation.

Cost of Risk

The Group's cost of risk (excluding exceptional events such as the Greek financial crisis) is typically relatively limited as a result of the nature of its retail banking oriented business model, and its conservative approach to risk taking and strong risk management and monitoring. Country risk provisions, in particular, are small given the large proportion of the Group's business that is conducted in France. The Group's cost of risk increased with the acquisition of TARGOBANK Germany and Cofidis, whose consumer finance activities have a higher cost of risk than those of the Crédit Mutuel and CIC networks. Both TARGOBANK Germany and Cofidis recorded an improvement in 2010, 2011 and 2012 as the Group implemented more conservative risk policies, as discussed further in the year-on-year comparisons below.

European Sovereign Debt Exposure

In 2011, the Group recorded impairment charges relating to its holdings of Greek sovereign debt obligations, in amounts that, while significant, were well below the levels recorded by other large French and European banking groups. The Group has no presence in Greece.

The Group's impairment charges for Greek exposure recorded in cost of risk were €451 million in 2011, and an additional €58 million of write-downs on trading assets were recorded in net banking income. The Group also recorded write-downs of available-for-sale securities, including sovereign obligations, directly in equity. After income tax effects, the net impact on the Group's consolidated net income was €330 million. In 2012, the Group sold its remaining Greek sovereign debt obligations received in connection with the implementation of the Private Sector Initiative plan on 21 February 2012, which resulted in a loss of €30 million (€17 million after tax).

Overall, the Group's sovereign debt exposure is moderate, and the Group has been working to decrease this exposure. The following table presents the Group's exposure to the most sensitive European sovereigns as of 31 December 2011 and 31 December 2012:

(in millions of euros)	**At 31 December 2011**	**At 31 December 2012**
Greece	206	0
Portugal	154	63
Ireland	99	101
Total exposure Greece, Portugal and Ireland	***459***	***164***
Italy	4,495	3,511
Spain	261	258
Total exposure Italy and Spain	***4,756***	***3,769***

The Group's holdings in Greek, Portuguese and Irish public debt collectively represented approximately 0.8% of its Tier 1 capital as of 31 December 2012. More information about the Group's exposure to the sovereign debt of these countries is provided in note 7b to the CM11-CIC Group 2012 consolidated financial statements.

Capital Structure

As a mutual banking group, the Group's equity is ultimately owned by the Local Banks, which in turn are owned by their member-shareholders. The net profits earned by the Group are mainly retained in reserves, with member-shareholders receiving a fixed return set annually on a class of their cooperative shares (known as "*Parts B*"). Typically, approximately 90% of net profits is retained, and the remainder is distributed in respect of cooperative shares.

The Group regularly encourages subscriptions for new cooperative shares, at times conducting commercial campaigns to encourage subscription. The cooperative shares represent both a means of establishing customer loyalty, and a regular source of new capital. Conversely, because the Group does not have shares listed on a stock exchange, it is not able to raise capital through stock market offerings. See “Capital Adequacy of the Group” for information relating to the Group’s regulatory capital requirements.

<u>Results of Operations</u>

Year ended 31 December 2012 (CM11-CIC) Compared with Year ended 31 December 2011 (CM10-CIC)

Economic Environment: A Year of Rebounds

As in 2011, the sovereign debt crisis continued to generate alternating losses of confidence and recovered appetites for risk. Early in 2012, long-term financing transactions launched by the European Central Bank (ECB) aimed at actors in the banking world gave the impression that the problem had been solved. However, concerns over public finances in Spain and Italy and the absence of a sustainable solution for Greece exacerbated tensions over interest rates and raised doubts about the future of the euro zone. During the summer, the ECB was forced to intervene by positioning itself as a last resort lender. This decision, combined with the provision of significant liquidity by the other major central banks, resulted in a more optimistic outlook. It also relied on brutal austerity plans that significantly reduced domestic demand, penalized commercial exchanges with the rest of the world and gradually attenuated growth in the United States and in emerging countries.

Europe: the Rollercoaster

There were three distinct phases to the crisis. Initially, the refinancing transactions carried out at the end of 2011 by the ECB allayed some fears: the funds borrowed by the banks were used by the Spanish and Italians to make massive purchases of their State’s debts. However, the call for contributions from private lenders in order to lower indebtedness in Greece in Spring 2012, and the inability of the governments to maintain their debt reduction objectives caused investors to take broad measures in order to reduce their exposure to the euro. Diminishing capital and the steep rise in interest rates on sovereign bonds raised fears that the worst was yet to come. Finally, the ECB’s announcement of the launching of the Outright Monetary Transactions (OMT) program pursuant to which it would purchase in secondary, sovereign bond markets, under certain conditions, bonds issued by Eurozone member states, dissipated systemic risk without creating a moral hazard vis-à-vis the responsible politicians. By conditioning its action on a partial aid agreement with the European Stability Mechanism (ESM) which requires the validation of the managing authorities, the ECB avoided signing a blank check to the States in difficulty.

Even though it saved the euro zone, it did not resolve the problem of stimulating gross domestic product (GDP). This was not supposed to be its mission. The deleveraging phase that had been spread out over two years went on, which affected prospects.

On an institutional level, substantial progress was also made. The European Monetary System is now totally operational and strengthened by the commitment of the ECB. The supervisory mechanisms entered into force with a more thorough oversight of the imbalances and increasingly restrictive recommendations from the EU authorities. Another particularly important initiative was proposed, i.e., that of European Banking Union, which will further consolidate the European Union.

France: Absence of Growth but Sound Housing Market

The French economy grew 0.1% in 2012, narrowly avoiding a recession. For the first time in more than ten years, French net exports contributed positively to growth (0.6% of GDP), while the French global export market share remained stable at approximately 3.2%. However, the improvement in the net trade balance resulted primarily from stagnation of demand in France, rather than from a vigorous increase in exports. France also witnessed in 2012 the return of a Socialist government that so far has not succeeded in reducing the public deficit. Additional fiscal austerity and economic measures are expected to be implemented throughout 2013, all of which will continue to affect the growth of the French economy in 2013.

Despite being affected by the difficult economic conditions in 2012, the French housing market continues to present solid fundamentals. The structural stability and soundness of the French housing market can be attributed to strong structural demand resulting from an inadequate growth in supply. Strong structural demand follows from a growing population in France and one of the lowest home ownership levels in Europe. Nominal house prices in France fell 1.1% in 2012 compared to 2011 (according to S&P Economic Research), the number of total transactions decreased 23.9% in the same period (according to *Banque de France*) and the number of home loans generated decreased by 26.2% in the same period (according to OPCI).

United States: Increasingly Complicated Budget Negotiations

The United States started 2012 on a favorable trend that eventually subsided. The reason was the global slowdown caused by the problems in Europe and the inability of Republicans and Democrats to reach a compromise to resolve budgetary issues.

Due to the political divisions in Congress, the two American parties agreed to postpone making any decisions on the matter until 2013, based implicitly on the understanding that the November 2012 election would give them the political mandate to proceed with decision-making. As electors opted for the status quo, the fog did not lift. A partial agreement was reached *in extremis* on January 1, 2013. Although it effectively addressed only the revenue side, it nevertheless limited the shock of the austerity that would have caused the United States to dive into a recession once again. The compromise that was required in order to reach a decision on expenses by the end of February remained difficult to find. Within this framework, economic agents preferred to adopt a prudent posture. Despite the improvements in the beginning of 2012, companies reduced their investments and limited hiring due to uncertainty with respect to the second half of the year. The effect took longer to materialize with consumers, as optimism has improved due to recovery of the real estate market, but consumption may continue to wane for several months.

While waiting for governments to finally set the rhythm and the terms of the reduction of the budgetary impasse, the Federal Reserve (Fed) continued to provide all of the necessary resources to reduce adverse effects. For example, it launched a new acquisition plan targeted at mortgage backed securities, in order to assist and amplify the recovery of this sector, which has high employment potential. Furthermore, by extending the Twist transactions that were to end in 2012 (exchanges of short-term Treasury bonds for ones with longer terms) to add additional net purchases of $45 billion each month, the Fed further softened its monetary policy.

Emerging Countries: Gradual Erosion of Growth

Faced with weakening outside demand, emerging countries were required to adopt additional provisions to support businesses. Almost all of the central banks (with the notable exception of the one in Russia) softened their policies in order to favor investment and avoid inflation of their currencies. Furthermore, governments continued or accelerated their recovery plans in order to stimulate consumption and enhance the autonomy of their development.

Currently in a phase of stabilization of their expansion rates, emerging economies raised specific doubts concerning their viability, in particular China, which is the midst of a transition. The Chinese authorities were able to maintain GDP growth in excess of 7%, which is the threshold required to ensure social stability. They adopted a more moderate recovery plan than the one adopted in 2008/09, but which was better targeted to ensure the gradual deflation of the real estate bubble. Growth is expected to increase again in 2013, and the low point seems to have been reached, which is also the case in Brazil.

Group Scope of Consolidation

As of 1 January 2012, an eleventh federation – Crédit Mutuel Anjou – joined the Group, which is now the CM11-CIC Group. As at 31 December 2012, Crédit Mutuel Anjou had €4.2 billion of customer savings, including €2.8 billion of customer deposits and €1.4 billion of managed savings, and €3.4 billion in loans outstanding. It recorded net banking income of €99.8 million in 2012. Crédit Mutuel Anjou contributed 248,000 customers, 76 points of sale and 684 employees to the Group.

Apart from the new federation, other changes in the scope of consolidation did not have a material impact on the Group's financial condition or results of operations in the year ended 31 December 2012.

For purposes of determining changes in income statement items on a "comparable basis" in this Section, the results of operations of the entities that entered the scope of consolidation for the first time in 2012 are eliminated. For entities that entered the scope of consolidation in 2011, the 2011 results are annualized.

Group Activity Overview

Activity levels in the year ended 31 December 2012 were moderate, reflecting the complex market environment. In addition to the contributions from the new federation, the Group opened new Local Banks and recorded increases in customers, loans and deposits. In particular:

- The number of clients of the CM11-CIC Group increased by approximately 0.3 million to approximately 23.8 million at the end of the period (including 0.2 million from the incoming federation).

- Customer loans outstanding increased by €5.5 billion compared to 31 December 2011 to €269.4 billion at 31 December 2012. This growth was driven by growth in investment (equipment) loans, which increased by €3.1 billion (representing an increase of 7.3%), as well as in home loans, which increased by €3.5 billion (representing an increase of 2.6%).

- Customer deposits grew by 10.3% (excluding SFEF deposits and repurchase transactions) compared to 31 December 2011. Including the new federation, such customer deposits stood at €213.6 billion as at 31 December 2012.

- The Group added, on a net basis, more than 520,000 new insurance contracts in 2012 (of which more than 80% were generated outside of the life insurance sector), raising the total portfolio to 24.8 million policies.

The outstanding customer loans of the retail banking networks of CM11 and CIC increased 2.5% compared to 31 December 2011 to €236.5 billion at 31 December 2012. Deposits of the CM11-CIC retail banking networks increased by 9.0% compared to 31 December 2011, to €190.0 billion as at 31 December 2012. With €29.6 billion of customer loans outstanding at 31 December 2012, the activities of the Group's principal subsidiaries (TARGOBANK Germany, BECM, TARGOBANK Spain, Cofidis and Banque Casino) were steady, despite new regulatory constraints and the difficult economic climate.

Customer loans outstanding were €14.2 billion in the financing and market segment and €7.5 billion in the private banking segment, in each case at 31 December 2012.

Finally, drawing in particular on its expertise in technology, the Group strengthened its position in the fields of e-money, payment services and mobile telephony. This is opening new opportunities to satisfy customer needs and to generate additional revenues.

Group Results of Operations

The Group's results of operations in the year ended 31 December 2012 reflected a continuing difficult environment for retail banking and financial market activities and higher operating expenses. These were offset by the impact of the addition of the new federation, increased private banking activity and lower cost of risk from ongoing banking activities.

The following table sets forth the evolution of the Group's key income statement items in the years ended 31 December 2011 and 2012.

(in millions of euros)	**Year ended 31 December,** **2011 (restated)**	**2012**	**Change (2012/ 2011)**	**Change Comparable Basis**
Net banking income	**11,065**	**11,462**	**3.6%**	**1.9%**
Operating expenses and Depreciation, amortization and provisions for non-current assets	(6,931)	(7,341)	5.9%	3.8%
Gross operating income	**4,135**	**4,121**	**-0.3%**	**-1.4%**
Cost of risk	(1,456)	(1,081)	-25.8%	
Operating income	**2,679**	**3,040**	**13.5%**	
Share of income/(loss) of affiliates	33	(149)	NS	
Gains or losses on other assets	66	16	-75.8%	
Change in value of goodwill	(9)	(27)	200.0%	
Net income before tax	**2,768**	**2,880**	**4.0%**	**3.1%**
Income tax	(925)	(1,057)	14.3%	
Net income	**1,843**	**1,823**	**-1.1%**	-1.7%
Net income attributable to minority interests	183	201	9.8%	
Net income – Group share	**1,660**	**1,622**	**-2.3%**	

Net Banking Income

Net banking income of the CM11-CIC Group was €11,462 million for the year ended 31 December 2012, up 3.6% compared to the year ended 31 December 2012, or 1.9% on a comparable basis. The difference between the reported figure and the comparable basis figure is primarily attributable to the expansion of the Group with the addition of an eleventh federation as of 1 January 2012.

The key components of the changes in the Group's net banking income from the years ended 31 December 2011 to 2012 included the following:

- A decrease of 21.7% in net interest income, from €6,300 million in the year ended 31 December 2011 to €4,934 million in 2012, driven by tighter margins, due to competitive conditions, an increase in the proportion of deposits represented by regulated savings accounts (Livret Bleu and Livret A, both of which carry fixed margins), and higher financing costs reflecting an increase in the proportion of the Group's requirements that are funded with deposits and medium and long-term market instruments.

- Decreased net commission income, which fell from €2,702 million in the year ended 31 December 2011 to €2,626 million in 2012, representing a decrease of 2.8%. Gross commission income decreased primarily due to a decrease in securities transactions commissions received and also a decrease in payment services commissions.

- An €898 million gain on financial instruments at fair value recorded in 2012, compared to a loss of €70 million in 2011. The 2011 figure reflected impairment of Greek sovereign bonds held and private equity investments. In 2012, €93 million of gains were recorded in respect of private equity investments, and the remainder of the increase reflected increases in the market value of investments held in the proprietary trading book.

- Gains of €251 million on the sale of available-for-sale securities in 2012, compared to a loss of €1 million in 2011. The Group recorded impairment charges recorded in the income statement of €143 million in 2011, compared to a net reversal of €31 million in 2012. The 2011 figure also included a loss of €82 million recorded on sales of securities.

- An increase in other net banking income from €2,134 million in 2011 to €2,753 million in 2012, reflecting mainly the results of the insurance segment, which is discussed below.

Retail banking and insurance together represented approximately 88.9% of net banking income in the year ended 31 December 2012 and 92.2% in the year ended 31 December 2011. Net banking income from retail banking decreased in 2012 compared to 2011, while net banking income from all other segments increased. The following table presents a breakdown of net banking income by business segment. See "—Results of Operations by Segment" for an analysis of net banking income and other income statement items by business segment.

(in millions of euros)	**Year ended 31 December, 2011 (restated)**	**2012**	**Change (2012/ 2011)**	**Change Comparable Basis**
Retail banking	9,231	8,782	-4.9%	-6.0%
Insurance	967	1,412	46.0%	
Financing and market activities	885	927	4.7%	
Private banking	432	463	7.2%	
Private equity	93	100	7.5%	
Logistics and holding	15	370	NS	
Inter-segment	(557)	(593)	NS	
Total	11,066	11,462	3.6%	1.9%

The geographical breakdown of the Group's net banking income reflects its focus on local banking and insurance in its home market of France, which represented approximately 82.9% of net banking income for the year ended 31 December 2012, a slightly greater share than for the year ended 31 December 2011, due to the addition of the new federation to the Group, as well as a more significant decline in net banking income realized outside of France. The following table provides a breakdown of the Group's net banking income by region in the years ended 31 December 2012 and 2011.

(in millions of euros)	**Year ended 31 December, 2011 (restated)**	**2012**	**Change (2012/2011)**
France	8,956	9,497	6.0%
Europe excluding France	1,861	1,792	-3.7%
Other countries	249	173	-30.5%
Total	11,066	11,462	3.6%

Gross operating income

Gross operating income was €4,121 million in the year ended 31 December 2012, a decrease of 0.3% compared to 2011, when the Group recorded gross operating income of €4,135 million. The cost-to-income ratio deteriorated from 62.6% in 2011 to 64.0% in 2012.

Operating expenses and depreciation, amortization and provisions for non-current assets totaled €7,341 million in 2012, up 5.9% compared to 2011. Approximately €65.5 million of the increase resulted from the addition of a new federation. In addition, the CM11-CIC network banks added 33 new points of sale. Increases in operating costs were also recorded at Cofidis and, to a lesser extent, BECM and CM-CIC Factor. The increase in operating costs reflected the following:

- Payroll costs increased by 9.0%, from €4,007 million in 2011 to €4,368 million in 2012, reflecting primarily an increase in the average number of employees from 61,145 in 2011 to 62,129 in 2012. Average employee numbers outside France increased by 5.3% due to an expansion of insurance activities in Spain through Agrupacio Mutua, while growth in France was 0.8%.

- Other operating expenses (including depreciation and amortization) remained relatively stable, totaling €2,973 million in 2012, compared to €2,924 million in 2011. External services account for the largest share of these expenses, and were €2,083 million in 2012 and €2,066 million in 2011, an increase of 0.8%.

Cost of Risk

The Group's cost of risk decreased to €1,081 million in 2012, representing a decrease of 25.8% compared to €1,456 million recorded in 2011. The 2012 figure included €30 million of impairment charges relating to Greek sovereign debt obligations, reflecting the loss incurred on the sale of the remaining Greek sovereign obligations held by the Group. In 2011, the Group incurred a €451 million impairment charge related to Greek sovereign obligations. Excluding these charges, the cost of risk for 2012 represented 0.39% of outstanding customer loans at 31 December 2012, compared to 0.38% for 2011. See "—Analysis of Cost of Risk and Doubtful Loans" for more detail.

Operating income

Operating income was €3,040 million in 2012, representing an increase of 13.5% compared to operating income €2,679 million for 2011. The increase in operating income was primarily the result of the increase in net banking income and the decrease in the cost of risk, offset by increased operating expenses, all as described above.

Other income statement items

Share of income/(loss) of associates. The Group's share of income or loss of associates (i.e., companies accounted for under the equity method) decreased from net income of €33 million in 2011 to a net loss of €149 million in 2012. The variation reflects primarily the Group's share of the net loss incurred by Banco Popular Español (net loss of €105 million in 2012 compared to net income of €27 million in 2011), and goodwill impairment charges in respect of Banca Populare di Milano and the Moroccan insurance company RMA Watanya.

Gains (losses) on other assets. The Group's gains on other assets declined from €66 million in 2011 to €16 million in 2012, with the difference reflecting the sale of the reinsurer ICM Ré in 2011.

Income tax. The Group recorded corporate income tax expense for 2012 of €1,057 million, up 14.3% compared to €925 million in 2011. The increase included a 7% one-time exit tax charge of €35 million applicable in 2012 in relation to the capitalization reserves charges instituted by the French government in 2011, as well as the increase in operating income.

Net income

Net income, group share, was €1,622 million in 2012, a decrease of 2.3% compared to €1,660 million in 2011. The decrease resulted from the factors described above.

Results of Operations by Segment

Retail Banking

Retail banking is by far the Group's largest segment. In the year ended 31 December 2012, 76.6% of the Group's net banking income came from the retail banking segment. The following table sets forth information relating to the results of operations of the retail banking segment in the years ended 31 December 2011 and 2012.

(in millions of euros)	Year Ended 31 December 2011 (restated)	2012	Change (2012/ 2011)	Change on a Comparable Basis
Net banking income	9,231	8,782	-4.9%	-6.0%
Operating expenses	(5,469)	(5,713)	4.5%	2.5%
Gross operating income	3,762	3,070	-18.4%	-18.6%
Cost of risk	(879)	(878)	-0.1%	-2.3%
Net gain (loss) on disposal of other assets	63	(81)	NS	NS
Net income before tax	2,946	2,111	-28.3%	-27.5%
Income tax	(940)	(750)	-20.2%	-20.0%
Net income	2,006	1,361	-32.2%	-31.0%

Retail banking activity showed some dynamism in 2012, despite the difficult market environment:

- The new federation contributed €99.8 million to net banking income in 2012.
- Customer deposits of the retail banking networks increased from €170.6 billion at 31 December 2011 to €187.0 billion at 31 December 2012, representing growth of 9.6%. The 2012 figure includes deposits from customers in the new federation of €2.8 billion at 31 December 2012. Deposits in French Livret Bleu and Livret A regulated savings accounts and other savings accounts showed the most growth. In addition, deposits grew significantly at TARGOBANK Germany.
- Customer loans of the retail banking networks grew from €240.0 billion at 31 December 2011 to €247.3 billion at 31 December 2012, an increase of 3.0%. The new federation contributed €3.4 billion of customer loans.

Despite the increase in customer deposits and loans, net banking income from the retail banking segment decreased by 4.9% in 2012, compared to 2011, and 6.0% on a comparable basis. The decrease was due to a decrease in margins, reflecting competitive conditions in all of the Group's markets, an increase in deposits in regulated savings accounts (which have fixed margins) and an increase in the cost of refinancing resulting from an increase in the proportion of the Group's requirements funded with deposits and medium- and long-term market instruments.

Net commission income in the retail banking segment was essentially stable in 2012 compared to 2011. Net commission income in the CM11 network increased by 2.1% in 2012 (including commissions of the new federation), while net commission income in the CIC network declined (primarily commissions on new loans, securities transactions and payment services). Commissions received for the distribution of insurance policies in the retail banking segment were approximately €940 million in 2012 (compared to €887 million in 2011), while commissions from remote banking, security surveillance, real estate transactions and mobile phone services were €212 million in 2012, an increase compared to €200 million in 2011.

Net banking income from the CM11 and CIC retail banking networks declined by 3.7% to €5,822 billion in 2012, reflecting primarily the factors described above.

Net banking income from TARGOBANK Germany declined by 3.5%, to €1,298 million in 2012, reflecting a continued decrease in average margins resulting from a competitive environment and increased refinancing costs as TARGOBANK Germany pursued its strategy of funding a greater share of its own requirements through local deposits. TARGOBANK Germany's deposits increased from €9.6 billion at 31 December 2011 to €10.6 billion at 31 December 2012.

Net banking income from Cofidis declined by 5.7%, to €1,067 million in 2012, reflecting lower rates on customer credits, mainly due to the lowering of the usury ceiling in France on the revolving product in the wake of the Lagarde reforms, although credit outstanding increased by 1.2%. Credit outstanding increased slightly despite the economic downturn in Cofidis' principal markets (France, Spain and Portugal). For additional information on the Lagarde reforms, see "Government Supervision and Regulation in France—Consumer Credit".

Gross operating income of the retail banking segment decreased from €3,762 million in 2011 to €3,070 million for 2012, representing a decrease of 18.4% (a decrease of 18.6% on a comparable basis). Operating expenses increased to €5,713 million in 2012, up 4.4% (up 2.5% on a comparable basis) compared to 2011. The increase in operating expenses reflects the creation of 33 new points of sale, in particular in Ile-de-France, the Mediterranean and Normandy, as well as an increase in operating expenses at Cofidis. The cost-to-income ratio of the retail banking segment deteriorated from 59.2% for 2011 to 65.1% for 2012, reflecting the decline in net banking income and the increase in expenses.

The cost of risk decreased slightly (down 0.1%, or 2.3% on a comparable basis, in 2012 compared to 2011). The cost of risk of the CM11 retail banking network was stable, while that of the CIC retail banking network increased modestly, as its professional and business customers were more significantly affected than individuals. Cost of risk was significantly lower at TARGOBANK Germany and Cofidis.

As a result of the above factors, net income from retail banking totaled €1,361 million for 2012, down 32.2% compared to €2,006 million for 2011, or down 31.0% on a comparable basis.

Insurance

In 2012, 12.3% of the Group's net banking income came from the insurance segment. The following table sets forth information relating to the results of operations of the insurance segment in 2011 and 2012, as presented in the Group's consolidated financial statements.

	Year Ended 31 December		
(in millions of euros)	**2011 (restated)**	**2012**	**Change (2012/ 2011)**
Net banking income	967	1,412	46.0%
Operating expenses	(351)	(356)	1.4%
Gross operating income	615	1,056	71.7%
Cost of risk	(44)		NS
Net gain (loss) on disposal of other assets	44	(41)	NS
Net income before tax	615	1,015	65.0%
Income tax	(194)	(412)	112.4%
Net income	421	603	43.2%

Insurance revenues of the Group remained relatively stable, increasing 0.7% to €8.2 billion in 2012. A significant increase in non-life insurance premiums partially offset a decline in life insurance premiums.

