2011

Registration document
and annual financial report




CIC

Chairman's statement

CIC demonstrated its vitality in serving the real economy, despite the uncertainty surrounding euro zone countries' borrowings, stress in the liquidity and financial markets, and the impact of write-downs on Greek government debt.

2011 saw a further increase in client numbers to nearly 4.5 million, and growth in loans, deposits, insurance, remote banking, telephony and video surveillance.

Thanks to the motivation of its 21,000 employees, CIC was able to provide solid support for its clients' projects, whether private individuals, associations, self-employed professionals, or corporates (CIC is banker to one in three businesses in France). This was reflected in growth of 3.7% in retail banking loan outstandings, to €111 billion, with increases of 11.1% in lending to finance plant and equipment and 2% in housing loans.

In an environment in which support for companies in their day-to-day business and in their expansion projects is more necessary than ever, CIC has a major national operator in capital structuring - CM-CIC Capital Finance, the leading French bank-owned operator in the field of private equity, with five regional offices, some 650 companies in its portfolio, and close to €2.7 billion in assets under management.

It also brought its factoring and receivables financing subsidiaries together in a single business center for the financing and management of receivables: CM-CIC Factor, which became operational at the beginning of January 2012.

CIC's parent company, Crédit Mutuel, further strengthened its financial situation, with equity attributable to owners of the company reaching €33.3 billion (an increase of €1 billion) and a Core Tier 1 solvency ratio of 11.2%, making it one of the leading French banks.

At the same time, the group widened its field of operations internationally, most notably with the setting up of the TARGOBANK network in Spain, with Banco Popular, and the signing of a global cooperation agreement with the Desjardins Group, the immediate results of which are to be seen in the advances made in the field of financial services between Canada and France.

Making good use of its technological capabilities, it also strengthened its links with major retailing, through a partnership with the Casino group covering bank cards and consumer credit.

These successes were recognized: Crédit Mutuel-CIC was named Bank of the Year in France by the magazine The Banker, for the second year running, and Best French Banking Group by the magazine World Finance.

Fortified by the quality, motivation and continuous training of its employees, the use of effective tools, a strategy based on proximity and the strength of the group to which it belongs, CIC can face the coming years, which threaten to be difficult, with confidence and determination.

It will continue to put customer satisfaction and support for job-creating businesses at the top of its list of concerns.

Michel Lucas
Chairman and chief executive officer

AUTORITÉ DES MARCHÉS FINANCIERS

AMF

This registration document was filed with the Autorité des Marchés Financiers (AMF) on April 20, 2012, Pursuant to Article 212-13 of the AMF's General Regulations.

It may be used in support of a financial transaction if it is accompanied by a memorandum approved by the AMF. This document was prepared by the issuer and is binding on its signatories.

Presentation of CIC

CIC profile

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

4,462,041 customers, including:
3,703,056 individuals
68,065 associations
580,066 self-employed professionals
110,853 corporates

20,779 employees*

2,108 branches in France

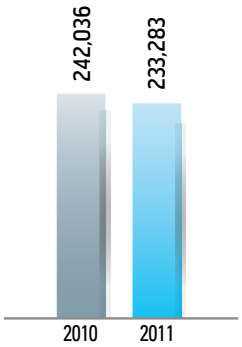
3 foreign branches
36 foreign representative offices and
30 foreign private banking offices

Figures as of December 31, 2011.
* Full-time equivalent

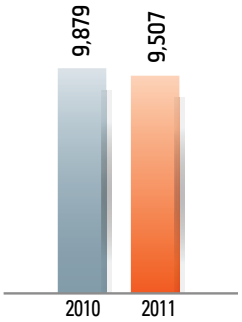
The CM11-CIC group training center at Verrières-le-Buisson.

Key consolidated figures

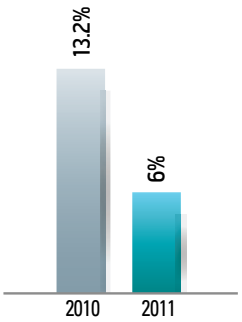
IN € MILLIONS



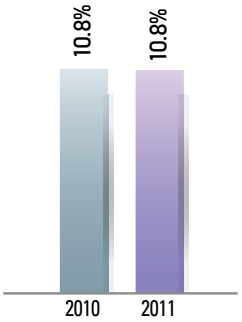
TOTAL ASSETS



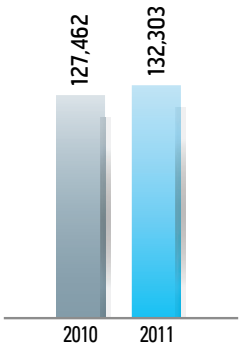
EQUITY
(incl. minority interests)



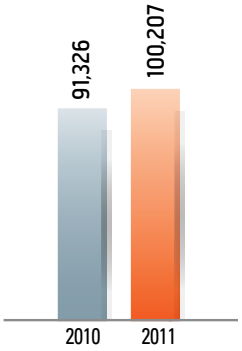
RETURN ON EQUITY[1]



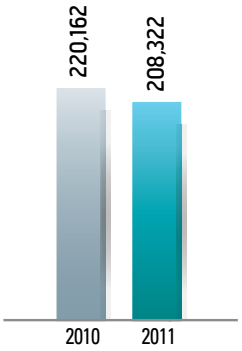
TIER 1
SOLVENCY RATIO
(see p. 84-87)



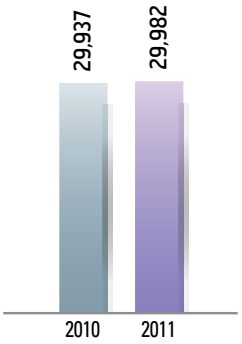
LOANS AND ADVANCES
TO CUSTOMERS



CUSTOMER
DEPOSITS



SAVINGS MANAGED
AND HELD IN CUSTODY[2]



LIFE INSURANCE[3]

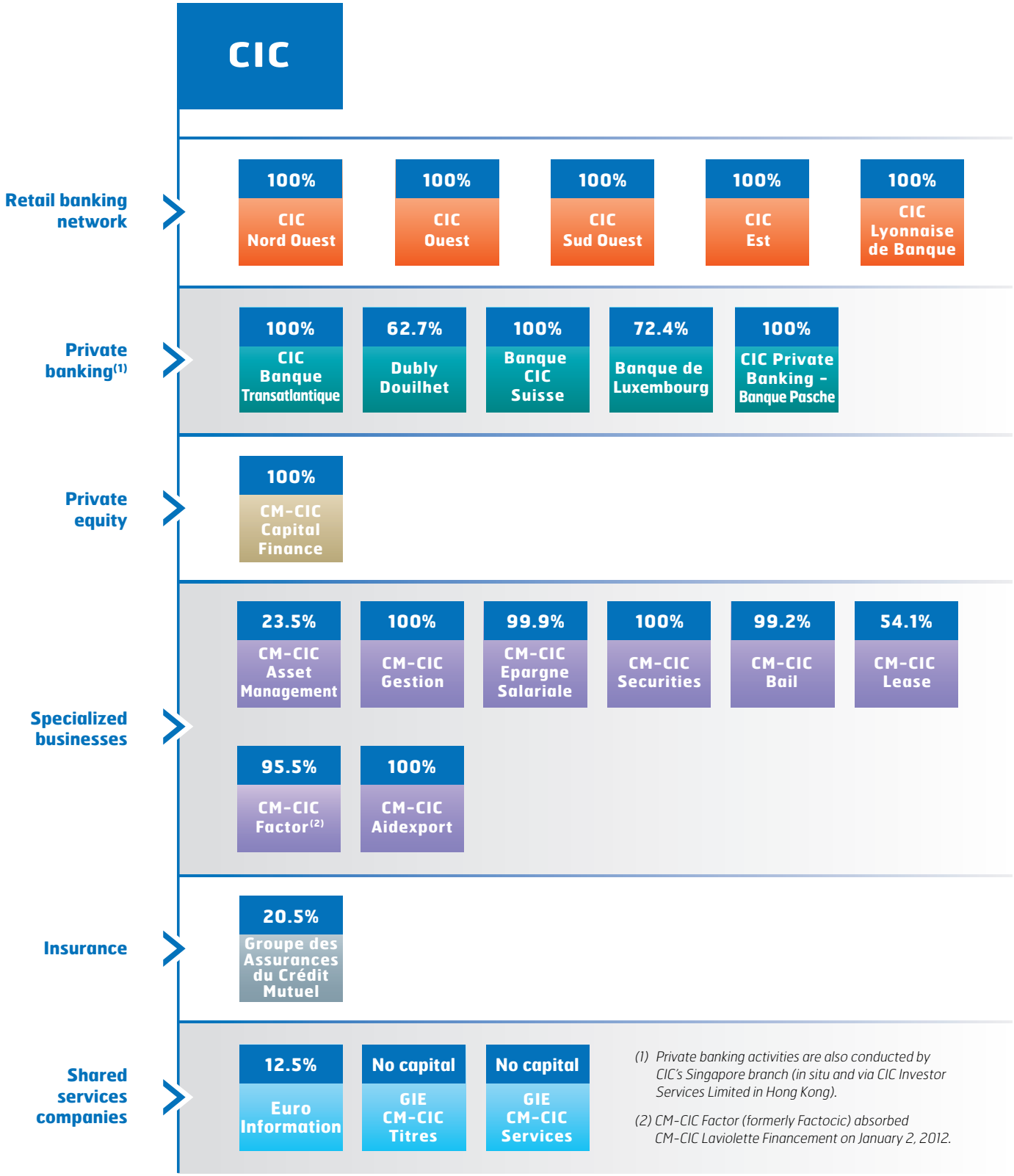
(1) Net income attributable to the company as a percentage of opening equity less dividends paid.
(2) Managed savings (life insurance, employee savings plans and UCITS) and customers' securities in custody.
(3) Month-end outstandings.

	2011	2010
Net banking income	**4,166**	4,637
Operating income after provisions	**807**	1,370
Net income attributable to the company	**555**	1,115
Cost/income ratio[1]	**67%**	61%

(1) Overheads as a percentage of net banking income.

Source: consolidated financial statements.

Simplified organization chart



(1) Private banking activities are also conducted by CIC's Singapore branch (in situ and via CIC Investor Services Limited in Hong Kong).

(2) CM-CIC Factor (formerly Factocic) absorbed CM-CIC Laviolette Financement on January 2, 2012.

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

CIC comprises:

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

Crédit Mutuel stockholdings by business:

Private banking
Banque de Luxembourg: 27.6%

Specialized businesses
CM-CIC Asset Management: 76.5%
CM-CIC Bail: 0.8%
CM-CIC Lease: 45.9%
CM-CIC Factor: 4.5%

Insurance
Groupe des Assurances du Crédit Mutuel: 79.5%

Shared services companies
Euro Information: 87.5%

Review of operations

Retail banking

With net banking income of €3,240 million (down by 1.2%), operating expenses of €2,166 million (down by 0.4%) and a cost of risk of €157 million (as against €267 million in 2010), retail banking posted operating income of €917 million.

Retail banking: key figures *(€ millions)*	2011	2010	Change
Net banking income	3,240	3,280	-1.2%
General operating expenses	(2,166)	(2,175)	-0.4%
Operating income before provisions	1,074	1,105	-2.8%
Cost of risk	(157)	(267)	-41.2%
Income before tax	1,001	955	+4.8%
Net income attributable to the company	685	655	+4.6%

Source: consolidated financial statements.

Retail banking, the group's core business, continued to grow in 2011.

The number of customers [1] increased by 93,947 or 2.1%, including 19,871 associations and self-employed professionals and 2,005 corporates.

The network's total commitments increased by 4.2%, with investment loans to corporates and self-employed professionals up by 9.9% and 4.9% respectively (including finance leases).

Customers' savings ended the year up by 7.2%, with savings accounts up by 26.9%.

Life insurance intake increased by 3.8% of assets, while assets of FCPI innovation funds and FIP investment funds grew by 6.1%.

Service activities associated with electronic payment systems showed strong growth:

- number of cards in circulation up by 3.9%, including high value added cards up by 6.2%;
- number of active merchant payment terminals up by 3.4% to 123,272;
- flow of card payments with merchants and corporates up by 9%.

In property insurance, the portfolio grew in value terms by 10.7% for auto and 9.8% for home.

The number of telephony contracts reached 304,635, representing an increase of 31%.

Network

Points of sale

In 2011, in parallel with the setting up of 31 branches, CIC also reorganized certain branches. The total number of points of sale stood at 2,108 as of December 31.

ATMs

The total number of ATMs increased to 3,689, of which 2,481 DAB/GAB full-service terminals and cash dispensers and 1,208 cash deposit machines. CIC recorded a total of 115,868,609 transactions including 71,596,891 cash withdrawals.

cic.fr

With 25 million additional visits, overall site traffic increased by 15% to 190 million visits. Transactions on smartphones, with extensive applications, intensified considerably from 144,000 in 2010 to more than 1.5 million in 2011. The "Web relevé" online statement facility, which was enhanced with a wider range of available documents, has become a favorite with customers, with 3.4 million statement checks (up by 62%).

Other new functionalities and enhancements enabled better use to be made of remote banking: secure messaging, making appointments through business diaries, etc.

(1) Calculation rules fine-tuned in 2011, 2010 figures restated accordingly.

> Personal banking customers

New customers

The number of customers increased by 2% to 3,703,056 against the backdrop of a slowdown in new real estate lending.

Customer deposits

Overall savings books balances grew by 14.9% to €17.2 billion as a result of the continued rise of regulated tax-free *Livret A* Savings Books (up by 27.2% to €3 billion) and the success of the "livret privilège" promotional drive.

Term deposits, where the flagship product is the *Compte évolutif* flexible sliding-scale account, posted an increase of 31.9% to €3.4 billion as of December 31.

Housing savings plans rose by 4.4% to €6 billion. Sight deposits increased by 3.5% to €8.5 billion.

Managed savings

Managed savings suffered from the economic situation and grew by just 1.2% thanks to life insurance (up by 3.7% of outstandings).

Lending

Home loans increased by 4%, in spite of a 20.5% fall in new lending, to €7.5 billion.

In consumer lending and revolving credit, outstandings ended the year at €3.9 billion (down by 1.5%), with new lending slowing by 1.1% to €1.9 billion in spite of the availability of the Standby Credit facility to a growing number of customers.

Service contracts

The total number of contracts increased by 4.4% to 1,083,896, mainly thanks to the web-based option which offers a reduction in monthly subscription fees by opting to receive statements via cic.fr.

Remote banking

Thanks to enriched content, and marketing through personal contracts, 76,936 new customers signed up for Filbanque, bringing the total number of contracts to 1,242,538, an increase of 6.6%.

Cards

The total number of cards increased further, by 1% to 2,053,830 including 305,786 high added value or prestige cards (15% of the total). The "deferred plus" service contributed to the success of "trading up" campaigns.

Mobile telephony

Sales were boosted by the launch of the "Ultimate unlimited" smartphone offering, which attracted 26,108 customers in the general public market.

> Associations

CIC, which primarily targets so-called management associations such as those in the healthcare, social, charitable and humanitarian sectors and training and private education institutions, now has 68,065 customers in this segment.

Loan outstandings rose by 20.6%, from €490 million to €591 million.

Savings balances amounted to €5.1 billion (up by 3.7%), of which €1,601 million (up 88.4%) in balances held with the bank, notably thanks to an increase of 89.6% in term deposits, which reached €765 million.

> Self-employed professionals

Dedicated sales force

The 2,316-strong team of professional relationship managers (up by 6.3%) is confirmation of CIC's continuing determination to respond appropriately to the needs of the various market segments.

New customers

Targeted prospecting actions led to 61,905 new customers being won.

Lending

New investment loans totaled €2,759 million, with a 5.1% increase in outstandings, while new finance leases amounted to €594 million.

A total of 2,009 long-term rental finance contracts were signed.

Action in support of entrepreneurs led to 1,534 business start-up loans being granted.

With €2,033 million in new home loans granted to self-employed professionals, this market's contribution to total new home loans reached 21%.

Savings

Outstandings grew by €1.6 billion or 8.4% to reach €20.5 billion, thanks in particular to the increase in savings accounts (up by €1,679 million or 31.4%).

Term deposits increased by €1,305 million or 44.8%.

Customer loyalty

Products and services were actively marketed:

- the total number of remote banking contracts increased by 14,960 or 7.5% to reach 214,693;
- the number of *Contrats Professionnels* (packages of services designed to meet daily transaction needs) increased by 11,342 or 8.3% to 147,259;
- as regards the network, electronic payments grew by 9% as a result of both the increase in the number of terminals and the level of customers' activity, and commission revenue grew by 5.7%.

Employee savings management

6,002 contracts were signed, bringing the total to 28,504.

Life, health and personal protection insurance

Self-employed professionals accounted for €3,776 million or 13% of total life insurance outstandings.

A total of 2,328 health insurance policies and 18,976 personal protection insurance policies brought the total outstanding to 6,729 (up 20.6%) and 50,868 (up 34.5%) respectively.

A total of 1,793 Madelin plans were sold (pension savings plans providing a retirement annuity).

Partnerships

Further new agreements were signed with branded networks, bringing the total to 102 (98 in 2010).

Agriculture

The division won 2,830 new customers, bringing the total to 27,559, and granted €358 million in loans, bringing total commitments to €1,746 million – an increase of 10.7%. Savings balances reached €915 million, with savings accounts balances growing by 43% to €330 million.

Communication

Sales drives included a radio campaign aimed at the liberal professions while CIC took part in several events designed for the self-employed professionals market (trade fares, etc.).

> Corporates

New customers

CIC's long-standing strength is based on proximity and the responsiveness and competence of its corporate banking executives. Constant determination to adapt to customers' priorities, business centers' expertise, account executives who ensure the quality and effectiveness of a privileged relationship, together make for a sales system that in 2011 produced 10,865 new SME and LME customers.

The TNS Sofres study "Businesses and banks 2011" confirmed that CIC had a 30% penetration rate in this market.

Lending

The growth in medium- and long-term investment loans represented an active contribution in support of the economy, with new loans (including finance leases) of €5,586 million (up by 32.2%), bringing outstandings to €13,886 million for an increase of 9.9%.

Leasing solutions had considerable success, with €1,119 million in new equipment leases (up by 28.7%) and €287 million in new real estate leases.

In an economic context tending to limit businesses' requirements for working capital finance, outstandings under this heading declined by 6.8%.

Treasury management and financial investment

In 2011, CIC continued to adapt its range to respond to needs expressed by businesses for safety, liquidity, transparency and performance.

Total savings grew by 10.6% to €26,633 million, driven by bank savings (essentially term deposits) balances which increased by 60.7% to €10,507 million.

Cash management

CIC continued to support customers in migrating to new file exchange protocols, and made further progress in implementing SEPA (Single Euro Payments Area) formats, confirming the CM-CIC group's capabilities in developing innovative and effective banking interface services such as the Hub Transferts file management and transfer solution integrated with Filbanque.

CIC sells Keynectis' K.Sign© digital signature certificate which is certified RGS** in accordance with the RGS *(Référentiel Général de Sécurité)* Decree. As such, it has a comprehensive EBICS TS (Electronic Banking Internet Communication Standard, Transport and Signature) and certificate offering for secure, paperless, automated transactions.

International operations

Supported by the network of branches and representative offices around the world, CM-CIC Aidexport makes tailored services available to businesses in support of their projects.

For three years now CIC has been the leading provider of finance for businesses' international development projects, backed up by insurance for export sales prospecting.

Through its partnership with Banco Popular, and by exploiting synergies with group subsidiary TARGOBANK in Spain, CIC has boosted its business support capabilities in Spain and Portugal in the fields of cash management and financing.

Employee benefit schemes

While the environment remains uncertain, CIC offers employee savings solutions providing viable benefits linked to business results (incentives, profit sharing, employee savings plans).

These products, aimed at controlling personnel and tax expense and motivating employees, have been designed with ease of implementation and security in mind: 3,084 employee savings contracts were sold in 2011.

Support services

Insurance*

In 2011, total insurance revenue amounted to €2,808 million, down by 20.3% on the previous year due to the sharp slowdown in inflows for life insurance (down by 26.4%). Property and casualty and personal insurance continued to grow, by 8.7% and 4.9% respectively.

Commissions received amounted to €277.3 million.

Property and casualty insurance

Thanks to the comprehensive offering in auto insurance, coupled with the finely targeted approach to premiums, the portfolio grew by 5.6% [1] to number 361,144 policies.

With *à la carte* cover, special rates for motorists driving less than 6,000 kilometers a year, an offering for motorcycles over 50 c.c., and fleet insurance for self-employed professionals, all customer categories' needs are covered.

In home insurance, specific benefits such as extended cover for electrical and audiovisual appliances helped us to win new customers, and the portfolio reached 458,725 policies, an increase of 3.7%.

An insurance policy for pets now covers medical and surgical treatment for cats and dogs, and comes with an *Avance Santé* card which avoids the need to pay for treatment in advance.

Lastly, the harvest insurance, on sale since the beginning of 2011, indemnifies farmers in the event of damage caused to crops by weather events.

Personal insurance

The personal protection range meets the requirements of private individuals, self-employed professionals and businesses for their employees.

In the field of individual protection, the portfolio reached 612,332 policies, up by 5%.

Following the entry into force of the reformed legislation on loan insurance, the cover provided by *Assur Prêt* (real estate loan insurance) was extended, and a new product called *Perspective Crédit* meets the needs of customers looking for a cheaper solution. The portfolio grew by 1.5% to 1,494,246 policies at year-end.

Individual health insurance grew further (by 6.4%). The *Assurance Santé* health insurance package was made more competitive with the addition of Intégral'optic cover for eyeglasses. Using the *Avance Santé* card provides complete cover for optical goods, obviating the need to pay up front.

The *Assur Hospi* offering of hospital cover confirmed its success, with a portfolio of 60,047 policies, up by 71.8%.

Life insurance

The French market as a whole suffered from the financial crisis in 2011 and the uncertainties surrounding changes in tax treatment.

In this context, inflows came to €2,104 million (down by 26.4%), of which €358.4 million was taken in by CIC Banque Privée branches and wealth advisers for *Sérénis Vie* policies (down by 12.6%).

Plan Assurance Vie, the multi-mode flagship product that can be tailored to suit individual situations, was further developed to include versions designed for self-employed professionals and for farmers.

(1) Comparison with 2010 figure excluding ACM Services contracts.

Plan Capitalisation, constructed on the same principle, responds to the expectations of savers attracted by the tax treatment of capitalization policies. The range designed for private banking and wealth advisers' customers was rounded out with *Longévité Multi Variance* and *Relais Multi Variance*, which offer asset diversification and personal protection respectively.

The investment policy focused on combining safety with attractive returns. Net rates ranged from 2.90% for the *Livret Assurance* (for amounts under €15,000) to 3.40% for *Plan Assurance Vie Privilège*.

Online insurance services

The functionalities of the online insurance section of the website, accessible to Filbanque subscribers, were expanded. Users can obtain quotes and subscribe online for auto, home, health, life or personal protection insurance. Policies can be viewed and certain changes can also be made. This facility offers a totally personalized service, in conjunction with the branches.

CIC Insurance: key figures for 2011

Sales (€ millions)	**2011**	2011/2010
Property and casualty	225.4	+8.8%
Personal	478.5	+4.9%
Life	2,103.7	-26.4%
Number of policies		
TOTAL	**6,864,794**	**+3.1%***
Of which: Property	*2,697,065*	*+3%*
Personal	*3,389,393*	*+4%*
Life	*778,336*	*-0.3%*

** Figures for 2010 have been restated.*

Investment funds

CM-CIC Asset Management (CM-CIC AM), the core of the Crédit Mutuel-CIC group's asset management business, ranked fifth among Paris-based asset management companies, suffered the effects of a difficult market environment, along with its rivals. It was also affected indirectly by the implications of Basel III and heavier taxation in financial centers. Both individual and corporate customers continued to move away from investment funds and into bank savings.

CM-CIC AM's assets under management nonetheless ended the year with a smaller decline than that of the market as a whole, except for the money market category, which was particularly affected by withdrawals given the significant and long-standing weight of large and medium corporates and associations in the group's customer base.

On the other hand, thanks to prudent selection of paper and maturities, assets in the bond category held up well while still maintaining overall performance. This was also helped by the expansion of a range of fixed-term funds, which will continue in 2012. CM-CIC AM's fixed income management showed its worth by carrying off several awards in 2011, including the Morningstar Fund Award for the best "broad fixed income range" group, for the second year running.

For equities (9.9% of the total at December 31, 2011), the fall in AUM was limited compared with the market, despite investors' disaffection with this asset class. In this category, CM-CIC AM has specific, attractive funds which will continue to show their worth in 2012: funds focusing on small and mid caps, thematic funds such as *Union Europe Growth* (a low volatility growth fund) and *CM-CIC Or et Mat* (an international fund invested in gold mines and commodities).

Diversified UCITS (14% of the total) saw a slight fall (-3.3%) in assets.

The company's principal customers continue to come from the Crédit Mutuel-CIC networks, whether drawn from the general public, private banking or corporates. Apart from this, the quest for new institutional customers was pursued with success, notably through successful bids in response to requests for proposals. We also embarked upon distributing products internationally through the group's foreign subsidiaries, starting with TARGOBANK in Germany.

Lastly, together with other entities also involved with securities (CM-CIC Titres, CM-CIC Securities), CM-CIC AM has developed a comprehensive offering for asset management companies: CM-CIC Investor Services.

At year-end 2011, assets under management, spread among 632 funds, totaled €51.2 billion, down by 12%. CM-CIC AM also acted as provider of accounting services for 73 asset management companies covering 307 UCITS. Total revenues amounted to €248 million, with net income of €3.4 million.

Employee savings management

CM-CIC Epargne Salariale, the core of this business line for CIC and Crédit Mutuel, represented at year-end 2011:

- €5,634 million in assets under management (up by 5.3%), despite the adverse impact of the financial markets;
- 58,376 corporate customers (up by 11.8%);
- 1,415,595 employees' savings under management.

The inflow of funds was boosted by payments on new contracts and transfers from the competition. New business written increased by 11% in value on 2010 and by 14% in terms of the number of contracts.

The corporate market was lively, and we were able to improve the retention rate for employee savings contracts.

The offering of administrative and financial management for the LME/LE segment proved competitive.

This past year saw new services made available to savers for tracking transactions and, for the sales network, the extension of functionalities for monitoring activity.

Revenue associated with employee savings for the group's networks (placement commissions and subscription fees) continued to grow.

Financing and management of receivables

The merger of Factocic and CM-CIC Laviolette Financement on January 2, 2012 has given rise to CM-CIC Factor, which is now the center for the Crédit Mutuel-CIC group's receivables financing and management business.

Factoring

As the business line center for CIC and Crédit Mutuel, Factocic was involved in short-term financing for corporate customers in France and abroad.

In 2011, it increased its market share for the third year in a row with:

- a 15.8% increase in the volume of receivables purchased, to €14.6 billion, compared with a 13.9% rise for the industry as a whole;
- year-end outstandings of €2.4 billion (up by 13%);
- export turnover of €1.3 billion (up by 30%);
- more than 3,000 active customers.

The growth in business with the partner banks, which is central to the approach, produced €20.2 million in commission revenue.

New business volumes, at close to €3 billion, were based essentially on the Orféo product range which makes specific solutions for financing and managing receivables available to large and large/medium enterprises (LEs and LMEs). A number of syndicated transactions with other factoring companies were also carried out.

Net banking income increased by 11% to €82 million as a result of the strong rebound in financing commissions, the rise in key lending rates between 2010 and 2011 and the growth in lending.

The cost of risk in 2011 was kept well under control at 0.01% of gross outstandings, in spite of the shaky economic situation.

Overall profitability came to €35 million and net income to €9.8 million.

Receivables purchasing

CM-CIC Laviolette Financement, the specialized center of expertise for the purchasing of assigned business receivables, continued to grow along with all its partner banks.

With good risk management and sustained levels of new business, the year ended with:

- a 17.6% increase in activity to €1,893 million in inflows, for 303,240 invoices processed;
- 15% growth in net banking income to €27 million;
- overall profitability of €14.5 million (up by 26.1%);
- payment of fees to partner banks in the amount of €10.5 million (up by 12% and representing 72% of overall profitability).

Net income, at €2.6 million, was up by 89% on 2010.

Real estate

CM-CIC Participations Immobilières

By working with real estate developers through the acquisition of interests in SCI (non-trading real estate company) consortia for the financing of residential real estate throughout France, in 2011 CM-CIC Participations Immobilières, acting as the group's vehicle, invested €5.9 million of capital in 17 new projects, representing some 1,270 homes, for a sales turnover of €283 million.

Net accounting income was €0.7 million.

CM-CIC Agence Immobilière

CM-CIC Agence Immobilière, which is licensed to do business as a realtor under the Hoguet law, acts as an intermediary in the sale of new residential properties on behalf of the Crédit Mutuel and CIC networks, including CIC Banque Privée. This subsidiary's primary targets are investors and first-time buyers. The programs marketed are approved in advance by a committee composed of representatives of the lending, asset management and sales teams.

In 2011, 4,735 lots were reserved for an amount of €924 million, which should generate €42.2 million in fees and €38.5 million in rebates to the network.

CM-CIC Lease

In 2011, the CM-CIC group continued to develop and extend its offering of real estate lease finance for its professional customers.

New financing agreements involved 308 properties (9.6% more than in 2010) for an amount of €676 million (up by 7%).

The company continued to give priority to constant improvement in productivity and in the quality of its bids, while also embarking on a major training plan aimed at extending the capabilities, expertise and effectiveness of its teams.

Financial outstandings, including transactions underway (off-balance sheet), grew by 10.8% to nearly €3.4 billion, 74% of which consists of industrial and commercial properties and warehouses in almost equal proportions in value terms. The remainder comprises properties in a variety of sectors such as hotels, entertainment, education and healthcare.

Commissions paid by CM-CIC Lease to the various group networks amounted to €13.1 million, representing an increase of €2.6 million or 24.6% on the previous year.

Also to be noted are the increases in financial taxes and in provisions for customer real estate assets.

Net income amounted to €5.6 million as against €8.8 million the year before.

Equipment leasing

In a dynamic financing market, CM-CIC Bail had a good year in 2011, witness the increase of more than 20% in the amount of new business written. A total of 109,200 new leases were written and more than €3.5 billion was paid out, in response to the capital expenditure requirements of self-employed professionals, corporates and members of the liberal professions.

Driven by the specialist sales personnel, new business from the Crédit Mutuel and CIC networks grew by 17% overall, with new business in the auto, international and partnership segments up by 12%, 16% and 131% respectively (the large increase in this last item mainly relating to farming).

The merger with SODELEM has strengthened the teams and their skills, accelerated the growth of the various business lines and extended the range of products and services.

Ongoing improvements to the information system and processes place new tools in the hands of the sales force and enhance productivity, leading in turn to greater customer satisfaction by promoting and spreading the 'service attitude'.

The above factors combined to produce an increase in the financial margin, which surpassed €107 million. Stable overheads and cost of risk led to an increase of 8.7% in commission rebates to the networks. Net income was €11.2 million.

Financing and capital markets activities

In 2011, net banking income from financing grew by 3% to €417 million, and income before tax grew by 2.7% to €304 million.

Over the course of the year, CIC continued to focus on limiting its market borrowings and husbanding its liquidity, further improving its ratio of loans to deposits. Net banking income from the capital markets activities came to €336 million, with income before tax of €126 million after recognizing an impairment write-down of €92 million on Greek sovereign bonds.

Financing and capital markets activities: key figures *(€ millions)*	2011	2010	Change
Net banking income	753	960	-21.6%
General operating expenses	(235)	(241)	-2.5%
Operating income before provisions	518	719	-28.0%
Cost of risk	(88)	(171)	-48.5%
Income before tax	430	548	-21.5%
Net income attributable to the company	261	433	-39.7%

Source: consolidated financial statements.

Financing

Key figures *(€ millions)*	2011	2010	Change
Net banking income	417	405	3.0%
General operating expenses	(79)	(77)	2.6%
Operating income before provisions	338	328	3.0%
Cost of risk	(34)	(32)	6.3%
Income before tax	304	296	2.7%
Net income attributable to the company	197	207	-4.8%

Source: consolidated financial statements.

Large corporates and institutional investors

In 2011, in an adverse economic and financial environment, CIC's net new lending to major corporates decreased. Commitments (excluding counter-guarantees received) fell by €1.1 billion, from €22.1 billion to €21 billion: on-balance sheet outstandings decreased by 8.3% from €5.7 billion to €5.2 billion; off-balance sheet financing (the undrawn portion of committed lines) fell by 10.5% from €10.4 billion to €9.3 billion; off-balance sheet guarantees (sureties) for their part increased by 7.3% to almost €6.5 billion.

At year-end, 47.7% of lines in place were concentrated among around 20 CM10-CIC customers, with the three biggest accounting for 4.3%, 4.1% and 3% respectively of total exposure.

The quality of the portfolio improved further, with 79.3% of commitments classified as investment grade, as against 78.4% in 2010.

The rating tool used for decision-taking proved very effective in limiting the cost of risk to €12 million, slightly less than in 2010.

The market for syndicated loans revived over the course of the year, and CIC took part in 37 corporate loan syndications (as against 26 in 2010). 78% of these deals involved refinancing of existing lines.

Priority was given to developing resources. Bank deposits reached €6.7 billion, of which €5.8 in the form of term deposits and €1 billion in sight balances, to which were added €3.9 billion in certificates of deposit. Investments in money market UCITS managed by CM-CIC Asset Management represented another €7.2 billion.

In the field of cash management, another major growth driver, CIC mobilized its teams to deal with the changes in file sharing protocols arising during the year. It took part in 12 competitive bidding processes, winning five of them, with another two still pending. The ISO 9001 certification obtained in 2008 for "banking services, large accounts" contributed to these successes, which confirm the bank's know-how and its role as a major player in this field.

Net banking income for the year was €165.3 million, compared with €159.7 million in the previous year. This 3.5% increase was due to the improved conditions applied to new transactions, in terms of both margins and commissions. Total commissions received, at €92.1 million, were up by 11.8% on the previous year in spite of lower loan outstandings.

This net banking income only partly includes the result of transactions passed to other operating units of the group (cross selling) for the promotion of whose products and services management is responsible. A "large accounts" business line is in the process of being set up at overall CM-CIC group level.

Specialized financing

Results for 2011 came essentially from the first three quarters, the fourth quarter being very flat.

Net banking income increased by nearly 8% and operating income before provisions by 9%.

The cost of risk, which was already low in 2010, was further reduced by more than 35%, amounting to 0.20% of average outstandings, nearly all of it relating to acquisition financing, for which it amounted to 0.66% of average outstandings.

Operating income increased by more than 16% on the previous year.

Financing of acquisitions

The CM-CIC group supports its customers in their plans for business transfers and external growth and development by offering its expertise and know-how in finding the best structured financing for each type of transaction.

Business activity was sustained and, despite the increased cost of liquidity, new transactions were still carried out with attractive risk/reward ratios. The group was careful to maintain a balanced positioning across the different types of transactions (corporate acquisitions, transactions with a financial sponsor, family and wealth transfers). The teams were attentive and effective in managing the risks involved in syndication.

As regards the portfolio, the recovery in counterparties' operational performances was also reflected in an appreciable improvement in the quality of the risks, the cost of which accordingly fell sharply, contributing to a rebound in results.

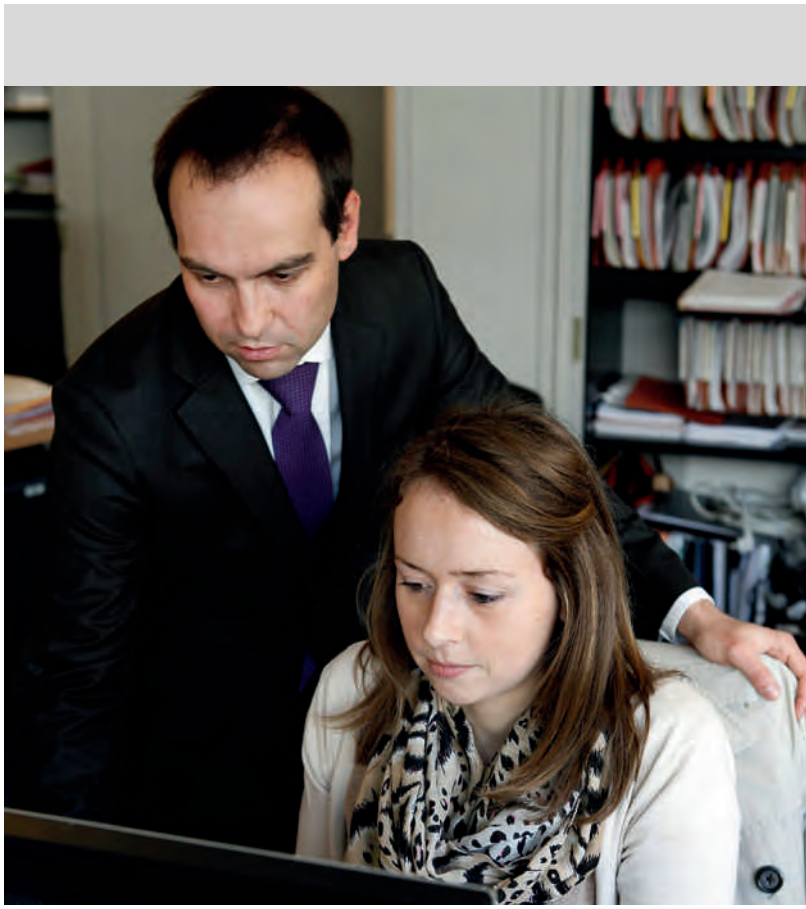
Asset finance

In terms of new business, the level of activity was good in the traditional business lines, despite the difficult general environment. As in 2010, the overall market situation was still conducive to transactions with favorable risk/return trade-offs and high margins. The latter part of the year saw margins narrowing for prime counterparties, mainly due to competition from banks with access to dollars. Tax-based financing transactions contributed significantly to the generation of commissions, particularly those with China.

New York and Singapore continued to develop along their established paths. Their new business for the year represented a significant portion of overall activity, which was evenly spread among the overseas offices and Paris.

Project finance

The team took part in requests for proposals and competitive dialogues initiated by major CM-CIC corporate customers, and lent its support to corporate customers of the regional banks. It worked mainly as arranger in the case of the French projects (usually with the additional role of agent) and as participant in foreign projects. In a lackluster syndication market, banking pools formed were confined to the "club deal" type, thus limiting the risks.



The breakdown of new business written in 2011 by sector was as follows: infrastructure 44%, electricity 44% and telecommunications infrastructure 12%. For projects approved the breakdown was: infrastructure 46%, electricity 44%, natural resources 8% and telecommunications infrastructure 2%.

By geographic region, 76% of the new projects were in Europe, 9% in the USA and 15% in Asia-Pacific. In terms of project approvals, 63% were in Europe, 14% in the Middle East, 12% in North America, 9% in Asia-Pacific, 1% in Africa, and 1% in South America.

Starting in the summer, the team passed on the increased cost of liquidity by increasing the margins on certain offers. This also led to a slowdown in activity.

International

The main focus of CIC's international strategy is to support customers in their international development, with a diversified offering tailored to companies' needs.

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

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

Financing activity in 2011, including documentary transactions and issues of guarantees for both import and export, was characterized by the coming into effect of significant buyer credits on major countries and by the dynamism of the emerging economies.

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

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

Managed by a single ISO 9001 certified business unit, processing of international transactions is spread over five regional centers so as to provide services close to home in tandem with the corporate banking branches.

Support for customers abroad is underpinned notably by strategic partnerships with the Bank of East Asia in China, with Banque Marocaine du Commerce Extérieur and Banque de Tunisie in North Africa, with Banca Popolare di Milano in Italy and TARGOBANK and Banco Popular in Spain.

Foreign branches and representative offices around the world

London

The main activities are the provision of financing to UK subsidiaries of French groups, specialized financing, advisory services to French SMEs and LMEs wishing to enter the UK market, and obtaining refinancing for the group.

In a difficult economic context, and despite a fall in assets, these business lines continued to perform satisfactorily thanks to stable margins and cost of risk. Additionally, the prepayment of certain loans was reflected in a high level of commissions.

The branch's net income for 2011 was €18.7 million.

New York

The economic recovery was confirmed despite ongoing strife in the real estate sector and investors' strong misgivings with regard to the European banking system.

For the financing of acquisitions and corporate finance, a good level of profitability was achieved thanks to improved net banking income and a sharp reduction in the cost of risk, albeit with a smaller portfolio and a non-recurring level of commissions. Revenue from asset finance increased, with a diversified portfolio and loan structures designed to protect against risk. Business with the major French groups remained stable.

Results of capital markets activities improved appreciably.

Overall, the branch's net income for the year ended December 31, 2011 amounted to €79.3 million.

Singapore, Hong Kong and Sydney

The branch provides support for corporate customers of the French network, relying on the group's international product offering. In a positive business environment, albeit with a slowdown toward year-end, it adhered to its strategy of specialization by product, giving preference to the most stable countries in the region and being highly selective as regards risks.

Specialized financing saw significant growth in net banking income, with outstandings held steady and the cost of risk well under control.

Private banking had to contend with market volatility in the fourth quarter, and this led to shrinkage in the portfolios under management.

Capital markets activities, centered on serving institutional and private customers, remained profitable.

The branch posted net income in excess of €20 million for the year.

Representative offices

In addition to its foreign branches, CIC also has a network of 36 representative offices around the world, which place their expertise and their knowledge of regional markets at the disposal of the group's customers and specialized business lines, thus contributing to the development of its international business.

Capital markets activities

Key figures *(€ millions)*	**2011**	2010	Change
Net banking income	336	555	-39.5%
General operating expenses	(156)	(164)	-4.9%
Operating income before provisions	180	391	-54.0%
Cost of risk	(54)	(139)	-61.2%
Income before tax	126	252	-50.0%
Net income attributable to the company	64	226	-71.7%

Source: consolidated financial statements.

CM-CIC Marchés

CM-CIC Marchés oversees the CM10-CIC group's proprietary trading, commercial and refinancing business lines, mainly in France but also in the New York, London, Frankfurt and Singapore branches.

CM-CIC Marchés serves both as a vehicle for refinancing its own business development and a trading room for its various customer segments, including corporates, local governments and large accounts, and private banking and institutional customers interested in the innovative products developed by its proprietary trading teams.

Business development

With sales teams based in Paris and the main regional cities, targeting network customers and large corporates, the trading room offers its French and other European customers, including some individuals, advisory services and quotations on forex, interest-rate and investment products.

The business line also includes an original and competitive range of investment products which are the direct result of its proprietary trading expertise.

Refinancing

There were two distinct phases in the 2011 debt market:

- the first seven months were very active as regards issues and more generally medium- and long-term resources raised, thanks in particular to life insurers' appetite for long-term investments: thus at the end of July, borrowings raised stood at nearly €15 billion - 73% of the total long-term amount raised over the whole year (€20.4 billion);
- from August on, the atmosphere darkened considerably as a result of Standard & Poor's stripping the United States of its AAA rating and the intensification of the euro zone sovereign debt crisis.

The drastic reduction in short-term US dollar resources from US money market funds after the summer holidays had little effect on the group in view of its negligible reliance on dollar-denominated resources.

Over the course of the year, CM10-CIC continued to focus on limiting its market borrowings and husbanding its liquidity, further improving its ratio of loans to deposits.

It also pursued a policy of regular bond issues for its customers. Four BFCM issues for a total amount of €1,910 million were placed in the Crédit Mutuel-CIC networks, and for the first time, in June, with customers of TARGOBANK, Germany:

- March: €250 million over 5 years at 4.10%;
- April: €250 million over 3 years at 3.60%;
- June: €410 million over 5.3 years at 4.00%;
- December: €1,000 million over 7 years at 5.30% (redeemable subordinated notes).

The strategy of preferring long-term market resources over money market funding was further pursued, leading to a ratio of 37% short-term resources to 63% medium- and long-term (as against 50/50 at year-end 2010).

The major international investors confirmed their confidence in the group by playing a growing part in the BFCM and Crédit Mutuel-CIC HL SFH (home loan covered bond) issues, witness the Y27 billion "samurai" issue subscribed in July for the first time by Japanese institutional investors.

The liquidity situation was considerably improved by our holding a substantial cushion of ECB-eligible assets covering refinancing requirements for the next twelve months on a sliding basis.

Other noteworthy events:

- the exercise of the issuer call option on a €1 billion BFCM subordinated issue in December;
- the 70% pre-payment (tender) of a hybrid BFCM Tier 1 issue. Nearly 33% or €197 million was contributed to the offer; the great majority of investors declined reimbursement, thus expressing their confidence in the group's future.

Proprietary trading

In 2011, the financial markets were depressed by the intensification of the sovereign debt crisis.

During the highly volatile and uncertain second half of the year, positions were managed with caution, especially those on the countries most exposed, and in most cases were significantly reduced. These events had only a moderate effect on the proprietary trading results which, although down on 2010, remained satisfactory overall, both in France and in New York.

Alternative products offered to customers and originating from proprietary trading held up satisfactorily, and outstandings grew.

Brokerage, custodial activities and financial transactions

Acting as a broker-dealer, clearing agent and custodian, CM-CIC Securities meets the needs of institutional investors, private asset management companies and corporates.

As a member of ESN LLP, a "multi-local" network of ten brokers operating in twelve European countries (Belgium, Cyprus, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Portugal, Spain, and the United Kingdom), and as majority stockholder of ESN North America (USA, Canada), it is able to trade for its customers on all European and North American equity markets as well as numerous emerging markets.

Covering 800 European companies, ESN has a research team of 120 analysts and strategists as well as 200 salespeople and traders spread throughout Europe.

For its part, CM-CIC Securities has 30 analysts and strategists based in France, 38 salespersons in Paris, Lyon and Nantes, four in London (branch opened in 2010) and eight in New York (ESN North America). It also has five salespersons for index-linked, equity and agricultural commodities derivatives, the latter relating to the Préviris service offered to farmers to hedge their wheat, rape and corn harvests, as well as eight salespersons and traders for traditional and convertible bonds.

Furthermore, the company has a quality research facility for US and Canadian equities at its disposal thanks to exclusive distribution agreements for Europe signed between ESN North America and on the one hand Needham & Co, an independent US investment bank based in New York, and on the other Valeurs Mobilières Desjardins, a subsidiary of Desjardins Group, Canada's sixth financial group.

CM-CIC Securities organizes over 300 company presentations, road shows and seminars a year in France and abroad. Among those held in 2011 were:

- "Perspectives": a seminar at which the analyst team presented to its customers its selection of the best investment ideas for the coming year;
- "European Small & Mid Cap Seminar" which twice brought together in London 40 mid-cap companies from 12 European countries, chosen by ESN based on their quality;
- "Horizon strategy clubs" which tackled topical subjects such as the implementation of the EFSF, Japan's resilience post-Fukushima, the differences between the French and German models, Europe faced with extreme shocks and insurers in this environment, with addresses by leading personalities in their fields;
- Thematic seminars: the satellite industry; African growth under the theme "Africa, The Next Frontier" with regional economists, African companies and European companies present in Africa (Bolloré, CFAO, Total).