- Life insurance premiums of the GACM group declined 1.7% to €5.9 billion in 2012, reflecting a generally low savings rate in France, as well as an increase in ceilings on the amounts that could be deposited in regulated savings accounts. Despite the decrease in premiums, assets under management increased by 3.7% in 2012 as a result of positive net contributions to life insurance plans, and an increase in the market value of assets under management. Assets under management were €64.6 billion as of 31 December 2012.

- The decrease in premiums from life insurance contracts was partially offset by an increase in non-life insurance premiums of the GACM group to €2.3 billion in 2012, reflecting an increase of 4.5%, led by a strong 5.2% increase in the property and casualty segment. Premiums from automobile insurance increased by 7.7% in 2012, and premiums from homeowners insurance increased by 8.8%. Personal insurance (mainly provident insurance and borrower protection insurance) recorded a 3.3% increase in premiums.

Net banking income of the insurance segment increased sharply, to €1,412 million in 2012, representing an increase of 46% compared to 2011. The increase was primarily a result of an overall favorable environment for property insurance claims, despite the cold spell in February 2012, as well as an improvement in margins in life insurance policies, which followed a year heavily impacted by the financial crisis. The insurance businesses of GACM paid a total of €1,074 million in distribution commissions in 2012, an increase of 5.9% compared to 2011.

Operating expenses increased slightly to €356 million in 2012 from €351 million for 2011. The cost of risk of the insurance segment in 2012 was zero. In 2011, the cost of risk was €44 million, reflecting impairment charges related to Greek sovereign obligations.

The results of the insurance segment also reflected a net loss of €41 million in 2012 resulting from impairment and other charges relating to the Moroccan insurer RMA Watanya, compared to a net gain from the disposal of assets of €44 million in 2011 (reflecting the sale of ICM Ré).

Income tax charges increased in 2012, due to a 7% one-time exit tax charge of €35 million applicable in 2012 in relation to the capitalization reserves charges instituted by the French government in 2011, as well as the increase in operating income.

For the reasons described above, net income from the insurance segment totaled €603 million in 2012, up 43% compared to €421 million in 2011.

Financing and Market

In 2012, 8.1% of the Group's net banking income came from the financing and market segment. The following table sets forth information relating to the results of operations of the financing and market segment in 2011 and 2012.

	Year Ended 31 December		
(in millions of euros)	**2011 (restated)**	**2012**	**Change (2012/ 2011)**
Net banking income	885	927	4.7%
Operating expenses	(256)	(288)	12.5%
Gross operating income	630	639	1.4%
Cost of risk	(149)	(85)	-43.0%
Net gain (loss) on disposal of other assets	-	(1)	NS
Net income before tax	481	554	15.2%
Income tax	(181)	(193)	6.6%
Net income	300	361	20.3%

Financing

Net banking income from financing activities decreased from €485 million in 2011 to €324 million in 2012, or 33.1%. The decrease reflected a continued difficult economic context marked by slowing activity and lower margins. An increased effort was made to collect deposits from corporate customers, and maturities of assets and liabilities were more closely matched, resulting in less transformation margin.

Gross operating income decreased from €401 million in 2011 to €232 million in 2012. The cost-to-income ratio deteriorated from 17.1% in 2011 to 28.4% in 2012, reflecting the decrease in net banking income and a 10.8% increase of operating expenses (€83 million in 2011 and €92 million in 2012) reflecting one-time French tax measures.

The cost of risk increased to €60 million in 2012, compared to €32 million in 2011, reflecting the deterioration in the financial situation of the Group's clients beginning in the second half of 2011. Specific provisions for doubtful loans were stable, but the Group recorded an increase in collective provisions, particularly in the specialized financing business lines.

Income taxes decreased from €130 million in 2011 to €40 million in 2012, due to the decrease in operating income.

As a result of the foregoing, net income from financing decreased to €131 million, compared to €239 million in 2011.

Market activities

Net banking income from market activities was €603 million in 2012, compared to €401 million in 2011, due to higher results from proprietary investment activities. Client-based activity also increased in 2012.

Gross operating income was €407 million in 2012, representing an increase of 78.5% compared to gross operating income of €228 million in 2011. The increase in gross operating income essentially reflected the increase in net banking income. Operating expenses increased by 13.4%, to €196 million in 2012, primarily as a result of changes in legislation relating to taxes and social charges.

The cost of risk from market activities decreased to €25 million in 2012, compared to €116 million in 2011. The 2011 figure included provisions for impairment of holdings of Greek debt.

As a result, net income before tax from market activities increased to €383 million in 2012, compared to €112 million in 2011. After tax, net income was €230 million in 2012 compared to €61 million in 2011.

Private Banking

In 2012, 4.0% of the Group's net banking income came from the private banking segment. The following table sets forth information relating to the results of operations of the private banking segment in the years ended 31 December 2011 and 2012.

	Year Ended 31 December		
(in millions of euros)	**2011 (restated)**	**2012**	**Change (2012/ 2011)**
Net banking income	431	463	7.3%
Operating expenses	(317)	(334)	5.5%
Gross operating income	115	129	12.4%
Cost of risk	(43)	(29)	-32.5%
Net gain (loss) on disposal of other assets	13	6	-53.2%
Net income before tax	85	106	24.6%
Income tax	(18)	(27)	54.4%
Net income	68	79	16.9%

Net banking income from private banking totaled €463 million in 2012, up 7.3% compared to €431 million in 2011, as an increase in net interest income (primarily at Banque de Luxembourg) offset slightly reduced net commissions.

The following table provides information regarding the level of activity of the private banking segment in the years ended 31 December 2011 and 2012.

	Year Ended 31 December		
(in billions of euros)	**2011 (restated)**	**2012**	**Change (2012/ 2011)**
Deposits	14.6	15.8	8.2%
Loans	6.9	7.5	8.6%
Assets under management and custody	66.1	81.7	23.6%

The increase in assets under management and custody was realized largely in the Banque Transatlantique group, which recorded a 62% increase to €17.1 billion at the end of 2012, reflecting strong commercial efforts and the conclusion of several significant transactions.

Operating expenses increased to €334 million in 2012, compared to €317 million in 2011, reflecting increased information technology costs and amortization charges. Given the increase in net banking income and the lower percentage increase in operating expenses, gross operating income increased 12.4%, from €115 million in 2011 to €129 million in 2012.

The cost of risk decreased from €43 million for 2011 to €29 million in 2012. In 2011, the figures reflected primarily impairment charges in respect of Greek sovereign bonds. In 2012, the cost of risk reflected impairment charges related to certain Greek asset-backed securities as well as an increase in the cost of risk at Banque de Luxembourg.

As a result of the above factors, net income from private banking increased to €79 million for 2012, compared to €68 million for 2011.

Private Equity

In 2012, 0.9% of the Group's net banking income came from the private equity segment. The following table sets forth information relating to the results of operations of the private equity segment in the years ended 31 December 2011 and 2012.

	Year Ended 31 December		
(in millions of euros)	**2011 (restated)**	**2012**	**Change (2012/ 2011)**
Net banking income	93	100	7.6%
Operating expenses	(34)	(34)	-
Gross operating income	59	66	11.8%
Cost of risk	-	-	NS
Net gain (loss) on disposal of other assets	-	-	NS
Income tax	(2)	2	NS
Net income	57	67	17.5%

The private equity segment continued to experience difficult conditions in 2012, with net banking income of €100 million, compared to €95 million in 2011.

The following table provides a breakdown of investments and amounts managed by the segment at 31 December 2012.

(in millions of euros)	
Total investments by the Group made in 2012	199
Cumulative amount invested by the Group[1]	1,650
Value of Group portfolio, excluding amounts managed for third parties	1,769
Amounts managed for third parties[2]	676

[1] Of which 83% invested in unlisted companies and the remainder in listed companies and funds.
[2] Including investment commitments

Operating expenses remained stable in 2012 compared to the same period in 2011, and net income from private equity totaled €67 million in 2012, compared to €57 million in 2011, as a result of the above factors.

Logistics and Holdings

(*in millions of euros*)	Year ended 31 December 2011 (restated)	 2012	Change (2012/ 2011)
Net banking income	15	370	NS
Operating expenses	(1,061)	(1,209)	13.9%
Gross operating income	(1,047)	(839)	-19.9%
Cost of risk	(342)	(90)	-73.7%
Gains or losses on other assets	(30)	(44)	46.7%
Net income before tax	(1,419)	(972)	-31.5%
Income tax	409	323	-21.0%
Net income	(1,010)	(649)	-35.7%

The logistics and holding segment generated net banking income of €370 million in 2012, compared to net banking income of €15 million in 2011. These figures reflect the following for the two principal components of this segment:

- The "logistics and other" business of the Group produced net banking income of €1,240 million in 2012, compared to €1,109 million in 2011, an increase of 6.3%. This reflects primarily an increase in the net banking income of the press, media and telecommunications affiliates and Euro Protection Surveillance. The Group's mobile telephone affiliate, EI Telecom (formerly NRJ Telecom) recorded an increase in customer contracts and a strong increase in usage, offset by lower average revenue per user in a highly competitive environment. Euro Protection Surveillance recorded an increase in the number of security contracts.

- The "holding company" activities of the Group generated negative net banking income of €870 million in 2012, compared to €1,082 million in 2011. The main reason for the reduction in negative net banking income was the absence in 2012 of significant impairment charges recorded in 2011 on holdings of listed equity securities. The 2012 figure includes the cost of providing working capital to certain banking entities in other segments, the cost of acquisition financing of TARGOBANK Germany, the amortization of purchase accounting entries relating to Cofidis and TARGOBANK Germany, start-up costs relating to Crédit Mutuel Local Banks and CIC branches, the impairment of the interest in Banca Populare di Milano, offset in part by gains on sales of certain equity investments.

Operating expenses increased by 13.9%, from €1,061 million in 2011 to €1,209 million in 2012. The cost of risk in this segment was €90 million in 2012, including losses on the sale of Greek bonds received in connection with the implementation of the Private Sector Initiative restructuring plan. Provisions for bad debts of NRJ Mobile customers are also included in this segment, although the amount is not material for the Group. Cost of risk in this segment in 2011 was €342 million, including the impact of the impairment of Greek bonds.

As a result of the foregoing, the logistics and holding segment had negative net income of €649 million in 2012, compared to negative net income of €1,010 million in the same period in 2011.

Analysis of Cost of Risk and Doubtful Loans

The cost of risk decreased 25.7% to €1,081 million in 2012, compared to €1,456 million in 2011. Cost of risk for the period includes a €30 million charge related to the sale of Greek sovereign debt received in the Private Sector Initiative exchange, as described above. Following these transactions, the Group no longer holds any Greek sovereign debt.

The Group's cost of risk from ordinary activities (excluding the impact of significant external events such as the Greek crisis) is relatively limited as a result of the nature of its retail banking oriented business model, and its conservative approach to risk taking and strong risk management and monitoring. The following table shows the cost of risk as a percentage of loans to customers in 2012 and 2011.

Cost of Risk (% of loans to customers)	Year Ended 31 December 2011 (restated)	 2012
Retail banking (excluding TARGOBANK Germany, Cofidis and support subsidiaries)	**0.12%**	**0.15%**
Individuals	0.07%	0.07%
Home loans	0.04%	0.06%
Financing and market (large corporate)	**0.14%**	**0.48%**
Private Banking	**0.09%**	**0.31%**
TARGOBANK Germany	**1.92%**	**1.57%**
Cofidis	**4.48%**	**3.92%**
Total all customers	**0.373%**	**0.369%**

At 31 December 2012, the proportion of doubtful loans in the overall portfolio and the coverage ratio of provisions to doubtful loans decreased slightly compared to 31 December 2011. The following table provides information on the Group's doubtful loans and provisions for possible loan losses in 2011 and 2012 (certain figures in the table do not add due to rounding):

(in billions of euros)	**31 December 2011 (restated)**	**31 December 2012**
Gross customer loans outstanding	270.7	276.0
Non-performing loans	11.3	11.4
Loans loss reserves	7.5	7.4
Of which specific reserves	*7.0*	*6.8*
Of which reserves for country, sector and other general risks	*0.5*	*0.6*
Doubtful loan ratio (doubtful loans / gross customer loans)	4.2%	4.1%
Coverage ratio of provisions to doubtful loans	66.7%	64.7%

See "Risk Management" for additional information relating to the Group's portfolio of loans and off-balance sheet risks, provisions and doubtful exposures.

BFCM Group Results of Operations

The results of operations of the BFCM Group in the year ended 31 December 2012 were driven by the same factors that influenced the results of operations of the CM11-CIC Group, with the exception of the decline in net banking income and gross operating income recorded in the CM11 retail network banks. The following table sets forth key figures for the BFCM Group in the years ended 31 December 2011 and 2012.

(in millions of euros)	**Year ended 31 December** **2011 (restated)**	**2012**	**Change (2012/ 2011)**
Net banking income	**7,740**	**8,159**	**5.4%**
Operating expenses and Depreciation, amortization and provisions for non-current assets	(4,902)	(5,140)	4.9%
Gross operating income	**2,838**	**3,019**	**6.4%**
Cost of risk	(1,336)	(962)	-28.0%
Operating income	**1,503**	**2,057**	**36.9%**
Share of income/(loss) of affiliates	42	(131)	NS
Gains or losses on other assets	102	12	-88.2%
Net income before tax	**1,637**	**1,910**	**16.7%**
Income tax	(552)	(711)	28.8%
Net income	**1,086**	**1,200**	**10.5%**
Net income attributable to minority interests	233	270	15.9%
Net income – Group share	**852**	**930**	**9.2%**

Net Banking Income

BFCM Group net banking income increased from €7,740 million in 2011 to €8,159 million in 2012, representing an increase of 5.4%. The key components of the change in net banking income of the BFCM Group from 2011 to 2012 included the following, all of which reflect the same factors applicable to the Group:

- A 27.9% decrease in net interest income, from €4,376 million in 2011 to €3,156 million in 2012, driven by tighter margins. This decrease was slightly lower in absolute amount (although somewhat higher in percentage terms) than the decrease recorded by the CM11-CIC Group, reflecting the absence of the CM11 network banks (including the absence of the addition of a federation, which increased net interest income of the CM11-CIC Group);

- A 2.5% decrease in net commission income, from €1,992 million in 2011 to €1,943 million in 2012, reflecting primarily a decrease in commissions received on securities transactions and services;

- An increase in the gain on financial instruments at fair value, from €24 million in 2011 to €886 million in 2012;

- A gain on sales of financial instruments available for sale, in respect of which the Group recorded a loss of €99 million in 2011, compared to a gain of €243 million in 2012; and

- A 33.5% increase in other net banking income (net of other net banking charges), from €1,446 million in 2011 to €1,931 million in 2012, reflecting primarily the increase in net banking income from the insurance segment.

Retail banking represented the largest activity in the BFCM Group, while insurance and financing/markets represented the next highest proportions. The following table presents a breakdown of net banking income by business segment. See "—Results of Operations by Segment" for an analysis of net banking income and other income statement items by business segment of the Group.

(in millions of euros)	Year ended 31 December 2011 (restated)	 2012	 Change (2012/ 2011)
Retail banking	6,215	5,854	-5.8%
Insurance	875	1,318	50.6%
Financing and market activities	885	927	4.7%
Private banking	432	464	7.4%
Private equity	93	100	7.5%
Logistics and holding	(704)	(446)	NS
Inter-segment	(55)	(58)	5.5%
Total	**7,740**	**8,159**	5.4%

Net banking income of the BFCM Group from retail banking decreased by 5.8% compared to 2011. The increase was comparable in amount to that of the Group, as there was no increase in the scope of consolidation (addition of a new federation) at the level of the BFCM Group) to offset the decline in net interest margin and net commissions.

Net banking income from the other segments of the BFCM Group was generally similar to that of the analogous segments in the CM11-CIC Group, analyzed above, with the exception of the logistics and holding segment (for the reasons described under "—Presentation of Information in this Section").

France represented approximately 75.9% of net banking income of the BFCM Group in 2012 and 72.8% in 2011. The following table provides a breakdown of the Group's net banking income by region in 2011 and 2012.

(in millions of euros)	Year ended 31 December 2011 (restated)	 2012	 Change (2012/ 2011)
France	5,631	6,193	10.0%
Europe excluding France	1,861	1,793	-3.7%
Other countries	249	173	-30.5%
Total	**7,740**	**8,159**	5.4%

Gross operating income

Gross operating income of the BFCM Group increased by 6.4%, to €3,019 million in 2012 from €2,838 million in 2011. Operating expenses, depreciation, and amortization increased 4.9% to €5,140 million in 2012, compared to €4,902 million in 2011. The BFCM Group's cost-to-income ratio remained relatively stable at 63.3% in 2012, compared to 63.0% in 2011.

Retail banking gross operating income was €2,106 million in 2012, an 18.2% decrease compared to €2,573 million of gross operating income recorded in 2011. The cost-to-income ratio of the retail banking segment deteriorated from 58.6% in 2011 to 64.0% in 2012, reflecting the same trends as are discussed above for the retail banking segment of the CM11-CIC Group, apart from the impact of the new federation.

Cost of Risk

Cost of risk of the BFCM Group decreased by 28.0%, from €1,336 million in 2011 to €962 million in 2012. The reasons for the improvement are largely the same as those described above for the CM11-CIC Group.

Operating income

Operating income of the BFCM Group was €2,057 million in 2012, representing an increase of 36.9% compared to €1,503 million in 2011. This increase reflected the increase in gross operating income and decrease in the cost of risk, each as described above.

Net income

Net income, group share, of the BFCM Group was €930 million in 2012, an increase of 9.2% compared to €852 million in 2011.

Transactions with CM11-CIC Group Entities

The BFCM Group recorded €856 million of gross operating income in 2012 from transactions with entities in the CM11-CIC Group that are not part of the BFCM Group (primarily the Local Banks and CF de CM, as well as the non-consolidated portion of TARGOBANK Spain and Banque Casino). In 2011, gross operating income earned on transactions with entities in the CM10-CIC Group was €868 million. The 1.4% decrease resulted mainly from reduced financing of the Local Banks, which increased the portion of their requirements funded with deposits.

Net interest income from these transactions was €1,060 million in 2012 and €1,008 million in 2011. As at 31 December 2012, there were €38.2 billion of loans outstanding to the entities in the CM11 Group that are outside the BFCM Group, compared to €47.8 billion to the CM10 Group as at 31 December 2011. Net commissions paid were €177 million in 2012, and €216 million in 2011, mainly due to a decrease in payment services commissions received by BFCM.

Other net banking income from these entities was €10 million in 2012, compared to €112 million in 2011.

Year ended 31 December 2011 (CM10-CIC) compared with year ended 31 December 2010 (CM5-CIC)

The figures in this section have not been restated to reflect the application of changes to IAS 19 or the correction of an accounting error relating to Banco Popular Español, described under "—Restatement of the 2011 Consolidated Financial Information". The amounts involved in 2010 and 2011 are not material.

Group Scope of Consolidation

In 2011, the Group expanded with the addition of five federations as of 1 January 2011, as the CM5-CIC Group became the CM10-CIC Group. The following table sets forth certain key figures of the five federations added to the Group in 2011.

(in millions of euros except customers, points of sale and percentages)	**At or for the year ended 31 December 2011**
Customers (year end)	1.9 million
Points of sale (year end)	543
Customer deposits	23,060
Customer loans and receivables	26,340
Total assets	27,201
Total assets (% of Group total)	*5.8%*
Net banking income	913
Net income	237.6

Apart from the five new federations, other changes in the scope of consolidation did not have a material impact on the Group's financial condition or results of operations in 2011.

For purposes of determining changes in income statement items on a "comparable basis" in this Section, the results of operations of each of the entities that entered the scope of consolidation for the first time in 2011 are eliminated. The results of operations of entities that entered the scope of consolidation for the first time in 2010 are annualized.

Group Activity Overview

Activity levels in 2011 were strong given the complex market environment. In addition to significant growth from the five new federations, the Group opened new Local Banks and recorded comparable basis increases in customers, loans and deposits. In particular:

- The number of clients of the CM10-CIC Group increased to approximately 23 million at year-end (including 1.9 million from the new federations and more than 100,000 through internal growth).

- Customer loans outstanding increased by €34.6 billion (growth of 3.5% on a comparable basis), to €263.9 billion, driven primarily by growth of 10.7% on a comparable basis in investment loans (equipment loans) and 3.2% growth on a comparable basis in home loans.

- Customer deposits grew by 10.4% on a comparable basis (excluding SFEF deposits and repurchase transactions). Including the new federations, such customer deposits stood at €193.6 billion as of 31 December 2011.

- The Group added 2.43 million new insurance contracts (an increase of 11.1%), including 1.6 million from borrower insurance that was offered for the first time to customers of Cofidis.

The retail banking segment added €33.8 billion of new customer loans, increasing its total to €240 billion at the end of 2011, an increase of 3.5% on a comparable basis. Deposits of the retail segment increased by 12.7% on a comparable basis, to more than €170 billion as of the end of 2011. With €22.4 billion of customer loans outstanding as of 31 December 2011, the activities of new subsidiaries (TARGOBANK Germany, TARGOBANK Spain, Cofidis and Banque Casino) were steady, despite new regulatory constraints and the difficult economic climate.

Customer loans outstanding were €15.5 billion in the corporate banking segment and €7.1 billion in the private banking segment, in each case as of 31 December 2011.

Finally, drawing in particular on its expertise in technology, the Group strengthened its position in the fields of e-money, payment services and mobile telephony. This is opening new opportunities to satisfy customer needs and to generate additional revenues.

Group Results of Operations

The Group's results of operations in 2011 reflected the impact of the addition of the five new federations, increased retail banking activity, increased non-life insurance business, stable operating expenses and a sharply lower cost of risk from ongoing banking activities. These were offset by tighter margins on retail lending, lower life insurance business, a difficult environment for financial market activities, the absence in 2011 of a one-time tax benefit recorded in 2010, and impairment charges relating to the Group's Greek sovereign debt holdings.

The following table sets forth the evolution of the Group's key income statement items in the years ended 31 December 2010 and 2011.

(in millions of euros)	**2010**	**2011**	**Change (2011/2010)**	**Change Comparable Basis**
Net banking income	**10,889**	**11,053**	**1.5%**	**-7.9%**
Operating expenses and Depreciation, amortization and provisions for non-current assets	(6,356)	(6,942)	9.2%	-0.3%
Gross operating income	**4,533**	**4,111**	**-9.3%**	**-18.5%**
Cost of risk	(1,305)	(1,456)	11.6%	6.7%
Operating income	**3,228**	**2,656**	**-17.7%**	**-28.7%**
Share of income/(loss) of affiliates	26	6	-76.9%	
Gains or losses on other assets	16	66	n.s.	
Change in value of goodwill	(45)	(9)	n.s.	
Net income before tax	**3,225**	**2,718**	**-15.7%**	**-26.7%**
Income tax	(884)	(913)	3.3%	-7.3%
Net income	**2,341**	**1,805**	**-22.9%**	**-34.1%**
Net income attributable to minority interests	380	182	-52.1%	
Net income – Group share	**1,961**	**1,623**	**-17.2%**	**-30.5%**

Net Banking Income

Net banking income of the CM10-CIC Group was €11,053 million in 2011, up 1.5% (but down 7.9% on a comparable basis) compared to 2010. The net banking income of the five federations added to the Group in 2011 was €913 million. The key components of the changes in the Group's net banking income from 2010 to 2011 included the following:

- An increase of 1.8% in net interest income, from €6,190 million in 2010 to €6,300 million in 2011, driven by the additional federations and reflecting increased loan volumes offset by tighter margins.

- Decreased net commission income, which fell from €2,759 million in 2010 to €2,702 million in 2011, representing a decrease of 2.1%. Gross commission income was stable despite the addition of the new federations, as increased commissions from client transactions offset a decline in commissions from securities transactions and other services (including a decline in commissions realized by Cofidis, resulting from the replacement in 2011 of borrower-protection insurance provided by outside parties with insurance provided by GACM). Commissions paid increased by €48 million due to the addition of the new federations, generally reflecting commissions paid to providers of payment services, such as credit and debit card transaction processing.

- A net loss on financial instruments recorded at fair value through profit and loss of €70 million in 2011 (including impairment charges of €58 million in respect of Greek sovereign debt holdings and €98 million in the private equity segment), compared to a gain of €75 million in 2010 realized largely on securities held in the private equity segment.

- A decline in net gains from financial instruments available for sale, from €125 million in 2010 (reflecting mainly gains on sales of government securities held in the portfolio) to €11 million in 2011.

- An increase in other net banking income and expenses, from €1,738 million in 2010 to €2,109 million in 2011, reflecting primarily increased mobile phone revenues of EI Telecom, revenues from the newly acquired Est Republicain newspaper and the combination of the Group's surveillance businesses, formerly recorded by the equity method, in the fully-consolidated Euro Protection Surveillance, as well as gains recorded in 2011 on the sale of claims against Lehman Brothers that had previously been the subject of impairment charges.

Retail banking and insurance together represented approximately 92% of net banking income in 2011 and 88% in 2010. Net banking income from all segments, other than Private banking, decreased on a comparable basis in 2011 compared to 2010, with the most significant declines occurring in the insurance and finance and market segments. The following table presents a breakdown of net banking income by business segment. See "—Results of Operations by Segment" for an analysis of net banking income and other income statement items by business segment.