As a securities custodian, CM-CIC Securities serves 115 asset management companies and administers 26,975 personal investor accounts and 272 mutual funds, representing €15 billion in assets. The impact of the fall in financial markets in 2011 was offset by new customers, including 15 new asset management companies, an acknowledgment of its teams' know-how, the quality of its SOFI account-keeping software and the financial strength of CM-CIC.

CM-CIC Securities, through its CM-CIC Corporate department, is the group's business line center for financial transactions. It relies on the expertise of CM-CIC Capital Finance's capital structuring and specialized financing teams and benefits from the commercial coverage of "large accounts" and the network, including CIC Banque Privée, BECM, CIC Banque Transatlantique, etc. Partnership agreements with all ESN members have extended its stock market operations and merger and acquisition activities throughout Europe.

In 2011, it either managed as book runner or took part as placement syndicate member in important bond issues in euros (Bolloré, Rexel, Unedic, Vivendi) and dollars (Pernod Ricard) and in a convertible bond issue (Technip). It also handled capital increases for Naturex and Neovacs and arranged the delisting of OFI Private Equity on behalf of Eurazeo, that of Brossard for Limagrain, e-Front for Francisco Partners, Maesa for F&B Group and Monroe's takeover bid for Eurosic.

Lastly, the department also provides issuer services (financial communication, liquidity contracts and stock buybacks, financial secretarial and securities services).

Net banking income of CM-CIC Securities for 2011 was €54.3 million.

Private banking

In 2011, the commercial performance of the wealth management activities, in an unsettled climate, was satisfactory and net banking income of the specialized subsidiaries once again grew.

Private banking: key figures *(€ millions)*	2011	2010	Change
Net banking income	431	404	+6.7%
General operating expenses	(316)	(320)	-1.3%
Operating income before provisions	115	84	+36.9%
Cost of risk	(43)	(15)	+188.7%
Income before tax	85	70	+21.4%
Net income attributable to the company	51	47	+8.5%

Source: consolidated financial statements.

CIC Private Banking covers all the private banking business lines of the Crédit Mutuel-CIC group worldwide, and particularly in Europe and Asia.

Internationally, the group has operations, some of them long-established, in countries and areas where private banking offers growth potential: Luxembourg, Switzerland, Belgium and Asia.

Its brands offer nearly 200,000 customers a wide range of high value added services.

With €94 billion in assets under management, €12 billion in commitments and 1,900 employees, CIC Private Banking's contribution to CIC's 2011 results was nearly €105 million.

France

Two key players operate here:

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

CIC Banque Privée

With 343 employees spread among 54 towns and cities, CIC Banque Privée assists high net worth individuals and supports senior executives, particularly at key stages in the life of their businesses: broadening their capital base, growth through acquisitions and family transfers.

Working together with financial and wealth engineers, its 174 private banking managers help senior business executives to identify and deal with issues and establish appropriate business and wealth strategies. All the skills of the CM-CIC group, notably in the international field, are mobilized to propose the best solutions.

In 2011, in a financial environment that was once again unsettled, CIC Banque Privée continued to grow and to increase its fund inflows, drawing on its close customer relationships and selecting the best banking and financial offerings in the market.

The *Sélection F* multi-management offering designed by CM-CIC Gestion and provided mainly in conjunction with advisory services on switching life insurance policies, saw a substantial increase.

Managed savings stood at close to €14 billion at year-end, and the contribution of this branch of activity represented 35% of the results of the group's private banking arm for the year.

Banque Transatlantique group

In 2011, net banking income amounted to €92.9 million (up by 4.2%), operating income before provisions was €31.3 million (up 5%) and net income was €20.7 million (up by 6.8%).

The net intermediation margin increased by 19.3%.

General operating expenses increased by 3.8% mainly due to higher personnel costs and the cost of the IT switch-overs at the Belgian and Luxembourg subsidiaries.

Year-end AUM of the Banque Transatlantique group reached the record figure of €12 billion.

CIC Banque Transatlantique Paris

The bank performed well, both in terms of the number of customers, which was up by 9.4%, and net banking income, which increased by 4% on the previous year.

Costs were well contained, increasing by just 1%, and recurring net income was €16.4 million, representing an increase of 20% compared with 2010.

Banque Transatlantique Belgium

In 2011, the Belgian subsidiary posted a further increase (31%) in outstandings, to €1.9 billion. Net banking income was €10.5 million (up by 19.9%) and income before tax was €5.9 million (up by 15.2%).

After booking half of the cost of the upcoming IT migration, this sixth fiscal year closed with net profit of €4.2 million, up by 15.7% on the previous year.

Banque Transatlantique Luxembourg

The Luxembourg subsidiary maintained its level of AUM and stayed profitable, despite the situation on the stock markets. Net banking income came to €6.9 million (up by 12.9%).

Emphasis was placed on sales development – particularly by strengthening the wealth management teams – which will be helped by the migration to the new IT platform to all the international private banking entities, roll-out for which started in 2011.

Transatlantique Gestion

As part of the ongoing rationalization of the asset management subsidiaries, Transatlantique Gestion and GPK Finance merged during 2011.

In a highly volatile stock market, the company continued to grow.

Net banking income amounted to €17.5 million.

NB: Data on the above entities come from the contribution to the Banque Transatlantique group.

Dubly-Douilhet

For Dubly-Douilhet, an investment company specializing in discretionary portfolio management for high net worth customers in northern and eastern France, 2011 saw its products hold up well in the crisis, with cash remuneration improving.

Assets in custody amounted to €873 million, practically unchanged from 2010 (€886 million), despite bearish stock markets.

Including a net capital gain of €2.2 million, net income was €3.4 million (€1.1 million in 2010).

The financial situation is sound, with €9.2 million in equity.

CIC Private Banking network

Banque CIC (Suisse)

At the beginning of the year, the bank opened an office in Sion as part of its ongoing expansion. This brings to nine the number of points of sale and the institution, which is now more than a hundred years old, covers all the country's language regions.

This private and commercial bank aims primarily to serve entrepreneurs and their companies. Drawing on its business model and its place within the group, it is in a position to offer an exhaustive range of personalized services.

Total assets increased by 14% in 2011; income from lending and documentary business increased considerably. Despite a poor stock market environment for commissions on financial investments, Banque CIC (Suisse) managed to increase its net income to more than CHF3 million.

Banque de Luxembourg

Driven by the commitment of its 762 employees, in 2011 Banque de Luxembourg continued to develop its private banking and wealth management activities and services for asset management professionals. Its net banking income reached €248.7 million, up by 22% on the previous year, and its net income came to €57.3 million.

In Luxembourg as in Belgium it supports its customers, often families, in protecting, managing, organizing and transmitting their assets. It offers responsible management aimed at achieving regular performances over time. This past year, its quality was once again recognized by the specialist press and the rating agencies.

In an increasingly unsettled world, Luxembourg's economic and political stability and pragmatic, steady and innovative regulatory framework have attracted the attention of investors from across Europe and further afield. These customers, who often have interests or family in several different countries, are looking to diversify their risks and to benefit from international management of their assets. The bank has been successful in demonstrating its ability to master complex multi-jurisdictional and trans-generational situations.

Banque de Luxembourg has continued to develop its professional customer base. Its flexibility, solidity and ability to provide tailor-made support have enabled it to be acknowledged as it is today as a benchmark player by promoters of investment funds, both classic and alternative, and third-party managers who share the same requirements in terms of follow-up, quality and service-mindedness.

CIC Private Banking – Banque Pasche

The bank, which operates in more than 70 countries with an offering based on the open architecture principle, demonstrated the appropriateness of its business model in 2011.

Thanks to the quality of its service and its performance, it consolidated its position in a difficult context characterized by an environment, internationally and in Switzerland, that was by no means favorable for this industry.

The network built up over the years and the proximity to its customers enables the bank to react quickly and appropriately to their needs, thus confirming its positioning as a significant player in the world of private banking.

CIC Singapore Branch and CICIS Hong Kong

Since 2002, CIC has carried out its private banking business in Asia from Hong Kong and Singapore, both financial centers that aim in the short term to become market leaders in this industry.

In 2011, the first eight months saw a good level of activity, with investors returning to equity and bond markets. However, the acceleration of the liquidity crisis that hit European banks caused a freeze in business toward year-end.

Overall, assets under management remained stable and CIC continued to enhance the quality of its teams of advisers.

Private equity

The reorganization of the Crédit Mutuel-CIC group's capital structuring activities, the first phase of which began in the second half of 2010, was completed during 2011 with the aid of a number of legal transactions.

The new group (CM-CIC Capital Finance and its subsidiaries CM-CIC Investissement, CM-CIC Conseil, CM-CIC Capital Privé and CM-CIC LBO Partners), headquartered in Paris, has 110 employees and five regional offices (Lyon, Nantes, Bordeaux, Lille, and Strasbourg).

Private equity: key figures *(€ millions)*	2011	2010	Change
Net banking income	93	191	-51.3%
General operating expenses	(34)	(35)	-2.9%
Operating income before provisions	59	156	-62.2%
Cost of risk			
Income before tax	59	156	-62.2%
Net income attributable to the company	57	152	-62.5%

Source: consolidated financial statements.

CM-CIC Capital Finance is a key national center for private equity and financial engineering advisory services, with a clear profile and the means to pursue its ambitions.

With close to €2.7 billion in assets under management and nearly 650 companies in its portfolio, it is the leading French bank-owned operator in the field of private equity.

With a comprehensive offering including venture capital, private equity, buyout capital, advisory and financial engineering services, Crédit Mutuel-CIC takes equity stakes ranging from €1 million to €100 million to support its customers in their development in France and internationally.

CM-CIC Capital Finance

The year was a difficult one, with an unsettled market environment. The first half was good in terms of both investment transactions and financial engineering fees, but summer brought a downturn and CM-CIC Capital Finance had to adapt its investment strategy to the deteriorating economic situation and increase the pace of its sales, particularly from its listed company portfolio.

Even so, 2011 was an active year for proprietary trading, with €380 million invested in more than 170 transactions, nearly two thirds of which in private equity and a significant portion of reinvestment in support of portfolio lines and for bigger unit amounts. The main investments concerned NGE/TSO (€60 million), Altrad (€30 million), FIBI/Aplix (€28 million) and Piper Heidsieck (€23 million). CM-CIC Capital Innovation, a subsidiary specializing in technology venture capital, invested €8 million in Antidot, Intersec, Starchip, and others.

Portfolio turnover was high too, with €319 million in sales, of which €122 million in realized capital gains (including reversals of provisions for capital losses), demonstrating the quality of the lines invested and the resilience of CM-CIC Capital Finance's business model. The main divestments concerned Unither Pharmaceuticals, Biomérieux, Gores Broadband/Sagem Com, Akka Technologies, Kwik-Fit, Financière Courtepaille, Comhem, Babeau-Seguin, Vanalliance and Normandy Développement.

At December 31, proprietary assets under management represented €1.8 billion (of which €78 million in innovation capital) for more than 575 holdings in companies' equity and a few investment funds. This portfolio generated €42.6 million in dividend and coupon revenue, more than in 2010.

The large volume of sales and the adverse economic and financial situation in the second half of the year prevented us, however, from reconstituting the stock of unrealized capital gains at year-end, and this had an impact on the IFRS result.

In management for third parties, CM-CIC Capital Privé completed a new round of fund subscriptions (one FIP investment fund and one FCPI innovation fund) for €38 million, and invested €48 million. Assets under management amounted to €398 million at year-end, after partial repayment to subscribers of €33 million of the 2003, 2004 and 2005 funds.

CM-CIC LBO Partners undertook two significant investments for €40 million, AMS and Lefebvre Software.

The sale of Emeraude toward year-end, with an exit multiple of three, confirmed the highly favorable development of CIC LBO Fund's portfolio.

The merger and acquisitions advisory business also performed well, with seven mandates finalized during the year.

CM-CIC Capital Finance and its subsidiaries contributed €57 million to the results of CIC.

Regional and international directory

Regional banks

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75009 Paris
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www.cic.fr

Chairman and
chief executive officer:
Michel Lucas
Chief operating officer:
Alain Fradin
Network manager, general public:
Daniel Baal
Network manager, corporate:
René Dangel

CIC Nord Ouest

33 avenue Le Corbusier
59800 Lille
Tel: +33 (0)3 20 12 64 64
www.cic.fr

Chairman and chief executive officer: Stelli Prémaor
Deputy chief operating officers:
Eric Cotte – Bernard Duval

CIC Ouest

2 avenue Jean-Claude Bonduelle
44000 Nantes
Tel: +33 (0)2 40 12 91 91
www.cic.fr

Chairman and chief executive officer: Michel Michenko
Deputy chief operating officers:
Michel David – Laurent Métral

CIC Est

31 rue Jean Wenger-Valentin
67000 Strasbourg
Tel: +33 (0)3 88 37 61 23
www.cic.fr

Chairman and chief executive officer: Philippe Vidal
Chief operating officers:
Luc Dymarski – Pierre Jachez

CIC Lyonnaise de Banque

8 rue de la République
69001 Lyon
Tel: +33 (0)4 78 92 02 12
www.cic.fr

Chairman and chief executive officer: Rémy Weber
Deputy chief operating officers:
Isabelle Bourgade – Yves Manet

CIC Sud Ouest

Cité Mondiale
20 quai des Chartrons
33058 Bordeaux Cedex
Tel: +33 (0)5 57 85 55 00
www.cic.fr

Chairman and chief executive officer: Jean-Jacques Tamburini
Chief operating officer:
Pascale Ribault

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Lee Sutton

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Paul Kwek

History of CIC

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

CIC, France's oldest retail bank

1859. Société Générale de Crédit Industriel et Commercial was created on May 7 by imperial decree of Napoleon III.

1864. CIC took significant stakes in new banks such as Société Lyonnaise.

1895. Opening of the first foreign branch, in London.

1896. CIC took part in setting up several banks around the world: Banca Nationala a Romaniei, Banco de Madrid, Banque de Nouvelle Calédonie, Banque de la Réunion and Banque de Madagascar.

1917. The stock of the regional subsidiaries was shown in CIC's balance sheet.

Policy of taking stakes in regional banks

1918-1927. CIC took stakes in the equity of regional banks: Banque Dupont, Banque Scalbert, Crédit Havrais, Crédit de l'Ouest.

1927. Birth of the Groupe des Banques Affiliées ("Group of Affiliated Banks").

1929. Creation of Union des Banques Régionales pour le Crédit Industriel (UBR) which brought together 18 regional and local banks. In the same year CIC founded Société de Secours Mutuels.

1948-1970. Regional banks in expansion phase.

1968. The Suez-Union des Mines group took control of CIC.

1971-1982. The majority of CIC's capital (72%) was held by Compagnie Financière de Suez. During this period the bank opened offices abroad.

From nationalization to privatization

1982. CIC was nationalized, along with the nine regional banks under the Groupe des Banques Affiliées.

1983. The CIC group was restructured: 51% of the regional banks' capital was now held by the parent company.

1984. Restructuring continued with the creation of CIC Union Européenne, International et Cie and Compagnie Financière de CIC.

1985. Insurance company GAN took a 34% stake in the capital of Compagnie Financière.

1987. 100% of the capital of the regional banks was now held by Compagnie Financière.

1989. GAN's stockholding increased from 34% to 51%.

1990. Merger of Compagnie Financière de CIC and Banque de l'Union Européenne to form Union Européenne de CIC, bank and holding company for the CIC group, holding 100% of the capital of the regional banks.

1991. GAN held 81.92% of the capital of Union Européenne de CIC.

1992. Launch of CIC Banques, the group's new visual identity.

1993. GAN's holding in Union Européenne de CIC increased to 92.64%.

1996. The French government *(Juppé administration)* decided to privatize the CIC group in an over-the-counter procedure which was suspended in December of that same year.

1997. The French government *(Jospin administration)* resumed the privatization process on the same basis.

Crédit Mutuel acquires CIC

1998. The government announced that Banque Fédérative du Crédit Mutuel (the holding company for Fédération du Crédit Mutuel Centre Est Europe) was now the majority stockholder of Union Européenne de CIC, with 67% of the capital. GAN retained 23% and more than 7% was reserved for employees. The capital was increased from FRF2,864,359,400 to FRF3,500,883,600 (€436,668,775 to €533,706,264). Michel Lucas, CEO of Fédération du Crédit Mutuel Centre Est Europe, became president of the executive board of CIC, and Étienne Pflimlin, chairman of CMCEE, became chairman of the supervisory board.

1999. The merger of Union Européenne de CIC (the holding company for the group) with CIC Paris (the regional bank for Greater Paris) gave rise to Crédit Industriel et Commercial (CIC), a new structure and name, which was both the group's leading bank and a regional bank. Also, BFCM sold 1% of the capital to Caisse Centrale du Crédit Mutuel.

2000-2004. Development of the international base, with a stake taken in Banque de Tunisie and partnership agreements entered into with Banco Popolare de Milano, Italy and Bank of East Asia.

2000. New organizational structure launched: implementation of a single IT system and a common platform, creation of new points of sale and common Crédit Mutuel-CIC business centers.

2001. Share capital of CIC now €560,141,376. Another change in the ownership structure as Crédit Mutuel buys GAN's stake.

2004. A year of major changes: implementation of a single common IT tool for Crédit Mutuel and CIC, a new brand image for CIC in the Greater Paris region, filling out of the network.

A new regional organization split into six axes:

- Greater Paris region with lead bank CIC;
- Northwest with CIC Banque Scalbert Dupont and CIC Banque CIN;
- East with CIC Banque CIAL and CIC Banque SNVB;
- Southeast with CIC Lyonnaise de Banque;
- Southwest with CIC Société Bordelaise;
- West with CIC Banque CIO and CIC Banque BRO.

2006. Mergers:

- CIC Banque Scalbert Dupont, CIC Banque CIN and CIC Crédit Fécampois merged to form a new entity: CIC Banque BSD-CIN;
- CIC Banque CIO and CIC Banque BRO merged to form a new entity: CIC Banque CIO-BRO.

2007. Merger:

- CIC Banque SNVB and CIC Banque CIAL merged to form a new entity: Banque CIC Est.

2008:

- CIC Lyonnaise de Banque absorbed CIC Bonnasse Lyonnaise de Banque.

2010:

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

2011. On May 19, the combined annual general meeting of stockholders changed the governance structure from that of a *société anonyme* (French limited liability company) with an executive board and a supervisory board to that of a "classic" (single board) *société anonyme*.

The board of directors, meeting immediately after the AGM, decided that general management should be assumed by Michel Lucas, chairman of the board of directors and chief executive officer, and Alain Fradin, chief operating officer.

Capital

Amount and composition of the capital

The general meeting of stockholders of May 19, 2011, in its ninth resolution, decided to abolish the term "class A stock units" and replace it with "stock units", which is the only category now remaining.

At December 31, 2011, the capital of CIC amounted to €608,439,888 and was composed of 38,027,493 stock units, each of €16 nominal, fully issued and paid up.

As authorized by the combined general meeting of stockholders of May 26, 1999, the executive board converted the bank's capital to euros through its decision of June 19, 2001. At that time, in accordance with the authorization granted, the par value of each stock unit was changed to €16 from FRF100, resulting in a capital increase of €26,435,111.72.

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

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

During 2007, CIC absorbed Crédit Fécampois (10th and 11th resolutions of the combined general meeting of stockholders of May 31, 2007), its stockholders other than CIC receiving consideration in the form of stock units in CIC issued by means of a capital increase, CIC waiving the right to receive its own stock units. 5,850 new stock units were issued corresponding to a capital increase of €93,600.

Pursuant to the fourth resolution of the combined general meeting of stockholders of May 31, 2007, offering the option of receiving payment of the dividend in the form of stock units, the capital was increased by €6,526,912 by the issue of 407,932 new stock units.

Pursuant to the fifth resolution of the combined general meeting of stockholders of May 22, 2008, offering the option of receiving payment of the dividend in the form of stock units, the capital was increased by €12,758,128 by the issue of 797,383 new stock units.

Pursuant to the fourth resolution of the combined general meeting of stockholders of May 12, 2009, offering the option of receiving payment of the dividend in the form of stock units, the capital was increased by €4,291,360 by the issue of 268,210 new stock units.

Pursuant to the fourth resolution of the combined general meeting of stockholders of May 20, 2010, offering the option of receiving payment of the dividend in the form of stock units, the capital was increased by €17,763,552 by the issue of 1,110,222 new stock units.

Securities not carrying the right to a stake in equity

None.

Changes in control and changes in capital

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

Changes in capital over the last five fiscal years

	2007		2008		2009	
	Number of stock units	Amount in €	Number of stock units	Amount in €	Number of stock units	Amount in €
At January 1	35,437,896	567,006,336	35,851,678	573,626,848	36,649,061	586,334,976
Capital increase in cash	407,932	112,997,164	797,383	128,373,663	268,210	27,893,840
Of which additional paid in capital		(106,470,252)		(115,620,535)		(23,602,480)
Contributions in kind	5,850	93,600				
Capitalization of reserves						
TOTAL CAPITAL AT DECEMBER 31	**35,851,678**	**573,626,848**	**36,649,061**	**586,384,976**	**36,917,271**	**590,676,336**

Ownership structure at the close of the last three fiscal years, in stock units and voting rights

	At December 31, 2009				At December 31, 2010			
	No. of stock units	%	Voting rights	%	No. of stock units	%	Voting rights	%
Banque Fédérative du Crédit Mutuel	26,494,868	71.77	26,494,868	72.24	27,560,922	72.48	27,560,922	72.94
Ventadour Investissement	7,407,901	20.07	7,407,901	20.20	7,407,901	19.48	7,407,901	19.61
Caisse Centrale du Crédit Mutuel	369,812	1.00	369,812	1.01	384,436	1.01	384,436	1.02
Banca Popolare di Milano	352,082	0.95	352,082	0.96	352,082	0.93	352,082	0.93
Crédit Mutuel Nord Europe	361,013	0.98	361,013	0.98	375,289	0.99	375,289	0.99
Crédit Mutuel Arkéa	263,585	0.71	263,585	0.72	263,585	0.69	263,585	0.70
Crédit Mutuel Maine-Anjou, Basse Normandie	256,186	0.69	256,186	0.70	256,186	0.67	256,186	0.68
Crédit Mutuel Océan	256,162	0.69	256,162	0.70	266,292	0.70	266,292	0.70
Crédit Mutuel du Centre	211,110	0.57	211,110	0.58	219,458	0.58	219,458	0.58
Crédit Mutuel Loire-Atlantique et Centre-Ouest	130,181	0.35	130,181	0.35	135,329	0.36	135,329	0.36
FCPE ACTICIC (employees and former employees)	115,231	0.31	115,231	0.31	101,499	0.27	101,499	0.27
Crédit Mutuel Normandie	25,614	0.07	25,614	0.07	26,626	0.07	26,626	0.07
Public, other stockholders	434,436	1.18	434,436	1.18	435,664	1.15	435,664	1.15
Treasury stock (own stock held and stock units held in connection with the liquidity agreement)	239,090	0.65	-	-	242,224	0.64	-	-
TOTAL	**36,917,271**	**100**	**36,678,181**	**100**	**38,027,493**	**100**	**37,785,269**	**100**

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

In accordance with its contractual commitments, each year BFCM acquires the stock units sold by current and former employees of CIC who took part in the 1998 privatization. These sales mainly concerned 463,394 stock units in CIC sold in July 2003 on expiry of the five-year holding period.

On February 8, 2006, pursuant to the strategic partnership agreement entered into with CIC, Banca Popolare di Milano acquired 352,082 CIC stock units from Ventadour Investissement.

The 248,237 stock units held by CIC at December 31, 2011 (of which 229,741 own stock units held and 18,496 held in connection with the liquidity agreement) are stripped of voting rights but do not have a material impact on the ownership structure or the allocation of voting rights between stockholders as set out opposite.

As at December 31, 2011 the FCPE (company mutual fund) ACTICIC held 87,531 CIC stock units, representing 0.23% of the capital. Adding to this the registered stock units held directly by employees and former employees, their holding in the capital of CIC came to 0.38%.

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

At December 31, 2011 BFCM, which is 93% owned by Caisse Fédérale de Crédit Mutuel (CFCM), held 92.6% of the capital of CIC, both directly (73%) and through its wholly-owned subsidiary, Ventadour Investissement. It therefore exerts control over CIC.

2010		2011	
Number of stock units	Amount in €	**Number of stock units**	**Amount in €**
36,917,271	590,676,336	38,027,493	608,439,888
1,110,222	17,763,552		
38,027,493	**608,439,888**	**38,027,493**	**608,439,888**

At December 31, 2011			
No. of stock units	**%**	**Voting rights**	**%**
27,570,357	72.50	27,570,357	72.98
7,407,901	19.48	7,407,901	19.61
384,436	1.01	384,436	1.02
352,082	0.93	352,082	0.93
375,289	0.99	375,289	0.99
263,585	0.69	263,585	0.70
256,186	0.67	256,186	0.68
266,292	0.70	266,292	0.70
219,458	0.58	219,458	0.58
135,329	0.36	135,329	0.36
87,531	0.23	87,531	0.23
26,626	0.07	26,626	0.07
434,184	1.14	434,184	1.15
248,237	0.65	-	-
38,027,493	**100**	**37,779,256**	**100**

BFCM's business covers the following main areas:

- as the holding company for the CM10-CIC group it holds the investments in the following main business areas: banking and finance, insurance, real estate and technology;
- financial management, treasury and refinancing services for the group;
- lending, financial structuring, cash management and trading room for a customer base of major corporates and institutional investors.

BFCM is a subsidiary of the CM10-CIC group, which comprises Caisse de Crédit Mutuel Centre Est Europe, Caisse de Crédit Mutuel Sud-Est, Caisse de Crédit Mutuel Ile-de-France, Caisse de Crédit Mutuel Savoie-Mont Blanc, Caisse de Crédit Mutuel Midi-Atlantique, Caisse de Crédit Mutuel Loire-Atlantique et Centre-Ouest, Caisse de Crédit Mutuel Centre, Caisse de Crédit Mutuel Normandie, Caisse de Crédit Mutuel Dauphiné-Vivarais, Caisse de Crédit Mutuel Méditerranéen, Caisse Fédérale de Crédit Mutuel (the joint federation) and its other main subsidiaries: ACM, BECM, the IT subsidiaries, CIC, TARGOBANK (Germany and Spain), Cofidis, and CIC Iberbanco.

As of December 31, 2011, with total consolidated assets of €468.3 billion, CM10-CIC had €459 billion in savings in custody or under management, of which €193.6 billion in deposits, €203 billion in bank savings products and €62.3 billion in insurance products. Total lending stood at €263.9 billion.

Its equity and perpetual subordinated notes amount to €27.9 billion and its Tier 1 solvency ratio is 11%.

As far as measures to prevent abusive control are concerned, we would point out that all transactions between BFCM and CIC are conducted at market prices and the only regulated agreements between BFCM and CIC concern the optimization of the group's refinancing.

In addition to the chairman of the board of directors of CIC, who is also the chairman of the board of directors of BFCM, BFCM has a seat on the board of directors of CIC which consists of nine directors appointed by the general meeting of stockholders and two directors elected by employees.

Market for the company's stock

Shares

CIC stock has been listed on the Paris stock exchange since June 18, 1998.

CIC's bylaws do not contain any clauses restricting the sale of these stock units. However, Article 9 para. 6 of the bylaws requires stockholders to declare any interest of 0.5% or more of the capital.

The combined annual general meeting of stockholders of May 19, 2011, in its 26th resolution, renewed until October 31, 2012 the authorization given to an investment services provider to trade on the stock market in the context of a liquidity agreement.

Within the framework of this agreement, in 2011 CIC:

- acquired 46,645 stock units (average unit acquisition price €134.02);
- sold 40,632 stock units (average unit sale price €139.16);
- and held 18,496 CIC stock units at a stock market price of €100.50 as at December 31, 2011, i.e. 0.049% of the capital.

These stock units are held solely in the context of the liquidity agreement and will not be cancelled. The amount of negotiation fees corresponds to the investment services provider's invoice.

The ordinary general meeting of stockholders called for May 24, 2012 will be asked to renew this authorization.

There are no particular rights, privileges or restrictions attached to the stock units issued by the company.

Market data – CIC stock units

	Number of stock units traded	Monthly volumes € millions	Highest & lowest prices Low (€)	High (€)
January 2010	14,345	1.783	117.50	130.01
February 2010	8,932	1.097	118.51	132.80
March 2010	16,842	2.169	126.01	132.10
April 2010	18,280	2.410	127.50	136.01
May 2010	13,067	1.573	109.50	131.00
June 2010	6,194	0.702	110.00	116.00
July 2010	16,412	1.848	108.60	124.90
August 2010	8,529	1.051	118.50	127.90
September 2010	21,297	2.655	119.51	128.99
October 2010	9,158	1.238	128.01	140.00
November 2010	9,338	1.291	129.00	144.70
December 2010	7,910	1.041	128.00	135.00
January 2011	13,645	1.842	130.00	139.00
February 2011	19,982	2.967	135.51	160.00
March 2011	12,193	1.836	144.50	159.00
April 2011	17,221	2.544	146.00	154.00
May 2011	22,533	3.466	147.00	156.50
June 2011	9,153	1.361	144.50	153.50
July 2011	11,669	1.717	142.00	150.00
August 2011	9,760	1.281	120.00	147.43
September 2011	9,305	1.014	100.00	123.50
October 2011	5,984	0.666	105.00	115.80
November 2011	6,920	0.710	88.00	113.61
December 2011	7,652	0.765	97.00	104.80
January 2012	14,771	1.500	96.50	104.90
February 2012	26,290	2.653	99.00	103.99
March 2012	44,547	4.542	92.60	109.00

Share performance

2011 saw a climate of economic and financial uncertainty, with the sovereign debt crisis affecting several European Union member states and causing major French bank stock prices to nosedive by between 36% and 57%, whereas the CAC 40 index fell by 17%.

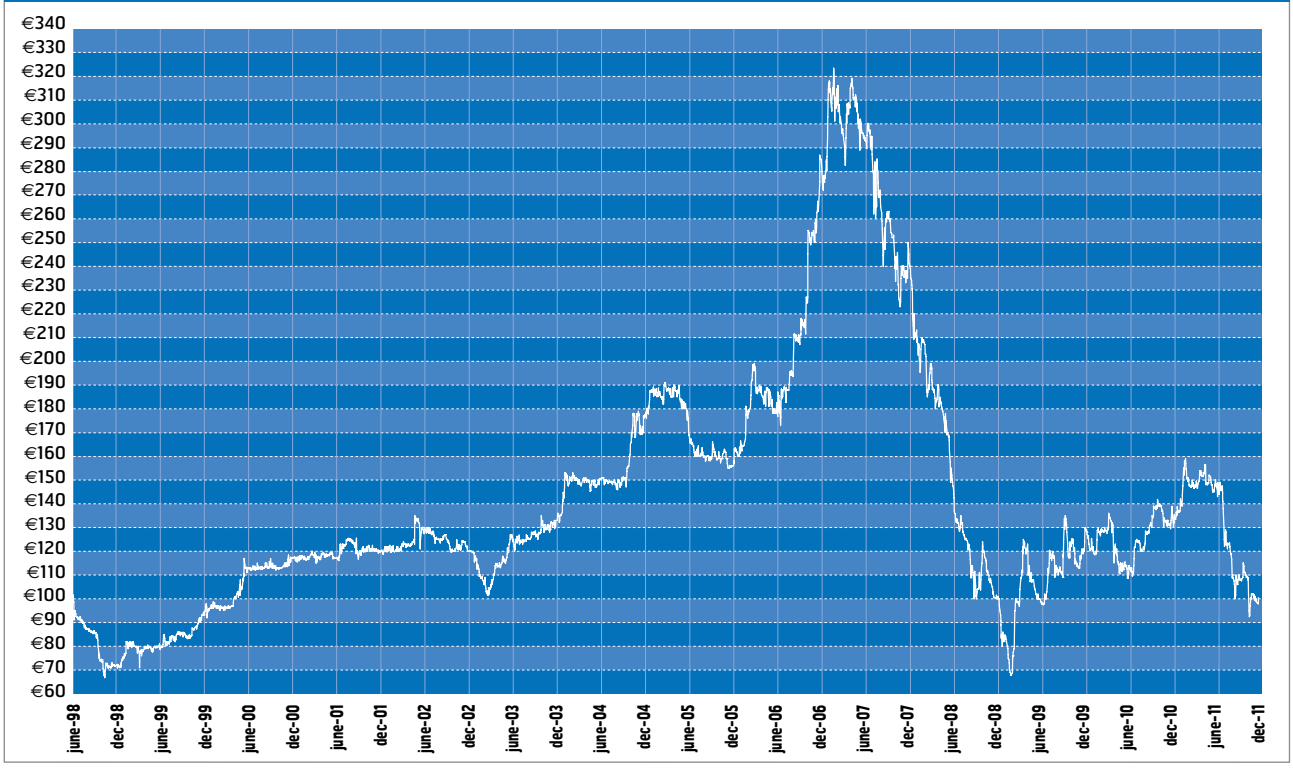
CIC stock units fared a little better but still suffered, closing at €100.50 on December 30, representing a fall of 24.4% for the year.

After starting at €138.88 on January 2, the stock gained, reaching its highest closing rate of €158.90 on March 1. It then started on a downward trend which was accentuated at the beginning of August, and reached a low of €92.50 on November 22.

The average price for the year was €131.413.

In 2011, 146,017 stock units were traded on the Paris stock exchange, for an amount of €20.2 million.

CIC stock price 1998-2011



Dividends and dividend policy

Outstanding stock units and securities

	2007	2008	2009	2010	2011
Number of stock units	35,621,937	36,649,061	36,917,271	38,027,493	38,027,493
Net dividend on stock units (in €)	4.8	1	4.35	8.80	6.50
TOTAL DIVIDEND PAYOUT (IN € MILLIONS)	**171**	**37**	**161**	**335**	**247**
Consolidated net income attributable to equity holders of the parent company (in € millions)	1,139	170	801	1,115	555
Payout ratio	15.00%	22.00%	20.00%	30.00%	45.00%

The capital stock is divided into 38,027,493 stock units, including 248,237 treasury stock units. The dividend allocated to treasury stock is recognized directly under "retained earnings".

Non-voting loan stock

The non-voting loan stock issued in 1985 by Compagnie Financière de Crédit Industriel et Commercial, which has since become Crédit Industriel et Commercial, entitles holders to an annual coupon made up of fixed and variable components.

This coupon, payable on May 28 of each year, cannot be less than 85% or more than 130% of the average (TAM + TMO /2), where TAM is the annual monetary reference rate and TMO is the fixed-rate bond index.

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

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

The fixed component of the coupon is 40% of the annual monetary reference rate (TAM), as defined above. The variable component is 43% of this same annual monetary reference rate (TAM), multiplied by the "participation ratio" (PR).

The participation ratio used to calculate the variable component of the coupon due in May 2012 – PR 2012 – is equal to:

$$\text{PR 2011} \times \frac{\text{2011 income as defined in the issue contract}}{\text{2010 income as defined in the issue contract}}$$

The contract stipulates that consolidated income be adjusted for changes in equity, changes in the CIC consolidation scope and changes in consolidation methods.

CIC's adjusted net income for 2011, as determined by applying identical accounting procedures and consolidation methods at constant scope, amounted to €555,168 thousand as against €1,115,043 thousand for 2010.

The PR 2012 is therefore equal to: $\text{2011 PR} \times \frac{\text{€555,168 thousand}}{\text{€1,115,043 thousand}}$

i.e. 18.355 x 0.49789 = 9.139.

Coupon

The coupon rate calculated from the income shown above, including both the fixed and variable components, came to 3.518%, which exceeds the cap provided for in the issue contract.

Consequently, under the terms of the issue contract, the coupon rate paid to holders of non-voting loan stock in May 2012 will be capped at 130% of (TAM +TMO)/2, as defined above.

The coupon rate will be 2.765% on the basis of a TAM of 0.8126% and an average TMO of 3.4408%. This means that the gross coupon due in May 2012 will amount to €4.21 for each stock unit with a face value of €152.45.

Coupon payments since 2008 (year paid)

	PR	TAM%	TMO%	Coupon rate%	Gross coupon
2008	27.495	4.1117	4.5792	5.648	€8.61
2009	2.96	3.2947	4.3842	4.992	€7.61
2010	13.233	0.4610	3.8542	2.805	€4.28
2011	18.355	0.5187	3.3967	2.545	€3.88
2012	9.139	0.8126	3.4408	2.765	€4.21

Non-voting loan stock price movements since 2007

	High €	Low €	Close €
2007	186.00	176.50	183.00
2008	182.00	150.00	156.00
2009	160.00	145.00	148.00
2010	154.00	137.00	141.75
2011	147.00	138.00	140.00

On October 18, 1999, CIC non-voting loan stock with a face value of FRF1,000 was converted into stock with a face value of €152.45.

Statutory Auditors' report on interest

payable on non-voting loan stock

Year ended December 31, 2011

To the holders of CIC non-voting loan stock,

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

On April 20, 2012, we prepared our reports on the company's financial statements and on the consolidated financial statements for the year ended December 31, 2011.

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

The interest computation method provided for at the time of issue of non-voting loan stock in May 1985 can be summarized as follows:

- a component equal to 40% of the annual monetary reference rate or "TAM", and
- a component equal to 43% of the TAM multiplied by a participation ratio (PR).

For the interest due on May 28, 2012, the participation ratio is as follows:

$$\text{PR 2011} = \text{PR 2010} \times \frac{\text{2011 adjusted consolidated net income}}{\text{2010 adjusted consolidated net income}}$$

The issue agreement sets a cap and a floor on interest payments, as follows:

- floor: 85% x (TAM + fixed-rate bond index or "TMO")/2;
- cap: 130% x (TAM + TMO)/2.

The agreement further stipulates that the participation ratio (PR) corresponding to the ratio between the 2011 and the 2010 consolidated net income will be adjusted to take into account changes in equity, group structure or consolidation methods between the two years.

Since 2005, CIC has published its financial statements under IFRS. In accordance with the resolution submitted for your approval, the calculation of interest is based on net income attributable to equity holders of the parent company for 2010 and 2011, as determined by applying the same accounting procedures and consolidation methods based on a comparable group structure and comparable equity, giving a participation ratio (PR) of 9.139 for 2011 as against 18.355 for 2010.

The interest rate obtained by applying the above formula comes to 3.52% before application of the cap. The floor and cap rates are 1.81% and 2.76% respectively.

Therefore, in accordance with the provisions of the issue agreement, the gross interest paid in 2012 in respect of 2011 will amount to €4.21 per stock unit.

We performed our work in accordance with French professional standards. These standards require that we carry out the necessary procedures to verify the conformity and consistency of the data used to calculate the interest due on non-voting loan stock with the issue agreement and the audited annual and consolidated financial statements.

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

Neuilly-sur-Seine and Paris La Défense, April 20, 2012

The Statutory Auditors:
PricewaterhouseCoopers Audit: Agnès Hussherr
Ernst & Young et Autres: Isabelle Santenac

Corporate governance

Board of directors

Members appointed by the general meeting of stockholders:

Michel Lucas Chairman and chief executive officer	Chairman of Confédération Nationale du Crédit Mutuel, Crédit Mutuel Centre Est Europe and Banque Fédérative du Crédit Mutuel
Catherine Allonas Barthe	Chief executive officer, ACM Vie SAM
Banque Fédérative du Crédit Mutuel	*represented by* **Jacques Humbert** - vice-chairman
Caisse Centrale du Crédit Mutuel	*represented by* **Jean-Luc Menet** - director
Maurice Corgini	Director of Crédit Mutuel Centre Est Europe
Jean-Louis Girodot	Chairman of Crédit Mutuel Ile-de-France
Daniel Leroyer	Chairman of Crédit Mutuel Maine-Anjou, Basse-Normandie
Massimo Ponzellini	Chairman of Banca Popolare di Milano (resigned November 29, 2011)
Philippe Vasseur	Chairman of Crédit Mutuel Nord Europe

Members elected by employees:

Cédric Jolly	Individual customer adviser at CIC Nord Ouest
William Paillet	Private banking account executive at CIC Est

Non-voting members:

Luc Chambaud	CEO of Crédit Mutuel Normandie
Gérard Cormorèche	Chairman of Crédit Mutuel du Sud-Est
François Duret	Chairman of Crédit Mutuel du Centre
Pierre Filliger	Chairman of Crédit Mutuel Méditerranéen
Albert Peccoux	Chairman of Crédit Mutuel Savoie-Mont Blanc

The following also attend board meetings:

Alain Fradin	Chief operating officer of CIC
Stéphane Marché	CIC works council representative
Gilles Le Noc	CIC company secretary, secretary to the board of directors

From left to right: **Michel Lucas,** chairman and chief executive officer; **Alain Fradin,** chief operating officer.

Changes during fiscal 2011

The combined annual general meeting of stockholders of May 19, 2011 changed CIC's governance from a *société anonyme* (French limited liability company) with an executive board and a supervisory board to a "classical" (single board) *société anonyme* and amended the company bylaws accordingly, thereby entailing the dissolution of the executive and supervisory boards. The same meeting appointed the first nine directors, the other two directors being elected by the employees on October 26, 2011.

In its meeting of July 28, 2011, the board of directors appointed five non-voting board members, as permitted by Article 14 of the company's bylaws.

Composition of the board of directors

This is governed by Article 10 of the company's bylaws.

The company is administered by a board of directors composed of no fewer than nine members and no more than eighteen members appointed by the general meeting of stockholders.

The board of directors also includes two directors elected by employees, one of whom represents the executives as defined in the banks' collective labor agreement and the other the remaining employees.

The directors elected by employees can only be natural persons. The other directors can be either natural or legal persons.

The age limit is 70. This is applied such that no-one over the age of 70 can be appointed if this has the effect of bringing the number of members over 70 to more than one third of the total number of members.

The term of office for directors is six years and they retire by rotation, one third every two years. With this in mind, the term of office of the first directors appointed by the general meeting of stockholders is two, four or six years. The terms of office of members other than those elected by the employees expire upon the adjournment of the ordinary general meeting of stockholders ratifying the financial statements of the financial year last ended and held during the year in which their term of office expires. The term of office of members elected by employees expires on the sixth anniversary of their election.

Non-voting board members are appointed for six years, They take part in board meetings and, while they have no vote, their opinions are noted.

A meeting of the board of directors held immediately following the AGM of May 19, 2011 appointed Michel Lucas as chairman of the board. This appointment was made for the duration of his term of office.

The dates of first appointment and terms of office of members of the board of directors are shown in a summary table on page 41.

Other corporate officers: general management

The board of directors, meeting immediately after the AGM of May 19, 2011, decided unanimously that the general management should be assumed by the chairman of the board of directors, Michel Lucas, as chief executive officer.

Pursuant to a proposal of the CEO, the board of directors decided unanimously to appoint Alain Fradin chief operating officer.

The chairman and chief executive officer and the chief operating officer were presented for approval by the French Prudential Supervisory Authority as executives responsible for CIC as regards the Monetary and Financial Code.

The workings of general management are governed by Article 12 of the company's bylaws, which do not add anything to the provisions of the law.

The board of directors has not set any limit to the powers of the chief executive officer or the chief operating officer.

Information concerning members of the board of directors and general management

Relations with the business

To the best of CIC's knowledge, there are no conflicts of interest between the obligations of the members of the board of directors or general management toward CIC and their personal interests or other obligations.

Apart from regulated agreements and the exception referred to on page 50 relating to the reciprocal representation of CIC and Banca Popolare di Milano on each other's boards, no arrangements or agreements have been entered into with the main stockholders, customers, suppliers or others pursuant to which a member of the board of directors or general management has been nominated.

There are no service agreements linking members of the board of directors or general management with any of the group's companies. In particular, Banque Fédérative du Crédit Mutuel, which controls CIC and holds a seat on its board of directors, does not receive any management fees.

To the best of CIC's knowledge, there are no family relationships between members of the board of directors and general management.

Members of the board of directors and general management are reminded on a regular basis of the rules applicable to persons holding privileged information. They are also informed that they must disclose any trading in CIC stock units on the stock exchange by them or persons closely linked to them to the AMF (French financial markets authority) and to CIC. No such transactions have been reported.

Members of the executive board (prior to May 19, 2011), general management and the board of directors have each declared that:

1°. during the past five years they have not been:

- convicted of fraud,
- associated with the bankruptcy, receivership or liquidation of a legal entity in which they were a member of an administrative, management or governing body or of which they were the chief executive officer,
- subject to disciplinary sanctions imposed by the administrative bodies responsible for supervising CIC,
- subject to an administrative or court order which prevents them from acting as members of an administrative, management or supervisory body or from participating in the management or operations of a company;

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

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

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

Summary table, group management

	Date of first appointment	Date of expiry of current term of office	Main position held in the company	Main positions held outside the company[1]
Board of directors				
Michel Lucas	May 19, 2011	AGM ratifying the financial statements for 2016	Chairman of the board	Chairman, Confédération Nationale du CM, CM Centre Est Europe and BFCM
Catherine Allonas Barthe	May 19, 2011	AGM ratifying the financial statements for 2016	Member of the board	Chief executive officer of ACM Vie Sam
Maurice Corgini	May 19, 2011	AGM ratifying the financial statements for 2014	Member of the board	Director, CM Centre Est Europe
Jean-Louis Girodot	May 19, 2011	AGM ratifying the financial statements for 2014	Member of the board	Chairman, CM Ile-de-France
Jacques Humbert (representing BFCM)	May 19, 2011	AGM ratifying the financial statements for 2016	Member of the board	Vice-chairman, BFCM
Daniel Leroyer	May 19, 2011	AGM ratifying the financial statements for 2012	Member of the board	Chairman, CM Maine-Anjou, Basse-Normandie
Jean-Luc Menet (representing CCCM)	May 19, 2011	AGM ratifying the financial statements for 2012	Member of the board	Chief executive officer, CM Océan, Director, CCCM
Massimo Ponzellini[2]	May 19, 2011	AGM ratifying the financial statements for 2012	Member of the board	Chairman, Banca Popolare di Milano
Philippe Vasseur	May 19, 2011	AGM ratifying the financial statements for 2014	Member of the board	Chairman, CM Nord Europe
Cédric Jolly	Oct. 26, 2011	Oct. 26, 2017	Employee, CIC Nord Ouest	
William Paillet	Oct. 26, 2011	Oct. 26, 2017	Employee, CIC Est	
General management				
Michel Lucas	May 19, 2011	AGM ratifying the financial statements for 2016	Chief executive officer	Chairman, Confédération Nationale du CM, CM Centre Est Europe and BFCM
Alain Fradin	May 19, 2011	Unlimited duration	Chief operating officer	Chief executive officer, Confédération Nationale du CM, CM Centre Est Europe and CM du Sud-Est, Deputy CEO, BFCM

CM: Crédit Mutuel. BFCM: Banque Fédérative du Crédit Mutuel. CCCM: Caisse Centrale du Crédit Mutuel.

(1) The other positions and functions are listed below.

(2) Resigned November 29, 2011 upon leaving Banca Popolare di Milano.