(in millions of euros)	**2010**	**2011**	**Change (2011/2010)**	**Change Comparable Basis**
Retail banking	8,401	9,206	9.6%	-2.0%
Insurance	1,198	967	-19.3%	-19.3%
Financing and market activities	1,074	885	-17.6%	-17.6%
Private banking	404	431	6.7%	6.8%
Private equity	191	93	-51.3%	-51.3%
Logistics and holding	103	27	NS	NS
Inter-segment	(482)	(557)	NS	NS
Total	**10,889**	**11,053**	**1.5%**	**-7.9%**

The geographical breakdown of the Group's net banking income reflects its focus on local banking and insurance in its home market of France, which represented approximately 81% of 2011 net banking income, a greater share than in 2010, due to the addition of the new federations to the Group, as well as a decline in net banking income realized outside of France. The following table provides a breakdown of the Group's net banking income by region in 2010 and 2011.

(in millions of euros)	**2010**	**2011**	**Change (2011/2010)**
France	8,534	8,944	4.8%
Europe excluding France	2,011	1,861	-7.5%
Other countries	343	249	-27.4%
Total	**10,889**	**11,053**	**1.5%**

Gross operating income

Gross operating income was €4,111 million in 2011, a decrease of 9.3% compared to 2010, when the Group recorded gross operating income of €4,533 million. On a comparable basis, the 2011 figure represented a decrease of 18.5% compared to 2010.

The cost-to-income ratio deteriorated from 58.4% in 2010 to 62.8% in 2011, reflecting the higher cost base of the new federations, which did not benefit from Group-related synergies before joining the Group. The increase in the cost-to-income ratio reflected the decline in comparable basis net banking income, as the Group's expenses declined slightly on a comparable basis.

Operating expenses and depreciation, amortization and provisions for non-current assets totaled €6,942 million in 2011, up 9.2%, but down 0.3% on a comparable basis, compared to 2010, reflecting the following:

- Payroll costs increased by 12%, from €3,606 million in 2010 to €4,043 million, reflecting primarily an increase in the average number of employees from 53,180 in 2010 to 61,145 in 2011. Average employee numbers outside France increased by 15%, while growth in France was 5%. The increase in the average number of employees reflects the increase in the scope of consolidation, including in particular the addition of the new federations in France, and the full year consolidation of TARGOBANK Spain in 2011.

- Other operating expenses (including depreciation and amortization) increased from €2,750 million in 2010 to €2,898 million in 2011, an increase of 5.4%, that reflected mainly the new federations and Banque Casino, offset in part by the absence in 2011 of certain 2010 expenses relating to the rebranding and information technology integration of TARGOBANK Germany. External services account for the largest share of these expenses, and were €1,940 million in 2010 and €2,041 million in 2011, an increase of 5.2%.

Cost of Risk

The Group's cost of risk increased to €1,456 million in 2011, representing an increase of 11.5% compared to €1,305 million recorded in 2010. The 2011 figure included €451 million of impairment charges relating to Greek sovereign debt obligations. Excluding these charges, the cost of risk for 2011 represented 0.37% of outstanding customer loans at 31 December 2011, compared to 0.54% for 2010. See "—Analysis of Cost of Risk and Doubtful Loans" for more detail.

Operating income

Operating income was €2,656 million in 2011, representing a decrease of 17.7% (28.7% on a comparable basis) compared to the 2010 figure of €3,228 million. The decrease in operating income was primarily the result of the decrease in gross operating income and the increase in cost of risk, each as described above.

Other income statement items

Share of income/(loss) of associates. The Group's share of income of associates (i.e., companies accounted for under the equity method) decreased from €26 million in 2010 to €6 million in 2011. The decrease reflected primarily a €31 million charge relating to certain transactions to reinforce the capital of Banco Popolare di Milano in the first half of 2011. These transactions and their consequences on the Group's consolidated income statement are described in Note 15 to the Group's 2011 consolidated financial statements incorporated by reference in this Information Document.

Change in value of goodwill. The Group's goodwill impairment charges declined from €45 million in 2010 (relating to certain of the Group's affiliates in the media and press sector) to €9 million in 2011.

Income tax. The Group recorded corporate income tax expense for 2011 of €913 million, up 3.3% compared to €884 million in 2010 despite the decline in operating income. In 2010, the Group recorded a €120 million one-time tax relating to the capitalization reserve, which allowed the Group to record non-recurring income of approximately €120 million. The capitalization reserve is a tax-deferred reserve created through the allocation of a portion of profits, which are taxed at only upon release and distribution. In 2010, insurance companies had the option of paying a 10% immediate "exit" tax, in lieu of future tax at the ordinary rate. The result for the Group was a reversal of part of the deferred tax expenses previously recorded in relation to this reserve. As a result, the effective tax rate was only 27.63% in 2010, compared to 33.5% (close to the French corporate tax rate) in 2011.

Net income

Net income, group share, was €1,623 million in 2011, a decrease of 17.2% compared to €1,961 million in 2010. The decrease on a comparable basis was 30.5%. The decrease resulted from the factors described above, primarily the lower gross operating income, higher cost of risk and higher effective tax rate.

Results of Operations by Segment

Retail Banking

Retail banking is by far the Group's largest segment. In the year ended 31 December 2011, 83.3% of the Group's net banking income came from the retail banking segment. The following table sets forth information relating to the results of operations of the retail banking segment in 2010 and 2011.

(in millions of euros)	**2010**	**2011**	**Change (2011/2010)**	**Change on a Comparable Basis**
Net banking income	8,401	9,206	9.6%	-2.0%
Operating expenses	(4,890)	(5,484)	12.1%	0.0%
Gross operating income	3,511	3,722	6.0%	-4.9%
Cost of risk	(1,154)	(879)	-23.8%	-29.3%
Net gain (loss) on disposal of other assets	31	36	16.1%	14.4%
Net income before tax	2,388	2,879	20.6%	7.1%
Income tax	(800)	(926)	15.8%	5.4%
Net income	1,588	1,953	23.0%	8.0%

Retail banking activity levels were strong in 2011 given the market environment. Depending on the network, customer loans increased between 3% and 4% from 2010 to 2011, while deposits grew between 8% and 15%.

- Customer deposits increased from €130.8 billion as of 31 December 2010 to €171.0 billion as of 31 December 2011, representing an increase of 12.7% on a comparable basis, reflecting in part a shift from life insurance and mutual fund products, as well as an overall increase in total deposits and managed savings. Deposits from customers in the five new federations were €23.1 billion as of 31 December 2011.

- Customer loans grew from €206.2 billion at the end of 2010 to €240.0 billion at the end of 2011, an increase of 3.5% on a comparable basis. The increase reflected strong commercial production of new home loans and equipment financing in the Crédit Mutuel and CIC networks, partially offset by a decrease in customer loans at TARGOBANK Germany and TARGOBANK Spain. The five new federations contributed €26.3 billion of customer loans.

Net banking income from the retail banking segment grew by 9.6% from 2010 to 2011, but declined by 2.0% on a comparable basis. The decline was mainly due to tightening margins in the Crédit Mutuel and CIC networks, resulting largely from longer maturities on the funding of new loan production as a result of the Group's efforts to satisfy future regulatory requirements. In addition, net banking income from TARGOBANK Germany declined by 8.4%, to €1,344.6 million in 2011, and net banking income from Cofidis declined by 7%, to €1,142 million in 2011, in each case reflecting a decrease in average margins resulting from a competitive environment and increased refinancing costs.

Net commission income represented 36.6% of the net banking income of the retail segment. Approximately €700 million of commissions were paid by the insurance segment for the distribution of insurance products by the retail networks, and an additional €200 million were paid by the insurance segment to Cofidis for its new activity of distributing borrower's insurance to its customers. Approximately €203 million of commissions were recorded in respect of internet banking services, surveillance services, real estate transactions and mobile telephone subscriptions, representing an overall increase of 18%.

Gross operating income of the retail banking segment increased from €3,511 million in 2010 to €3,722 million in 2011, an increase of 6.0% (but a decrease of 4.9% on a comparable basis). Operating expenses increased to €5,484 million in 2011, up 12.1% compared to 2010 (but stable on a comparable basis). The cost-to-income ratio of the retail banking segment deteriorated from 58.2% for 2010 to 59.6% for 2011.

The cost of risk decreased significantly (down 23.8%, or 29.3% on a comparable basis), while the coverage ratio for doubtful loans increased to 66.9%. The significant reduction in the cost of risk was seen throughout the segment, including the Crédit Mutuel network (where cost of risk represented 0.10% of outstanding loans), the CIC network, BECM, TARGOBANK Germany and Cofidis.

As a result of the above factors, net income from retail banking totaled €1,953 million for 2011, up 23.0% compared to €1,588 million for 2010, or up 8.0% on a comparable basis.

Insurance

In the year ended 31 December 2011, 8.7% of the Group's net banking income came from the insurance segment. The following table sets forth information relating to the results of operations of the insurance segment in 2010 and 2011, as presented in the Group's consolidated financial statements.

	Year Ended 31 December		
(in millions of euros)	**2010**	**2011**	**Change (2011/2010)**
Net banking income	1,198	967	-19.3%
Operating expenses	(367)	(351)	-4.4%
Gross operating income	831	615	-26.0%
Cost of risk	0	(44)	NS
Net gain (loss) on disposal of other assets	(3)	44	NS
Net income before tax	828	615	-25.7%
Income tax	(144)	(194)	34.7%
Net income	684	421	-38.5%

In an unusual economic context, insurance premiums of the Group declined by 11.3%, from €9.2 billion in 2010 to €8.2 billion in 2011.

- Life insurance premiums of the GACM group declined from €7.1 billion in 2010 to €5.9 billion in 2011, reflecting a general market shift from life insurance to traditional bank deposits in a difficult economic environment. Despite a sharp decline in life insurance and annuity contracts, total assets under management increased by 2.2%.

- The decrease in premiums from life insurance contracts was partially offset by a significant increase in non-life insurance premiums of the GACM group from €2.0 billion in 2010 to €2.1 billion in 2011, reflecting an increase of 6.3%. Home and car insurance premiums increased 5.3% and 8.5%, respectively. The segment also benefited from an increase in borrower protection insurance, in particular as GACM began providing this insurance to Cofidis customers as of 1 January 2011.

- The Group also recorded insurance revenues from a legacy insurance company owned by the Local Banks, which no longer writes new insurance policies.

The insurance businesses of GACM paid a total of €1,014 million in distribution commissions in 2011, an increase of 23% compared to €825 million in distribution commissions in 2010. The increase reflected mainly commissions paid to Cofidis relating to borrower protection insurance that was first offered in 2011. The large majority of these commissions were paid to Crédit Mutuel or CIC banks in the retail banking segment, demonstrating the Group's orientation towards retail banking and the use of the Group's insurance products as support of its retail banking networks.

Given the absence of major weather-related events, total claims and benefits paid and provisions were €6,286 million in 2011, an increase of 15.3% compared to €5,454 million in 2010. The segment's results were impacted in 2010 by major weather events (Xynthia windstorm, flooding in the Var region of France, hailstorms), which resulted in high real estate and casualty losses.

Investment income declined significantly in 2011 as a result of an increase in the proportion of the Group's assets invested in highly rated fixed income instruments and a decline in stock market values.

As a result of the foregoing, net banking income from the insurance segment was €967 million in 2011, representing a decline of 19.3% compared to 2010. Operating expenses decreased slightly to €351 million in 2011 from €367 million for 2010, reflecting the impact of the transfer of two affiliates in the insurance segment to Euro Protection Surveillance, as discussed below.

The cost of risk of the insurance segment in 2011 (€44 million) related entirely to impairment charges on Greek sovereign debt. GACM recorded approximately €80 million of capital gains from the sale of two affiliates, ICM Ré and EP Services (the latter was sold to Euro Protection Surveillance, an affiliate of BFCM in the logistics and holdings segment).

Income tax charges increased in 2011 despite the decline in operating income, as a result of the absence in 2011 of a €120 million one-time tax benefit recorded in 2010, relating to the capitalization reserve, which allowed the Group to record non-recurring income of approximately €120 million. The capitalization reserve is a tax-deferred reserve created through the allocation of a portion of profits, which are taxed at only upon release and distribution. In 2010, insurance companies had the option of paying a 10% immediate "exit" tax, in lieu of future tax at the ordinary rate. The result for the Group was a reversal of part of the deferred tax expenses previously recorded in relation to this reserve.

Net income from the insurance segment totaled €421 million in 2011, down 38.5% compared to €684 million for 2010, reflecting the decrease in premium income from life insurance savings contracts, the cost of risk related to Greece and the absence of the one-time 2010 tax benefit.

Financing and Market

In the year ended 31 December 2011, 8.0% of the Group's net banking income came from the financing and market segment. The following table sets forth information relating to the results of operations of the financing and market segment in 2010 and 2011.

(in millions of euros)	**2010**	**2011**	**Change (2011/2010)**
Net banking income	1,074	886	-17.50%
Operating expenses	(262)	(256)	-2.29%
Gross operating income	812	629	-22.54%
Cost of risk	(32)	(148)	x4.6
Net gain (loss) on disposal of other assets	0	0	NS
Net income before tax	780	481	-38.33%
Income tax	(190)	(181)	-4.74%
Net income	590	300	-49.15%

The Group's financing activities were very active during the first seven months of 2011 and were focused on medium and long term financings, in particular due to demand from life insurers for long term investments. Starting in August 2011, the Group's financing activities decreased significantly, with the intensification of the sovereign debt crisis. The brutal decrease in the availability of short-term U.S. dollars from U.S. money market funds did not, however, have a significant impact on the Group, given its low reliance on U.S. dollar funding. The Group's proprietary trading activities were affected by the sovereign debt crisis, as, given the high volatility and uncertainty in the second half of the year, the Group's positions were managed with prudence and were generally reduced, with the result that although results decreased compared to 2010, the decrease remained moderate.

Financing

Net banking income from financing activities increased from €456 million in 2010 to €485 million in 2011, or 6.4%. The increase reflected the particularities of the economic context in 2011. The liquidity of the interbank market was tight, due to the restrictive actions of the major actors, lack of access to the US dollar market and the weight of the regulations to be implemented in 2015/2018 regarding new liquidity and capital adequacy ratios of Basel III.

The large majority of the financing activity of the Group is concentrated in the CIC group. In 2011, in a difficult economic context, CIC's net production of loans and commitments to large corporate and institutional investors weakened. CIC's commitments (excluding guarantees received) decreased €1.1 billion, from €22.1 billion at 31 December 2010 to 21.0 billion at 31 December 2011: on balance sheet loans decreased from €5.7 billion to €5.2 billion (representing a decrease of 8.3%), off-balance sheet financing (the undrawn portion of committed lines) decreased from €10.4 billion to €9.3 billion; off-balance sheet guarantees (sureties) increased 7.3% to almost €6.5 billion. Deposits increased to €6.7 billion, including €5.8 billion in the form of term deposits and €1 billion of demand deposits. There are also €3.9 billion of certificates of deposit. In the specialized financing business, activity was concentrated in the first three quarters as the fourth quarter was affected by the difficult market context. In the acquisition financing business, activity was strong, and despite an increase in the cost of liquidity, new transactions were realized at favorable profitability/risk levels. In the asset financing business, activity was good in the traditional sectors despite the difficult economic environment. Margins on the best-ranked counterparties decreased in the latter part of the year, in particular due to competition among banks with access to the US dollar. New York and Singapore continued their development, with their activity representing a significant part of global activity.

Gross operating income increased from €376 million in 2010 to €401 million in 2011. The cost-to-income ratio improved from 17.5% in 2010 to 17.1% in 2011. The results reflected the improvement in CIC's conditions for new transactions, both in terms of margin and commissions. Total commissions increased at CIC even as commitments outstanding decreased.

The cost of risk remained relatively stable at €32 million in 2011, compared to €35 million in 2010. The stability in the cost of risk reflected the quality of the loan portfolio and the fine-tuning of the rating tool used for decision making, as discussed further under "—Analysis of Cost of Risk and Doubtful Loans".

Income taxes increased significantly, from €105 million in 2010 to €130 million in 2011, due to the increase in operating income and a slight increase in the effective tax rate.

As a result of the foregoing, net income from financing increased only slightly to €239 million, compared to €236 million in 2010.

Market activities

Net banking income from market activities totaled €401 million in 2011, compared to €618 million in 2010. Market activities were affected by the Euro zone debt crisis, which resulted in a drop in the stock market and wider bond spreads, impacting the results of proprietary activities.

Gross operating income was €228 million in 2011, representing a decline of 47.7% compared to gross operating income of €436 million in 2010. The change in gross operating income essentially reflected the decline in net banking income and the slight decline in operating expenses to €173 million, compared to €182 million in 2010.

The cost of risk from market activities represented a cost of €116 million in 2011, compared to a net reversal of €4 million in 2010. The 2011 figure reflected market volatility and €104 million of impairment charges on Greek sovereign debt obligations.

As a result, net income before tax from market activities decreased significantly to €112 million in 2011, compared to €440 million in 2010. Total losses on Greek debt obligations in this activity were €154 million before income tax impact. After tax, net income was €61 million in 2011 compared to €355 million in 2010.

Private Banking

In 2011, 3.9% of the Group's net banking income came from the private banking segment. The following table sets forth information relating to the results of operations of the private banking segment in 2010 and 2011.

(in millions of euros)	**2010**	**2011**	**Change (2011/2010)**
Net banking income	404	431	6.7%
Operating expenses	(320)	(317)	-0.9%
Gross operating income	84	115	36.9%
Cost of risk	(15)	(43)	186.7%
Net gain (loss) on disposal of other assets	1	13	NS
Net income before tax	71	85	19.72%
Income tax	(8)	(18)	125.0%
Net income	62	68	9.7%

Net banking income from private banking totaled €431 million in 2011, up 6.7% compared to €404 million in 2010, reflecting strong results at Banque Transatlantique, which reached a record amount of savings managed at 31 December 2011. Dubly-Douilhet's products showed a good resistance to the crisis, with the remuneration of cash and cash equivalents improving compared to 2010. CIC Suisse continued to grow with a new branch in Sion opened in 2011, and Banque de Luxembourg was able to stabilize its activities and results, despite the crisis. CIC Private Banking - Banque Pasche, CIC Singapore Branch and CICIS Limited Hong Kong had more difficult years, despite the level of assets managed remaining stable.

The following table provides information regarding the level of activity of the private banking segment in 2010 and 2011.

(in billions of euros)	**2010**	**2011**	**Change (2011/2010)**
Deposits	13.6	14.6	7.4%
Loans	5.6	7.1	26.8%
Savings managed	74.5	66.1	-11.3%

Operating expenses decreased slightly to €317 million in 2011, compared to €320 million in 2010, due to savings resulting from the merger of GPK Finance and Transatlantique Gestion, two Private Banking subsidiaries of the Group.

Given the increase in net banking income and the slight increase in operating expenses, gross operating income increased 36.9%, from €84 million in 2010 to €115 million in 2011.

The cost of risk increased from €15 million for 2010 to €43 million in 2011, due to the impact of the depreciation of Greek bonds (which totaled €44.6 million for the segment).

As a result of the above factors, net income from private banking increased to €68 million for 2011, compared to €62 million for 2010.

Private Equity

In 2011, 0.8% of the Group's net banking income came from the private equity segment. The following table sets forth information relating to the results of operations of the private equity segment in 2010 and 2011.

(in millions of euros)	**2010**	**2011**	**Change (2011/2010)**
Net banking income	191	93	-51.3%
Operating expenses	(35)	(34)	-2.9%
Gross operating income	155	59	-61.9%
Cost of risk	0	0	NS
Net gain (loss) on disposal of other assets	0	0	NS
Income tax	(3)	(2)	-33.3%
Net income	153	57	-62.7%

After a rebound in 2010, the private equity segment experienced a difficult year in 2011, with net banking income of €93 million, compared to €191 million in 2010. The decrease reflects the difficult market environment. While activity, both in terms of investment activity and financial engineering activities, in the first half of the year was strong, the second half was much more difficult, and the segment decided to readapt its investment strategy to the deteriorated economic conditions and to increase disposals of listed securities.

The segment recorded €319 million of sales of investments in 2011, representing capital gains of €122 million (including reversals of provisions on sales). The main divestments included Unither Pharmaceuticals, Biomérieux, Gores Broadband/Sagem Com, Akka Technologies, Kwik-Fit, Financière Courtepaille, Comhem, Babeau-Seguin, Vanalliance and Normandy Développement. At 31 December 2011, the segment's portfolio of assets held by the Group represented €1.8 billion, composed of 575 different investments in the capital of companies and a few investment funds, and including €78 million in innovation-based companies. This portfolio generated €42.6 million of dividends and interest in 2011, representing an increase of 14% compared to 2010. The segment's main investments involved NGE/TSO (€60 million), Altrad (€30 million), FIBI/Aplix (€28 million) and Piper Heidsieck (€23 million).

The following table provides a breakdown of investments and amounts managed by the segment at 31 December 2011 and 2010.

	31 December	
(in millions of euros)	**2010**	**2011**
Total investments by the Group made in the year	236	373
Cumulative amount invested by the Group	1,436	1,668
Value of Group portfolio, excluding amounts managed for third parties	1,629	1,784
Amounts managed for third parties[1]	723	725

[1] Including investment commitments

Operating expenses remained stable in 2011 compared to 2010, and net income from private equity totaled €57 million in 2011, compared to €153 million in 2010, as a result of the above factors.

Logistics and Holdings

(*in millions of euros*)	**2010**	**2011**
Net banking income	103	27
Operating expenses	(963)	(1,057)
Gross operating income	(860)	(1,030)
Cost of risk	(105)	(342)
Gains or losses on other assets	(32)	(31)
Net income before tax	(997)	(1,402)
Income tax	261	408
Net income	(737)	(994)

The logistics and holding segment generated net banking income of €27 million in 2011, compared to net banking income of €103 million in 2010. These figures reflect the following for the two principal components of this segment:

- The "logistics and other" business of the Group produced net banking income of €1,109 million in 2011, compared to €944 million in 2010, an increase of 29.0%. This reflects primarily the gross margin of the press and media affiliates Groupe Est Républicain/DNA, Group EBRA, Groupe Républicain Lorrain and Groupe L'Alsace, as well as increased revenues from NRJ Mobile (now EI Telecom) and the addition of Euro Protection Surveillance to the scope of consolidation in this segment.

- The "holding company" activities of the Group generated negative net banking income of €1,082 million in 2011, compared to €841 million in 2010. The 2011 figure includes the cost of providing working capital to certain banking entities in other segments, the cost of acquisition financing of TARGOBANK Germany, the amortization of purchase accounting entries relating to TARGOBANK Germany and Cofidis, impairment charges relating to listed equity securities held by the Group, start-up costs relating to Crédit Mutuel Local Banks and CIC branches, offset in part by revenues from Euro Information's information technology services provided to Group entities, and by dividends received on equity investments.

Operating expenses increased by 9.8%, from €963 million in 2010 of €1,057 million in 2011.

The cost of risk in this segment was €342 million, including a portion of the cost of risk related to the Greek bonds (€261 million), offset in part by recoveries on impaired assets of TARGOBANK Germany held at the time of acquisition. Cost of risk in this segment in 2010 was €105 million.

As a result of the foregoing, net loss of the logistics and holding segment was €994 million in 2011, compared to €737 million in 2010.

Analysis of Cost of Risk and Doubtful Loans

The cost of risk increased to €1,456 million in 2011, an increase of 11.6% compared to the 2010 figure of €1,305 million, due to impairment charges in relation to Greek sovereign debt (which represented 31% of the total cost of risk). Excluding the impact of the Greek impairment charges, the cost of risk for 2011 represented 0.37% of outstanding loans to customers at year end (for the CM10-CIC Group), compared to 0.54% for 2010 (for the CM5-CIC Group).

The Group's cost of risk from ordinary activities (excluding the impact of significant external events such as the Greek crisis) is relatively limited as a result of the nature of its retail banking oriented business model, and its conservative approach to risk taking and strong risk management and monitoring. The following table shows the cost of risk as a percentage of loans to customers in 2010 and 2011.

Cost of Risk (% of loans to customers)	**2010**	**2011**
Retail banking (excluding TARGOBANK Germany, Cofidis)		
Individuals	-0.11%	-0.07%
Home loans	-0.10%	-0.04%
Retailers and artisans	-0.41%	-0.24%
Small and medium-sized enterprises	-0.38%	-0.32%
Total Retail Banking (excluding TARGOBANK Germany, Cofidis)	**-0.18%**	**-0.12%**
Financing and market (large corporate)	**-0.22%**	**-0.14%**
Private Banking	**-0.26%**	**-0.09%**
TARGOBANK Germany	**-3.02%**	**-1.92%**
Cofidis	**-5.53%**	**-4.48%**
Total all customers	**-0.54%**	**-0.37%**

In 2011, the Group also saw a decrease in the proportion of doubtful loans in its overall portfolio, and increased its coverage of doubtful loans with provisions. The following table provides information on the Group's doubtful loans and provisions for possible loan losses in 2010 and 2011 (certain figures in the table do not add due to rounding):

(in billions of euros)	**2010**	**2011**
Gross customer loans outstanding	236.6	271.5
Non-performing loans	10.9	11.3
Loans loss reserves	7.2	7.5
Of which specific reserves	*6.8*	*7.0*
Of which reserves for country, sector and other general risks	*0.4*	*0.5*
Doubtful loan ratio (doubtful loans / gross customer loans)	4.6%	4.2%
Coverage ratio of provisions to doubtful loans	66.3%	66.7%

See "Risk Management" for additional information relating to the Group's portfolio of loans and off-balance sheet risks, provisions and doubtful exposures.