Executives' terms of office

Board of directors

Michel Lucas

Born May 4, 1939, Lorient

Business address: Crédit Industriel et Commercial 6 avenue de Provence - 75009 Paris	Term of office started	Term of office expires
Chairman and chief executive officer	May 19, 2011	2017
Other positions held		
Chairman-CEO:		
Banque Fédérative du Crédit Mutuel	Oct. 22, 2010	2013
Carmen Holding Investissement	Nov. 7, 2008	2016
Chairman of the board of directors:		
Confédération Nationale du Crédit Mutuel	Oct. 13, 2010	2015
Fédération du Crédit Mutuel Centre Est Europe	Oct. 22, 2010	unlimited
Caisse Fédérale de Crédit Mutuel	Sept. 24, 2010	2014
Groupe des Assurances du Crédit Mutuel	Feb. 24, 1993	2017
Assurances du Crédit Mutuel Vie SA	June 29, 1993	2017
Assurances du Crédit Mutuel IARD SA	March 19, 1993	2017
Assurance du Crédit Mutuel Vie SAM	June 13, 1991	2015
Banque du Crédit Mutuel Ile-de-France	Nov. 17, 2003	2015
International Information Developments	Feb. 6, 2004	2013
Direct Phone Services	Feb. 6, 2004	2013
Républicain Lorrain	June 30, 2009	2015
Est Républicain	Nov. 4, 2011	2015
Dernières Nouvelles d'Alsace	Nov. 4, 2011	2015
Chairman:		
Crédit Mutuel Cartes de Paiements	May 7, 2003	2012
Europay France	May 28, 2002	2014
Chairman of the supervisory board:		
Banque de l'Économie, du Commerce et de la Monétique	Oct. 22, 2010	2013
Euro Information Production (GIE)	May 19, 1994	2012
CM-CIC Capital Finance	June 29, 1992	2016
Fonds de Garantie des Dépôts	Nov. 26, 2008	unlimited
Vice-chairman of the supervisory board:		
CIC Iberbanco	June 5, 2008	2013
Banque de Luxembourg (Luxembourg)	March 25, 2003	2017
Director:		
ACMN IARD	July 25, 1997	2015
ASTREE (Tunis)	March 4, 2005	n/a
Assurances Générales des Caisses Desjardins (Québec)	May 12, 1993	2016
Banque de Tunisie (Tunis)	March 30, 2004	2012
Banque Marocaine du Commerce Extérieur (Casablanca)	Sept. 17, 2004	2014
CIC Banque Transatlantique	Dec. 19, 2000	2014
Banque Transatlantique Belgium (Brussels)	March 21, 2005	2015
CRCM Midi-Atlantique	May 24, 2008	2014
Caisse de Crédit Mutuel "Grand Cronenbourg"	May 11, 1985	2013
Crédit Mutuel Paiements Electroniques	March 19, 2003	2012
CIC Lyonnaise de Banque	July 6, 1999	2014
Safran	2011	n/a
SOFEDIS	June 5, 2000	2012
Dauphiné Libéré	June 29, 2011	2017
Member of the supervisory board:		
CM-CIC Asset Management	Sept. 28, 1992	2012
Manufacture Beauvillé	Feb. 14, 2000	2012
CM-CIC Services (GIE)	May 7, 2008	2014
Member of the management committee:		
Euro Information	June 14, 2002	2014
Euro Information Développement	June 14, 2002	2014
EBRA	Feb. 24, 2006	2013
Positions held in the past five fiscal years		
Chairman of the board of directors:		
Banco Popular Hipotecario	Oct. 28, 2010	2011
CEO:		
Confédération Nationale du Crédit Mutuel	Jan. 21, 1998	2010
Chairman of the executive board:		
CIC	June 17, 1998	2011
Chairman of the supervisory board:		
Targo Deutschland GmbH	Dec. 8, 2008	2011
Targo Management AG	Dec. 8, 2008	2011
TARGOBANK AG	Dec. 8, 2008	2011
Cofidis	March 17, 2009	2011
Cofidis Participations	March 17, 2009	2011
Director - CEO:		
Fédération du Crédit Mutuel Centre Est Europe	Apr. 6, 2001	2010
Banque Fédérative du Crédit Mutuel	June 14, 2002	2010
Caisse Fédérale de Crédit Mutuel	Apr. 6, 2001	2010
Vice-chairman of the supervisory board:		
MasterCard Europe Region (Brussels)	Sept. 30, 1992	2008
Safran	Apr. 15, 2009	2011
Director:		
Banque de l'Economie du Commerce et de la Monétique	May 15, 1992	2010
CIC Banque SNVB	Dec. 20, 2007	2007
CIC Finance	Dec. 20, 2000	2010
Member of the supervisory board:		
Société Alsacienne de Publications "L'Alsace"	June 2, 2004	2007
CIC Investissement	Dec. 20, 2000	2010
Safran	Oct. 30, 2002	2009

Catherine Allonas Barthe

Born January 18, 1955, Strasbourg

Business address: ACM 42 rue des Mathurins - 75008 Paris	Term of office started	Term of office expires
Director	May 19, 2011	2017
Other positions held		
Chairman of the supervisory board:		
Massena Property	Aug. 31, 2009	n/a
CEO:		
ACM Vie Sam	Jan. 1, 2006	n/a
Permanent representative:		
ACM Vie Sam (member of the supervisory board of CM-CIC Asset Management	Jan. 1, 2006	n/a
ACM Vie Sam (director of GIE ACM)	May 7, 2005	2013
ACM Vie Sam (director of Valinvest Gestion)	2008	n/a
ACM Vie Sam (director of Serenis Assurances)	May 7, 2005	2014
ACM Vie Sam (director of Foncière des Régions)	2009	n/a
Positions held in the past five fiscal years		
Chairman of the supervisory board:		
Foncière Massena SCA	n/a	2009
Director:		
SA 174 Prés Saint Germain	n/a	2008

Banque Fédérative du Crédit Mutuel

34 rue du Wacken – 67000 Strasbourg	Term of office started	Term of office expires
Director	May 19, 2011	2017
Other positions held		
Chairman:		
Bischenberg	Sept. 30, 2004	2015
Director:		
Assurances du Crédit Mutuel SAM	May 4, 2005	2015
Assurances du Crédit Mutuel Vie SA	May 4, 2005	2017
Assurances du Crédit Mutuel IARD SA	May 4, 2005	2017
Banque de Tunisie	May 26, 2009	2012
Boréal	Jan. 25, 1991	2012
Caisse Centrale du Crédit Mutuel	Sept. 17, 1969	2017
Caisse de Refinancement de l'Habitat	Oct. 12, 2007	2013
CM-CIC Epargne Salariale	May 21, 2008	2014
CM-CIC Securities	Dec. 31, 1999	2017
CM-CIC Participations Immobilières	Sept. 17, 1981	2015
CM-CIC SCPI Gestion	Jan. 30, 1990	2014
CM-CIC Home Loan SFH	n/a	n/a
Crédit Mutuel Paiements Electroniques	March 19, 2003	2012
Crédit Mutuel Cartes de Paiements	March 17, 1983	2012
Crédit Mutuel Habitat Gestion	March 20, 1990	2014
Critel	Nov. 24, 1989	2014
Fédération du Crédit Mutuel Centre Est Europe	Sept. 29, 1992	unlimited
Groupe des Assurances du Crédit Mutuel	Feb. 4, 1994	2017
Groupe SOFEMO	Nov. 19, 1986	2014
CM-CIC Aménagement Foncier	Apr. 23, 1981	2015
SAEM Mirabelle TV	Nov. 30, 2009	2013
SAEM Locusem	Dec. 16, 2010	2013
SEM Action 70	Oct 1, 1990	n/a
SEM Destination 70	Oct. 1, 1990	2014
SEM CAEB - Bischheim	Nov. 27, 1997	2015
SEM CALEO - Guebwiller	June 24, 2005	2013
SEM Euro Moselle Développement	March 15, 1991	2014
SEM Micropolis	July 24, 1997	2012
SEM Nautiland	May 25, 1987	2014
SEM pour la promotion de la ZAC Forbach Sud (banking pool)	Feb. 24, 1989	2017
SEM Semibi Biesheim	Nov. 14, 1984	2012
SIBAR	May 27, 1999	2015
Société Fermière de la Maison de L'Alsace	Jan. 1, 1977	2016
Société Française d'Édition de Journaux et d'Imprimés Commerciaux "L'Alsace"	June 2, 2004	2016
SOFEDIS	Nov. 24, 1994	2012
Ventadour Investissement	May 24, 1991	2013
Member of the management committee:		
Euro Information	June 14, 2002	2014
Euro Protection Surveillance	June 27, 1992	2014
Euro TVS	Nov. 27, 1979	2014
Euro Information Direct Service	June 14, 2002	2014
Member of the supervisory board:		
Batigère	March 22, 1996	2012
CM-CIC Asset Management	Dec. 31, 2004	2012
SAEM Mulhouse Expo	Feb. 16, 2005	2012
Société d'Etudes et de Réalisation pour les Equipements Collectifs (SODEREC)	May 30, 1978	2012
STET - Systèmes Technologiques d'Échanges et de Traitement	Dec. 8, 2004	n/a
Non-voting board member:		
SAFER d'Alsace	May 30, 2006	2012
SEM E Puissance 3 - Schiltigheim	March 7, 1991	n/a
Positions held in the past five fiscal years		
Director:		
Crédit Mutuel Participations	Sept. 10, 1988	2007
CM-CIC Agence Immobilière	Apr. 17, 2001	2008
Institut Lorrain de Participations	May 30, 1997	2010
SA d'HLM Habitat des Salariés d'Alsace	May 4, 2005	2010
UES PACT ARIM	Nov. 17, 1994	2010
CM-CIC Covered Bonds (now CM-CIC Home Loan SFH)	Apr. 16, 2007	2011
SEM Patinoire Les Pins	Oct. 1, 1990	2010
Member of the supervisory board:		
SCPI Crédit Mutuel Habitat 2	Sept. 13, 1990	2008
SCPI Crédit Mutuel Habitat 3	Sept. 18, 1991	2009
SCPI Crédit Mutuel Habitat 4	Oct. 13, 1993	2009
SCPI Finance Habitat 1	Apr. 29, 1998	2010
SCPI Finance Habitat 2	June 18, 1997	2010
CIC	June 17, 1998	2011

Caisse Centrale du Crédit Mutuel

88-90 rue Cardinet – 75017 Paris	Term of office started	Term of office expires
Director	May 19, 2011	2013
Other positions held		
Member of the supervisory board:		
CM–CIC Asset Management	Dec. 30, 1997	2012
SODEREC	Apr. 19, 1978	2014
UFG REM	Jan. 1, 2008	2013
Director:		
Centre International du Crédit Mutuel - CICM	May 22, 1984	2013
C.M.C.P.	May 16, 1983	2012
C.M.P.E.	March 19, 2003	2012
Crédit Logement	July 6, 1999	2015
Crédit Mutuel Habitat Gestion	Jan. 13, 1987	2014
CRH	Apr. 10, 1990	2015
Factocic	Nov. 22, 1999	2017
France Active Garantie	July 4, 1995	2013
IDES Investissements	Aug. 12, 1983	2016
Le Chèque Domicile	Dec. 20, 2011	2014
Maison Europe des Coopératives	Feb. 5, 2008	2013
SGFGAS	March 24, 1993	2014
Non-voting board member:		
SIAGI	May 12, 2005	2015
Positions held in the past five fiscal years		
Director:		
CM Oblig moyen terme	March 21, 2002	2007
France Titrisation	n/a	2009
CODLES	n/a	2010
Non-voting board member:		
CM Oblig moyen terme	March 21, 2002	2007

Maurice Corgini

Born September 27, 1942, Baume-Les-Dames

Business address: Fédération du Crédit Mutuel Centre Est Europe 34 rue du Wacken – 67000 Strasbourg	Term of office started	Term of office expires
Director	May 19, 2011	2015
Other positions held		
Chairman of the board of directors:		
Caisse de Crédit Mutuel de Baume-Valdahon-Rougemont	May 10, 1981	2012
Union des Caisse de Crédit Mutuel du District de Franche-Comté Sud	Apr. 20, 1995	2014
Director:		
Fédération du Crédit Mutuel Centre Est Europe	Apr. 20, 1995	2014
Banque Fédérative du Crédit Mutuel	June 22, 1995	2012
Caisse Agricole Crédit Mutuel	Feb. 20, 2004	2014
Co-manager:		
Cogit'Hommes Franche-Comté	March 1, 2005	unlimited
Positions held in the past five fiscal years		
Member of the supervisory board:		
CIC	June 17, 1998	2011

Jean-Louis Girodot

Born February 10, 1944, Saintes

Business address: Crédit Mutuel Ile-de-France 18 rue de La Rochefoucauld - 75439 Paris Cedex 9	Term of office started	Term of office expires
Director	May 19, 2011	2015
Other positions held		
Chairman of the board of directors:		
Fédération du Crédit Mutuel Ile-de-France	1995	2012
Caisse Régionale Crédit Mutuel Ile-de-France	1995	2012
Caisse de Crédit Mutuel Paris-Montmartre Grands Boulevards	1975	2013
Chairman:		
Comité Régional pour l'Information Économique et Sociale - CRIES	2011	2014
Vice-chairman:		
Coopérative d'Information et d'Édition Mutualiste (CIEM)	2011	2014
Chambre Régionale de l'Économie Sociale et Solidaire d'Ile-de-France - CRESS	1986	2014
AUDIENS	2002	2014
General secretary:		
Fédération Nationale de la Presse Spécialisée FNPS	1979	2015
Member of the bureau:		
Conseil économique, social et environnemental d'Ile-de-France	1989	2013
Director:		
Confédération Nationale du Crédit Mutuel	1995	2012
Banque Fédérative du Crédit Mutuel	2002	2014
Caisse Fédérale de Crédit Mutuel	2003	2012
AFDAS (formerly MEDIAFOR)	1995	2014
Member of the supervisory board:		
EI Production	1995	2016
Permanent representative:		
Caisse Régionale de Crédit Mutuel Ile-de-France on the board of directors ACM Vie SFM	2005	2015
FNPS à la Commission paritaire des publications et agences de presse	1994	2012
Positions held in the past five fiscal years		
Chairman:		
SAS CODLES	1980	2011
Comité régional pour l'information économique	n/a	2011
Vice-chairman:		
Fédération Nationale de la Presse Spécialisée FNPS	1979	2011
Member of the supervisory board:		
CIC	Dec. 19, 2001	2011
Director:		
PEMEP	1997	2011
Permanent representative:		
CRESS IDF à la Conférence nationale des CRES	1988	2011
Member:		
Groupe Aprionis	1999	2011

Jacques Humbert

Born July 7, 1942, Patay

Business address: Fédération du Crédit Mutuel Centre Est Europe 34 rue du Wacken - 67000 Strasbourg	Term of office started	Term of office expires
Representative of Banque Fédérative du Crédit Mutuel, director	May 19, 2011	2017
Other positions held		
Chairman:		
Union des Caisses de Crédit Mutuel du District de Mulhouse	n/a	2014
Chairman of the board of directors:		
Caisse de Crédit Mutuel La Doller	1982	2012
Vice-chairman of the board of directors:		
Banque Fédérative du Crédit Mutuel	Dec. 13, 2002	2012
Director:		
Caisse Fédérale de Crédit Mutuel	Dec. 13, 2002	2012
Fédération du Crédit Mutuel Centre Est Europe	Dec. 9, 2006	2013
Société Française d'Édition de Journaux et d'imprimés commerciaux L'Alsace	May 31, 2006	2012
Permanent representative:		
Of ADEPI on the board of directors of GACM	May 11, 2011	Dec. 31, 2016

Daniel Leroyer

Born April 15, 1951, Saint-Siméon

Business address: Crédit Mutuel Maine-Anjou, Basse-Normandie 43 boulevard Volney - 53083 Laval Cedex 9	Term of office started	Term of office expires
Director	May 19, 2011	2013
Other positions held		
Chairman of the board of directors:		
Fédération du Crédit Mutuel de Maine-Anjou, Basse-Normandie	2003	2014
Caisse Fédérale du Crédit Mutuel Maine-Anjou, Basse-Normandie	2003	2014
Caisse Générale de Financement (CAGEFI)	2003	2014
Créavenir (association)	2004	2014
Caisse de Crédit Mutuel du Pays Fertois	1998	2014
Caisse de Crédit Mutuel Solidaire de Maine-Anjou, Basse-Normandie	2007	2013
Director:		
SAS Assurances du Crédit Mutuel Maine-Anjou-Normandie (ACMAN)	2002	2014
Confédération Nationale du Crédit Mutuel	2003	2014
Permanent representative:		
Fédération du Crédit Mutuel Maine-Anjou, Basse-Normandie (director of GIE CLOE Services)	2003	2014
Caisse Fédérale du Crédit Mutuel Maine-Anjou et Basse-Normandie dans la SAS Volney Développement	1999	n/a
Caisse Fédérale du Crédit Mutuel Maine-Anjou, Basse-Normandie (director du Groupe des Assurances du Crédit Mutuel)	2005	2017
Caisse Fédérale du Crédit Mutuel Maine-Anjou, Basse-Normandie (director de la Banque Fédérative du Crédit Mutuel)	2011	2012
Positions held in the past five fiscal years		
Chairman of the board of directors:		
Caisse de Crédit Mutuel Enseignant Maine-Anjou, Basse-Normandie	2006	2007
Caisse de Crédit Mutuel Enseignant Saint-Lô	2007	2008
SAS CLOE	2008	2009
Crédit Mutuel Solidaire de Maine-Anjou, Basse-Normandie (association)	2007	2010
Member of the supervisory board:		
Société de Réassurance Lavalloise (SOCREAL) SA	1998	2010
CIC	May 19, 2005	2011

Jean-Luc Menet

Born February 2, 1951, Nantes

Business address: Crédit Mutuel Océan : 34 rue Léandre-Merlet 85001 La Roche-sur-Yon Cedex 27	Term of office started	Term of office expires
Representative of Caisse Centrale du Crédit Mutuel, director	May 19, 2011	2013
Other positions held		
CEO:		
Caisse Fédérale du Crédit Mutuel Océan	Nov. 1, 2007	n/a
Société Coopérative de Crédit C.M.A.R. Océan	Nov. 1, 2007	n/a

Director:		
SAS Océan Participations	Oct. 26, 2007	2012
Confédération Nationale du Crédit Mutuel	Oct. 4, 2007	2016
Permanent representative:		
Caisse Fédérale du Crédit Mutuel Océan (chairman SAS ANTEMA)	Sept. 24, 2009	2012
Caisse Fédérale du Crédit Mutuel Océan (director SAS Volney Développement)	Jan. 1, 2009	2012
Caisse Fédérale du Crédit Mutuel Océan (member of the supervisory board of SAS Euro Information)	May 6, 2009	2015
Caisse Fédérale du Crédit Mutuel Océan (director of SA Tourisme Océan)	Oct. 24, 2007	2013
Caisse Fédérale du Crédit Mutuel Océan (director of SA ACM IARD)	Oct. 11, 2007	2015
Caisse Fédérale du Crédit Mutuel Océan (director of Caisse Centrale du Crédit Mutuel)	Dec. 19, 2007	2013
Caisse Fédérale du Crédit Mutuel Océan (director of SAS Crédit Mutuel Cartes de Paiement)	Nov. 1, 2007	2012
Caisse Fédérale du Crédit Mutuel Océan (director of SAS Crédit Mutuel Paiements Electroniques)	Nov. 1, 2007	2012
Caisse Fédérale du Crédit Mutuel Océan (director of SAEM SEMIS)	March 14, 2002	2017
Caisse Fédérale du Crédit Mutuel Océan (member of the supervisory board of CM-CIC Asset Management)	March 22, 2007	2012

Positions held in the past five fiscal years

Chairman-CEO:		
SA Tourisme Océan	n/a	2007
Chairman of the supervisory board:		
SA SODELEM	Sept. 26, 2007	2010
Chairman:		
SAS Auto Euro Location	Jan. 5, 2009	unlimited
Member of the supervisory board:		
CIC	Dec. 13, 2007	2011
Permanent representative:		
Caisse Fédérale du Crédit Mutuel Océan (director of SAS CMO Gestion)	Sept. 25, 2005	2007
Caisse Fédérale du Crédit Mutuel Océan (director of SAS Vendée Logement)	June 23, 2005	2007
Caisse Fédérale du Crédit Mutuel Océan (director of SA FINANCO)	Nov. 30, 2000	2009
Caisse Fédérale du Crédit Mutuel Océan (chairman of LLD Participations)	Dec. 20, 2008	unlimited

Philippe Vasseur

Born August 31, 1943, Le Touquet

Business address: Crédit Mutuel Nord Europe 4 place Richebé - 59011 Lille Cedex	Term of office started	Term of office expires
Director	May 19, 2011	2015

Other positions held

Chairman:		
Caisse Fédérale du Crédit Mutuel Nord Europe	May 26, 2000	2012
Caisse de Crédit Mutuel Lille Liberté	March 29, 2005	2012
Société de Développement Régional de Normandie (SA)	May 29, 2001	2013
Chambre de Commerce et d'Industrie Région Nord Pas de Calais (EP)	Jan. 12, 2011	2016
Crédit Mutuel Nord Europe Belgium (SA-Belgium)	Sept. 11, 2000	2015
Chairman of the supervisory board:		
Banque Commerciale du Marché Nord Europe (SA)	May 26, 2000	2012
La Française AM (SA)	May 29, 2006	2012
Nord Europe Assurances (SA)	June 1, 2006	2013
Director:		
BKCP (SCRL - Belgium)	Dec. 21, 2001	2015
Groupe Eurotunnel (SA)	June 20, 2007	n/a
Holder (SAS)	2005	n/a
Caisse Solidaire du Crédit Mutuel Nord Europe	Sept. 27, 2005	2012
Bonduelle (SA)	2008	n/a
Crédit Professionnel (SA-Belgium)	May 11, 2000	2015
La Française AM Private Bank (SA-Luxembourg)	July 10, 2003	2015
Normandie Partenariat (SA)	May 7, 2009	2015
Confédération Nationale du Crédit Mutuel	2008	2013
Permanent representative:		
CMNE Belgium (director Mobilease SA-Belgium)	n/a	2013
Caisse Fédérale du Crédit Mutuel Nord Europe (Non-voting board member of LOSC Lille Métropole SA)	2005	2012
Caisse Fédérale du Crédit Mutuel Nord Europe (director of Groupe des Assurances du Crédit Mutuel SA)	May 4, 2005	2017

Positions held in the past five fiscal years

Chairman:		
Crédit Mutuel Nord Europe France	Dec. 18, 1999	2007
BKCP Wallonie (SCRL)	Oct. 21, 2008	2009
Crédit Professionnel Interfédéral (SCRL - Belgium)	Nov. 22, 2000	2008
Member of the supervisory board:		
Saint Louis Sucre	2000	2007
CIC	May 30, 2001	2011
Director:		
BKCP NOORD (SCRL - Belgium)	June 30, 2006	2009
BKCP Securities (SA-Belgium)	March 31, 2005	2011
Permanent representative:		
CMNE Belgium (director Alverzele SA-Belgium)	n/a	2011
Crédit Mutuel Nord Europe France (director Groupe des Assurances du Crédit Mutuel SA)	June 8, 2007	2007
Société de Développement Régional de Normandie (director of Normandie Partenariat)	March 18, 2008	2009
Crédit Mutuel Nord Europe Belgium SA (vice-chairman of Federale Kas voor het Beroepskrediet - SCRL - Belgium)	March 25, 2004	2009
Crédit Mutuel Nord Europe Belgium SA (vice-chairman of BKCP NOORD SCRL - Belgium)	June 30, 2006	2009
Crédit Mutuel Nord Europe Belgium SA (vice-chairman of BKCP Wallonie SCRL - Belgium)	Oct. 21, 2008	2009
Crédit Mutuel Nord Europe Belgium SA (director of Crédit Professionnel Interfédéral - SCRL - Belgium)	Nov. 22, 2000	2008
Crédit Mutuel Nord Europe Belgium SA (director of BKCP Brabant SCRL - Belgium)	Dec. 21, 2001	2008