BFCM Group Results of Operations

The results of operations of the BFCM Group in 2011 were driven by the same factors that influenced the results of operations of the CM10-CIC Group, including the difficult economic context. The following table sets forth key figures for the BFCM Group in 2010 and 2011.

(in millions of euros)	**2010**	**2011**	**Change (2011/2010)**	**Change Comparable Basis**
Net banking income	**8,481**	**7,753**	**-8.6%**	**-10.4%**
Operating expenses and Depreciation, amortization and provisions for non-current assets	(4,911)	(4,935)	0.5%	-1.8%
Gross operating income	**3,570**	**2,818**	**-21.1%**	**-22.3%**
Cost of risk	(1,214)	(1,336)	10.0%	8.6%
Operating income	**2,356**	**1,482**	**-37.1%**	**-38.2%**
Share of income/(loss) of affiliates	35	15	-57.1%	na
Gains or losses on other assets	8	102	na	na
Change in value of goodwill	(45)	(9)	-80.0%	na
Net income before tax	**2,355**	**1,590**	**-32.5%**	**-33.6%**
Income tax	(604)	(541)	-10.4%	-11.7%
Net income	**1,751**	**1,050**	**-40.0%**	**-41.1%**
Net income attributable to minority interests	346	233	-32.7%	na
Net income – Group share	**1,405**	**817**	**-41.9%**	na

Net Banking Income

BFCM Group net banking income decreased from €8,481 million in 2010 to €7,753 million in 2011, representing a decrease of 8.6%, or 10.4% on a comparable basis. The key components of the change in net banking income of the BFCM Group from 2010 to 2011 included the following:

- A 9.5% decrease in net interest income, from €4,833 million in 2010 to €4,376 million in 2011, reflecting tightening margins in all businesses and lower outstanding loans in the consumer finance and corporate finance activities;

- An 10.5% decrease in net commission income, from €2,225 million in 2010 to €1,992 million in 2011, reflecting primarily a €211 million decrease in commissions from services, resulting mainly from a decrease in commissions received by Cofidis on borrower protection insurance provided by outside insurers before 2011;

- A decrease in the gain on financial instruments at fair value, from €77 million in 2010 to €24 million in 2011, reflecting impairment of Greek sovereign bonds in 2011, as well as fair value adjustments for swaps written by BFCM in favor of the Local Banks, which are eliminated in the consolidated financial statements of the Group, but not in those of the BFCM Group;

- A loss on sales of financial instruments available for sale of €86 million in 2011 (reflecting impairment charges relating to the Group’s interest in Banco Popolare de Milano as well as Greek sovereign debt), compared to a gain of €123 million in 2010; and

- A 21.3% increase in other net banking income (net of other net banking charges), from €1,192 million in 2010 to €1,446 million in 2011, reflecting the same factors that impacted the Group’s other net banking income.

Retail banking represented the largest activity in the BFCM Group, while insurance and financing/markets represented the next highest proportions. The following table presents a breakdown of net banking income by business segment. See “—Results of Operations by Segment” for an analysis of net banking income and other income statement items by business segment of the Group.

(in millions of euros)	**2010**	**2011**	**Change (2011/2010)**
Retail banking	6,293	6,214	-1.3%
Insurance	1,114	875	-21.5%
Financing and market activities	1,074	886	-17.5%
Private banking	404	431	6.7%
Private equity	191	93	-51.3%
Logistics and holding	(536)	(692)	-29.1%
Inter-segment	(59)	(55)	6.8%
Total	**8,481**	**7,753**	**-8.6%**

Net banking income of the BFCM Group from retail banking decreased by 1.3% compared to 2010.

Net banking income from the other segments of the BFCM Group was generally similar to that of the analogous segments in the CM10-CIC Group, analyzed above, with the exception of the logistics and holding segment (for the reasons described under "—Presentation of Information in this Section").

France represented approximately 72.2% of net banking income of the BFCM Group in 2010 and 72.7% in 2011. The following table provides a breakdown of the Group's net banking income by region in 2010 and 2011.

(in millions of euros)	**2010**	**2011**	**Change (2010/2011)**
France	6,126	5,643	-7.9%
Europe excluding France	2,011	1,861	-7.5%
Other countries	343	249	-27.4%
Total	**8,481**	**7,753**	**-8.6%**

Gross operating income

Gross operating income of the BFCM Group decreased by 21.1%, to €2,818 million in 2011 from €3,570 million in 2010. Operating expenses, depreciation, and amortization were relatively stable at €4,935 million in 2011, compared to €4,911 million in 2010, but declined on a comparable basis. The BFCM Group's cost-to-income ratio increased to 63.7% in 2011 from 57.9% in 2010.

Retail banking gross operating income was €2,535 million in 2011, a 2.6% decrease compared to €2,602 million of gross operating income recorded in 2010. The cost-to-income ratio of the retail banking segment deteriorated from 58.7% in 2010 to 59.2% in 2011, reflecting the same trends as are discussed above for the retail banking segment of the CM10-CIC Group, without the impact of the new federations.

Cost of Risk

Cost of risk of the BFCM Group increased by 10.0%, from €1,214 million in 2010 to €1,336 million in 2011. The change on a comparable basis was 8.6%. As for the CM10-CIC Group, the reason for the increase was the impairment charges recorded in respect of Greek sovereign debt. Excluding the impact of the Greek impairment charges, cost of risk of the BFCM Group in 2011 represented approximately 0.52% of outstanding loans to customers, compared to 0.72% in 2010. The reasons for the improvement were largely the same as those described above for the CM10-CIC Group.

Operating income

Operating income of the BFCM Group was €1,482 million in 2011, representing a decrease of 37.1% compared to €2,356 million in 2010. This decrease reflected the decrease in gross operating income and increase in the cost of risk, each as described above.

Net income

Net income, group share, of the BFCM Group was €817 million in 2011, a decrease of 41.9% compared to €1,405 million in 2010. The decrease was greater than that of operating income in percentage terms, primarily because the BFCM Group's effective tax rate was unusually low in 2010 as a result of the favorable tax benefit relating to the insurance activity, as described above.

Transactions with CM10-CIC Group Entities

The BFCM Group recorded €868 million of gross operating income in 2011 from transactions with entities in the CM10-CIC Group that are not part of the BFCM Group (primarily the Local Banks and CF de CM, as well as the non-consolidated portion of TARGOBANK Spain and Banque Casino). In 2010, gross operating income earned on transactions with entities in the CM5-CIC Group was €787 million. The 10.2% increase resulted mainly from the expansion of the Group by five federations.

Net interest income from these transactions was €1,008 million in 2011 and €1,017 million in 2010. The decline in net interest income reflects the fact that BFCM increasingly made loans to CF de CM with a tenor equivalent or close to that of BFCM's own financing, and thus realized lower net interest income from maturity transformation. In addition, the share of loans funded with deposits increased significantly over the course of 2010 and 2011, reducing the need of the CF de CM to obtain financing from BFCM despite the addition of new federations. As of the end of 2011, there were €47.8 billion of loans outstanding to the entities in the CM10 Group outside the BFCM Group, compared to €43.1 billion to the CM5 Group as of the end of 2010.

Net commissions paid were €216 million in 2011, and €211 million in 2010, reflecting mainly commissions paid by CM-CIC Asset Management to the Local Banks for distribution of mutual fund products, as well as bank card commissions ceded by BFCM Group entities (mainly BECM) to the CF de CM.

Other net banking income from these entities was €112 million in 2011, compared to €8 million in 2010, representing primarily income on hedging instruments written in favor of the CF de CM by BFCM and, to a lesser degree, by CIC.

CM11-CIC Group and CM10-CIC Group Financial Condition

The following discussion analyzes the financial condition of the Group as of 31 December 2012 and 31 December 2011.

The balance sheet of the CM11-CIC Group grew by 6.7% in 2012 compared to year-end 2011, reflecting the addition of a new federation to the Group as well as growth in the Group's business. See "Business—History and Structure of the CM11-CIC Group".

The structure of the balance sheet reflected the Group's commercial banking activity, as well as steps undertaken by the Group to strengthen the financial structure with a view to meeting new regulatory requirements that will become applicable over the next several years. In particular:

- The Group funded a greater proportion of its customer loans with deposits, continuing a trend that reflects the Group's strategy over the past several years. Total deposits increased by 10.3% (excluding SFEF deposits and repurchase transactions) in 2012, significantly more than customer loans, which grew by 2.1%. The loan to deposit ratio progressively improved from 1.66x as of 31 December 2008 to 1.36x as of 31 December 2011 to 1.26x as of 31 December 2012.

- An increase in the proportion of medium- and long-term market funding and a reduction in reliance on interbank funding, as described below under "—Liquidity and Funding".

- A reduction in the ratio of doubtful loans to total loans outstanding, from 4.6% at the end of 2010 to 4.2% at the end of 2011 to 4.1% at 31 December 2012. The Group also maintained a high ratio of provisions to non-performing loans (64.7% as of 31 December 2012, 66.7% as of 31 December 2011 and 66.3% as of 31 December 2010).

- A continued strengthening of the Group's capital ratios, with a Tier 1 ratio of 11.0% at the end of 2011 and 14.1% at 31 December 2012. See "Capital Adequacy of the Group" for further details.

Assets

General. The Group's consolidated assets amounted to €499.3 billion at 31 December 2012, up 6.7% compared to €468.3 billion at 31 December 2011.

The 6.7% increase in total assets from 31 December 2011 to 31 December 2012 reflects: a 39.7%, or €15.3 billion, increase in loans and receivables due from credit institutions; a 16.5%, or 6.3 billion, increase in financial assets at fair value through profit or loss; a 2.1%, or €5.5 billion, increase in loans and receivables due from customers; and a 14.9%, or €2.4 billion, decrease in held-to-maturity financial assets.

Financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss consist of trading account transactions (including derivatives) and certain assets designated by the Group as fair value through profit or loss at the time of acquisition (including private equity investments). These assets are remeasured at fair value at each balance sheet date.

Total financial assets at fair value through profit or loss amounted to €44.3 billion at 31 December 2012, up 16.5% from €38.1 billion at 31 December 2011. Financial assets at fair value through profit or loss accounted for 8.9% of the Group's total assets at 31 December 2012.

Loans and receivables due from credit institutions. Loans and receivables due from credit institutions consist of demand accounts, interbank loans, and reverse repurchase agreements. Loans and receivables due from credit institutions amounted to €53.9 billion at 31 December 2012, up 39.7% from €38.6 billion at 31 December 2011, reflecting primarily an increase in ECB deposits, as well as an increase in amounts received on regulated savings accounts that are deposited with French government financial institutions.

Loans and receivables due from customers. Loans and receivables due from customers amounted to €269.4 billion at 31 December 2012, up 2.1% from €263.9 billion at 31 December 2011. This growth is due largely to increases in home loans to customers, which increased from €137.2 billion at 31 December 2011 and to €140.7 billion at 31 December 2012. See "Business" for information on the Group's loan portfolio within its principal banking business segments, and "Risk Management" for breakdowns of the Group's portfolio of loans to customers among various risk categories.

Available-for-sale assets. Available-for-sale financial assets are fixed- and variable-income securities that cannot be classified as financial assets at fair value through profit or loss or held-to-maturity financial assets. These assets are remeasured at market or similar value at each balance sheet date, with the change from one period to the next recorded directly in equity.

Available-for-sale financial assets totaled €72.1 billion at 31 December 2012, relatively stable compared to 31 December 2011.

Held-to-maturity financial assets. Held-to-maturity financial assets are investments with fixed or determinable payments and a fixed maturity that the Group has the intention and the ability to hold until maturity. They are recognized in the balance sheet at amortized cost using the effective interest method, and are divided into two categories: negotiable certificates of deposit and bonds. Held-to-maturity financial assets totaled €13.7 billion at 31 December 2012, down 14.9% from €16.1 billion at 31 December 2011.

Liabilities (excluding shareholders' equity)

General. The Group's consolidated liabilities totaled €469.5 billion at 31 December 2012, up 6.2% compared to €441.9 billion at 31 December 2011. These figures include subordinated debt of €6.4 billion at 31 December 2012 and €6.6 billion at 31 December 2011. The increase in total liabilities in 2012 mainly reflects a 8.2%, or €16.4 billion increase in amounts due to customers (primarily deposits); a 62.4%, or €6.3 billion, increase in accruals and other liabilities; a 10.2%, or €6.8 billion, increase in technical reserves of insurance companies; a 7.7%, or €6.7 billion, increase in debt securities; partially offset by a 20.5%, or €7.5 billion, decrease in amounts due to credit institutions.

Financial liabilities at fair value through profit or loss. Total financial liabilities at fair value through profit or loss increased 1.7% to €31.5 billion at 31 December 2012.

Amounts due to credit institutions. Amounts due to credit institutions decreased 20.5%, or €7.5 billion, to €28.9 billion, after having risen 30.8% in 2011 to €36.4 billion at 31 December 2011, reflecting a transaction involving the *Banque de France*, and a second transaction that was unwound early in 2012.

Amounts due to customers. Amounts due to customers consist primarily of demand deposits, term accounts, regulated savings accounts, and repurchase agreements. Amounts due to customers totaled €216.5 billion at 31 December 2012 and €200.1 billion at 31 December 2011. These amounts include deposits from the SFEF (a French State-sponsored entity established to provide liquidity at the height of the financial crisis). Excluding SFEF deposits, total amounts due to customers were €193.6 billion at the end of 2011 and €213.6 billion at 31 December 2012. Apart from the addition of one federation at 1 January 2012, this increase is attributable mainly to an increase in regulated savings accounts following a regulatory increase in the ceiling on the amounts individuals can deposit in such accounts, as well as an increase in other savings accounts and ordinary current accounts.

Debt securities. Debt securities consist of negotiable certificates of deposit and bond issues. Debt securities increased 7.7% to €93.9 billion at 31 December 2012. See "—Liquidity and Funding" for a discussion of the Group's debt securities programs.

Technical reserves of insurance companies. Technical reserves of insurance companies increased 10.2% to €72.7 billion at 31 December 2012, compared to €66.0 billion at 31 December 2011.

Consolidated Shareholders' Equity

Consolidated shareholders' equity attributable to the Group amounted to €27.3 billion at 31 December 2012, compared to €24.2 billion at 31 December 2011.

Variations of the fair value of available-for-sale securities had a negative impact of €766 million on consolidated shareholders' equity attributable to the Group at 31 December 2011 while they had a positive impact of €1,476 million at 31 December 2012.

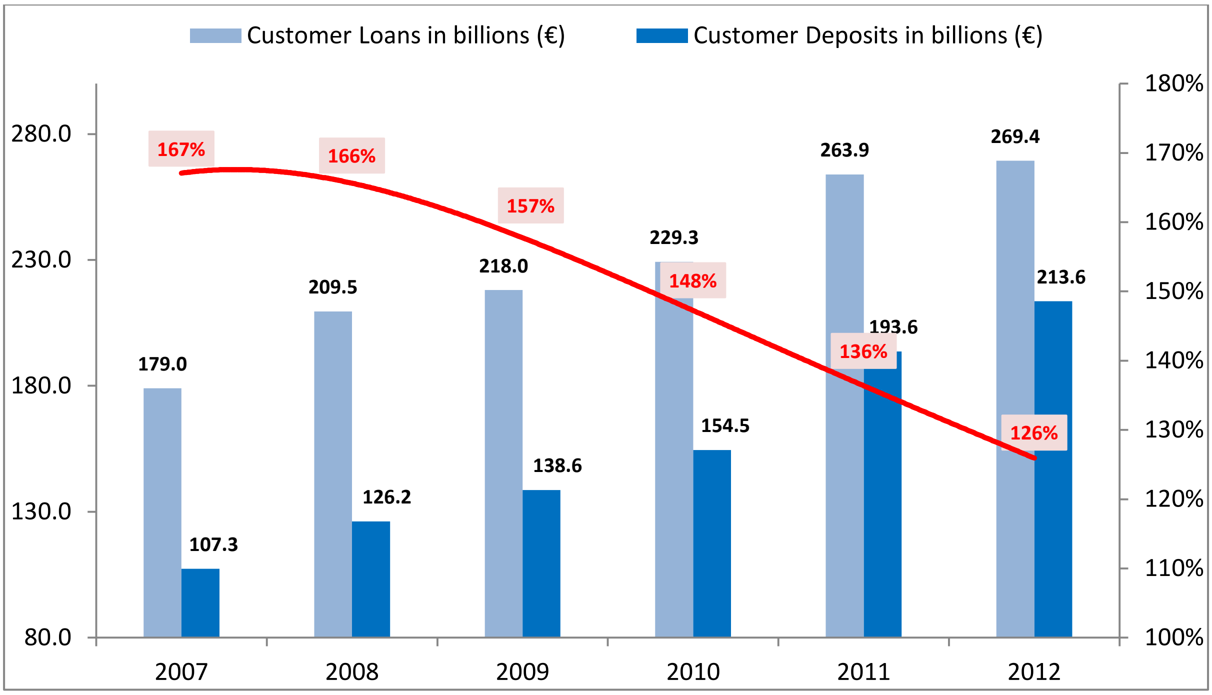
Minority interests increased to €2,441 million at 31 December 2012 from €2,382 million at 31 December 2011.

Liquidity and Funding

The Group had a strong liquidity position at 31 December 2012, reflecting the fact that much of the Group's retail banking activity is funded through deposits. In addition, BFCM regularly issues bonds that are placed domestically with customers through the Group's retail network.

The beginning of 2012 was like 2011, with a tight refinancing market, due to the continuation of the sovereign debt and banking crises. In the second half of 2012, the market became more fluid, thanks to the measures taken by the European Central Bank, which improved investor confidence in the euro zone.

As part of its strategy to enhance its liquidity position, the Group has focused on decreasing the ratio of loans to deposits, which in current markets represent a more stable source of short-term funding than market instruments, and which will receive more favorable regulatory treatment in the next few years. As of 31 December 2012, the Group had outstanding loans to customers of €269.4 billion and outstanding customer deposits (excluding SFEF deposits) of €213.6 billion, representing a loan-to-deposit ratio of 1.26x (compared to 1.36x at 31 December 2011). Over the past few years, the ratio has declined significantly, as illustrated by the following chart:



The Group applies a strict framework for the management of liquidity risk, monitored by BFCM on the basis of a centralized risk management system, described below under "Risk Management". Liquidity management revolves around the following principles:

- Applying the French regulatory one month (i.e., one month entries/exits) liquidity ratio or other similar locally applicable ratio to each entity in the Group on a stand-alone basis.

- Maintaining a liquidity buffer of assets that are transferrable and eligible as collateral for loans from the European Central Bank, covering more than one month of total closure of the markets and client stress, which can be mobilized with a few days to cover up to 85% of short term funding requirements.

- Limiting transformation ratios for commercial banking, with 90% matched by time bands from 3 months to 7 years.

- Limiting reliance on the interbank lending market.

- Diversifying funding sources by type of investors, by geographical market and by currency.

As of 31 March 2013 the Group had raised approximately €4.68 billion of medium and long-term resources, representing 39% of its planned funding program for 2013. The total amount raised included €4.68 billion of unsecured issuances of bonds and other negotiable instruments and did not include collateralized issues (including covered bonds) or bonds placed through the retail networks.

The Group's overall refinancing debt was €94.4 billion as of 31 December 2012, of which €28 billion is short-term funding and €66 billion is medium and long-term funding, together representing approximately 22% of the Group's total funding. Refinancing debt was €102.6 billion as of 31 December 2011 and €113.4 billion as of 31 December 2010. The Group has €11.2 billion in debt maturing in 2013. In March 2013, the Group raised €5.2 billion in three benchmark issues (of which approximately €500 million was loaned to banks in federations outside of the CM11-CIC Group). As of 31 March 2013, total refinancing debt was €95.6 billion.

For this purpose, "refinancing debt" includes medium and long-term bonds (mainly issued under EMTN programs); subordinated debt; secured debt such as covered bonds, securitization and obligations owed to the SFEF; short-term certificates of deposit, commercial paper, interbank deposits and obligations to the European Central Bank.

The maturity profile of the Group’s overall debt structure evolved significantly over 2011 and 2012. Medium and long-term financing represented approximately 70% of the Group’s overall refinancing as of 31 December 2012, compared to 64% at the end of 2011 and 50% at the end of 2010. See “Risk Management” for additional information relating to the maturity profile of the Group’s obligations. As of 31 December 2012, total medium and long-term obligations outstanding were €66.6 billion, including €30.28 billion of collateralized issues, €31.28 billion of unsecured issues and €5.0 billion of issues placed through the retail networks. The Group’s objective is for medium and long-term financing to represent approximately 70% of total refinancing debt in the near term, and 80% within 5 years, in each case subject to market conditions.

With respect to short-term funding, the Group’s strategy is to maintain European Central Bank eligible collateral in an amount sufficient to cover maturities for at least 12 months. The Group does not hesitate to use this funding source on a short-term basis when its terms are the most attractive. The Group’s policy is not to allow its overnight borrowing position to exceed €10 billion, a policy that has been met at all times since 2008. Typically, the net overnight position varies between €2 billion net lending and €2 billion net borrowing.

As a result of the significant increase in the proportion of medium- and long-term funding in recent years, the Group believes that it is not substantially dependent on short-term funding markets for its ordinary banking activities. In order to monitor this, the Group uses an indicator that it calls “stable resources”, equal to the sum of equity, customer deposits and medium- and long-term refinancing debt. The Group compares its stable resources to the sum of its customer loans, held-to-maturity securities and obligatory uses (such as its mandatory deposit with the Caisse de Depots et Consignations of a portion of its regulated savings deposits received from customers). As of the end of 2012, the Group’s stable resources were €314.0 million, and its customer loans, held-to-maturity securities and obligatory uses were €307.2 million. As a result, the Group had €6.8 million of excess stable resources.

CAPITAL ADEQUACY OF THE GROUP

Overview

French bank regulatory authorities, like authorities in most countries, impose minimum required levels of capital that must be maintained by banks within their jurisdiction. Required levels of capital are determined by reference to the relative risk associated with specified categories of assets owned by the institutions. These requirements are generally referred to as risk-based capital requirements and are regarded by bank regulatory authorities as an important supervisory tool in measuring the safety and soundness of banking institutions.

In particular, the CM11-CIC Group is required to comply with the French regulations that transpose European Union capital adequacy directives and capital requirements directives into French law. These ratios mainly address capital adequacy, risk concentration, liquidity and asset/liability mismatches.

Regulatory Background

In 1988, the Committee on Rules and Practices for the Supervision of Banking Operations (called the "Basel Committee"), consisting of representatives of central banks and supervisory authorities from the "Group of Ten" (Germany, Belgium, Canada, the United States, France, Italy, Japan, the Netherlands, the United Kingdom and Sweden) and Luxembourg, recommended the adoption of a group of risk weighting standards and minimum levels of capital adequacy. These recommendations provide that the capital of international financial institutions should represent at least 8% of the total of their credit risk, including a core element of 4% (Tier 1). These recommendations were imposed at the European level when, in 1989, the European Council adopted two directives with regulatory force defining the capital adequacy requirements with respect to credit risk within the European Community.

In 1993, the Capital Adequacy Directive extended the scope of application of the European regulations on capital adequacy to include market risk. The provisions of the European directives with respect to capital adequacy were transposed into French law by a series of regulations adopted by the French Banking and Financial Regulations Committee until 1999 (hereafter referred to collectively as "CAD Regulations").

From 1 January 1996 through 31 December 2007, French banks were bound by the CAD Regulations to comply with capital adequacy requirements with respect to their market activities, in addition to the pre-existing requirements concerning their commercial bank activities. In addition to credit risk, the CAD Regulations defined the standards applicable to the market activities of investment firms so as to cover interest rate risks, market fluctuation risks and settlement risks. As defined by the CAD Regulations, the capital adequacy ratio ("CAD Ratio") of a French bank was calculated by dividing the total amount of available capital (Tier 1 and Tier 2 capital as well as certain complementary elements (Tier 3)) by the capital adequacy requirements with respect to the various types of risk incurred. Each type of risk is weighted according to specific weights provided in a pre-set chart. In accordance with the CAD Regulations, the CAD ratio must be at least 100%.