Cédric Jolly

Born May 1, 1980, Saint-Omer

Business address: CIC Nord Ouest 31 rue Léon Gambetta - 59000 Lille	Term of office started	Term of office expires
Director, representing employees	Oct. 26, 2011	2017

William Paillet

Born April 3, 1958, Paris

Business address: CIC Est 3 rue des Coutures - 77200 Torcy	Term of office started	Term of office expires
Director, representing employees	Oct. 26, 2011	2017

Other positions held

Director, representing employees		
CIC EST	Dec. 3, 2009	2013

General management

Alain Fradin

Born May 16, 1947, Alençon

Business address: Crédit Industriel et Commercial 6 avenue de Provence - 75009 Paris	Term of office started	Term of office expires
Chief operating officer	May 19, 2011	unlimited
Other positions held		
Chairman-CEO:		
CM-CIC Bail	July 20, 1999	2016
Chairman:		
CIC Migrations	Nov. 26, 1999	2015
Chairman of the board of directors:		
TARGOBANK Spain (ex-Banco Popular Hipotecario)	May 9, 2011	n/a
Chairman of the supervisory board:		
CIC Iberbanco	June 5, 2008	2015
Cofidis	2011	n/a
Cofidis Participations	2011	n/a
Vice-chairman of the supervisory board:		
Targo Deutschland GmbH	Dec. 8, 2008	2012
Targo Management AG	Dec. 8, 2008	2013
TARGOBANK AG	Dec. 8, 2008	2013
CM Akquisitions GmbH	March 12, 2009	2014
CEO:		
Confédération Nationale du Crédit Mutuel	Nov. 17, 2010	unlimited
Caisse Centrale du Crédit Mutuel	Jan. 1, 2010	unlimited
Fédération du Crédit Mutuel Centre Est Europe	Oct. 20, 2010	unlimited
Caisse Fédérale de Crédit Mutuel	Sept. 24, 2010	2013
Fédération des Caisses du Crédit Mutuel du Sud-Est	June 21, 2001	unlimited
Caisse de Crédit Mutuel du Sud-Est	June 21, 2001	unlimited
Deputy CEO:		
Banque Fédérative du Crédit Mutuel	Apr. 8, 2011	unlimited
Director:		
Boréal	Oct. 14, 2002	2013
CM-CIC Titres	Feb. 18, 1994	2012
Groupe Sofémo	May 30, 1997	2014
Banque du Crédit Mutuel Ile-de-France	Nov. 17, 2003	2014
Banco Popular (Spain)	Nov. 11, 2011	n/a
Member of the management committee:		
Euro Information	May 3, 2006	2013
Bischenberg	Sept. 30, 2004	2015
NRJ Mobile	Feb. 1, 1999	unlimited
Member of the supervisory board:		
GIE CM-CIC Service	May 7, 2008	2014
Eurafric Information	May 28, 2008	2016
Permanent representative:		
CCCM (member of the supervisory board of CM-CIC AM)	Dec. 15, 2010	2012
CIC (management committee Euro GDS)	Dec. 19, 2003	2016
CIC Participations (director of CIC Ouest)	May 15, 2003	2014
CIC Participations (director of CIC Nord Ouest)	Dec. 26, 1990	2014
Groupement des Assurances du Crédit Mutuel (director of Sérénis Vie)	July 16, 2002	2012
Positions held in the past five fiscal years		
Chairman:		
SOLODIF	June 1, 2007	2008
Le Républicain Lorrain	Apr. 12, 2007	2009
Vice-chairman of the executive board:		
CIC	June 17, 1998	2011
CEO:		
Fédération du Crédit Mutuel Antilles-Guyane	May 30, 1998	2011
Deputy CEO:		
Fédération du Crédit Mutuel Centre Est Europe	Feb. 14, 1998	2010
Caisse Fédérale de Crédit Mutuel (CFCMCEE)	Feb. 14, 1998	2010
Chairman of the board of directors:		
Groupe Républicain Lorrain Communication	May 4, 2007	2011
Director - member of the bureau:		
Banco Popular Hipotecario (now TARGOBANK Spain)	Oct. 28, 2010	2011
Confédération Nationale du Crédit Mutuel	Sept. 12, 2001	2010
Member of the supervisory board:		
Cofidis	March 17, 2009	2011
Cofidis Participations	March 17, 2009	2011
Permanent representative:		
CF de CM (vice-chairman of Caisse Centrale du Crédit Mutuel)	Jan. 3, 2001	2010
CCM Sud-Est (director of ACM Vie SA)	May 4, 2005	2011

Delegation of powers

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

Powers delegated by the general meeting of stockholders

General meeting of stockholders of May 19, 2011

Powers delegated to the board of directors to increase the capital by:

- issuing ordinary stock units or any other negotiable securities giving access to equity, maintaining stockholders' preferential subscription rights;
- incorporating premiums, reserves, benefits or other;
- issuing ordinary stock units or any other negotiable securities giving access to equity, with the cancellation of preferential subscription rights, by public offering;
- issuing ordinary stock units or any other negotiable securities giving access to equity, with the cancellation of preferential subscription rights, by private placement as referred to in Article L.411-2, II of the French Monetary and Financial Code.

Possibility of increasing the amount of issues in case of excess demand.

Issue of stock units without preferential subscription rights in consideration of contributions of stock units or equity instruments made to CIC in the context of a contribution in kind.

These delegated powers are valid for twenty-six months, or until July 19, 2013. The overall ceiling for all these capital increases is set at €150 million. Furthermore, if the board of directors were to issue negotiable debt instruments giving access to equity, the nominal amount of these securities would itself be limited to one billion six hundred million euros.

Use made of these powers by the board of directors

None.

Compensation of corporate officers

Guiding principles

The Crédit Mutuel group has signed the standard agreement with the government regarding various measures for the refinancing of credit institutions. In this framework, the group has made certain commitments regarding the status, compensation and commitments of its corporate officers over and above the legal and regulatory requirements. Some resolutions were passed on this subject by the board of BFCM in its meeting of December 19, 2008 and by the supervisory board of CIC in its meeting of February 26, 2009.

As a result of the change in governance of CIC and in executive corporate officers of CIC and BFCM, the respective boards of the two companies, in their meetings of May 11 and July 1, 2011 for BFCM and May 19, 2011 for CIC, established the new compensation arrangements for these executives and the commitments toward them.

This compensation and these commitments were established by the deliberating bodies of BFCM and CIC based on proposals by their respective compensation committees.

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

Implementation

The executives concerned up until May 19, 2011 were the chairman of the supervisory board and the members of the executive board.

From that date on, the executives concerned are the chairman-CEO and the COO.

The chairman-CEO does not have an employment contract, and the COO's employment contract was terminated with effect from May 1, 2011.

The board of directors of CIC, in its meeting of May 19, 2011, decided, based on a proposal by the compensation committee, to grant Michel Lucas, as compensation for his corporate office of chairman and chief executive officer, annual compensation of €550,000. It also decided to establish for Michel Lucas, in regard to his corporate office of chairman-CEO, a termination indemnity equal to one year's compensation as corporate officer. Payment of this indemnity is subject to the achievement of performance objectives relating to the growth of the group's consolidated total equity in accordance with IFRS for the period from January 1, 2011 to the date of termination. This agreement concerning the termination indemnity will be submitted for approval by the general meeting of stockholders of CIC on May 24, 2012 together with the statutory auditor's special report.

The board of directors of BFCM, in its meeting of July 1, 2011, decided, based on a proposal by the compensation committee, to grant Michel Lucas, with effect from fiscal year 2011, gross annual compensation of €250,000 in respect of his office as chairman-CEO of BFCM, plus the use of a company car.

The board of directors of BFCM, in its meeting of May 11, 2011, decided, based on a proposal by the compensation committee, to establish the gross fixed annual compensation of Alain Fradin at €800,000, plus the use of a company car, pension benefits and variable compensation if applicable, the amount of which to be established by the board of directors based on a proposal by the compensation committee. In his capacity as an employee, Alain Fradin comes under the supplementary pension scheme of January 1, 2008. Consequently, the compensation committee proposed that this pension scheme be applied to Alain Fradin's compensation in his capacity as deputy CEO of BFCM, on the same conditions as all group employees. It also decided to establish for Alain Fradin a termination indemnity equal to one year of gross salary calculated on the basis of the average of the last twelve months preceding the termination of his office. Payment of this indemnity is subject to the achievement of performance objectives relating to the growth of the group's consolidated total equity in accordance with IFRS for the period from January 1, 2011 to the date of termination. As regards this corporate office, the above indemnity is understood to be without prejudice to that which he might receive in his capacity as an employee pursuant in particular to labor agreements in force in the group. This agreement concerning the termination indemnity will be submitted for approval by the general meeting of stockholders of CIC on May 24, 2012 together with the statutory auditor's special report.

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

The group's key executives also benefited during the year from the arrangements for group insurance and complementary pension schemes in place for all group employees.

Key group executives did not receive any other specific benefits.

They have not been awarded any BFCM or CIC stock units, stock options or similar instruments. Furthermore, they are not entitled to attendance fees relating either to their positions in group companies or to those in other companies by reason of their positions in the group.

The group's key executives may also hold assets with, and take loans from, the group banks on the same terms as those offered to employees in general. Key executives in service as at December 31, 2011 had no loans of this kind.

Compensation received by key group executives in service from January 1 to May 19, 2011

2011 *Amounts in euros (a)*	**Source**	**Fixed portion**	**Variable portion (b)**	**Benefits in kind (c)**	**Social benefits**	**Total**
Supervisory board						
Étienne Pflimlin	Crédit Mutuel	0	0	0	0	0
Executive board						
Michel Michenko	CIC	170,347	0	4,250	1,194	175,790
Jean-Jacques Tamburini	CIC	170,347	0	1,788	1,194	173,329
Philippe Vidal	CIC	170,434	0	0	1,194	171,627
Rémy Weber	CIC	170,347	0	2,681	1,194	174,221

2010 *Amounts in euros (a)*						
Supervisory board						
Étienne Pflimlin*	Crédit Mutuel	620,000	0	3,650	6,491	630,141
Executive board						
Michel Michenko	CIC	450,529	0	11,100	2,926	464,555
Jean-Jacques Tamburini	CIC	450,529	0	4,586	2,926	458,041
Philippe Vidal	CIC	450,989	0	0	2,926	453,915
Rémy Weber	CIC	450,529	0	4,968	2,926	458,423

(a) Gross amounts paid by the company during the year.
(b) The variable portions are determined for BFCM by the compensation committee and for CIC by the meeting of the supervisory board (and subsequent meeting of the board of directors) following the annual general meeting of stockholders called to approve the financial statements for the year in respect of which the variable compensation is paid: the variable portion paid in year N thus relates to the financial year N-1.
(c) Company cars exclusively, except in the case of Michel Michenko, who also has the use of a company apartment.
(*) Separately, in view of the changes in corporate officers and the definitive establishment of pension rights for Etienne Pflimlin in 2010, the board of directors of BFCM, in its meeting of October 22, 2010, determined that the criteria and conditions for payment of the indemnity approved by the board in its meeting of December 19, 2008 had been met. Consequently it resolved to pay the indemnity provided for, namely €815,452 to Etienne Pflimlin.

Compensation received by key group executives in service from January 1 to December 31, 2011

2011 *Amounts in euros (a)*	**Source**	**Fixed portion**	**Variable portion (b)**	**Benefits in kind (c)**	**Social benefits**	**Total**
Michel Lucas	Crédit Mutuel CIC	249,999 550,000		5,298	 514	255,297 550,514
Alain Fradin*	Crédit Mutuel	899,956		4,966	7,953	912,875

(*) Fixed compensation for 2011 includes a settlement linked to the termination of the employment contract.

2010 *Amounts in euros (a)*						
Michel Lucas*	Crédit Mutuel CIC	550,000 550,000	0 0	5,298 0	5,481 2,416	560,779 552,416
Alain Fradin	CIC	472,244	0	4,966	7,789	484,999

(a) Gross amounts paid by the company during the year.
(b) The variable portions are determined by the BFCM compensation committee following the general meeting of stockholders called to approve the financial statements for the year in respect of which the variable compensation is paid: the variable portion paid in year N thus relates to the financial year N-1.
(c) Company cars exclusively.
(*) Separately, in view of the changes in corporate officers and following the definitive establishment of pension rights for Michel Lucas in 2010, the board of directors of BFCM, in its meeting of October 22, 2010, determined that the criteria and conditions for payment of the indemnity approved by the board in its meeting of December 19, 2008 had been met. Consequently, it resolved to pay the indemnity provided for, namely €1,376,146 to Michel Lucas.

Variable compensation of professionals

forming part of the "regulated population"

Regulatory developments

The financial crisis of 2008 led governments to take a number of measures regarding the compensation of financial market professionals.

Among them, regulation CRBF 97-02 of the French Committee for Banking and Financial Regulation, regarding banks' internal controls, was amended on January 14, 2009 and now includes an obligation to ensure that compensation policy is linked to objectives in terms of risk management and control.

At the Pittsburgh summit of September 24 and 25, 2009, G20 member states adopted the standards announced by the Financial Stability Board.

Additionally, the ministerial order of November 3, 2009 outlined mechanisms for the compensation of personnel whose activities are likely to have a material impact on credit institutions' and investment undertakings' risk exposure.

All these provisions concerning governance and the compensation of financial market professionals were incorporated into the professional standards of the FBF (French Banking Federation) issued on November 5, 2009.

The order of December 13, 2010 amending regulation 97-02 transposed the provisions of Directive 2010/76/EU of November 24, 2010 (the so-called CRD III) and amended a certain number of provisions concerning the compensation of employees referred to as forming part of the "regulated population", whose professional activities have a material impact on institutions' risk profile.

Rules of governance

The board of directors consults the compensation committee, whose members are independent and competent, to analyze the policies and practices concerning all relevant principles, including the company's risk policy.

This committee checks with general management to make sure that the risk and compliance divisions have been consulted on the definition and implementation of the compensation policy for these professionals.

Within the framework of principles thus defined, general management establishes the rules governing compensation.

The principles covering variable compensation require the basis for the variable elements of compensation to be consistent with the financial and non-financial objectives explicitly established for individual employees and teams of employees. These principles are in line with the institution's risk policy and provide in particular for costs attributable to the results of these professionals' activities, notably the cost of risk and liquidity, to be deducted.

Over a certain threshold, payment is deferred.

At least 40% of total variable compensation is deferred, over three financial years, and subject to clawback clauses. For those with the highest variable compensation, as much as 80% is deferred. Actual payment is subject to certain conditions involving the results of the business line, the achievement of a certain level of RoE (return on equity) and the employees still being effectively employed at the date of payment.

Deferred compensation may thus be substantially reduced, or even not paid at all in the event of a failure to manage and control risks entailing losses.

An annual report on compensation policy and practices is submitted to the ACP *(Autorité de Contrôle Prudentiel,* the French Prudential Supervisory Authority) in accordance with Article 43-1 of regulation 97-02. Similarly, a report containing detailed amounts and information on items of variable compensation is published prior to the general meeting of stockholders called to ratify the annual accounts.

Report of the chairman of the board of directors

to the annual general meeting of stockholders of May 24, 2012 on the preparation and organization of the work of the board and on internal control procedures

Preparation and organization of the work of the board

Principles of governance

Composition of the board

The workings of the board of directors are governed by Article 11 and Articles 13 through 16 of the company's bylaws, which do not contain any stipulations over and above the legal provisions. The board of directors has not established any internal regulations. It assesses its own performance and reports on it both in the general report which it presents each year to the ordinary general meeting of stockholders and by means of this report on the preparation and organization of its work.

CIC complies with the regulations in force regarding corporate governance. It does not, however, follow the recommendations contained in the AFEP-MEDEF code of corporate governance issued by AFEP *(Association Française des Entreprises Privées* or French Association of Private Companies) and MEDEF *(Mouvement des Entreprises de France* or French Confederation of Business Enterprises), some of which are unsuited to its situation bearing in mind the stockholding structure which is 97% composed of Crédit Mutuel group entities.

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

1°. As regards "independent" directors, within the meaning of current applicable legislation, their appointment is based on a number of recommendations relating to corporate governance. To the extent that the governance of each corporation has to be appropriate to its actual situation, as regards CIC there are two parameters to be taken into account:

- on the one hand, Banque Fédérative du Crédit Mutuel holds 91.98% of its stock units, directly or indirectly;
- on the other hand, the board of directors is mainly composed of representatives of the Crédit Mutuel federations, and in particular their chairmen. Four chairmen of Crédit Mutuel federations hold seats on the board, out of a total of nine directors appointed by the general meeting of stockholders. They all come from the non-bank business world. Of the four federations concerned, two are neither in the chain of stockholding control of CIC nor in the group consisting of the ten federations associated in CM10 [1]. They can therefore legitimately be considered as "independent", if not in accordance with the letter then at least with the spirit of these recommendations.

2°. Pursuant to an exchange of letters of intent signed on December 20, 2002 setting the basis for a planned partnership between the CM-CIC group and Banca Popolare di Milano, the fields to be covered by the partnership being the subject of a further exchange of letters on April 11, 2003, the chairman of Banca Popolare di Milano had been appointed a member of the supervisory board of CIC by the ordinary general meeting of stockholders of May 15, 2003. Reciprocally, Jean-Jacques Tamburini, a member of the executive board, had been appointed a director of Banca Popolare di Milano. The chairman of Banca Popolare di Milano was appointed a director by the General meeting of stockholders of May 19, 2011. He resigned on November 29, 2011 after resigning as chairman of Banca Popolare di Milano.

3°. The first measure applying the principle of balanced representation of men and women on the board of directors led the general meeting of stockholders of May 19, 2011 to appoint Catherine Allonas-Barthe as a director.

Board committees

Compensation committee

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

(1) The CM10 group comprises the following ten Crédit Mutuel federations: Centre Est Europe, Sud-Est, Ile-de-France, Savoie-Mont Blanc, Midi-Atlantique, Loire-Atlantique et Centre-Ouest, Centre, Normandie, Dauphiné-Vivarais, and Méditerranée. Effective January 1, 2012, CM10 became CM11 with the addition of the Anjou federation.

In its meeting of May 19, 2011, the board of directors appointed:

- Jean-Louis Girodot, committee chairman;
- Maurice Corgini;
- Daniel Leroyer.

Group audit and accounts committee

With a view to responding to the requirements arising from the transposition of European Directive 2006/43/EC concerning the legal auditing of annual company and consolidated financial statements by means of Order no. 2008-1278 of December 8, 2008 and to those deriving from regulation 97-02 of February 21, 1997 as amended concerning internal control of credit institutions and investment undertakings a group audit and accounts committee was established at CM5-CIC (now CM11-CIC) level in June 2009 (see internal control procedures below).

The board of directors is represented on this body by two of its members appointed in the meeting of May 19, 2011, namely:

- Maurice Corgini;
- Jean-Louis Girodot.

They are required to report to the board on the execution of their responsibilities.

Group risk monitoring committee

This committee has been established at CM10-CIC level and is composed of members of the deliberative bodies (see internal control procedures, below).

The board of directors is represented on this body by one of its members, appointed in its meeting of May 19, 2011, namely:

- Jean-Luc Menet.

He is required, with the assistance of the head of the risks division, to report to the board on the execution of his responsibilities.

Ethics and compliance

The code of ethics, which is now that of the CM11-CIC group, was approved by the supervisory board in its meeting of February 21, 2008.

This reference document, which brings together all the regulatory provisions regarding ethics, outlines the principles to be followed by all CM11-CIC entities and employees in carrying on their activities. It forms part of the general objectives established by the group concerning quality of customer service, integrity and rigor in handling transactions, and compliance with regulations. It is designed to serve as a reference in this field and to be adopted by the various entities.

Compliance with ethical rules applies not only to employees in the context of their duties but also to the entity to which they belong. The entity must see to it that the above principles, which reflect the values to which the whole CM11-CIC group subscribes, are properly applied.

The compendium of ethics is held available to all by the general secretariat.

The rules applying to persons holding privileged information are the subject of regular reminders. The board members have also been informed that they must declare to the AMF and to CIC any trades that they or persons closely linked to them carry out on CIC securities.

Principles and rules for the compensation of corporate officers

In its meeting of February 26, 2009, the supervisory board took note of the arrangements laid down by the French Commercial Code and of the agreement with the government, signed by Étienne Pflimlin on behalf of the whole Crédit Mutuel group on October 23, 2008 in the framework defined by Amendment No. 2008-1061 to the Finance Act, dated October 16, 2008. In particular, the board took note of the obligations imposed upon it and the commitments that this agreement entailed in terms of governance as it relates to the compensation policy for corporate officers and the end of concurrent corporate offices and employment contracts. The board confirmed its commitment to complying with these principles at CIC level, and satisfied itself that the mechanisms put in place were adequate for the purpose. This policy was ratified by the general meeting of stockholders of May 12, 2009.

As a result of the change in governance of CIC and in executive corporate officers of CIC and BFCM, the respective boards of the two companies established the new compensation arrangements for these executives and the commitments toward them, as set out on page 47. This compensation policy will be submitted for ratification by the general meeting of stockholders.

The supervisory board of CIC also adopted the overall compensation policy for financial market professionals, pursuant to the ministerial order of November 3, 2009 concerning "compensation of personnel whose activities are likely to have an effect on credit institutions' and investment undertakings' exposure to risks", and amending regulation no. 97-02 concerning internal control. This policy also gives effect to the professional standards drawn up in the course of 2009. The order of December 13, 2010 amending regulation 97-02 transposed the provisions of Directive 2010/76/EU of November 24, 2010 (the so-called CRD III) and amended a certain number of provisions concerning the compensation of employees referred to as forming part of the "regulated population", whose activities have a material impact on institutions' risk profile. This order thus necessitated adjustments to CIC's policy, which were ratified by the supervisory board in its meeting of February 24, 2011. The latest version of the note on the compensation policy for the "regulated population" was adopted by the board of directors in its meeting of December 15, 2011.

The general meeting of stockholders did not approve any directors' attendance fees. Consequently the board of directors did not allocate any fees to its members.

Rules for attending the general meeting of stockholders

The rules for attending the general meeting of stockholders are set out on page 202.

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

The information relating to points 1, 2, 7 and 8 are published in the registration document *(document de référence)*. The other points (3 through 6, and 9 and 10) do not apply to CIC.

The work of the board in 2011

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

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

The supervisory board met once in 2011 and the board of directors met three times. The attendance rate varied between 75% and 100%, averaging 80%.

The meeting of the supervisory board of February 24, 2011 was devoted to examining and approving the financial statements and preparing the combined general meeting of stockholders which was held on May 19, 2011. Having heard the report of the executive board, the board examined the financial statements for fiscal year 2010 in the presence of the statutory auditors and took note of the group audit and accounts committee's report of February 21, 2011. The board also adopted the overall compensation policy for compensation of professionals whose activities have a material impact on the institution's risk profile, and the proposals of the compensation committee, meeting on the same day, concerning variable compensation of market professionals for 2010.

The board of directors, in its first meeting on May 19, 2011 immediately following the general meeting of stockholders, decided that general management should be assumed by the chairman of the board of directors, and appointed Michel Lucas to the position. Pursuant to a proposal of the CEO, the board of directors appointed Alain Fradin chief operating officer. It also appointed the chairman and members of the compensation committee, and the board's representatives on the group audit and accounts committee and the group risk monitoring committee. The board of directors decided to admit CIC stock for trading on the stock market, as authorized by the general meeting of stockholders in the context of the liquidity agreement. It took note of the work done by the risk monitoring committee in its meeting of April 18, 2011 and the audit and accounts committee in its meeting of May 2, 2011, and of the CIC annual report on internal control. It adopted the new internal regulations of the compensation committee and, at the latter's proposal, resolved on the chairman-CEO's compensation.