In 1996, the Basel committee substantially amended the definition of capital adequacy standards so as to cover market and operational risks in a manner similar to credit transactions. According to this new definition, market risks include (i) risks related to interest rate instruments and shares held in a trading portfolio, and (ii) currency risk and risks on commodities recorded on an account. In accordance with the 1996 modifications, completed in September 1997 by the Basel Committee, the standards, while maintaining capital adequacy requirements relating to credit risk, required financial institutions to quantify their market risk in terms of an equivalent amount of credit risk, and to ensure that their capital is equal to at least 8% of the overall amount of credit risks and market risks. The French Banking Commission (the predecessor of the ACP) regularly issued opinions relating to the methods of application and calculation of the international solvency ratio. Nevertheless, the international solvency ratio did not have regulatory force.

In 2004, the Basel Committee adopted a new accord containing comprehensive principles for capital adequacy standards applicable to banking institutions, known as the "Basel II Accord". The European Capital Requirements Directive (CRD), adopted in June 2006 and subsequently amended, transposed the Basel II Accord into European law. A decree dated 20 February 2007 transposed the directive into French law. The CRD standards became effective in France as of 1 January 2008.

The Basel II Accord is structured around three pillars: minimum capital requirements, supervisory reviews, and required disclosures to enhance market discipline.

- **Pillar 1** renewed the minimum regulatory capital requirements through the introduction of a prudential ratio in order to take into account more effectively all banking risks (market risks, credit risks and operational risks) and their economic reality.

    - The risk weighting approach of the credit risk aspect was completely overhauled; in particular, Pillar 1 introduced credit risk evaluation methods based on internal ratings (subject to regulatory approval of the internal rating methodology).

    - One of the principal new features of the Basel II Accord was that operational risk and its cover are taken into account in terms of regulatory capital.

    - To take into account market risk, the existing arrangements were supplemented to cover the risk of default more effectively.

- **Pillar 2** emphasized supervisory review by imposing an obligation on financial institutions to put in place functions, tools and procedures for controlling and monitoring internal risks, and to strengthen prudential monitoring.

- **Pillar 3**, designed to promote market discipline**,** required financial institutions to engage in regular and transparent communication with the markets concerning their risks policy, the level of these risks and their coverage with regulatory capital.

Under the Basel II Accord, the proportion of a financial institution's Tier 1 capital that was represented by hybrid instruments of various types was limited. As a general matter, hybrid instruments could be included in Tier 1 capital subject to these limits and to regulatory approval, designed primarily to ensure that the instruments could absorb losses as needed. The types of hybrid capital instruments issued by banks in different jurisdictions varied widely.

The Group's Regulatory Capital

Since 1 January 2008, the Group's capital adequacy ratio has been calculated in accordance with the decree issued by the French Ministry of the Economy, Finance and Industry on 20 February 2007 introducing the Basel II capital adequacy ratio, *i.e.*, regulatory capital expressed as a percentage of the sum of:

- risk-weighted assets calculated using the standardized approach or the internal ratings based approach (as described above), depending on the relevant entity or Group business; and

- the regulatory capital requirement for market and operational risks, multiplied by 12.5.

The following table sets forth the Group's regulatory capital at 31 December 2011 and 2012.

In billions of euros except %	**31 December 2011 CM10-CIC**	**31 December 2012 CM11-CIC**
TOTAL REGULATORY CAPITAL	**21,541.1**	**21,837.8**
Share capital	5,596.2	5,807.7
Eligible reserves	21,015.8	23,053.7
Hybrid Securities	2,103.9	2,103.9
Deductions from Tier 1 Capital (primarily intangible assets)	-7,174.9	-9,127.6
TOTAL TIER 1 CAPITAL	**22,739.3**	**24,822.9**
Temporary deductions from Tier 1 Capital	-1,198.2	2,165.0
Total Tier 2 capital	**4,085.6**	**3,142.6**
Temporary deductions from Tier 2 Capital	-4,085.6	-3,142.6
Net Total Regulatory Capital	**21,541.1**	**21,837.8**
Tier 3 capital	**0.0**	**0.0**
CREDIT RISK CAPITAL REQUIREMENT	**12,098.7**	**10,080.3**
Weighted credit risk	151,234.1	126,003.3
Central governments and central banks	89.4	71.9
Institutions	7,738.3	7,032.8
Corporate customers	77,075.9	54,939.1
Retail customers	40,588.4	40,543.9
Equity	7,522.2	6,974.1
Other assets	18,219.9	16,441.5
MARKET RISK CAPITAL REQUIREMENT	**380.9**	**285.4**
OPERATIONAL RISK CAPITAL REQUIREMENT	**1,265.5**	**1,183.5**
FLOOR CAPITAL REQUIREMENT	**1,968.2**	**844.6**
OVERALL SOLVENCY RATIO	**11.0%**	**14.1%**
Tier 1 ratio	11.0%	14.1%

In preparation for the implementation of the Basel III framework (described below), additional standards have been adopted that are known as the so-called "Basel 2.5" standard. This standard provides, among other things, for the calculation of a "core Tier 1" ratio that excludes hybrid capital increments and imposes certain deductions, including in respect of certain insurance activities. Certain systemically significant banks (which do not include the Group) are required to maintain minimum core Tier 1 ratios of 9% as of 30 June 2012.

The increase in the Tier 1 ratio in 2012 compared to 2011 is primarily the result of two factors. First, the floor capital requirement significantly decreased in 2012, as reflected in the table above. Second, the Group received regulatory approval to use the internal ratings based approach to determine risk-weighted assets in the corporate credit portfolio.

Preparation for Basel III and Solvency II

Basel III Capital Framework

In December 2010, the Basel Committee published a regulatory framework substantially strengthening existing capital requirements applicable to banking institutions (Basel III). The Basel III Framework has been reflected at the level of the European Union in a proposed Capital Requirements Directive, known as CRD IV. CRD IV and the related implementing regulation were initially scheduled to become effective on 1 January 2013, and to be implemented over a span of six years, to be completed on 1 January 2019, although the calendar now is unclear given that CRD IV still has not been adopted. Under Basel III and CRD IV in the form initially proposed:

- The capital adequacy ratio will remain at 8%, but minimum common equity requirements in Tier 1 capital will increase from 2% to 4.5% by 1 January 2015.

- The total Tier 1 capital requirement, which includes common equity and other qualifying financial instruments based on stricter criteria than those applicable to hybrid instruments under Basel II, will increase from 4% to 6% over the same period.

- In addition, a new capital conservation buffer requirement of 2.5% to be met with common equity will be introduced to help banks withstand future periods of stress, effectively raising the common equity Tier 1 requirement to 7% (banks with ratios between the 4.5% minimum and 7% will be subject to restrictions on dividends, share repurchases and bonus payments).

- A countercyclical buffer within a range of 0% to 2.5% of common equity or other fully loss absorbing capital will also be implemented according to national circumstances and will be in effect only where there is excess credit growth that is resulting in a system-wide build up of risk. Such countercyclical buffer, when in effect, will be introduced as an extension of the conservation buffer range.

The Basel III standards also introduced a strengthened liquidity ratio and a new leverage ratio, each of which is described under "Government Supervision and Regulation in France".

Solvency II Framework

The Group's insurance activities will be subject to an enhanced solvency capital regime effective 1 January 2014. As a general matter, the new solvency rules will require coverage of non-life underwriting, life underwriting, health underwriting, market, credit and operational risks corresponding to the value-at-risk of net assets subject to a confidence level of 99.5% over a one year period. This solvency capital requirement is to be calculated using either a standard formula or an internal model. The Group's insurance activities will also be subject to a minimum capital requirement, to the performance of periodic own risk and solvency assessments and to enhanced reporting and disclosure requirements.

Impact of Basel III and Solvency II on the Group

Because CRD IV has not been finally adopted, it is difficult to predict the precise impact that the Basel III standard will have on the Group. Out of €27.3 billion of total capital, the Group's core Tier 1 capital was €21.8 billion as of 31 December 2012. In addition, the Group expects that a number of factors could allow its ratios to improve by the time the Basel III standards become effective, including:

- The continued transition of the Group's corporate credit portfolio to an internal ratings based approach under the Basel standards;

- A possible change to the treatment of associated companies in the insurance business, which would allow them to be risk-weighted at 370%, rather than deducted from core Tier 1 capital (which amounts to an effective 1,250% risk weighting); and

- Opportunities for optimization of capital allocation between insurance and banking activities.

RISK MANAGEMENT

The discussion that follows describes in summary form the principal risk management policies and procedures of the Group, and provides a breakdown of the Group's exposures to various categories of risk. Investors should be aware that even the best risk management procedures cannot provide a guarantee against material losses. See "Risk Factors Relating to the Group and the BFCM Group" for a description of the principal risks and risk categories applicable to the Group's activities.

The following is derived from the 2012 Risk Report section of the CM11-CIC Group Annual Report. For a discussion of the principal risk management policies and procedures of the BFCM Group, please refer to the sections of the 2012 BFCM Annual Report incorporated by reference in this Information Document. See "Incorporation by Reference".

Introduction

The Group has established multiple layers of controls designed to ensure that its local and retail banks comply with the Group's policies and procedures, that the risks of its various business activities are properly identified and managed and that the Group effectively manages counterparty risk, internal controls and compliance with regulatory measures.

The Group's internal controls and risk management system is organized around the following:

- a Risk Department, which regularly analyzes and reviews all types of risks with an eye toward the return on allocated regulatory capital and aims to contribute to the Group's growth and profitability while ensuring the quality of the Group's risk management systems;
- a Risk Committee, which meets quarterly and includes the operational risk managers, who are the head of the Risk Department and the heads of the business lines and functions involved (commitments department, capital markets department, finance department, retail banking, financing and capital markets, real estate, private equity) together with executive management of BFCM. This Committee is responsible for overall ex post and ex ante risk monitoring.
- a Risk Monitoring Committee, which consists of members of the deliberative bodies and meets twice a year to review the Group's strategic challenges and opportunities in the risk area. Based on the findings presented, it makes recommendations to the Group's deliberative bodies on all decisions of a prudential nature applicable to all Group entities. The head of the Risk Department presides over the meetings of this Committee and is responsible for the presentation of the files prepared for the various risk areas based on the work of the Risk Committee. BFCM's executive management also participates in the meetings of this Committee, which may also invite the heads of the business lines that have a stake in the items on the meeting agenda.
- an Audit and Financial Statements Committee, consisting of directors representing the Crédit Mutuel federations that are members of the CM11-CIC Group and two members of the CIC Supervisory Board.
- a Committee of Control and Conformity, which reports to the Audit and Financial Statements Committee.

By using common methods and applications, the established internal control and risk management system aims in particular to:

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

The Group aims to identify its main risks based on guidelines and to map and monitor them with appropriate limits, formalized procedures and dedicated applications. In accordance with regulatory provisions, a risk assessment and monitoring report is prepared annually along with the internal control report. This risk assessment and monitoring report includes an in-depth review of the risk management system. The Group's internal control system and procedures to combat money laundering and terrorism financing are described in more detail in the BFCM Report on the Board of Director's Operations and Internal Control Procedures incorporated by reference in this Information Document and in the BFCM Report on the System of Procedures to Combat Money Laundering and Terrorism Financing incorporated by reference in this Information Document.

Risk Management by Category

Principal types of risk relevant to the Group include credit risk, balance sheet risk, market risk, operational risk, concentration risk, counterparty risk, and asset-liability management risk.

Credit Risk Management

The Group's credit risk management procedures are based on a single set of guidelines that define the rules and practices applied by the Group and apply to two systems, one for loan origination and one for measuring, monitoring and managing credit risk.

The Group's credit risk procedures are implemented both locally, by the Group entity or employees making loan decisions at the Local Bank or branch level, and at the Group level, where the Risk Department monitors the uniform application of the Group's policies and procedures and ensures such policies and procedures are adapted to the market and regulatory environment. The Group's risk management procedures are based on controls at the operational level and periodic and ongoing controls at the Group level.

Loan Origination Procedures

The Group manages its loan origination credit risk by knowing its customers and evaluating their credit risk before deciding to provide credit. The Group relies on the close ties it has established in the communities in which it operates to target prospective customers and better understand its existing customers, which the Group places into several risk-based categories. The Group, through the relevant entity or employee making the credit decision, conducts credit risk analyses based on the credit scoring or rating and internal risk category of the customer and a weighted assessment of the type of credit and/or guarantee to be provided. Each customer's credit file is also checked against other available information, including, if applicable, segment studies, annual reports and rating agency publications. The relevant Group employees receive periodic training on risk management and assessment.

In accordance with applicable law and regulations, the Group's loan origination credit risk procedures are based on the Group's internal customer rating system, which is used in determining whether to approve a loan and how to price and monitor it. The Group's internal customer rating system is based on the following principles:

- Uniformity of application, with a single calculation method used for the entire Group and the same algorithms used throughout the Group, based on market segmentation defined within the Group's information system;

- Exhaustiveness, with ratings of all counterparties identified in the Group's information system;

- Automation, with the Group's information system automatically calculating a monthly initial rating that is updated daily through the transmission of risk warnings to determine the final rating;

- Standardised reporting for all market segments, with nine categories of performing customer loans and three categories of customer loans in default; and

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

The Group's Risk Department, with the help of specialized teams, is responsible for ensuring, as often as required, that the algorithms used by the Group's information system are relevant. Generally speaking, the applicable commercial unit (a Group entity, Local Bank or branch) determines the internal ratings of all loan files that it handles.

Within the Group, the ability to provide credit to a customer varies based on the level of the Group entity providing the credit and the type of credit to be provided.

- In retail banking, an account manager is responsible for the exhaustiveness, quality and reliability of the information collected and for verifying such information either through information and documents provided by customers or through external sources (such as sector studies, annual reports, corporate filings, credit agencies). Each account manager is responsible for his or her credit decisions and has authority to grant credit within a range of caps (based on several factors including the customer's internal rating, the total amount of commitments for a given counterparty or risk group, any specific exclusions of approval powers and any guarantees eligible for inclusion when weighting the relevant debts). Any loan file whose amount exceeds specific caps must be approved by local, regional or Group credit approval committees, whose operating rules are governed by written procedures.

- In the financing and market segment, credit decisions are made by a commitment decision committee.

In accordance with the above, the decision to provide credit to a customer is essentially based on the following:

- a formalized risk analysis of the counterparty;

- the internal rating applied to the counterparty or group of counterparties;

- whether the loan falls below the relevant cap;

- review of the loan file by a separate team under the Group's dual review principle;

- whether the loan falls within maximum discretionary lending limits that have been determined in proportion to the local lending bank's equity (and in accordance with Basel II guidelines and the fundamental principles applicable to all Group banks);

- whether the interest rate and other fees are adapted to the risk profile of the loan and capital consumption.

Immediately upon completion of a loan application, the electronic loan file is automatically transmitted to the applicable decision maker at the appropriate level.

Each Local Bank also has its own commitments teams, which are separate from operations and report to senior management and are generally broken into two independent teams, one responsible for ensuring that loan origination decisions are appropriate based on the dual review principle while verifying that the expected return is commensurate with the risk taken and another responsible for prudential oversight, credit risk assessment and ensuring the "permanent supervision" procedures are followed.

Counterparty Risk—Risk Measurement, Credit Monitoring and Management of Amounts at Risk

In accordance with applicable law and regulations, the Group's commitments are monitored by national and regional entities. The Group uses an array of tools that provide an aggregated, static and dynamic view of:

- exposure to a given counterparty or group of counterparties;

- new and existing loans, based on elements adapted to suit the relevant business area (rating, market, lending products, return, etc.).

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

Each commercial unit contributes to the quarterly, formalized monitoring of the quality of the credit risk of each business line. This monitoring is conducted independently from the loan origination process and is in addition to and in coordination with the actions taken mainly by the first-level control in the commercial units, the permanent supervision procedures and the Risk Department. The purpose of this monitoring 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 Group also conducts internal reviews of counterparties to set "high-risk" limits determined on the basis of equity, in accordance with specified procedures. Advanced risk detection tools are also used to monitor account functioning anomalies and overruns, on the basis of internal and external criteria, in an automated, systematic and comprehensive manner. The Group's specialists in credit risk conduct second-level monitoring of credit commitments considered at risk on a monthly basis and decide on appropriate corrective steps to be taken. An automated monthly check of all outstanding loans against internal or external indicators programmed into the information system, followed by automatic downgrading and provisioning, complete the Group's credit monitoring system.

Centralized and continuous controls, performed by dedicated teams independent from the lending function, identify anomalies according to specific criteria and analyze at-risk loans each month, and the appropriate remedial action is determined as a result. An automatic analysis of some 20 ratios allows the bank to identify Local Banks and branches that are experiencing difficulties in managing their commitments and to take appropriate timely action. This adds an additional layer of security to the credit risk management mechanism.

Reporting

The Risk Committee

In accordance with the dispositions of the CRBF 97-02 regulations, the different decision-making bodies, particularly the Risk Committee, are informed of the evolution of credit commitments periodically and at least on a quarterly basis. In addition, these bodies are informed of and participate in decisions concerning the changes affecting the management systems of the credit commitments.

General Management Information

Detailed information on credit risks and related procedures is presented to the general management. This information is also presented to a risk monitoring committee in charge of examining the strategic issues at stake in terms of risk for CIC, in accordance with applicable regulations.

Key Figures

This section provides information on the credit risks of the CM11-CIC Group.

CM11-CIC Group credit risk exposure (balance sheet and off-balance sheet)

Exposure[(1)]

In millions of euros, principal end of month	31 December 2011 CM10 CIC	31 December 2012 CM11-CIC	31 December 2012 at constant scope of consolidation
Loans and receivables			
Credit institutions	37,775	52,802	52,787
Customers	270,738	276,009	272,585
Gross exposure	**308,513**	**328,811**	**325,372**
Impairment provisions			
Credit institutions	(310)	(280)	(280)
Customers	(7,564)	(7,392)	(7,360)
Net exposure	**300,639**	**321,138**	**317,732**

(1) Excluding repurchase agreements.

Exposure on commitments given[1]

In millions of euros, principal end of month	31 December 2011 CM10-CIC	31 December 2012 CM11-CIC	31 December 2012 at constant scope of consolidation
Financing commitments given			
Credit institutions	1,626	1,620	1,620
Customers	52,107	47,882	47,638
Guarantee commitments given			
Credit institutions	2,265	1,323	1,323
Customers	13,677	13,800	13,769
Provision for contingencies on commitments	**139**	**144**	**125**

(1) Excluding repurchase agreements.

Credit to customers

Outstanding amounts

Total loans to customers in the CM11-CIC Group increased 0.7% at constant scope of consolidation from 31 December 2011 to €276.0 billion at 31 December 2012, mainly in medium and long-term loans (2.1% increase in medium or long-term balance sheet outstanding amounts at constant scope of consolidatation), while short-term loans decreased 3.7% at constant scope of consolidation.

CM11-CIC Group balance sheet outstanding amounts[1]

In millions of euros, principal end of month	31 December 2011 CM10-CIC	31 December 2012 CM11-CIC	31 December 2012 at constant scope of consolidation
Short term loans	**61,239**	**59,255**	**59,003**
Current accounts-debit balances	6,993	8,085	8,037
Commercial loans	5,158	4,774	4,767
Treasury facilities	48,584	45,929	45,733
Export credits	503	466	466
Medium- and long-term loans	**197,573**	**204,749**	**201,679**
Equipment loans	42,526	45,641	44,917
Home loans	137,216	140,748	138,626
Finance leases	8,294	8,405	8,405
Other	9,538	9,955	9,731
Total customer gross loans, excluding non-performing loans and accrued income	**258,811**	**264,003**	**260,682**
Non-performing loans	11,335	11,434	11,337
Accrued income	591	572	566
Total customer gross loans	**270,738**	**276,009**	**272,585**

(1) Excluding repurchase agreements.

CM11-CIC Group portfolio quality

The Group's customers have solid ratings. At 31 December 2012, on a nine level internal rating scale (excluding defaults), customers in the eight best rating categories account for 97.8% of Group balance sheet outstanding amounts with respect to individual customers, compared with 95% at 31 December 2011.

The following table summarizes performing loans to customers for the Group by internal rating, excluding loans provided by foreign branches and foreign entities in the private banking segment.

	31 December 2011 CM10-CIC	31 December 2012 CM10-CIC
A + and A -	33.2%	35.2%
B + and B -	33.0%	32.8%
C + and C -	22.0%	20.8%
D + and D -	9.7%	8.9%
E +	2.1%	2.3%

The following chart indicates what the Group believes its internal scores correspond to in the credit rating scales of Moody's and Standard & Poor's.

Internal score CM11-CIC	Corresponding Moody's Rating	Corresponding Standard & Poors Rating
A +	AAA to Aa1	AAA to AA +
A -	Aa2 to Aa3	AA to AA -
B +	A1 to A2	A + to A
B -	A3 to Baa1	A- to BBB +
C +	Baa2	BBB
C -	Baa3	BBB-
D +	Ba1 to Ba2	BB + to BB
D -	Ba3 to B1	BB- to B +
E +	B2 and <	B and <

Home loans

Group-wide, outstanding amounts of home loans increased by 2.6% at 31 December 2012 compared to 31 December 2011 and accounted for 53% of the total gross balance sheet customer loans at 31 December 2012. These amounts are spread among a large number of customers and are secured by either real property (or other similar security) or *Crédit Logement* or *Cautionnement Mutuel Habitat*. The following tables summarize the Group's home loans by type of security interest, customer, geographic region and concentration of customer risk.

In millions of euros, principal end of month	31 December 2011 CM10-CIC	31 December 2012 CM11-CIC
Home loans	137,216	140,748
Secured by *Crédit Logement* or *Cautionnement Mutuel Habitat*	46,441	46,931
Secured by mortgage or other similar security	68,684	71,300
Other securities(1)	22,091	22,517

(1) Other risk-level mortgages, pledges, etc.

The following tables break down the credit risks of the Group by customer type and geographic region.

Loans by customer type (France only)

	31 December 2011 CM10-CIC	31 December 2012 CM11-CIC
Retail	78%	79%
Corporates	17%	18%
Large corporates	3%	2%
Specialized financing and other	2%	2%

Customer credit risk by geographic region

	31 December 2011 CM10-CIC	31 December 2012 CM11-CIC
France	90%	91%
Europe excluding France	8%	8%
Others countries	1%	1%

Concentration Risk

At 31 December 2012, the Group's ten largest customer loans, excluding intra-group and sovereign loans, amounted to €13.6 billion, less than 2.5% of total on- and off-balance sheet commitments of the CM11-CIC Group. The following tables summarize the concentration of customer risks for the CM11-CIC Group.

Companies

	31 December 2011 CM10-CIC	31 December 2012 CM11-CIC
Gross commitments in excess of €300 million		
Number of counterparty groups	40	40
Total weighted commitments in millions of euros	25,685	24,464
Of which total statement of financial position in millions of euros	*9,585*	*9,138*
Guarantee and financing commitments in millions of euros	*16,100*	*15,326*
Gross commitments in excess of €100 million		
Number of counterparty groups	125	137
Total weighted commitments in millions of euros	39,785	39,282
Of which total statement of financial position in millions of euros	*16,555*	*16,767*
Guarantee and financing commitments in millions of euros	*23,229*	*22,516*

Banks

	31 December 2011 CM10-CIC	31 December 2012 CM11-CIC
Gross commitments in excess of €300 million		
Number of counterparty groups	16	11
Total weighted commitments in millions of euros	14,749	8,266
Of which total statement of financial position in millions of euros	*11,441*	*6,737*
Guarantee and financing commitments in millions of euros	*3,308*	*1,529*
Gross commitments in excess of €100 million		
Number of counterparty groups	31	28
Total weighted commitments in millions of euros	17,683	11,472
Of which total statement of financial position in millions of euros	*13,685*	*9,436*
Guarantee and financing commitments in millions of euros	*3,998*	*2,037*

Amount at risk and cost of risk

The Group's doubtful loans increased 0.9% to €11,434 million at 31 December 2012 from €11,335 million at 31 December 2011 (and remained stable on a comparable basis). These loans accounted for 4.1% of balance sheet customer loans as of 31 December 2012 compared to 4.2% as of 31 December 2011. At 31 December 2012, the cost of risk represented 0.369% of the gross outstanding amount of customer loans compared to 0.529% at 31 December 2011.

In millions of euros, principal end of month	31 December 2011[(1)] CM10-CIC	31 December 2012 CM11-CIC	31 December 2012 at constant scope of consolidation
Individually impaired receivables	11,335	11,434	11,337
Provision for individually impaired receivables	7,038	6,815	6,786
Provision for collectively impaired receivables	526	577	574
Coverage ratio	66.7%	64.7%	64.9%
Coverage ratio (provision for individual impairments only)	62.1%	59.6%	59.9%

(1) Including TARGOBANK Germany, the Cofidis Group and TARGOBANK Spain.

The following tables summarize information regarding overdue but not impaired customer loans outstanding at 31 December 2011 and 2012 for the CM11-CIC Group.