Meeting on July 28, 2011, the board of directors appointed five non-voting board members. It approved the interim consolidated financial statements of CIC for the first half of 2011, after taking note of the opinion of the audit and accounts committee dated July 27 and with the involvement of the statutory auditors.

In its last meeting of the year, on December 15, 2011, the board of directors took note of the resignation of Massimo Ponzellini from his position as director as a result of his leaving Banca Popolare di Milano. It took note of the work of the audit and accounts committee meeting of September 12 and of the risk monitoring committee meeting of October 25, as well as of a provisional estimate of CIC's consolidated earnings for 2011 and a forecast for 2012. It also discussed the company's policy regarding professional and pay equality and adopted the note on the compensation policy for the "regulated population" as well as the overall budget for variable compensation of this group, as proposed by the compensation committee which met on the same day.

Internal control procedures

CIC's internal control and risk management system is integrated into that of the CM10-CIC group. The CM10-CIC group consists of entities governed by a single collective banking license - Crédit Mutuel Centre Est Europe, Crédit Mutuel Ile-de-France, Crédit Mutuel du Sud-Est, Crédit Mutuel Savoie-Mont Blanc, Crédit Mutuel Midi Atlantique, Crédit Mutuel Loire-Atlantique et Centre-Ouest, Crédit Mutuel du Centre, Crédit Mutuel de Normandie, Crédit Mutuel Dauphiné-Vivarais, and Crédit Mutuel Méditerranéen - and includes all subsidiaries and consolidated companies, including CIC network headquarters and its regional banks.

The purpose of internal control and risk management work is to ensure compliance with all rules defined by supervisory authorities for the conduct of the group's operations, by using the internal and professional standards, tools, guidelines and procedures put in place to that end.

CM10-CIC group-level internal control and risk monitoring process

General framework

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

A shared process

The group ensures that the process matches its size, the nature of its operations and the scale of risks to which it is exposed.

Internal control and risk measurement systems rely on common methods and tools to:

- completely cover the full range of the group's operations;
- list, identify, aggregate and track risks on a consolidated basis in a consistent manner;
- ensure compliance with applicable laws and regulations, internal standards, and instructions and guidelines established by executive management;
- ensure that in-house processes are running satisfactorily, assets are secure, and financial information is reliable.

More broadly, the processes in place are aimed at helping to ensure proper control of operations while at the same time improving the effectiveness of control work carried out.

A structured process

One of the key purposes of the organization is to verify the quality and completeness of the internal control system. Both for itself and the businesses it controls, the group ensures that this system is underpinned by a set of procedures and operational limits that match regulatory requirements and applicable internal and professional standards.

The identification, control and monitoring of key risks by means of benchmarks, risk mapping and appropriate exposure limits, formal procedures and dedicated tools are constant objectives for the control departments. Analytical tools and tracking dashboards make it possible to regularly review the various risks to which the group is exposed, including counterparty, market, asset and liability management and operational risks. In accordance with regulatory requirements, the group issues an annual report, using the format recommended by the Prudential Supervisory Authority, on internal control and on risk measurement and oversight, in light of which a detailed review of control processes is carried out.

An independent process

To ensure the necessary independence of controls, employees assigned to control tasks have no operational responsibilities and their reporting lines, whether hierarchical or functional, are such as to ensure their freedom of judgment and assessment.

CM10-CIC group process

The process has a dual objective:

- to separate the periodic, permanent and compliance controls into distinct functions in accordance with regulatory requirements;
- to harmonize internal control work throughout the group by creating a common organization with standardized methods and tools.

Organization of controls

Breakdown by type of control

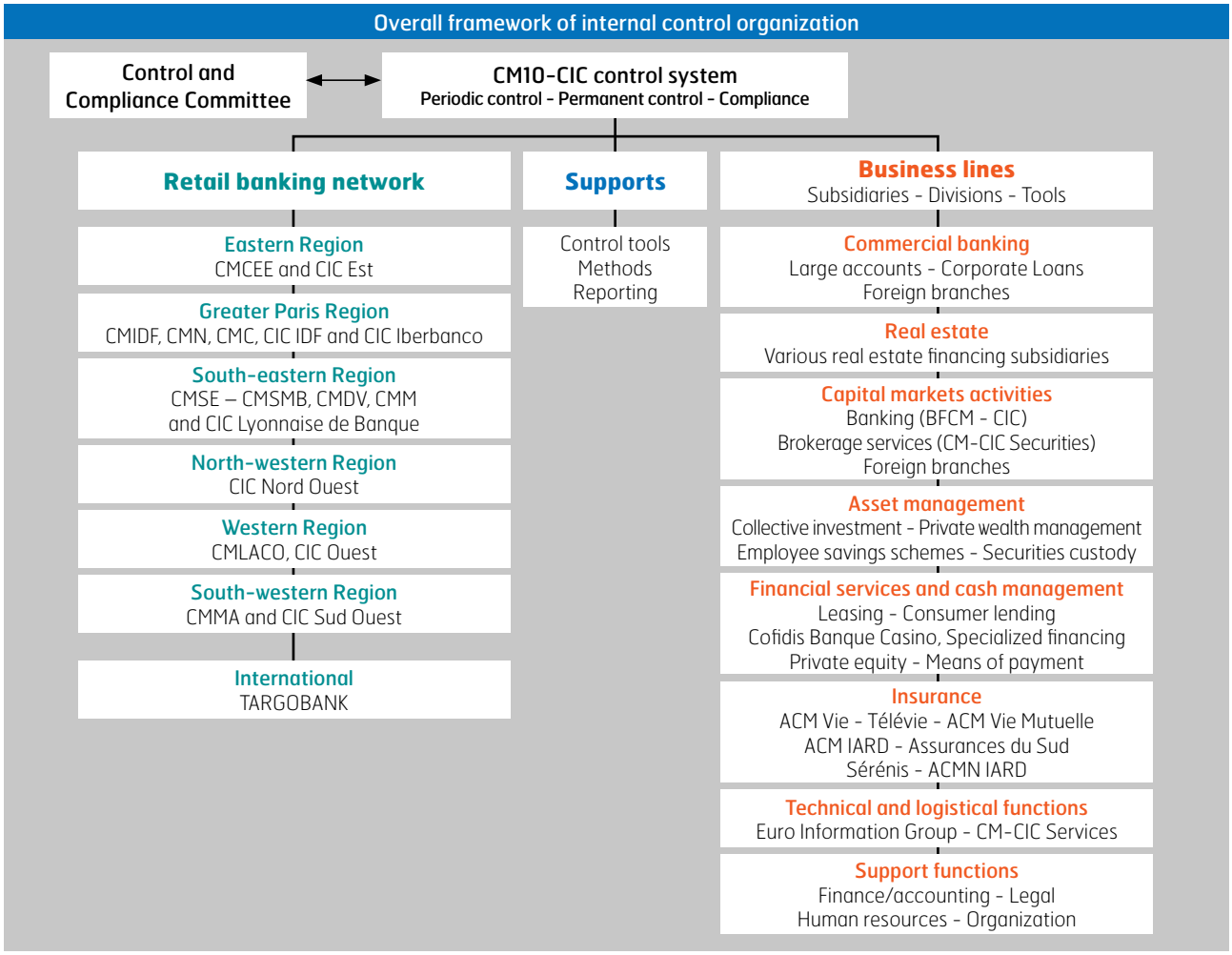
Independently of the controls performed by management teams as part of their daily operational activities, controls are performed by:

- periodic controls staff, for in-depth, audit-style assignments, carried out in cycles spanning several years;
- permanent controls staff, for all work of a recurring nature using remote applications;
- compliance staff, notably for the application of regulations and internal and professional standards including anti-money laundering.

The periodic control department is responsible for supervising the overall quality of the internal control system, its effective workings and oversight of risks, as well as the smooth workings of the permanent and compliance controls.

Split between network and business lines

Control functions have been split into two structures, one dealing with the retail banking network and the other with the business lines (large accounts, capital markets activities, asset management, financial services, cash management, etc.) with managers appointed for both at CM10-CIC group level.



A common support unit for the various kinds of control

The periodic control, permanent control and compliance functions are assisted by a common support unit which is responsible for:

- developing the tools and keeping them up to date and in good working order;
- preparing the reporting instruments needed for monitoring control operations and assignments, and centralizing information for the management bodies, at central and local (regional and subsidiary) levels;
- ensuring that control tools are complementary between the various control functions so as to provide optimal cover of group risks.

Oversight of internal control processes

Group control and compliance committee

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

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

The control and compliance committee also reviews a certain number of activities and documents that serve as points of reference. In 2011 the committee issued an opinion on new tools and procedures. It reports on its work to the group audit and accounts committee.

Group audit and accounts committee

In order to meet regulatory requirements and rules of governance, the CM10-CIC group set up an audit and accounts committee in 2008. Including the new federations, it now comprises thirteen honorary, independent members from the group's mutual base, as opposed to nine previously. Several of its members have particular skills in accounting and finance. The executive body, the control departments and the finance division are represented on it.

This committee:

- examines the provisional internal control schedule;
- is informed of the conclusions of inspections carried out by the periodic control function and of the results of the permanent and compliance controls;
- takes due note of the conclusions of external controls, particularly of any recommendations made by the supervisory authorities;
- is informed of actions carried out to give effect to the main recommendations issued in internal and external control reports;
- assesses the effectiveness of the internal control systems;
- proposes to the various deliberative bodies such improvements as it deems necessary in view of the findings of which it has been made aware.

In the area of financial reports, it:

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

The group audit and accounts committee met four times during the past financial year, on February 21, May 2, July 27 and September 12. Minutes of its meetings were drawn up and sent to the deliberative bodies of the various federations and of CIC. It examined the financial statements for the year ended December 31, 2011 in its meeting of February 20, 2012. There were no particular observations.

Risk oversight procedures

Group risk department

The risk department is responsible for analyzing and reviewing all types of risks on a regular basis with regard to allocated regulatory capital. The department's role is to help CM10-CIC expand and improve its profitability while monitoring the quality of its risk control procedures. In 2011, as well as implementing the risk oversight system as defined in CRBF regulation 97-02, it also undertook a review of the compensation of financial market professionals with regard to the regulatory provisions.

Group risk monitoring committee

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

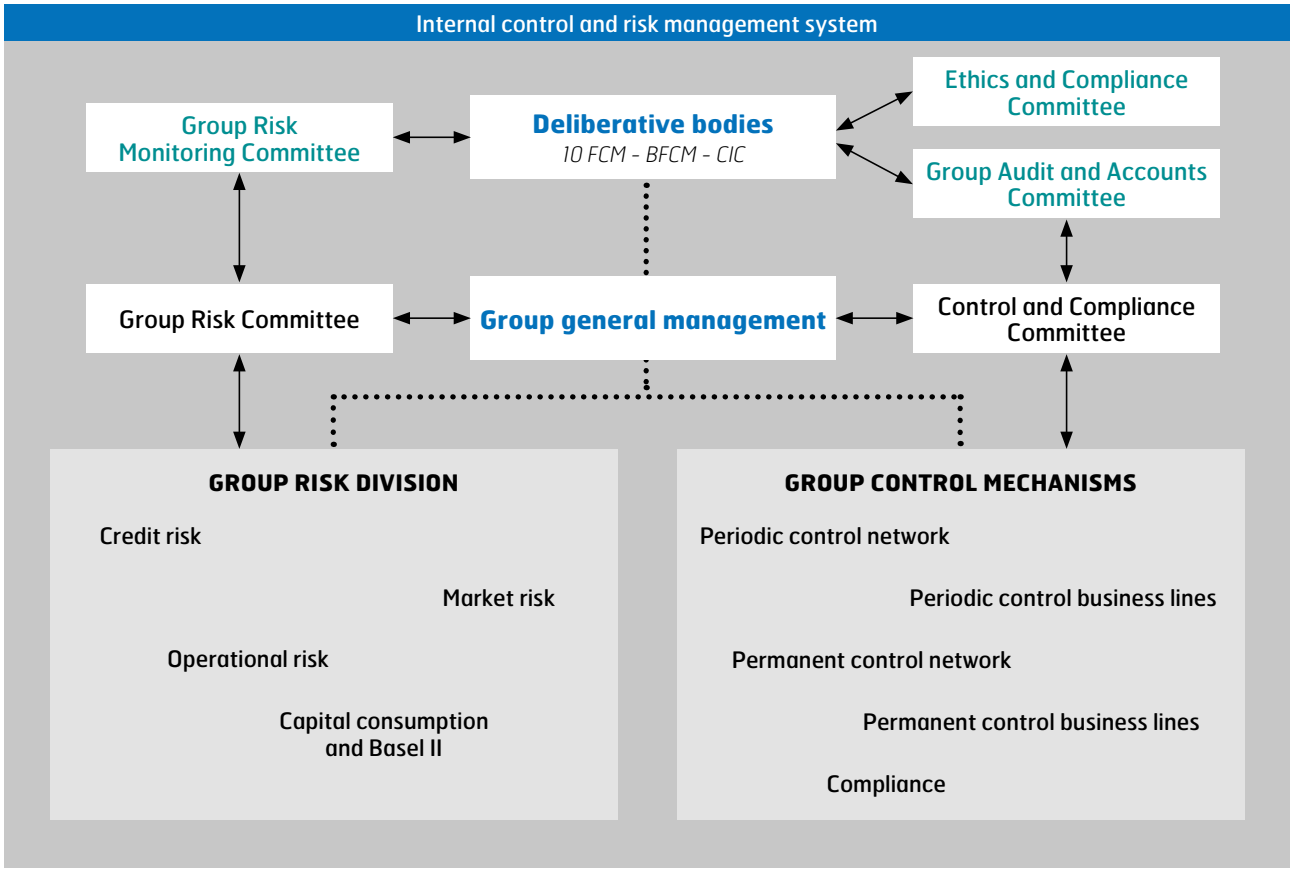
Committee meetings are led by the chief risk officer, who is also responsible for presenting the files opened on the various risk areas. General management is also invited to the committee meetings, and the committee may also invite the heads of business lines involved in the agenda items.

Group risk committee

This committee meets quarterly, bringing the operational managers, namely the chief risk officer, and the heads of the business lines and functions concerned (commitments, capital markets, finance, retail banking, financing and investment, real estate, and private equity) together with the general management. It oversees both existing and potential risk.

Operational risk coordination committee

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



CIC's risk control and monitoring procedures

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

Control mechanisms

General structure

Board of directors

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

Levels of control

These are identical to those set up at group level. Designated teams perform periodic, permanent and compliance controls at CIC.

The CIC teams not only perform controls within the bank, but also take part in work and assignments throughout the CM10-CIC group.

Control work

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

2011 saw the continuation of work at group level on the Basel II project and the implementation of new tools designed to perfect the mechanisms for controlling and monitoring risk.

Basel II project

In conjunction with the Confédération Nationale du Crédit Mutuel, an organization is now in place within the group that enables regular control of the system. A procedural framework details the distribution of tasks among the various entities involved.

For managing operational risks, the group has been authorized by the French Prudential Supervisory Authority since 2010 to use the advanced approach.

Common methods and tools

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

Periodic control tools

These are aimed at providing a mapping of network risks, by consolidating all types of assignments based on a common catalog of points of control. They are regularly updated. Access to the information necessary for carrying out the controls is provided by the IT system. In view of the group's growth, a project was launched to develop a tool for monitoring the implementation of recommendations made by the group periodic control teams during their assignments and those made by the supervisory authorities. It should be completed in 2012.

Permanent control tools

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

Compliance tools

Work continued on the implementation of systems for legal and regulatory surveillance and monitoring of compliance risk. The compliance function also has its own control areas within the "internal control portals" allowing it to check that regulatory provisions are being applied, notably with regard to business and professional ethics, protecting customers' interests, performing investment services and combating money laundering and the financing of terrorism. On this latter point, work to adapt to legislation transposed from the third EU directive was completed in 2011.

Procedures

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

Risk oversight system

Risk management

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

Since 2008, a reference base of commitments has existed summarizing the internal procedures of the lending arm of CM10-CIC in accordance with applicable statutory, organizational and regulatory provisions. It describes in particular the systems for granting loans, for measuring and overseeing commitments and for managing total assets at risk. It contains attachments relating to capital markets activities as well as to the subsidiaries directly concerned.

Liquidity and interest rate risk management for the group banks is centralized (decisions of the former executive board of CIC and the board of directors of BFCM). Hedging is applied to the entities concerned, according to their needs. They are no longer authorized to take hedging decisions individually.

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

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

Risk oversight

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

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

Accounting data and control at CIC and group levels

CM10-CIC's finance department, which is responsible for producing and validating the financial statements, is organized into two functional sections - networks and specialized businesses. The latter deals with financial accounting and consolidation, as well as accounting controls.

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

Controls on the bank's financial statements

Accounting system

Accounting architecture

This is based on an IT platform shared throughout 13 Crédit Mutuel federations and CIC's regional banks, and includes accounting and regulatory features, in particular for:

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

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

More specifically, the latter are responsible for:

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

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

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

The organization and procedures in place ensure compliance with CRBF (French Banking and Financial Regulations Committee) regulation 97-02 and the existence of an audit trail.

Chart of accounts

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

Dedicated accounts are used for third party deposits and loans, enabling them to be monitored. For custody of negotiable securities, a "materials" accounting system distinguishes between securities owned by third parties and those owned by the bank. The chart of accounts for all the credit institutions using the shared IT platform contains unique identifiers and is managed by the "accounting procedures and templates" divisions.

The chart of accounts defines the following account properties:

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

Processing tools

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

Procedure for data aggregation

In accordance with the model defined by CM10-CIC, accounting data are aggregated for the following entities:

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

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

Accounting consistency of management data

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

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

Cost accounting data are used to determine the results by business segment that are needed to prepare the consolidated financial statements.

Control methods

Automated controls

A series of automated controls are carried out when accounting records are processed and before transactions are allocated to ensure that records are balanced and valid, and to update the audit trail of the captions affected by the transaction.

In-house tools are used to control accounting transactions on a daily basis and to detect any discrepancies.

Closing process controls

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

This analysis particularly concerns:

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

Procedures put in place

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

Levels of control

Daily accounting controls are performed by the appropriate staff within each branch.

The accounting control departments (controls/procedures and "specialized businesses" management accounting) also perform more general responsibilities involving regulatory controls, monitoring supporting evidence for internal and branch accounting data, control of the foreign exchange position, and of net banking income by business segment, accounting procedures and templates with CM10, and the interface between back offices and the statutory auditors for the half-yearly and annual closings.

Furthermore, the control departments (periodic, permanent, compliance) also perform accounting work. A dedicated accounting control portal has been put in place, and is in the process of being extended throughout the group.

Performing controls

Automated accounting controls

An automated daily control procedure based on the bank's daily balance allows the verification of balance sheet and off-balance sheet positions, asset/liability balances by branch and by currency, and the monitoring of technical accounts.

This procedure is also applied to the general ledger at the end of each month.

Evidencing the accounts

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

Controls on the consolidated financial statements

Accounting principles and methods

Adapting to regulatory developments

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

IFRS compliance

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

CIC and CM10 jointly define the French (CNC) and international (IFRS) accounting principles and methods to be applied by all group entities in their company-only financial statements. Foreign subsidiaries use this information to restate their local accounts in accordance with French and international accounting standards in their consolidation packages and for financial reporting purposes. The accounting principles used to consolidate the accounts conform to those of the Crédit Mutuel group.

The accounting managers of the various CM10-CIC entities meet twice a year to prepare the half-yearly and annual closings.

Individual company financial statements in accordance with IFRS are prepared for the relevant entities in the central IT system, using the same organization and team as for those drawn up in accordance with French (CNC) standards.

Reporting and consolidation

Consolidation process

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

The consolidated accounts are prepared in accordance with a timetable distributed to all the subsidiaries and the statutory auditors, which includes, where applicable, changes in procedures and standards to be incorporated. Each consolidated subsidiary has one person in charge of its closing process and another in charge of reporting intercompany transactions between fully consolidated companies.

In accordance with their professional standards, the statutory auditors for the consolidation also give the statutory auditors of the consolidated companies instructions aimed at ensuring that the subsidiary complies with the various rules.

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

Reporting and data control

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

Consistency checks against company-only data are also performed by the consolidation department upon receipt of the consolidation packages (level of results, intermediate balances, etc.)

Finally, systematic reconciliation statements between company-only and consolidated data are generated for equity and earnings. This process, which ensures consistency in the transition between the statutory and consolidated series, is carried out without using the consolidation software, thus leading to validation of the consolidated data.

Analysis of accounting and financial information

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

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

The accounting work gives rise to a regular presentation to the group audit and accounts committee. In 2011, reports concerned the overall process for drawing up the group's financial statements (IT tools used, administration of the accounting information system, workflow implemented); accounting choices made (consolidation scope, provisions for equity holdings) with regard to applicable IFRS; consolidated results and in-depth analysis of same (analysis of the various management suspense accounts, sectoral analyses by business line); and changes in the items used to calculate the solvency ratio (capital and risks).

Conclusion

Drawing on common methods and tools, CIC's internal control and risk oversight mechanism fits into CM10-CIC's system of controls, forming a coherent whole, appropriately adapted to the group's different activities in France and internationally. It meets banking and finance regulatory requirements and conforms to the operational principles established by the group. This past year saw five more Crédit Mutuel federations join the group. Their successful integration puts the group in a better position to withstand a financial crisis of hitherto unheard of proportions which seems to be with us for the foreseeable future.

Michel Lucas
Chairman of the board of directors

Statutory Auditors' report, prepared

in accordance with Article L.225-235 of the French Commercial Code, on the report of the chairman of the board of directors of CIC

Year ended December 31, 2011

To the stockhoders,

In our capacity as Statutory Auditors of CIC, and in accordance with Article L.225-235 of the French Commercial Code, we hereby report to you on the report prepared by CIC's chairman in accordance with Article L.225-37 of the French Commercial Code for the year ended December 31, 2011.

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

It is our responsibility:

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

We performed our procedures in accordance with French professional standards.

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

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

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

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

Other Information

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

Neuilly-sur-Seine and Paris La Défense, April 20, 2012

The Statutory Auditors:
PricewaterhouseCoopers Audit: Agnès Hussherr
Ernst & Young et Autres: Isabelle Santenac

Statutory Auditors' special report

on regulated agreements and third party commitments

Year ended December 31, 2011

To the stockholders,

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

It is our responsibility to report to you, based on the information provided to us, on the main terms and conditions of agreements and commitments that have been disclosed to us or that we identified during the audit, without commenting on their relevance or substance or seeking to identify any other agreements and commitments. In accordance with the provisions of Article R.225-31 of the French Commercial Code, it is for you to determine whether these agreements and commitments are appropriate and should be approved.

Furthermore, it is our responsibility, if applicable, to provide you with the information provided for in Article R.225-31 of the French Commercial Code relating to the execution, during the year under review, of agreements and commitments already approved by the Stockhoders' meeting.

We carried out the work we considered necessary in view of the professional standards of the French Statutory Auditors' Association *(Compagnie Nationale des Commissaires aux Comptes)* relating to this assignment. This included performing procedures to verify that the information given to us agreed with the underlying documents.

1 - Agreements and commitments submitted to the general meeting of stockholders for approval

Agreements and commitments authorized during the year ended December 31, 2011

Pursuant to Article L.225-40 of the French Commercial Code, we have been informed of the following agreements and commitments already authorized by the company's board of directors or supervisory board.

1.1 - Temporary attachment agreements for managers of CM-CIC Capital Finance

The CIC group's general policy is that all corporate officers of the banks and significant subsidiaries in the group should be employees of CIC, temporarily attached to the institutions concerned to exercise the corporate office to which they have been appointed.