31 December 2011 CM10-CIC (*in millions of euros*)	< 3 months	> 3 months < 6 months	> 6 months < 1 year	> 1 year	Total
Debt instruments[(1)]	**0**	**0**	**0**	**0**	**0**
Loans and receivables	**4,141.5**	**47.2**	**1.4**	**2.4**	**4,192.4**
Governments	3.6	0	0	0	3.6
Credit institutions	17.8	0	0	0	17.8
Non-financial institutions	26.7	0	0	0	26.7
Large corporate	520.2	1.9	0	2.4	524.4
Retail customers	3,573.2	45.3	1.4	0.04	3,619.9
Total	**4,141.5**	**47.2**	**1.4**	**2.4**	**4,192.4**

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

31 December 2012 CM11-CIC (*in millions of euros*)	< 3 months	> 3 months < 6 months	> 6 months < 1 year	> 1 year	Total
Debt instruments[(1)]	**0**	**0**	**0**	**0**	**0**
Loans and receivables	**5,261.2**	**40.2**	**11.2**	**15.7**	**5,328.3**
Governments	0.7	0	0	0	0.7
Credit institutions	9.9	0	0	0	9.9
Non-financial institutions	40.5	0	0	0	40.5
Large corporate	677.6	1.2	5.3	10.5	694.5
Retail customers	4,532.6	39.0	5.9	5.3	4,582.7
Total	**5,261.2**	**40.2**	**11.2**	**15.7**	**5,328.3**

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

Interbank loans

On 31 December 2012, interbank loan exposure was concentrated on European banks, particularly France, Germany and the United Kingdom. The Group continued to reduce its exposure in the most sensitive European banking systems. Exposure in other countries relates to large North American banks.

In 2012, the structure of the Group's interbank exposure based on internal scores reflected:

- an increase in amounts scored A- (equivalent to an external score of AA/AA-), concentrated on several first rate French and European counterparties;

- an increase in amounts owed by weaker counterparties (scored C+ or less, i.e., an external score of BBB+), due to the deterioration in the scores of counterparties located in sensitive countries; and

- a significant decrease in amounts scored B+ (equivalent to an external score of A+/A) due to the aforementioned deterioration as well as to a decrease in amounts owed by several significant counterparties.

Sovereign risk

On 31 December 2012, the Group's exposure to sovereign risk included the following net risks: Italy (approximately €3.5 billion), Spain (approximately €258 million), Portugal (approximately €63 million) and Ireland (approximately €101 million). See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Introduction—Certain Factors Affecting Results of Operations and Financial Condition—European Sovereign Debt Exposure" for more information.

Securities, derivatives and repurchase agreements

The following tables summarize the CM11-CIC Group's holdings of debt securities and similar instruments at 31 December 2011 and 2012.

In millions of euros, principal end of month	31 December 2011 CM10-CIC Book value	31 December 2012 CM10-CIC Book value
Government securities	16,802	13,589
Bonds	80,343	81,581
Derivative instruments	3,294	3,886
Repurchase agreements and securities lending	8,969	12,508
Gross exposure	**109,408**	**111,565**
Provisions for impairment of securities	(212)	(107)
Net exposure	**109,196**	**111,457**

Balance Sheet Risk

Through the effective management of balance sheet risk, the Group aims to insulate commercial margins from interest and exchange rate variations and to maintain a liquidity level that will enable the Group to meet its obligations and protect it from a possible liquidity crisis. Hedging decisions are aimed at maintaining the risk indicators within set limits, both on a Group level and also at the business unit level, on a need basis. Balance sheet management risk indicators are presented every quarter to the Group's Risks Committee.

The Group has two decision-making committees to manage liquidity and interest rate risk. The ALM Technical Committee meets on a quarterly basis and is composed of the managers of relevant departments, such as the financial, balance sheet, refinancing and cash flow, and risks departments. The committee determines the risk limits applicable to the Group by reviewing static and dynamic liquidity gaps, static rate gaps and sensitivities of the net banking income and net current value indicators, by business unit and on a consolidated level. The ALM Monitoring Committee is made up of Group managers and examines the changes in balance sheet management risks and approves risk limits.

Interest Rate Risk

CM11-CIC Group's commercial activities generate interest rate risk, creating rate and reference index differences between source and application of funds. The Group uses a combination of macro hedging and specific hedging, in the case of high value or uniquely structured operations, in accordance with risk limits set in relation to the annual bank operating profit for each bank and for the Group. Interest rate risk analysis is applied to the specific indicators, updated on a quarterly basis, and four scenarios are calculated, one of which presents a stress scenario.

Interest rate risk is analyzed on the basis of the main indicators below on a quarterly basis:

- the static fixed-rate gap, corresponding to items in the balance sheet, both assets and liabilities, whose cash flows are considered to be certain over a one to ten year horizon, governed by limits from three to seven years, measured by a net banking income ratio;

- the static "inflation" gap over a one to ten year horizon;

- the sensitivity of the net interest margin, calculated based on national scenarios and enclosed within limits. It is measured in annual steps, over a two-year horizon and is expressed as a percentage of each entity's net banking income. The Group calculates four scenarios: (1) a 1% increase in market interest rates and a 0.33% increase in inflation (the core scenario); (2) a 1% increase in market interest rates and stable inflation; (3) a 2% increase in market interest rates and a 0.66% increase in inflation; and (4) a 3% increase in short interest rates, a 1% decline in long rates and stable inflation (the stress scenario);

    - As of 31 December 2012, net interest income of the CM11-CIC Group was, under the core scenario, exposed to a drop in interest ratesInterest rate sensitivity in the CM11-CIC Group, excluding the holding company, was -€159.0 million in year 1 and -€234.2 million in year 2, equivalent to 2.36% and 3.41% of forecast net banking income for each year, respectively.

    - The risk limits set at 3% of net banking income in one year and 4% in two years were complied with. Indicators of sensitivity to rising interest rates in the CM11-CIC Group were as follows:

Sensitivity of net banking income (in %)	1 year	2 years
Scenario 1	2.4	3.4
Scenario 2	3.6	5.3
Scenario 3	4.7	6.8
Scenario 4	5.0	4.4

- The sensitivity of net asset value (NAV) arising from the application of the standard Basel II indicator. The CM11-CIC Group applies increases and decreases of 200 base points to the entire balance sheet to measure as a percentage of equity the change in the net discounted value of the main balance sheet items based on such scenarios.

Sensitivity of the net current value of the CM11-CIC Group	in % of equity
Sensitivity +200 bps	-5.0%
Sensitivity -200 bps	+9.6%

Liquidity Risk

The Group works in close collaboration with BFCM, which takes charge of the long-term funding needs of the Group, in the management of its liquidity risk. The CM11-CIC Group applies the following guidelines in managing liquidity risk:

- Applying the French regulatory one month liquidity ratio or other locally applicable ratio to each entity in the Group on a stand-alone basis.

- Maintaining a liquidity buffer of assets that are transferrable and eligible as collateral for loans from the European Central Bank, covering more than one month of total closure of the markets and client stress, which can be mobilized within a few days to cover up to 85% of short term funding requirements.

- Limiting transformation ratios for commercial banking, with 90% matched by time bands from 3 months to 7 years.

- Limiting reliance on the interbank lending market.

- Diversifying funding sources by type of investors, by geographical market and by currency.

The ALM Technical Committee determines the liquidity hedging operations to be implemented in respect of all indicators.

The following tables break down the CM11-CIC Group's consolidated statement of financial position by residual maturity of future contractual cash flows (principal and interest).

2011	Residual contractual maturities							
in millions of euros	≤ 1 month (a)	> 1 month ≤ 3 months	> 3 months ≤ 1 year	> 1 year ≤ 2 years	> 2 years ≤ 5 years	> 5 years	No fixed maturity (b)	Total
Assets								
Trading financial assets	467	294	3,205	4,259	4,538	2,968	465	16,197
Financial assets at fair value through profit or loss	5,276	1,060	890	23	2,030	4	60	9,343
Derivative instruments used for hedging purpose – assets	3	1	831	27	41	24	8	935
Available for sale financial assets	338	248	2,874	3,102	10,439	7,034	2,880	26,915
Loans and receivables (incl. Finance leases)	38,340	10,179	22,225	25,576	60,696	143,585	1,845	302,445
Held-to-maturity investments	32	2,878	2,036	142	715	42	0	5,845
Other assets	915	13,251	1,491	5	45	15	1,011	16,734
Liabilities								
Central banks deposits	16	13	67	47	95	44	0	282
Trading financial liabilities	577	126	1,065	839	2,522	1,503	11	6,642
Financial liabilities at fair value through profit or loss	9,959	6,273	6,163	0	0	0	0	22,395
Derivative instruments used for hedging purposes – liabilities	11	5	597	318	752	1,289	951	3,923
Financial liabilities carried at amortized cost	157,372	34,201	32,995	21,607	55,899	29,085	4,092	335,252
Of which debt securities	*11,267*	*16,017*	*15,231*	*8,372*	*19,682*	*20,366*	*0*	*90,935*
Of which subordinated liabilities	*1*	*63*	*200*	*883*	*1,996*	*2,022*	*2,199*	*7,363*

Excludes insurance activities.

(a) Includes accrued interest and securities given and received under repurchase agreements.

(b) Includes undated debt securities, non-performing loans, loans in litigation and impairment provisions. For mark to market financial instruments, also includes differences between fair value and redemption value.

2012	Residual contractual maturities							
in millions of euros	≤ 1 month (a)	> 1 month ≤ 3 months	> 3 months ≤ 1 year	> 1 year ≤ 2 years	> 2 years ≤ 5 years	> 5 years	No fixed maturity (b)	Total
Assets								
Trading financial assets	1,823	1,091	5,023	1,722	4,815	3,198	10	17,680
Financial assets at fair value through profit or loss	5,296	2,439	2,742	116	1,838	18	20	12,470
Derivative instruments used for hedging purpose – assets	3	0	1,207	9	96	5	21	1,342
Available for sale financial assets	488	369	2,191	3,793	8,144	4,074	2,769	21,828
Loans and receivables (incl. Finance leases)	52,352	9,087	21,759	26,093	62,572	148,185	3,043	323,091
Held-to-maturity investments	3	77	68	116	641	0	0	904
Other assets	944	15,513	962	13	89	48	984	18,553
Liabilities								
Central banks deposits	9	45	24	52	125	87	0	343
Trading financial liabilities	639	158	1,200	770	3,167	1,678	15	7,627
Financial liabilities at fair value through profit or loss	7,666	6,179	5,147	0	0	0	0	18,992
Derivative instruments used for hedging purposes – liabilities	12	9	500	79	222	1,931	37	2,789
Financial liabilities carried at amortized cost	157,075	32,294	42,256	24,999	58,058	33,103	4,167	351,951
Of which debt securities	*13,005*	*14,527*	*22,822*	*9,755*	*19,657*	*19,339*	*1*	*99,107*
Of which subordinated liabilities	*126*	*59*	*198*	*700*	*1,995*	*2,017*	*2,190*	*7,285*

Excludes insurance activities.

(a) Includes accrued interest and securities given and received under repurchase agreements.

(b) Includes undated debt securities, non-performing loans, loans in litigation and impairment provisions. For mark to market financial instruments, also includes differences between fair value and redemption value.

Exchange Rate Risk

The Group automatically centralizes exchange rate positions in the CIC holding organization and BFCM on a daily basis for commercial transfer operations and for receipts and payments of foreign exchange income and expenditure, and on a monthly basis for unrealized gains or losses in foreign exchange, which are converted into euros. With the exception of the activities of CM-CIC Marchés and certain capital and long-term investments operations in foreign exchange, no business unit of the Group bears a foreign exchange risk on its own. Structural exchange rate positions that result from foreign currency allowances to foreign branches remain at the foreign branch level and are totalled with the branch's profits.

Equity Risk

The Group's equity risk falls under the following categories:

- Assets at fair value through profit or loss: these include financial assets held by the Group for short-term profit, measured at fair value, with any resultant gain or loss recognized in the profit or loss statement. The Group's share portfolio held at fair value amounted to €317 million at 31 December 2012 compared to €473 million at 31 December 2011.
    - For the CM11-CIC Group, equity recorded at fair value through profit or loss amounted to €1,946 million under the fair value option, of which €1,870 relating to the private equity business, and €11,393 million in shares held by the insurance company GACM, which the Group uses to be consistent with liabilities, which are recorded at fair value per applicable regulations.
- Available-for-sale financial assets: the Group held €6,450 million in financial assets designated as available-for-sale and €1,984 million in long-term investments. These assets are carried at fair value with unrealized gains or losses included in accumulated other comprehensive income until realized, at which time the cumulative gain or loss is transferred to earnings.
- Long-term investments: For the Group, these comprise equity interests in the amount of €1,332 million (including, equity interests in Club Sagem, Foncières des Régions and the Caisse de Refinancement de l'Habitat), investments worth €488 million in affiliated companies and €160 million in long-term shares (including shares in Veolia Environnement).
- Diminution in value of shares: the Group reviews its equity investments periodically to identify significant or prolonged drops in value. In 2012, the Group recognized a €31 million drop in the value of its equity investments, compared with €143 million in 2011. At 31 December 2012, the historical cost of shares with diminished value amounted to €4,330 million, the corresponding diminution in value reaching €2,297 million.

Market Risk and Asset-Liability Management Risk

Organization of Market Risk Management

CM-CIC Marchés' market activities are supervised by a member of the board of directors who reports to the boards of directors of CIC and BFCM. In addition, its operational units are separate from the control units that monitor risks and results and are in charge of approvals, settlement and accounting entries. The control units are supervised by the Group's Risk Department, which prepares indicators with summaries of risk exposures and seeks the approval of allocated or consumed equity levels by the board of directors of BFCM and the board of directors of CIC.

Two levels of controls provide continuous and systematic monitoring of market activities. First-level control is performed by three groups: results risks, accounting and regulatory controls, and the CM-CIC Marchés legal team. Second-level control is performed by four groups: the continuous monitoring of market businesses group, the CIC credit policy department, the CIC legal and tax departments, and the CIC finance department. Finally, periodic control of the trades of the CM10-CIC Group is performed by a specialized team of inspectors responsible for periodic control and market activities compliance. The Market Risks Committee meets on a monthly basis and tracks the strategy, results and risks of CM-CIC Marchés within limits set by the CIC board of directors and the BFCM board of directors.

The market risk limits system is supported by an overall regulatory equity limit (Capital Adequacy Directive (CAD)) and Value-at-Risk (VaR) limit; and internal rules and scenarios (CAD risks, VaR history and stress tests) that can convert exposures into potential losses. The limits system covers different types of market risks, which are further divided into sub-limits by type of risk for each of the areas of activity. CM-CIC Marchés tracks risks by means of first-level indicators, such as sensitivity to different market risk factors, mainly intended for operators, and second-level indicators, such as potential losses, which provide a more overall view and are directly accessible to the decision-making bodies.

In 2012, the capital allocated to investment activities and sales in France and New York (excluding the legacy run-off RMBS portfolio) decreased to €440 million (CAD risk assessment). In addition, the consumption of capital by the residential mortgage-backed securities (RMBS) activity carried out in the New York branch decreased along with the amortization of securities in the run-off portfolio.

The daily cash position of CM-CIC Marchés may not exceed a limit with an intermediate alert level, as defined by the management and approved by the board of directors. The refinancing period of the assets in the portfolio is also subject to monitoring and limits. The main front office risks comprise the following activities:

- Refinancing: BFCM market risks are calculated on a regulatory basis on the basis of CAD and RES and are generated by the possibility of exposure to rate risk, and by the credit risk of the liquidity portfolio. In 2012, CAD risk consumption decreased to €71 million from €94 million in 2011, due to lower RES and CAD. Lower RES is due to improved ratings of the counterparties and the maturity date of the operations of the banking portfolio.

- Hybrids: CAD risk consumption reached an average of €68 million in 2012 and €66 million year end, mainly due to overall long positions on investment activities. The convertible bonds amounts outstanding decreased from €2.5 billion at the end of 2011 to €2.1 billion in 2012.

- Credit: positions are either securities/CDS arbitrages, credit correlation positions (ItraXX/CDX tranches) or ABS positions. CAD risk consumption remained stable in 2012 at around €28 million and ended the year at €23.8 million. CAD risk consumption in the ABS portfolio remained stable at around €97 million throughout 2012 and ended the year at €107 million. Risks relating to downgrades of Spain and Ireland had a limited impact on the positions of the portfolios in neighboring countries, thanks to prudent risk management and a lightening of positions in such countries throughout 2012. In credit correlation activities, based exclusively on Itraxx/CDX tranches, CAD consumption started 2012 at €10.7 million before decreasing in February 2012 due to the liquidation of certain tranches and remained at around €7 million the rest of the year.

- M&A and miscellaneous equity: CAD risk consumption reached €40 million on average in 2012, before decreasing to €20.6 million in December 2012. This decrease reflects the decrease in amounts outstanding and the exit of opportunities. The M&A amount outstanding decreased €256 million at 31 December 2011 to €166 million at 31 December 2012.

- Fixed income: positions consist of yield curve arbitrage, most often with securities vehicles essentially of European states. The Group's limited exposures to Greece were closed out in the first quarter of 2012. The Group has very limited exposure to other European state securities. The Group's exposure to Italy has been reduced by approximately 35% in the last two years, to approximately €2 billion, most of which matures in 2014. The amount outstanding of state securities decreased to €8.8 billion at the end of 2012 (of which €3.1 billion are French state securities) compared to €8.8 billion in 2011.

Operational Risk

Regulatory Framework

Operational risk management is governed by a strict regulatory framework:

- Basel II, which requires the allocation of capital to operational risk;

- Regulation CRBF 97-02 as amended, which requires implementation of a risk management system covering all types of risk and an internal control system that ensures the effectiveness and quality of the Group's internal operations, the reliability of internal and external information, the security of transactions and compliance with all laws, regulations and internal policies.

Objectives and Principles

Under the prudential regulations of Basel II, the Group has implemented a complete system to manage operational risks, both at regional and national levels, using a unique risk referential and common quantitative evaluation method. The Group's operational risk management system covers operational risks, business continuity plans and insurance covering those risks. As of 1 January 2012, the Group has permission from the relevant authorities to use its advanced measurement approach to calculate regulatory capital requirements with respect to operational risks of French entities, with the exception of Cofidis.

The Group's policy for the management of operational risks aims to contribute to:

- controlling overall costs and risks;
- protecting Group personnel by developing a sense of responsibility, autonomy and control, while capitalizing on the expertise within the Group;
- protecting margins by closely managing operational risks on all activities, optimizing the equity allocated to the cost of risk and adapting the insurance programs to the identified risks; and
- providing an effective response to the statutory requirements of Basel II and to requests of regulatory authorities, optimizing the continuation plans of vital activities, and improving financial communication in the spirit of Pillar 3 of Basel II.

Measurement and Control Systems

The Group relies on a national database of internal losses, an external database and on scenarios developed as part of mapping and statistical work carried out in accordance with common procedures and regulatory requirements. Homogeneous risks by business line, type of risk and risk object are mapped for all activities with assessments based on expert opinions, and then on probabilistic models. The Technical Committee on Operational Risks approves the models. The equity allowance is calculated nationally and then distributed regionally.

General orientation for the reduction of operational risks includes:

- efficient preventive actions, identified in the course of modeling that is directly implemented by the operations team along with permanent monitoring and quality control; and
- protective actions that are part of continuation plans on trade sectors, logistics and systems for vital activities so as to limit the serious effects of a disaster or similar major loss event.

The implementation of the policy for management of operational risks and risk profile are monitored using key indicators, limits and alerts covering estimated potential risks, the risk of total loss, the efficiency of the chosen reduction and financing measures. These indicators and limits are the subject of regular communication with the executive management and governing bodies.

Documentation and Procedures

The Group has a set of procedures that are validated by management and regularly updated. Governance procedures cover the roles and responsibilities of the managing, decision-making and steering bodies, the national function, the frequency and addressees of reports, the scope of the tracking of Group entities, and the subsidiary integration methodology. Loss collection procedures state the rules for collecting and controlling internal losses. Measurement system procedures relate to modeling based on expert opinion and probabilities, Key Risk Indicator collection rules, keys for the distribution of equity requirements, COREP declarations.

Activity Continuation Plans

Activity Continuation Plans, or PCA, are part of the protective actions implemented by the Group to limit the seriousness of a loss within the program for the management of operational risks. The methodology for setting up a PCA is accessible to all PCA teams and is implemented at the regional group level. There are two types of PCAs: the PCA by trade, which concern a given bank trade linked to one of the trade lines of Basel II, and the transversal PCA, which apply to trades for which the object is to provide other trades with the means to function, such as logistics, HR and IT business continuity plans. A PCA is divided into three phases: first, the contingency plan is immediate and includes all actions dealing with the treatment of matters of urgency and the implementation of the backup solution; second, the continuation plan applies in the case of the resumption of activity in a downgraded environment in accordance with the terms defined before the occurrence of the crisis; and third, the recovery plan, whose implementation takes place shortly after the start of the continuation plan and whose length depends on the extent of the damage.

Crisis Management

The crisis management system implemented at the Group level covers communication and the most effective organization to deal with the three phases of the crisis: contingency plan, continuation plan, and recovery plan. The system relies on:

- a Crisis Committee that makes the vital decisions, prioritizes actions and handles internal and external communication. The chairman is the general manager of the regional division on a regional level, and the general manager of the Group on a national level;

- a crisis team that centralizes information, implements and follows-up on the decisions of the Crisis Committee;

- a crisis unit per trade that coordinates crisis management operations on the field with the crisis team and particularly the activation of the PCA until the situation returns to normal.

Insurance

Financial operational risks programs are reviewed against the results of risk evaluations, after reduction of risks and on the basis of the following principles:

- insuring the severe and major risks that can be insured, and developing self-insurance for the Group for amounts included in a deductible and for intra-group risks;

- insuring frequency risks when justified or self-insuring them through provisions in the income statement;

- severe non-insurable risks and the non-insured balance are covered by the prudential equity reserves;

- major risks of inter-bank payment and exchange systems are covered by liquidity reserve funds allocated by the system.

The Group is insured against damage to property and carries overall insurance for banking or fraud and professional third-party liability insurance, which it intends to use in order to reduce regulatory equity consumption for operational risks.

Training

Every year, the Group offers operational risks training for its network directors, internal controllers and operational staff responsible for tracking the Group's risks.

Inventory of Losses

In 2012, the CM11-CIC Group suffered total operational losses of €70.4 million: of which €90.3 million in losses and €19.9 million in reversals of provisions in respect of prior-year losses, of which €40.1 million was caused by fraud, €6.9 million by work relationships, €16.8 million by human error or procedural failures, €2.3 million by legal risks and €4.3 million due to natural phenomena and malfunctioning of systems.

__Selected Exposures based on the Financial Stability Board Recommendations__

The following tables break down our exposures to certain financial products at 31 December 2011 and 2012, based on Financial Stability Board Recommendations.

SECURITIZATION (in millions of euros)	Book Value 31/12/11 (CM10-CIC)	Book Value 31/12/12 (CM11-CIC)
RMBS	3,985	2,391
CMBS	366	333
CLO	1,543	943
Other ABS	897	731
CLO covered by CDS	721	833
Other ABS covered by CDS	28	25
Liquidity Lines	351	351
Total	**7,890**	**5,607**

Unless otherwise indicated, the securities are not covered by CDS.

31 December 2011 (CM10-CIC) (in millions of euros)	**RMBS**	**CMBS**	**CLO**	**Other ABS**	**Total**
Trading	1,173	353	26	366	1,917
Available for sale	966	13	192	227	1,399
Loans	1,845	0	1,325	304	3,474
Total	**3,985**	**366**	**1,543**	**897**	**6,791**
France	14	2	0	354	369
Spain	305	0	20	206	531
United Kingdom	413	30	0	52	496
Europe, excluding France, Spain and United Kingdom	1,306	0	694	144	2,144
United States	1,795	320	828	121	3,064
Other	151	13	0	21	186
Total	**3,985**	**366**	**1,543**	**897**	**6,791**
Agencies	521	0	0	0	521
AAA	1,560	303	716	421	3001
AA	187	30	737	107	1,062
A	242	23	51	98	413
BBB	145	2	26	121	294
BB	119	0	12	20	151
Less than or equal to B	1,211	8	0	131	1,350
Not rated	0	0	0	0	0
Total	**3,985**	**366**	**1,543**	**897**	**6,791**

31 December 2012 (CM11-CIC) (in millions of euros)	**RMBS**	**CMBS**	**CLO**	**Other ABS**	**Total**
Trading	921	269	15	505	1,710
Available for sale	478	64	29	75	646
Loans	992		899	151	2,042
Total	**2,391**	**333**	**943**	**731**	**4,398**
France	1	2		519	522
Spain	105			68	173
United Kingdom	244			47	291
Europe, excluding France, Spain and United Kingdom	706	64	664	72	1,506
United States	1,232	267	279	25	1,803
Other	103				103
Total	**2,391**	**333**	**943**	**731**	**4,398**
US Agencies	447				447
AAA	546	259	383	462	1,650
AA	239		488	53	780
A	188	10	47	150	395
BBB	66	64	12	19	161
BB	101		13		114
Less than or equal to B	804			47	851
Not rated					
Total	**2,391**	**333**	**943**	**731**	**4,398**

Book Value 31/12/2011 (CM10-CIC) (in millions of euros)	**RMBS**	**CMBS**	**CLO**	**Other ABS**	**Total**
Origination in 2005 and before	943	28	39	207	1,217
Origination in 2006	1,153	119	595	111	1,978
Origination in 2007	1,125	174	550	183	2,032
Origination since 2008	764	45	358	396	1,563
Total	**3,985**	**366**	**1,542**	**897**	**6,790**

Book Value 31/12/2012 (CM11-CIC) (in millions of euros)	**RMBS**	**CMBS**	**CLO**	**Other ABS**	**Total**
Origination in 2005 and before	400	98		28	526
Origination in 2006	508	60	180	45	793
Origination in 2007	746	175	418	60	1,399
Origination since 2008	737		345	598	1,680
Total	**2,391**	**333**	**943**	**731**	**4,398**

As of 31 December 2012, the book value of the CLO covered by CDS totalled €833 million, and the book value of ABS covered by CDS totalled €25 million. As of 31 December 2012, liquidity lines granted to the ABCP programmes totalled €351 million.

Commitments on Monoline Insurer (in millions of euros)	Book Value 31/12/10
Ambac	15
MBIA	4
FGIC	21
Total	**40**

LBO (in millions of euros)	Book Value 31/12/10
Breakdown by geographic zone of financing structures	
France	1,671
Europe (excluding France)	408
United States	127
Other	70
Total	**2,276**
Breakdown by sector of financing structures	
Industrial transport	28
Industrial goods and services	16
Health	10
Travel and leisure	10
Construction	9
Telecommunications	6
Other (<5%)	21
Total	**100**

Information on monoline and LBO exposure is not available as of a date after 31 December 2010.

GOVERNMENT SUPERVISION AND REGULATION IN FRANCE

The French Banking System

All French credit institutions are required to belong to a professional organization or central body affiliated with the French Credit Institutions and Investment Firms Association (*Association française des établissements de crédit et des entreprises d'investissement*), which represents the interests of credit institutions, payment institutions and investment firms in particular with the public authorities, provides consultative advice, disseminates information, studies questions relating to banking and financial services activities and makes recommendations in connection therewith. Most registered banks, including BFCM, are members of the French Banking Federation (*Fédération bancaire française*).

French banking regulatory and supervisory bodies

The French Monetary and Financial Code (*Code monétaire et financier*) sets forth the conditions under which credit institutions, including banks, may operate. The French Monetary and Financial Code vests related supervisory and regulatory powers in certain administrative authorities.

The Financial Sector Consultative Committee (*Comité consultatif du secteur financier*) is made up of representatives of credit institutions, investment firms, insurance companies and insurance brokers and client representatives. This committee is a consultative organization that studies the relations between credit institutions, investment firms and insurance companies and their respective clientele and proposes appropriate measures in this area.

The Consultative Committee on Financial Legislation and Regulations (*Comité consultatif de la législation et de la réglementation financières*) reviews, at the request of the French Minister of the Economy, any draft bills or regulations, as well as any draft European regulations relating to the insurance, banking and investment service industry other than those draft regulations issued by the French *Autorité des marchés financiers* (AMF).

The Prudential Control Authority (*Autorité de contrôle prudentiel* or "ACP") supervises financial institutions and insurance firms and is in charge of ensuring the protection of consumers and the stability of the financial system. The ACP was created in January 2010 as a result of the merger of the Banking Commission (*Commission bancaire*), the Credit Institutions and Investment Firms Committee (*Comité des établissements de crédit et des entreprises d'investissement*), the Insurance and Pensions Control Authority (*Autorité de contrôle des assurances et des mutuelles*) and the Insurance Firms Committee (*Comité des entreprises d'assurance*) and assumed the functions previously exercised by these authorities. The ACP is chaired by the governor of the *Banque de France*. With respect to the banking sector, the ACP makes individual decisions, grants banking and investment firm licenses, and grants specific exemptions as provided in applicable banking regulations. It supervises the enforcement of laws and regulations applicable to banks and other credit institutions, as well as investment firms, and controls their financial standing.

Banks are required to submit periodic (either monthly or quarterly) accounting reports to the ACP concerning the principal areas of their activities. The main reports and information filed by institutions with the ACP include periodic regulatory reports, collectively referred to as *états périodiques réglementaires*. They include, among other things, the institutions' accounting and prudential (regulatory capital) filings, which are usually submitted on a quarterly basis, as well as internal audit reports filed once a year, all the documents examined by the institution's management in its twice-yearly review of the business and operations and the internal audit findings and the key information that relates to the credit institution's risk analysis and monitoring. The ACP may also request additional information that it deems necessary and may carry out on-site inspections (including with respect to a bank's foreign subsidiaries and branches, subject to international cooperation agreements). These reports and controls allow a close monitoring of the condition of each bank and also facilitate computation of the total deposits of all banks and their use.

The ACP may order financial institutions to comply with applicable regulations and to cease conducting activities which may adversely affect the interests of clients. The ACP may also require a financial institution to take measures to strengthen or restore its financial situation, improve its management methods and/or adjust its organization and activities to its development goals. When a financial institution's solvency or liquidity, or the interests of its clients are or could be threatened, the ACP is entitled to take certain provisional measures, including: submitting the institution to special monitoring and restricting or prohibiting the conduct of certain activities (including deposit-taking), the making of certain payments, the disposal of assets, and/or the distribution of dividends to its shareholders.

Where regulations have been violated, the ACP may act as an administrative court and impose sanctions, which may include warnings, fines, suspension or dismissal of managers and deregistration of the bank, resulting in its winding up. The ACP also has the power to appoint a temporary administrator to manage provisionally a bank that it deems to be mismanaged. The decisions of the ACP may be appealed to the French administrative supreme court (*Conseil d'Etat*). Insolvency proceedings may be initiated against banks or other credit institutions, or investment firms only after formal consultation with the ACP.

Under a proposed European Union directive providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms published on June 6, 2012 by the European Commission (the "RRD"), supervisory authorities such as the ACP would be empowered to write down, write off or convert into equity the claims of certain creditors of a failing institution (this is known as the "bail-in" tool). According to a draft amendment to the RRD which is currently being considered, such power to write down or write off would be limited to instruments that are treated as regulatory capital, which would not include senior debt obligations. However, the RRD is still in draft form and changes could be made to it before it is adopted by the European Parliament and the Council. Consequently, it is possible that the bail-in tool, if it is adopted, will apply not only to capital instruments, but also to other debt instruments, possibly including senior debt obligations.

A related French legislative proposal provides that certain subordinated (but not senior) instruments could be written down or written-off or converted into equity if the financial situation of the institution so requires.

Banking regulations

In France, the Group must comply with the norms of financial management set by the Minister of the Economy, the purpose of which is to ensure the creditworthiness and liquidity of French credit institutions. These banking regulations are mainly derived from EU directives. It is anticipated that the Basel III reforms will be implemented in the European Union through a new directive to be implemented under French law (directive of the European Parliament and of the Council on the access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, a draft of which was published on 20 July 2011) and a regulation (regulation of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms, a draft of which was published on 20 July 2011) that will be directly applicable in all EU member states including France.

The French banking entities in the Group must comply with minimum capital ratio requirements. In addition to these requirements, the principal regulations applicable to credit institutions concern risk diversification and liquidity, monetary policy, restrictions on equity investments and reporting requirements. As of the date hereof, in the various countries in which BFCM's subsidiaries operate, they comply with the specific regulatory ratio requirements in accordance with procedures established by the relevant supervisory authorities.

French credit institutions are required to maintain minimum capital to cover their credit, market, counterparty and operational risks. Currently and until implementation of Basel III reforms (the principal elements of which are set out in Basel Committee papers dated 16 December 2010 (as revised in June 2011) and in a press release dated 13 January 2011), French credit institutions are required to meet a minimum capital ratio, obtained by dividing the institution's eligible regulatory capital by its risk weighted assets, of 8%. The Basel III reforms will make extensive changes to the regulatory capital required to be held by credit institutions. See "Capital Adequacy of the Group".

Each French credit institution is required to calculate, as of the end of each month, the ratio of the weighted total of certain short-term and liquid assets to the weighted total of short-term liabilities. This liquidity ratio (*coefficient de liquidité*) is required to exceed 100% at all times. French credit institutions are entitled to opt for the "advanced" approach with respect to liquidity risk, upon request to the ACP and under certain conditions. Under the advanced approach, the credit institution is able to use its internal methodologies to determine the liquidity risk and ensure that it has sufficient liquidity at all times to honor its commitments. The Basel III reforms are also expected to change the monitoring of liquidity risk by credit institutions.

French credit institutions must satisfy, on a consolidated basis, certain restrictions relating to concentration of risks (*ratio de contrôle des grands risques*). The aggregate of a French credit institution's loans and a portion of certain other exposure (*risques*) to a single customer (and related entities) may not exceed 25% of the credit institution's regulatory capital as defined by French capital ratio requirements. Individual exposures exceeding 10% (and in some cases 5%) of the credit institution's regulatory capital are subject to specific regulatory requirements.

French credit institutions are required to maintain on deposit with the *Banque de France* a certain percentage of various categories of demand and short-term deposits. Deposits with a maturity of more than two years are not included in calculating the amount required to be deposited. The required reserves are remunerated at a level corresponding to the average interest rate over the maintenance period of the main refinancing operations of the European System of Central Banks.

The Group's commercial banking operations in France are also significantly affected by monetary policies established from time to time by the European Central Bank in coordination with the *Banque de France*. Commercial banking operations, particularly in their fixing of short-term interest rates, are also affected in practice by the rates at which the *Banque de France* intervenes in the French domestic interbank market.

French credit institutions are subject to restrictions on equity investments and, subject to various specified exemptions for certain short-term investments and investments in financial institutions and insurance companies, "qualifying shareholdings" held by credit institutions must comply with the following requirements: (a) no "qualifying shareholding" may exceed 15% of the regulatory capital of the concerned credit institution and (b) the aggregate of such "qualifying shareholdings" may not exceed 60% of the regulatory capital of the concerned credit institution. An equity investment is a "qualifying shareholding" for the purposes of these provisions if (i) it represents more than 10% of the share capital or voting rights of the company in which the investment is made or (ii) it provides, or is acquired with a view to providing, a "significant influence" (*influence notable*, presumed when the credit institution controls at least 20% of the voting rights) in such company.

French regulations permit only licensed credit institutions to engage in banking activities on a regular basis. Similarly, institutions licensed as banks may not, on a regular basis, engage in activities other than banking, bank-related activities and a limited number of non-banking activities determined pursuant to the regulations issued by the French Minister of the Economy. A regulation issued in November 1986 and amended from time to time sets forth an exhaustive list of such non-banking activities and requires revenues from those activities to be limited in the aggregate to a maximum of 10% of total net revenues.

Examination

The principal means used by the ACP to ensure compliance by large deposit banks with applicable regulations is the examination of the detailed periodic (monthly or quarterly) financial statements, *états périodiques réglementaires* and other documents that these banks are required to submit to the ACP. In the event that any examination were to reveal a material adverse change in the financial condition of a bank, an inquiry would be made, which could be followed by an inspection. The ACP may also inspect banks (including with respect to a bank's foreign subsidiaries and branches, subject to international cooperation agreements) on an unannounced basis.

Deposit guarantees

All credit institutions operating in France are required by law to be a member of the deposit guarantee fund (*Fonds de Garantie des Dépôts*), except branches of European Economic Area banks that are covered by their home country's guarantee system. Domestic customer deposits denominated in euro and currencies of the European Economic Area are covered up to an amount of €100,000 and securities up to an aggregate value of €70,000, per customer and per credit institution, in both cases. The contribution of each credit institution is calculated on the basis of the aggregate deposits and one-third of the gross customer loans held by such credit institution and of the risk exposure of such credit institution.

Additional funding

The governor of the *Banque de France*, as chairman of the ACP, can request that the shareholders of a credit institution in financial difficulty fund the institution in an amount that may exceed their initial capital contribution. However, credit institution shareholders have no legal obligation in this respect and, as a practical matter, such a request would likely be made to holders of a significant portion of the institution's share capital.

Internal control procedures

French credit institutions are required to establish appropriate internal control systems, including with respect to risk management and the creation of appropriate audit trails. French credit institutions are required to have a system for analyzing and measuring risks in order to assess their exposure to credit, market, global interest rate, intermediation, liquidity and operational risks. Such system must set forth criteria and thresholds allowing to identify as significant the incidents revealed by internal control procedures. Any fraud generating a gain or loss of a gross amount superior to 0.5% of the Tier 1 capital is deemed significant provided that such amount is greater than €10,000.

With respect to credit risks, each credit institution must have a credit risk selection procedure and a system for measuring credit risk that permit, *inter alia*, centralization of the institution's on- and off-balance sheet exposure and for assessing different categories of risk using qualitative and quantitative data. With respect to market risks, each credit institution must have systems for monitoring, among other things, its proprietary transactions that permit the institution to record on at least a day-to-day basis foreign exchange transactions and transactions in the trading book, and to measure on at least a day-to-day basis the risks resulting from trading positions in accordance with the capital adequacy regulations. The institution must prepare an annual report for review by the institution's board of directors and the ACP regarding the institution's internal procedures and the measurement and monitoring of the institution's exposure.

Compensation policy

French credit institutions and investment firms are required to ensure that their compensation policy is compatible with sound risk management principles. A significant portion of the compensation of employees whose activities may have a significant impact on the institution's risk exposure must be performance-based, and a significant fraction of this performance-based compensation must be non-cash and deferred. The aggregate amount of variable compensation must not hinder the institution's capacity to strengthen its capital base if needed.

Money laundering

French credit institutions are required to report to a special government agency (TRACFIN) placed under the authority of the French Minister of the Economy all amounts registered in their accounts that they suspect come from drug trafficking or organized crime, from unusual transactions in excess of certain amounts, as well as all amounts and transactions that they suspect to be the result of offence punishable by a minimum sentence of at least one-year imprisonment or that could participate in the financing of terrorism.

French credit institutions are also required to establish "know your customer" procedures allowing identification of the customer (as well as the beneficial owner) in any transaction and to have in place systems for assessing and managing money laundering and terrorism financing risks in accordance with the varying degree of risk attached to the relevant clients and transactions.

MANAGEMENT AND EMPLOYEES

Board of Directors and Management

This section provides a description of the board of directors and management of BFCM. As the CM11-CIC Group is a mutual banking group and does not have a single parent corporation, it does not have a board of directors or executive officers. The Group's structure and functioning is described under "History and Structure of the CM11-CIC Group".

Board of Directors of BFCM

Certain of the BFCM's directors are selected according to a method that reflects its status as a holding company of the Group and the ownership of its share capital by the CF de CM and certain Local Banks. Each Local Bank elects its own members of the board of directors at their respective shareholders' meetings, in which all member shareholders participate. There are approximately 16,290 directors, all of whom serve on a volunteer basis. This system makes the Local Banks integral parts of the communities they serve, and fosters customer loyalty.

The Local Banks in a district elect a representative of the District, a body that represents a group of Local Banks. A representative of the District becomes a member of the board of directors of the Regional Federation, the policy body for the group of Local Banks. Members of the board of directors of a Regional Federation are eligible to become members of the board of directors of the CF de CM and its subsidiary, BFCM. District elections are held every four years and a director that is no longer the representative of a District as a result of elections will also lose its mandate as a director of BFCM, even if the director's mandate has not expired. Seven directors of BFCM's board of directors are nominated in this manner.

The board of directors of BFCM currently consists of eighteen members appointed in the Shareholders' General Meeting for a mandate of three years, along with 12 non-voting members appointed for three years. BFCM's board of directors includes representatives from associated groups (Ile-de-France, Savoie-Mont Blanc, Sud-Est, Midi-Atlantique, Centre, Dauphiné-Vivarais, Loire-Atlantique and Centre Ouest, Méditerranéen and Normandie). Two employees are members of the board of directors on behalf of the interfederal Works Council. BFCM's directors do not receive attendance fees or stock options.

On 22 October 2010, the board of directors elected to have a single Chairman of the board of directors and Chief Executive Officer, in accordance with French regulations. The Chairman of the board of directors, Michel Lucas, also exercises the role of Chief Executive Officer, organizing and directing the work of the board of directors. The Chief Executive Officer represents BFCM to third parties and has the broadest authority to act on behalf of BFCM. The Board operates in accordance with applicable legal provisions and therefore there are no internal rules governing the operations of the Board; however, directors are required in their capacity as elected representatives to comply with the code of ethics applicable within the Group and to uphold their duty to use discretion and maintain confidentiality on all matters related to BFCM's business purpose.

The following table summarizes the membership of BFCM's board of directors as of 31 December 2012.

Member	Position	Date of initial appointment	Expiry of current mandate	Representative
Michel Lucas	Chairman and CEO	29/09/1992	31/12/2015(1)	
Jacques Humbert	Vice Chairman	13/12/2002	31/12/2014	
Jean-Louis Boisson	Director	17/12/1999	31/12/2014	
Gérard Bontoux	Director	06/05/2009	31/12/2014	
Maurice Corgini	Director	22/06/1995	31/12/2014	
Gérard Cormoreche	Director	16/05/2001	31/12/2015(1)	
Roger Danguel	Director	13/12/2002	31/12/2013	
François Duret	Director	11/05/2011	31/12/2013	
Pierre Filliger	Director	11/05/2011	31/12/2013	
Jean-Louis Girodot	Director	22/05/2002	31/12/2013	
Etienne Grad	Director	17/12/2010	31/12/2015(1)	
Jean Paul Martin	Director	13/12/2002	31/12/2015(1)	
Gerard Oliger	Director	15/12/2006	31/12/2013	
Albert Peccoux	Director	03/05/2006	31/12/2014	
CFCM Maine Anjou et Basse Normandie	Director	04/07/2008	31/12/2014	Daniel Leroyer
Alain Tetedois	Director	27/10/2006	31/12/2014	
Eckart Thomä	Director	11/05/2011	31/12/2013	
Michel Vieux	Director	11/05/2011	31/12/2013	

(1) Mandate renewed in BFCM's General Assembly Meeting on 7 May 2013.

The non-voting members of the board of directors are: René Barthalay, Jean-Louis Bazille, Yves Blanc, Michel Bokarius, Alain Demare, Gérard Diacquenod, Marie-Hélène Dumont, Bernard Flouriot, Monique Groc, Robert Laval, Fernand Lutz, Jacques Pages, Daniel Schlesinger and Alain Tessier.

Biographies of the Members of the Board of Directors

Michel Lucas, born 4 May 1939, is the Chairman and CEO of BFCM. He has been a member of the Board of Directors of BFCM since 1992.

Other offices and duties exercised in 2012

Chairman and Chief Executive Officer: Carmen Holding Investissement – Crédit Industriel et Commercial
Chairman of the Board of Directors: Confédération Nationale du Crédit Mutuel – Fédération du Crédit Mutuel Centre Est Europe – Caisse Fédérale de Crédit Mutuel – Groupe des Assurances du Crédit Mutuel – Assurances du Crédit Mutuel Vie SA – Assurances du Crédit Mutuel Iard SA – Assurances du Crédit Mutuel Vie SFM – Banque du Crédit Mutuel Ile-de-France – International Information Developments – Direct Phone Services – Républicain Lorrain – Est Républicain – Dernières Nouvelles d'Alsace – Liberté de l'Est
Chairman: Crédit Mutuel Cartes de Paiements – Europay France
Chairman of the Supervisory Board: Banque Européenne du Crédit Mutuel – Euro Information Production (GIE)
Vice Chairman of the Supervisory Board: CIC Iberbanco – Banque de Luxembourg
Member of the Board of Directors: Assurances du Crédit Mutuel du Nord IARD – ACMN Iard – ASTREE (Tunis) – Assurances Générales des Caisses Desjardins (Quebec) – Banque de Tunisie – Banque Marocaine du Commerce Extérieur – CIC Banque Transatlantique – Banque Transatlantique Belgium – Caisse de Crédit Mutuel « Grand Cronenbourg » – Caisse Régionale du Crédit Mutuel Midi-Atlantique – CIC Lyonnaise de Banque – Dauphiné Libéré – SAFRAN – Est Bourgogne Média – Groupe progrès SA
Member of the Supervisory Board: CM-CIC Asset Management – Manufacture Beauvillé – CM-CIC Services (GIE) – CM-CIC Capital Finance
Member of the Management Committee: Euro-Information – Euro-Information Développement – EBRA
Permanent Representative of BFCM on the Management Board of Sofédis

Jacques Humbert, born 7 July 1942, is the Vice Chairman of BFCM. He has been a member of the Board of Directors of BFCM since 2002.

Other offices and duties exercised in 2012
Chairman: Union des Caisses de Crédit Mutuel du District de Mulhouse
Member of the Board of Directors: Caisse de Crédit Mutuel la Doller – Fédération du Crédit Mutuel Centre Est Europe – Caisse Fédérale de Crédit Mutuel – Société Française d'Edition de Journaux et d'Imprimés Commerciaux "l'Alsace"
Permanent Representative of ADEPI on the Board of Directors of GACM

Jean-Louis Boisson, 2 August 1948, has been a member of the Board of Directors of BFCM since December 1999.

Other offices and duties exercised in 2012
Chairman: Union des Caisses de Crédit Mutuel du District de Bourgogne Champagne
Chairman of the Board of Directors: Caisse de Crédit Mutuel de Montbard Venarey
Vice Chairman of the Board of Directors: Fédération du Crédit Mutuel Centre Est Europe
Vice Chairman of the Supervisory Board: Banque Européenne du Crédit Mutuel
Member of the Board of Directors: Confédération Nationale du Crédit Mutuel – Caisse Fédérale de Crédit Mutuel – TARGOBANK Espagne – Est Bourgogne Média
Member of the Supervisory Board: Euro lnformation Production

Gérard Bontoux, born 7 March 1950, has been a member of the Board of Directors of BFCM since May 2009.

Other offices and duties exercised in 2012
Chairman: Fédération du Crédit Mutuel Midi-Atlantique – Caisse Régionale du Crédit Mutuel Midi-Atlantique
Member of the Board of Directors: Confédération Nationale du Crédit Mutuel – Caisse Fédérale de Crédit Mutuel – Caisse de Crédit Mutuel Toulouse St Cyprien
Member of the Supervisory Board: Banque Européenne du Crédit Mutuel – Crédit Industriel et Commercial
Permanent Representative of CRCM Midi-Atlantique on the Board of Directors of GACM, and of Marsovalor on the Board of Directors of CIC Sud-Ouest

Maurice Corgini, born 27 September 1942, has been a member of the Board of Directors of BFCM since June 1995.

Other offices and duties exercised in 2012
Chairman: Union des Caisses de Crédit Mutuel du District de Besançon
Chairman of the Board of Directors: Caisse de Crédit Mutuel Baume-Valdahon-Rougemont
Member of the Board of Directors: Fédération du Crédit Mutuel Centre Est Europe – Caisse Agricole Crédit Mutuel – Crédit Industriel et Commercial
Co-Managing Partner: Cogithommes Franche-Comté

Gérard Cormoreche, born 3 July 1957, has been a member of the Board of Directors of BFCM since May 2001.

Other offices and duties exercised in 2012
Chairman: Fédération du Crédit Mutuel du Sud-Est – Caisse de Crédit Mutuel du Sud-Est – Cecamuse
Chairman of the Board of Directors: Caisse de Crédit Mutuel Neuville-sur-Saône – Caisse Agricole Crédit Mutuel
Member of the Board of Directors: Caisse Fédérale de Crédit Mutuel – Société des Agriculteurs de France – Cautionnement Mutuel de l'Habitat
Vice-Chairman of the Board of Directors: MTRL – Confédération Nationale du Crédit Mutuel
Vice-Chairman of the Supervisory Board: CMAR (Crédit Mutuel Agricole et Rural)
Managing Partner: Scea Cormoreche Jean-Gérard – Sàrl Cormoreche
Permanent Representative of CCM Sud-Est on the Board of Directors of ACM Vie SFM

Roger Danguel, born 3 August 1946, has been a member of the Board of Directors of BFCM since December 2002.

Other offices and duties exercised in 2012
Chairman: Union des Caisses de Crédit Mutuel du District de Sélestat
Chairman of the Board of Directors: Caisse de Crédit Mutuel de Sélestat-Scherwiller
Member of the Board of Directors: Fédération du Crédit Mutuel Centre Est Europe – Confédération Nationale du Crédit Mutuel
Member of the Supervisory Board: Banque Européenne du Crédit Mutuel – Editions Coprur
Permanent Representative of Banque Fédérative du Crédit Mutuel to the Board of Directors of Caisse Centrale du Crédit Mutuel

François Duret, born 18 March 1946, has been a member of the Board of Directors of BFCM since May 2011.

Other offices and duties exercised in 2012
Chairman: Fédération Régionale des Caisses du Crédit Mutuel du Centre – Caisse Régionale de Crédit Mutuel du Centre – Caisse de Crédit Mutuel Agricole du Centre – Caisse de Crédit Mutuel d’Auneau (Eur et loir) – SODERDEC
Vice-Chairman: Syndicat Agricole du Dunois
Member of the Board of Directors: Banque Fédérative du Crédit Mutuel - CICM
Member of the Supervisory Board: Banque Européenne du Crédit Mutuel
Vice-Chairman of the Board of Directors: Confédération Nationale du Crédit Mutuel
Permanent Representative of Caisse Nationale de Crédit Mutuel du Centre to the Board of Directors of Caisse Centrale de Crédit Mutuel et des ACM Vie SAM and of Caisse de Crédit Mutuel Agricole – Caisse Régionale of CMC as member of the Supervisory Board of SODEREC
Managing Partner : Earl la Mare de Sermonville
Elected : Chambre d’Agriculture d’Eure-et-Loir

Pierre Filliger, born 27 November 1943, has been a member of the Board of Directors of BFCM since May 2011.

Other offices and duties exercised in 2012
Chairman: Fédération du Crédit Mutuel Méditerranéen – Caisse Régionale du Crédit Mutuel Méditerranéen – Caisse locale CAMEFI – Caisse locale de Marseille Prado – des Caisses locales du Crédit Mutuel Méditerranéen
Member of the Board of Directors: Confédération Nationale du Crédit Mutuel – Caisse Fédérale de Crédit Mutuel
Permanent Representative of Crédit Mutuel Méditerranéen on the Board of Directors of Assurances du Crédit Mutuel (Vie Sam) and of CICM.

Jean-Louis Girodot, 10 February 1944, has been a member of the Board of Directors of BFCM since May 2002.

Other offices and duties exercised in 2012
Chairman of the Board of Directors: Fédération des Caisses de Crédit Mutuel d’Ile de France - Caisse Régionale du Crédit Mutuel d’Ile-de-France – Caisse de Crédit Mutuel de Paris Montmartre Grands Boulevards – of several Caisses de Crédit Mutuel during their start-up phase
Chairman: Comité Régional pour l’Information Economique et Sociale (CRIES)
Vice Chairman: Chambre Régionale de l’Economie Sociale et Solidaire d’Ile-de-France (CRIES IDF) - AUDIENS – Coopérative d’information et d’Edition Mutualiste (CIEM)
Secretary General : Fédération Nationale de la Presse spécialisée (FNPS) – Syndicat de la Presse magazine et spécialisée
Member of the Office: Conseil Economique, Social et Environnemental de la Région d’Ile-de-France
Member of the Board of Directors: Confédération Nationale du Crédit Mutuel – Caisse Fédérale du Crédit Mutuel – AFDAS – Crédit Industriel et Commercial
Member of the Supervisory Board: Euro Information Production
Permanent Representative of Caisse Régionale du Crédit Mutuel Ile-de-France on the Board of Directors of ACM Vie SFM – of the FNPS to the Commission Paritaire des Publications et Agences de Presse

Etienne Grad, born 26 December 1952, has been a member of the Board of Directors of BFCM since December 2010.

Other offices and duties exercised in 2012
Chairman: Union des Caisses de Crédit Mutuel de la Communauté Urbaine de Strasbourg – SAS GRAD Etienne Conseil et Développement
Chairman of the Board of Directors: Caisse de Crédit Mutuel Cours de l'Andlau
Member of the Board of Directors: Fédération du Crédit Mutuel Centre Est Europe
Partner : SCI Lemillion

Daniel Leroyer, born 15 April 1951, has been a member of the Board of Directors of BFCM as the representative of the Caisse Fédérale de Crédit Mutuel Maine-Anjou, Basse-Normandie since May 2011.

Other offices and duties exercised in 2012
Chairman of the Board of Directors: Fédération du Crédit Mutuel de Maine-Anjou Basse Normandie – Caisse Fédérale du Crédit Mutuel Maine-Anjou Basse Normandie – Caisse Générale de Financement (CAGEFI) – Créavenir (Association) – Caisse de Crédit Mutuel du Pays Fertois – Caisse de Crédit Mutuel Solidaire de Maine-Anjou Basse Normandie
Member of the Board of Directors: Confédération Nationale du Crédit Mutuel - SAS Assurances du Crédit Mutuel Maine-Anjou Basse Normandie – Crédit industriel et Commercial – SAS Volney Bocage
Vice-chairman of the Supervisory Board: SODEREC
Member of the Executive Committee : Fondation du Crédit Mutuel
Permanent Representative of the Fédération du Crédit Mutuel Maine-Anjou, Basse-Normandie : member of the Board of Directors of Gie CLOE Services, Caisse Fédérale du Crédit Mutuel de Maine-Anjou et Basse Normandie, of SAS Volney Développement and of the Groupe des Assurances du Crédit Mutuel

Other offices and duties exercised by the Caisse Fédérale de Crédit Mutuel Maine-Anjou, Basse-Normandie in 2012
Chairman of the Board of Directors: SAS Assurances du Crédit Mutuel Maine – Anjou – Normandie
Member of the Board of Directors: Caisse Centrale du Crédit Mutuel – Assurances du Crédit Mutuel IARD SA – Crédit Mutuel Paiements Electroniques CMPE – CM-CIC Epargne Salariale – CM-CIC Bail – SAS Océan Participations – Gie Cloe Services – Mayenne Logis Groupe CIL 53 – Logis Familial Mayennais Groupe CIL 53 – Groupe des Assurances du Crédit Mutuel – SAS Volney Développement – SAS Volney Bocage
Member of the Supervisory Board : SODEREC – CM-CIC Asset Management
Member of the Steering Committee: Euro Information SAS
Partner: SIDEL SNC

Jean Paul Martin, born 22 October 1939, has been a member of the Board of Directors of BFCM since December 2002.

Other offices and duties exercised in 2012
Chairman: Union des Caisses de Crédit Mutuel du District de Metz
Member of the Board of Directors: Fédération du Crédit Mutuel Centre Est Europe – CME 57
Member of the Supervisory Board: Targo Deutschland GmbH – Targo Management AG – TARGOBANK AG – CM Akquisitions Gmbh

Gérard Oliger, born 7 July 1951, has been a member of the Board of Directors of BFCM since December 2006.

Other offices and duties exercised in 2012
Chairman: Union des Caisses de Crédit Mutuel du District de Sarreguemines
Chairman of the Board of Directors: Caisse de Crédit Mutuel Emile Gentil (Volmunster)
Member of the Board of Directors: Fédération du Crédit Mutuel Centre Est Europe

Albert Peccoux, born 3 November 1939, has been a member of the Board of Directors of BFCM since May 2006.

Other offices and duties exercised in 2012
Chairman: Fédération du Crédit Mutuel Savoie-Mont Blanc – Caisse Régionale du Crédit Mutuel Savoie-Mont Blanc

Member of the Board of Directors: Confédération Nationale du Crédit Mutuel – Caisse Fédérale de Crédit Mutuel – Caisse de Crédit Mutuel d'Annecy-les-Fins – Centre International du Crédit Mutuel
Member of the Supervisory Board: Crédit Industriel et Commercial
Permanent Representative of CRCM Savoie-Mont Blanc to the Board of Directors of ACM VIE SFM

Alain Tetedois, born 16 May 1964, has been a member of the Board of Directors of BFCM since October 2006.

Other offices and duties exercised in 2012
Chairman: Fitega – Fiterra.
Chief Executive Officer: Nanteurop
Chairman of the Board of Directors: Fédération du Crédit Mutuel de Loire-Atlantique et du Centre Ouest – Caisse Fédérale du Crédit Mutuel de Loire-Atlantique et du Centre Ouest
Vice-Chairman of the Board of Directors: Caisse de Crédit Mutuel de Saint Julien de Concelles
Member of the Board of Directors: Confédération Nationale du Crédit Mutuel – Caisse Fédérale du Crédit Mutuel
Chairman of the Supervisory Board: CM-CIC Services
Member of the Supervisory Board: Banque Européenne du Crédit Mutuel
Permanent representative of BFCM to the Chairman of CM-CIC IMMOBILIER, of Fédération du Crédit Mutuel LACO to the Chairman of Investlaco – of Caisse Fédérale de Crédit Mutuel LACO to the Board of Directors of ACM Vie and the Manager of SCI CHAMPS DE MARS 2015, of EFSA to the Board of Directors of Banque CIC-OUEST – of Ufigestion 2 to the Board of Directors of CM-CIC Bail.

Eckart Thomä, born 9 November 1938, has been a member of the Board of Directors of BFCM since May 2011.

Other offices and duties exercised in 2012
Chairman of the Board of Directors: Fédération du Crédit Mutuel de Normandie – Caisse Régionale de Crédit Mutuel de Normandie – Caisse de Crédit Mutuel de Caen Centre – Créavenir – Norfi
Chairman of the Supervisory Board: Targo Deutschland GmbH – Targo Management AG – Targobank AG – CM Acquisitions Gmbh
Member of the Board of Directors: Caisse Fédérale de Crédit Mutuel - Confédération Nationale du Crédit Mutuel
Member of the Supervisory Board: Banque Européenne du Crédit Mutuel
Permanent representative of the Caisse Régionale du Crédit Mutuel de Normandie to the Board of Directors of GACM – of the Fédération du Crédit Mutuel de Normandie to the Board of Directors of GIE Cloé Services and to the Board of Directors of Centre International du Crédit Mutuel (CICM)

Michel Vieux, born 12 April 1951, has been a member of the Board of Directors of BFCM since May 2011.

Other offices and duties exercised in 2012
Chairman of the Board of Directors: Fédération du Crédit Mutuel Dauphiné-Vivarais
Vice-Chairman: Association « La Cascade »
Member of the Supervisory Board: Banque Européenne du Crédit Mutuel
Member of the Board of Directors: Caisse Fédérale de Crédit Mutuel – Confédération Nationale du Crédit Mutuel

Chairman and Chief Executive Officer Compensation

In accordance with the framework agreement that the Group has entered into with the French government on various refinancing measures for credit institutions, the Group agreed to certain rules applicable to the compensation of directors and officers of the Group. Compensation received by BFCM directors and officers in 2012 includes a portion related to their activities at Crédit Mutuel and CIC, and consists of fixed and variable compensation. The fixed portion is determined on the basis of standard practices for comparable positions and the variable portion is determined on a discretionary and lump-sum basis. BFCM's Compensation Committee submits proposals for BFCM director and officer compensation that is reviewed by BFCM's board of directors. In 2012, directors and officers of BFCM also received accidental death and disability insurance and supplemental retirement benefit plans made available to all Group employees. The following tables summarize the fixed and variable compensation paid to BFCM's Chairman and Chief Executive Officer and Director General Delegate in 2012 and 2011.

Fixed and variable compensation paid to BFCM officers and directors in 2012, amounts in euros (a)

Name and function	Origin	Fixed portion	Variable portion (b)	In-kind benefits (c)	Employer contributions for supplementary benefits	2012
Michel Lucas Chief Executive Officer BFCM Chairman of the	Crédit Mutuel	250,000	0	5,298	0	255,298
Executive Board	CIC	550,000	0	0	529	550,529
Alain Fradin Director General Delegate of BFCM	Crédit Mutuel	800,000	0	4,346	8,184	812,530

Fixed and variable compensation paid to BFCM officers and directors in 2011, amounts in euros (a)

Name and function	Origin	Fixed portion	Variable portion (b)	In-kind benefits (c)	Employer contributions for supplementary benefits	2011
Michel Lucas Chief Executive Officer BFCM Chairman of the	Crédit Mutuel	249,999	0	5,298	0	255,297
Executive Board	CIC	550,000	0	0	514	550,514
Alain Fradin Director General Delegate of BFCM (*)	Crédit Mutuel	899,956	0	4,966	7,953	912,875

(a) Gross amounts, corresponding to the amounts paid during the year.
(b) The variable portion will be determined by the Compensation Committee following the shareholders' meeting that approves the financial statements for the prior period for which the amounts are to be paid: the variable portion paid in any year is therefore related to the preceding year.
(c) Exclusively a company car.

(*) Fixed remuneration for 2011 includes a balance of all accounts related to the suspension of the employment agreement.

BFCM's directors and officers did not receive any other specific benefits, nor were they the recipient of equity securities, warrants or options to purchase BFCM or CIC shares. In addition, BFCM's directors and officers do not receive attendance fees in consideration of their board mandates, whether the boards are of Group companies or companies outside the Group but on whose boards they sit as a result of their functions within the Group. BFCM's directors and officers may hold assets or borrowings of the Group's banks on the same terms and conditions as those offered to all other BFCM employees.

Conflicts of Interest at the Level of the Administrative, Management and Supervisory Bodies

To BFCM's knowledge, the members of the board of directors and the Chief Executive Officer of BFCM have no actual or potential conflicts of interest between their duties toward BFCM and their private interests.

Committees

Certain of the committees described below function at the Group level, encompassing BFCM as part of the Group. The Compensation Committee is at the BFCM level.

Compensation Committee

The Compensation Committee reviews the general compensation policy of BFCM and advises on the internal procedures and regulations used to determine compensation levels at BFCM. In particular, the committee makes recommendations with respect to compensation packages for the executive management, officers and financial market professionals. Additionally, the committee determines thresholds for compensation beyond which it must receive notice of higher individual compensation packages. To ensure compliance with regulatory requirements, the committee is also tasked with ensuring that executive management consults with

BFCM's Risk and Compliance Departments in determining its compensation policy for financial market professionals.

The committee is composed of at least two members of the board of directors who do not receive remuneration for their role on this committee. The Board appoints members to the committee for three-year terms based on the recommendation of the Chairman, taking into consideration their independence and qualifications. The chair of the committee is likewise appointed by the Board based on the Chairman's recommendation. In 2012, the committee was composed of Mr. Roger Danguel and Mr. Jacques Humbert.

The committee meets twice annually, and its Chair or a majority of its members may call for further meetings. It may seek the opinions of BFCM's Director of Human Resources or other officers, as well as other individuals subject to the approval of executive management. Further, the committee may consult external advisors and outside studies in accordance with the terms of its mission and budget, as set by the board of directors.

Audit and Financial Statements Committee

The Group's Audit and Financial Statements Committee consists of directors representing the Crédit Mutuel federations that are members of the CF de CM and two members of the CIC Supervisory Board. Three of its members have special expertise in accounting and financial matters. The independence of committee members stems from the fact that its members come from the Group's mutual banking level, and are therefore elected by member-shareholders of their respective Local Bank, and strengthened from the fact that membership in this committee is not compensated.

BFCM's internal control and risk management are integrated into the overall internal control system of the Group. In the area of internal control, this committee examines the internal control program, is informed of the annual report on consolidated internal control, reviews the conclusions of the main audits performed by the periodic control department as well as the results of the permanent control and compliance departments, reviews the conclusions of external controls, notably any changes recommended by the regulatory authorities, is informed of actions implemented to follow up on the main recommendations identified in the internal and external control reports, and assesses the efficiency of the internal control systems. The Audit and Financial Statements Committee also makes recommendations to the various deliberative bodies on any improvements it deems necessary based on findings brought to its attention. With respect to financial reporting, this committee is responsible for monitoring the financial information preparation process, supervising the statutory audit of the parent company financial statements and of the consolidated financial statements, participating in the choice of statutory auditors and has unrestricted access to them to learn about their work plan, ensure that they are capable of carrying out their audit and discuss the findings of their work with them, examining the annual and consolidated financial statements, and assessing the conditions for the preparation of financial statements, ensuring the relevance and continuity of accounting policies and methods.

Risk Committee

The Group Risk Committee meets on a quarterly basis and is composed of the operational risk managers, which includes the head of the Risk Department and the heads of several business lines (Commitments Department, Capital Markets Department, Finance Department, Retail Banking, Financing and Capital Markets, Real Estate, Private Equity). This committee is responsible for overall risk monitoring.

Risk Management Committee

The Group Risk Management Committee meets twice per year to review the Group's strategic challenges and opportunities in the area of risk management, and is composed of members of the Group's board of directors. The committee makes recommendations to the Group's deliberative bodies on all decisions of a prudential nature applicable to all Group entities based on findings presented at its meetings. The head of the Risk Department presides over the meetings of the committee and is responsible for the various presentations of the several risk areas based on the work of the Group Risk Committee. Executive management also participates in these meetings and may also invite the heads of business lines with a particular interest in the items on the meeting agenda.

Executive Management of BFCM

Michel Lucas, aged 74, is the Chairman and CEO of BFCM. He has been a member of the Board of Directors of BFCM since 1992.

Other offices and duties exercised in 2012
Chairman and Chief Executive Officer: Carmen Holding Investissement – Crédit Industriel et Commercial
Chairman of the Board of Directors: Confédération Nationale du Crédit Mutuel – Fédération du Crédit Mutuel Centre Est Europe – Caisse Fédérale de Crédit Mutuel – Groupe des Assurances du Crédit Mutuel – Assurances du Crédit Mutuel Vie SA – Assurances du Crédit Mutuel Iard SA – Assurances du Crédit Mutuel Vie SFM – Banque du Crédit Mutuel Ile-de-France – International Information Developments – Direct Phone Services – Républicain Lorrain – Est Républicain – Dernières Nouvelles d'Alsace – Liberté de l'Est
Chairman: Crédit Mutuel Cartes de Paiements – Europay France
Chairman of the Supervisory Board: Banque Européenne du Crédit Mutuel – Euro Information Production (GIE)
Vice Chairman of the Supervisory Board: CIC Iberbanco – Banque de Luxembourg
Member of the Board of Directors: Assurances du Crédit Mutuel du Nord IARD – ACMN Iard – ASTREE (Tunis) – Assurances Générales des Caisses Desjardins (Quebec) – Banque de Tunisie – Banque Marocaine du Commerce Extérieur – CIC Banque Transatlantique – Banque Transatlantique Belgium – Caisse de Crédit Mutuel « Grand Cronenbourg » – Caisse Régionale du Crédit Mutuel Midi-Atlantique – CIC Lyonnaise de Banque – Dauphiné Libéré – SAFRAN – Est Bourgogne Média – Groupe progrès SA
Member of the Supervisory Board: CM-CIC Asset Management – Manufacture Beauvillé – CM-CIC Services (GIE) – CM-CIC Capital Finance
Member of the Management Committee: Euro-Information – Euro-Information Développement – EBRA
Permanent Representative of BFCM on the Management Board of Sofédis

Cyril Le Touzé, aged 64, is the Head of the Risk Management Group of BFCM since 2010.

Other offices and duties exercised in 2012
Cyril Le Touzé exercised other functions within the Group in 2011.

Christian Klein, aged 62, is a deputy director general of BFCM since July 2011.

Other offices and duties exercised in 2012
Chairman of the Board of Directors: Crédit Mutuel-CIC Home Loan SFH
Member of the Board of Directors: Investessor SAS (Paris) – Cigogne Management (Luxembourg) – ESN North America (New York) – Société de Financement de l'Economie Francaise (SFEF)
Member of the Board of Directors; *Director General Delegate*: Carmen Holding Investissement
Member of the Supervisory Board: CIC Iberbanco
Permanent Representative of BFCM in the Board of Directors: Sarest (Strasbourg) – CM-CIC Securities (Paris) – Sofemo (Strasbour) – Boreal (Paris)
Permanent Representative of BFCM in the Supervisory Board: CM-CIC Asset Management
Permanent Representative of Sofinaction in the Board of Directors: CM-CIC Bail (Paris) – CM-CIC lease
Permanent Representative of Cicoval in the Board of Directors: Lyonnaise de Banque

Alain Fradin, aged 66, is the director general delegate of BFCM since May 2011.

Other offices and duties exercised in 2012
Chairman Director General: CM-CIC Bail
Chief Executive Officer: CIC Migrations
Chairman of the Board of Directors: TARGOBANK Espagne
Chairman of the Supervisory Board: CIC Iberbanco – Cofidis - Cofpart
Vice-Chairman of the Board of Directors: TARGOBANK Deutschland Gmbh–TARGOBANK AG – Targo Management AG – CM Akquisitions Gmbh
Director General : Confédération Nationale du Crédit Mutuel – Caisse Centrale du Crédit Mutuel – Fédération du Crédit Mutuel Centre Est Europe – Caisse Fédérale de Crédit Mutuel
Director General Delegate : Crédit Industriel et Commercial
Member of the Board of Directors: Boréal - CM-CIC Titres - Groupe Sofémo - Banque du Crédit Mutuel Ile-de-France – Banco Popular Espagne
Member of the Steering Committee: Euro-Information – Bischenberg – EI Telecom
Member of the Supervisory Board: CM-CIC Services - Eurafric Information

Permanent representative of CCCM (administrateur *CM-CIC AM*) – CIC (comité de direction *Euro GDS*) – de CIC Participations (administrateur de *CIC Nord-Ouest* - administrateur de *CIC Ouest*) – Groupement des Assurances du Crédit Mutuel (administrateur de *Sérénis Vie*) - BFCM (administrateur de Crédit Mutuel Cartes de paiements) –Caisse Fédérale de Crédit Mutuel (administrateur de Crédit Mutuel Paiements électroniques) – Fédération de Crédit Mutuel Centre Est Europe (conseil de direction de Sofedis).

Employees

As of 31 December 2012, the Group had 65,863 employees. This figure is up from 65,174 employees as of 31 December 2011 and 57,991 employees as of 31 December 2010.

Group employees are presented by entity as of 31 December 2012 and 31 December 2011 in the following table:

	Total Employees (France and International)	
	At 31 December 2012	**At 31 December 2011**
Entity		
CM11	18,136	17,664
CIC	18,304	22,838
TARGOBANK Germany	6,677	6,631
Cofidis	4,049	4,407
Other	18,697	13,364
Total	**65,863**	**65,174**

The following table summarizes CM11-CIC's average number of employees at 31 December 2012 and 31 December 2011.

Average number of employees[(1)]	**At 31 December 2012**	**At 31 December 2011**
Banking staff	39,830	39,825
Management	22,299	21,320
Total	**62,129**	**61,145**
France	51,142	50,711
Outside of France	10,987	10,434
Total	**62,129**	**61,145**
Number of employees at period end[(2)]	**65,863**	**65,174**

(1) Total number of employees in all entities within the scope of financial consolidation (full or proportional consolidation). Includes 275 employees of TARGOBANK Spain at 31 December 2011 and 284 employees of TARGOBANK Spain and 92 employees of Banque Casino at 31 December 2012.

(2) Total number of employees in all entities controlled by the CM11-CIC Group at 31 December 2012.

PRINCIPAL SHAREHOLDERS OF BFCM

The following table sets out the principal shareholders of BFCM as of 31 December 2012.

Shareholders (as of 31 December 2012)	**No. of shares held**	**% ownership (3)**
CF de CM (1)	24,625,938	92.81%
Crédit Mutuel Local Banks (2) also members of FCM CEE, FCM SE, FCM IdF, FCM SMB, FCM MA, FCM C, FCM DV, FCM LACO, FCM M, FCM N, FCM A	73,137	0.28%
Fédération du Crédit Mutuel CEE	81	0.0%
CRCM Sud Est – Lyon	61,545	0.23%
CRCM Ile de France – Paris	146,391	0.55%
CRCM Savoie Mont Blanc – Annecy	20	0.0%
CRCM Midi Atlantique – Toulouse	24,564	0.09%
CRCM Loire Atlantique and Centre Ouest – Nantes	741,969	2.80%
CFCM Maine Anjou and Basse Normandie – Laval	222,965	0.84%
CRCM Centre - Orleans	308,726	1.16%
CRCM de Normandie – Caen	123,996	0.47%
CRCM Anjou – Angers	123,480	0.47%
CFCM Antilles-Guyane – Fort de France	2,477	0.01%
CRCM Mediterraneen	74,780	0.28%
CRCM Dauphine Vivarais	2,500	0.01%
CFCM Nord Europe	1	0.0%
CFCM Ocean-La Roche sur Yon	1	0.0%
Others	42	0.0%
TOTAL	**26,532,613**	**100.00%**

(1) Caisse Fédérale de Crédit Mutuel is a cooperative company in the form of a French corporation (*société cooperative ayant la forme de société anonyme*), affiliated with the Confédération Nationale du Crédit Mutuel, which is more than 99% owned by the ACM Vie Mutuelle and the Caisses of Crédit Mutuel of the Crédit Mutuel Centre Est Europe, Crédit Mutuel Sud-Est, Crédit Mutuel Ile-de-France, Crédit Mutuel Savoie Mont-Blanc, Crédit Mutuel Midi-Atlantique, Crédit Mutuel Centre, Crédit Mutuel Dauphiné Vivarais, Crédit Mutuel Loire Atlantique et Centre Ouest, Crédit Mutuel Méditerranéen and Crédit Mutuel Normandie federations.

(2) The financially autonomous, variable-capital cooperative companies (*societés cooperatives à capital variable*) Caisses de Crédit Mutuel are owned by their individual member-shareholders.

(3) The percentage of voting rights is identical to the percentage of share ownership rights.

INDEPENDENT STATUTORY AUDITORS

The audited consolidated financial statements of each of the BFCM Group and the Group as of 31 December 2012 and 2011 and for the years ended 31 December 2012, 2011 and 2010 have been audited by:

(a) KPMG Audit, a unit of KPMG S.A., 1, cours Valmy, 92923 Paris La Défense Cedex, France; and

(b) Ernst & Young et Autres, 1, place des Saisons, 92037 Paris La Défense Cedex, France.