In order to define the re-invoicing arrangements for corporate officers' remuneration, the supervisory board in its meeting of February 24, 2011 authorized temporary attachment agreements for the following:

- Sidney Cabessa, to perform the functions of chairman of the executive board of CM-CIC Capital Finance;
- Antoine Jarmak, to perform the functions of vice-chairman of the executive board and CEO of CM-CIC Capital Finance;
- Carl Arnou and Pierre Tiers, to perform the functions of members of the executive board of CM-CIC Capital Finance.

For 2011, your company re-invoiced a total of €2,579,289 to CM-CIC Capital Finance.

1.2 - Termination indemnity agreement for Michel Lucas

The board of directors, in its meeting of May 19, 2011, decided to grant Michel Lucas, in respect of his corporate office of chairman and chief executive officer, a termination indemnity equal to one year's compensation, i.e. €550,000 as established by the remuneration committee. Payment of this indemnity is subject to the achievement of performance objectives relating to the growth of the group's consolidated total equity in accordance with IFRS for the period from January 1, 2011 to the date of termination.

1.3 - Rider to the financial guarantee agreement in favor of Caisse Fédérale de Crédit Mutuel on behalf of Banque Fédérative du Crédit Mutuel

Persons concerned: Michel Lucas, chairman and chief executive officer of CIC and Alain Fradin, Deputy CEO of CIC.

The CM-CIC group wished to set up an internal system to securitize its receivables representing housing loans granted to its customers and ineligible for other current refinancing arrangements (Caisse de Refinancement de l'Habitat (CRH), the SFEF, covered bonds program), in order to create an additional source of refinancing.

Securitization was carried out through a securitization fund called CM-CIC Home Loans FCT. A securitizable loan was granted by Caisse Fédérale de Crédit Mutuel to Banque Fédérative du Crédit Mutuel (BFCM) which used it to fund the CM5-CIC group's usual refinancing channels. It was then purchased by CM-CIC Home Loans FCT which issued notes to finance the acquisition. These notes were then immediately acquired by BFCM and deposited by it under repurchase agreements with the European Central Bank to cover refinancing granted by the latter.

The undertakings made by BFCM with regard to this securitizable loan granted by Caisse Fédérale de Crédit Mutuel are guaranteed by financial guarantees on housing loan receivables. They are issued by local branches of Crédit Mutuel that belong to Caisse Fédérale de Crédit Mutuel and by banks within the CIC group (the "guarantee providers") in favor of Fédérale de Crédit Mutuel on behalf of BFCM. Thus, when it purchased the securitizable loan, CM-CIC Home Loans FCT became the beneficiary of the guarantees issued, and may take advantage of this to obtain an AAA rating.

This financial guarantee agreement (the "Collateral Security Agreement") is between, firstly, BFCM as borrower, agent for the financial guarantee and "guarantee provider" on its own behalf, secondly, Caisse Fédérale de Crédit Mutuel as intermediary bank granting the securitizable loan to BFCM and, lastly, all the entities in the CM5-CIC group, including CIC, called on to provide guarantees.

This agreement provides in particular for the terms and conditions of remuneration of each "guarantee provider".

In this context, in its meeting of August 3, 2009, the supervisory board authorized the executive board to enter into the Collateral Security Agreement under which CIC could allocate all or some of its housing loan receivables to guarantee the obligations entered into by BFCM under the securitizable loan.

Within the framework of this agreement, the board of directors in its meeting of July 28, 2011 decided:

- to increase the maximum amount of the securitization program from €10 billion to €20 billion;
- and to include new local banks affiliated with Caisse Fédérale de Crédit Mutuel as "guarantee providers".

This increase required a rider to the financial guarantee agreement to be agreed and signed by CIC as "guarantee provider".

In 2011, this financial guarantee agreement generated revenue for CIC of €65,945 on guaranteed loan outstandings of €936,423,096.

1.4 – Agreement guaranteeing customer deposits given to Banque de Luxembourg

Persons concerned: Michel Lucas, chairman and chief executive officer of CIC.

In its meeting of December 15, 2011, the board of directors authorized the signing of a new agreement with Banque de Luxembourg under which a joint and several guarantee was granted to customers of Banque de Luxembourg guaranteeing that their deposits would be returned, with an overall cap of €4 billion, and a fee set at 0.02% of the amount covered by the guarantee.

For the granting of each individual guarantee, CIC authorized Banque de Luxembourg to sign all deeds of joint and several guarantee in favor of its customers and on behalf of CIC, in order to guarantee the return of their deposits in cash. Banque de Luxembourg will report to CIC on the guarantees issued and the amounts as and when they are issued.

This agreement was entered into until November 30, 2014 and is renewable by express decision of CIC.

This agreement had no effect on CIC's income statement for 2011.

1.5 – Guarantee agreement re customer deposits given to Banque CIC Suisse

The board of directors, in its meeting of December 15, 2011 decided, for the same reasons as those set out above in the case of Banque de Luxembourg, to cover certain clients of Banque CIC Suisse with a joint and several guarantee under French law, issued by CIC. This guarantee is for a maximum amount of CHF1 billion, with a fee set at 0.02% of guaranteed outstandings, until November 30, 2014.

This agreement had no effect on CIC's income statement for 2011.

1.6 – Agreement to sell shares in Banca di Legnano to Banca Popolare di Milano

Persons concerned: Massimo Ponzellini, member of the board of directors of CIC (who resigned on November 29, 2011).

The board of directors, in its meeting of December 15, 2011, ratified the sale to Banca Popolare di Milano of the shares held in Banca di Legnano at a price of €100 million, thus reducing the carrying amount of the investment by €80 million. The amount of capital gain on equity holdings in 2011 was €20 million.

2 – Agreements and commitments already approved by the general meeting of stockholders

Agreements and commitments approved during previous years, execution of which continued during the year under review

Pursuant to Article R.225-30 of the French Commercial Code, we were informed that the following agreements and commitments, already approved by the general meeting of stockholders in previous years, continued to be executed during the year ended December 31, 2011.

2.1 – Financial guarantee agreements and agreements for the provision of resources to Crédit Mutuel-CIC Home Loans SFH (formerly CM-CIC Covered Bonds)

The CM5-CIC group wished to considerably increase its medium- to long-term funding base to meet expansion requirements. In this context, a project was undertaken to refinance certain real estate loans under favorable conditions.

Since 2007, this refinancing has been carried out by a subsidiary of BFCM called Crédit Mutuel-CIC Home Loans SFH (formerly CM-CIC Covered Bonds), whose sole activity is the refinancing of the CM5-CIC group via the issue of covered bonds within the scope of a Euro Medium Term Notes issue program.

The proceeds from these bonds enable Crédit Mutuel-CIC Home Loans SFH (formerly CM-CIC Covered Bonds) to fund the CM5-CIC group's traditional refinancing channels by granting loans to BFCM.

In this context, in its meeting of May 31, 2007, CIC's supervisory board authorized the executive board to enter into:

- the financial guarantee agreement by which CIC allocates a portion of its real estate loan portfolio to guarantee commitments in favor of Crédit Mutuel-CIC Home Loans SFH (formerly CM-CIC Covered Bonds). A rider was added to this agreement, authorized by the supervisory board in its meeting of May 12, 2009, aimed at increasing the cap for issues by Crédit Mutuel-CIC Home Loans SFH (formerly CM-CIC Covered Bonds). This cap, initially set at €15 billion, was raised to €30 billion with a view to increasing the group's refinancing capacity. All the other features of the agreement initially entered into and authorized in 2007 remain the same. In 2011, CIC allocated €5,527,785,749 and received income of €4,468,061;
- the outsourcing agreement and agreement for the provision of resources to Crédit Mutuel-CIC Home Loans SFH (formerly CM-CIC Covered Bonds). In 2011, CIC received income of €26,312 arising from this agreement.

2.2 – Agreement on the concentration of the refinancing of Caisse de Refinancement de l'Habitat (CRH) with Banque Fédérative du Crédit Mutuel (BFCM)

CIC decided to have BFCM handle the refinancing granted by CRH.

With this in mind, in its August 29, 2007 meeting, CIC's supervisory board authorized the executive board to:

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

In 2011 this guarantee agreement generated revenue for CIC of €1,027,335 on guaranteed outstandings of €1,094,460,024.

2.3 – Temporary attachment agreements for executive corporate officers of the CIC group

The CIC group's general policy is that all executive corporate officers of the banks and significant subsidiaries in the group should be employees of CIC, temporarily attached to the institutions concerned to exercise the corporate office to which they have been appointed.

In order to define the re-invoicing arrangements for corporate officers' remuneration, the supervisory board in its meeting of February 26, 2009 authorized temporary attachment agreements as follows:

- an agreement with IPO whereby Pierre Tiers was temporarily attached by CIC to that company to perform the duties of chairman and chief executive officer and his remuneration re-invoiced until April 30, 2012. This agreement has been replaced by the new one described in the first part of this report;
- an agreement with CIC Sud Ouest (formerly CIC Société Bordelaise) under which Pascale Ribault is temporarily attached by CIC to that company to perform the duties of chief operating officer and her remuneration re-invoiced;

For 2011, CIC re-invoiced the two entities involved a total amount of €491,932.

2.4 – Temporary attachment agreement re Alain Fradin

In its meeting of September 12, 2002, CIC's supervisory board authorized the executive board to enter into an agreement between CIC and Caisse Fédérale de Crédit Mutuel Centre Est Europe (now Caisse Fédérale de Crédit Mutuel) providing for the full-time temporary attachment of Alain Fradin to CIC in the capacity of executive board member. In accordance with this agreement, the remuneration paid by Caisse Fédérale de Crédit Mutuel to Alain Fradin is reimbursed to it in full by CIC.

Under this agreement, which expired on May 19, 2011, CIC paid an amount of €579,918 to Caisse Fédérale de Crédit Mutuel in 2011 in respect of his functions as vice-chairman of the executive board.

2.5 – Interest-free stockhoder's current account advance agreement between CIC and CIC Sud Ouest (formerly CIC Société Bordelaise) for €100 million

In its December 13, 2007 meeting, CIC's supervisory board authorized the signing of an interest-free stockhoder's current account advance agreement between CIC and CIC Sud Ouest (formerly CIC Société Bordelaise) for an amount of €100 million, to strengthen CIC Sud Ouest's working capital, which had become negative due to investments made to expand its network.

2.6 – Agreement for financing the development plans of CIC Lyonnaise de Banque and CIC Sud Ouest (formerly CIC Société Bordelaise)

To help these companies finance new branch openings, in its meeting of December 13, 2007, CIC's supervisory board authorized the signing of agreements to finance the development plans of CIC Lyonnaise de Banque and CIC Bonnasse Lyonnaise de Banque (merged with CIC Lyonnaise de Banque during the second half of 2008) and of CIC Sud Ouest (formerly CIC Société Bordelaise). These agreements covered:

- real estate investment subsidies;
- payment of new branches' payroll costs, within certain limits;
- business development subsidies.

This assistance is in three forms: (i) five-year repayable, interest free advances for investments; (ii) direct payments; and (iii) subsidies.

CIC paid €20,647 thousand to CIC Lyonnaise de Banque and €31,824 thousand to CIC Sud Ouest in connection with this agreement in 2011.

2.7 – Guarantee issued by CIC to Euroclear in respect of the functioning of Cigogne Fund accounts opened by Banque de Luxembourg with Euroclear

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

In its meeting of December 14, 2006, CIC's supervisory board authorized the signing of an agreement with Euroclear with a view to:

- opening a credit line for USD 1 billion in favor of Cigogne Fund;
- granting a guarantee to Euroclear for the same amount, for the functioning of Cigogne Fund accounts opened by Banque de Luxembourg with this sub-custodian.

2.8 – Agreement guaranteeing customer deposits, given to Banque de Luxembourg

In its meeting of December 11, 2008, the supervisory board authorized the signing of an agreement with Banque de Luxembourg whereby a joint and several guarantee was granted to customers of Banque de Luxembourg guaranteeing that their deposits would be returned, with an overall cap of €4 billion, and a fee set at 0.02% of the amount covered by the guarantee.

For the granting of each individual guarantee, CIC authorized Banque de Luxembourg to sign all deeds of joint and several guarantee in favor of its customers and on behalf of CIC, in order to guarantee the return of their deposits in cash. Banque de Luxembourg will report to CIC on the guarantees issued and their amounts as and when they are issued.

This agreement was entered into for 12 months and expired on September 30, 2009. It was renewed on the basis of the existing guarantees of €2.4 billion by an express decision of CIC, then approved for a further 12-month period by the supervisory board in its meeting of December 10, 2009. The other conditions of the agreement initially entered into remain unchanged. It has been replaced by a new agreement (see point 4 above).

This agreement generated revenue of €4,100 in 2011.

2.9 – Rider to the investment portfolio guarantee agreement granted to Banque de Luxembourg

In previous years, Banque de Luxembourg created an investment portfolio worth approximately €11 billion, of which a large part consists of securities issued by OECD member states. In the context of the banking crisis, Banque de Luxembourg wished to protect itself against the risk of default by issuers or guarantors of the securities in this portfolio due to the consequences this would have for it in Luxembourg and on the behavior of its customers. Accordingly, it asked CIC, in its capacity as parent company, to guarantee these securities against such risk of default.

In its meeting of December 11, 2008, the supervisory board authorized the signing of this guarantee agreement. The base for the original guarantee is the portfolio of investment securities held by the bank as at September 30, 2008, excluding State securities, for an amount of €6.7 billion (nominal value). Banque de Luxembourg pays CIC an annual fee of 0.40% of the amount of assets guaranteed.

The original agreement has a term of five years and the financial features thereof may be adjusted every year. After this period, it may be renewed by tacit agreement every year, unless it is terminated by giving three months' notice.

The supervisory board, in its meeting of December 9, 2010, authorized the signing of a rider to the agreement aimed at changing the types of securities covered by the guarantee, its term, and the fee, as follows:

- the guarantee was extended to securities issued or guaranteed by sovereign issuers, and a portfolio of securities listed in Appendix 4 to the rider;
- an annual "first loss" exemption of €50 million which shall apply to the initial losses in the event of default. This shall not apply to the portfolio of securities listed in Appendix 4 to the rider;
- a fee of 0.10% instead of 0.40% due to the aforementioned exemption;
- a maturity date of no later than December 31, 2024 or the date as from which there are no longer any securities in the portfolio.

In 2011 this agreement generated for CIC:

- a charge of €259 million representing the cost of the guarantee by reason of the write-downs on Greek sovereign bonds;
- a loss of €14 million as a result of the repurchase of securities from Banque de Luxembourg;
- revenue of €6.3 million.

Neuilly-sur-Seine and Paris La Défense, April 20, 2012

The Statutory Auditors:
PricewaterhouseCoopers Audit: Agnès Hussherr
Ernst & Young et Autres: Isabelle Santenac

Financial Information

Consolidated financial statements

Board of directors' report on the consolidated financial statements

> A roller-coaster year

2011 started in recovery mode, but global economic growth was soon stifled by a series of events that included the earthquake in Japan, the Arab Spring and subsequent uncertainties, military intervention in Libya and the debt crisis in Europe.

The pace of growth in Europe slackened markedly, following a promising start to the year. In contrast, the situation in the United States showed steady improvement. The emerging markets had to contend with persistent inflationary pressures, which they were able to contain only by foregoing part of their growth potential. Against this backdrop, stock markets had a bumpy ride, and ended the year in the red, with the exception of certain particularly resilient US indices. Yields on European sovereign bonds widened further in favor of the safest borrowers, and the euro crumbled under fears of a revival of inflation stoked by large-scale refinancing assistance for euro zone banks by the European Central Bank (ECB).

Europe: no end to the crisis

The debt crisis worsened relentlessly over the course of the year. One worrisome phase followed another, with leaders failing to address the problem as a whole. They tried first to limit the crisis to Greece and Ireland, then to Portugal, Spain, and Italy. At stake now is not just contagion, but the very survival of the currency union itself. In an effort to bring a halt to this death spiral, the authorities sought to resolve three problems: deficit reductions, weaknesses in governance, and the fragility of the banking system. Numerous treaties were signed (the Stability and Growth Pact, Euro Pact Plus, etc.) creating mechanisms (the European Financial Stability Facility, the European Stability Mechanism, the European Semester, the so-called Golden Rule, etc.) aimed at bringing about greater fiscal convergence, improved working rules, and a stronger, more solidarity-based Union. However the effectiveness of these measures was blunted by the time taken to implement them and the lack of response to the need to support the economic situation in the short term.

Investors are now just as concerned about reducing public borrowing as they are about sluggish economic activity: the challenge for Europe is therefore to show that it can reduce public deficits at a sufficiently measured pace to avoid stifling activity.

But to gain the time to do this, creditors must feel confident, and in the case of the peripheral southern countries they do not. To regain this credibility, the countries in difficulty accepted external constraints and sought financial assistance from the European Union and the International Monetary Fund. This is the first step on a very long road.

In 2012, we expect to see high volatility whenever leaders hold summit meetings. The euro zone should, however, gradually resurface given its creditors' determined insistence that its leaders intensify their efforts. For the weakest countries, there will inevitably be several quarters of recession. The challenge will lie in preserving what strength remains while ensuring in particular that the banks, which are at the center of the storm, have the resources to continue financing businesses' and households' requirements.

Financial institutions will undoubtedly be able to count on the European Central Bank, which is doing everything it can to avoid a credit crunch. Having first raised its rates in April 2011 on fears of rising prices, it cut them in October to sustain the flagging economy. It also made unlimited liquidity available to the banks, and continued buying up sovereign debt in the secondary market. Despite these interventions, many investors expect more from the ECB, notably that it act as lender of last resort not only for banks but for governments too. This solution, which would certainly afford real relief in the short term, would be trickier in the medium term since it would lead to inflation and would also involve moral hazard for governments that balk at taking electorally painful decisions.

United States: widening gulf between Republicans and Democrats

In contrast, US growth accelerated over the course of 2011. It started from an extremely low base, with the August revision showing it at less than 1% for the first six months. The statistics published for the last quarter show more positive signs, with confidence beginning to return as unemployment figures continue to fall, but these signs need to be confirmed.

The US was affected more seriously than had been expected by disruptions in supply chains relying on Japan. Above all, the reduction in public spending was considerably bigger than had been envisaged. The impasse between Republicans and Democrats affected first the budget for 2011, then the raising of the debt ceiling, the means of reducing the deficit over the next ten years, and lastly the extension of support measures. Every negotiation was an opportunity for the Republicans to cut spending. This largely explains the lackluster economy of the first half-year. Moreover, the wider-than-ever gulf between the two parties led to fiscal and regulatory instability. The lack of visibility led households and businesses to adopt a "wait and see" stance. Standard & Poor's stripped the United States of its coveted AAA credit rating.

Political tension is set to persist in 2012, with all eyes on November's presidential election: clashes are likely to continue, threatening the country's prospects. A large number of budgetary support measures adopted at the height of the storm will expire during the course of the year.

If no agreements were to be reached, the impact on GDP would be measured in hundreds of billions of dollars, meaning that it would grow only very modestly. Throughout 2011, the US Federal Reserve continued to sustain activity without excess. It will no doubt maintain the same attitude in 2012, but any accelerated deterioration of the economic situation, with unemployment rising once more, would probably force it to intensify its expansionist monetary policy.

Emerging markets: growth is being whittled away

In 2011, the emerging markets continued to create wealth at a high rate (more than 6%), but at a slower pace than in 2010. Restrictive monetary policies aimed at combating inflationary pressures inevitably affected economic activity, to differing extents depending on regions. With rising prices for staples leading to social instability, governments found themselves forced to take action to limit the impact on households' purchasing power. This action took the form of subsidies, price freezes, and wage increases, which eroded competitiveness and made investments less profitable. This trend was further accentuated by stronger currencies relative to those of developed countries, placing even more strain on their trade balances.

On top of this deterioration came a fall in external demand in the second half of the year, mainly due to austerity measures in Europe. If this trend is confirmed, central banks will no doubt relax their monetary policies in order to limit the dampening effect on growth. This change of attitude, which we can already see in Brazil, Russia, and Indonesia, is likely to continue in 2012, leading to lower borrowing costs, but also a movement of capital to the developed world. We should see emerging market currencies soften. This would help exports but also favor imported inflation, and could destabilize the economies of certain countries such as Turkey or Brazil (risk of currency crisis).

> Business performance and results

Accounting principles

Pursuant to regulation (EC) 1606/2002 on international accounting standards and regulation (EC) 1126/2008 on the adoption of said standards, the consolidated financial statements for the year ended December 31, 2011 have been drawn up in accordance with IFRS as adopted by the European Union at December 31, 2011. These standards include IAS 1 to 41, IFRS 1 to 8 and any SIC and IFRIC interpretations adopted at that date. Standards not adopted by the European Union have not been applied. The financial statements are presented in accordance with CNC recommendation 2009-R.04.

All IAS and IFRS were updated on November 3, 2008 by regulation 1126/2008, which replaced regulation 1725/2003. The entire framework of standards is available on the European Commission's website at: http://ec.europa.eu/internal_market/accounting/ias/index_en.htm

The disclosures relating to risk management required by IFRS 7 are set out in a separate section of the board of directors' report.

Changes in consolidation scope

The changes during the year were:

- the acquisition of Société Foncière et Financière de Participations;
- the following companies changed their names: Banque de Vizille became CM-CIC Investissement, CIC Finance became CM-CIC Capital Finance, Vizille Capital Innovation became CM-CIC Capital Innovation and Vizille Capital Finance became CM-CIC Conseil;
- the merger/absorption of CIC Investissement with CM-CIC Investissement, of IPO with CM-CIC Investissement, of Financière Voltaire with CM-CIC Capital Finance, of IPO Ingénierie with CM-CIC Capital Finance, of Société Foncière et Financière de Participations with CM-CIC Capital Finance and of GPK Finance with Transatlantique Gestion.

Analysis of the consolidated statement of financial position

The main changes in consolidated statement of financial position items were as follows:

- customer loans, including lease financing but excluding resale agreements, amounted to €132.3 billion at December 31, 2011, up 3.8% compared with the previous year end;
- customer deposits, excluding repurchase agreements, increased by 9.7% to €100.2 billion and customer funds invested in savings products(1) reached €208.3 billion, down 5.4% from the previous year end.
- total equity and reserves attributable to equity holders of the company totaled €9,227 million (compared with €9,568 million at December 31, 2010) and the resulting Tier 1 capital totaled €10.8 billion. The Tier 1 capital adequacy ratio remained stable at 10.8%.

(1) Amount outstanding at month end including financial securities issued.

Analysis of the consolidated income statement

CIC recognized a €261 million charge, net of tax, on its portfolio of Greek sovereign securities. CIC's Greek sovereign debt holdings have been subject to impairment provisions totalling 70% of their purchase price, leaving a residual carrying amount of €175 million.

Net banking income fell from €4,637 million in 2010 to €4,166 million in 2011. General operating expenses fell by 1% to €2,810 million.

Net additions to/reversals from provisions for loan losses totaled €549 million in the year ended December 31, 2011. After restatement for the impact of the Greek sovereign securities, it was €204 million compared with €441 million in 2010. As a result, the net provisioning for known risks in relation to outstanding loans fell from 0.21% to 0.16% and the overall non-performing loans provisioning ratio was 57% at December 31, 2011.

The Group reported net income of €579 million in 2011 compared with €1,144 million in 2010.

Excluding the impact of the Greek sovereign debt, the fall in net income was due mainly to the decline in net banking income (€98 million in respect of the private equity business and €169 million in respect of the capital markets business) and impairment losses totaling €181 million in respect of CIC's portfolio of investments in non-consolidated companies.

> Ratings

CIC, a subsidiary of BFCM, has long-term ratings of A+ from Standard & Poor's, Aa3 from Moody's and A+ from Fitch.

> Business performance

Description of business segments

CIC's business segments reflect its organizational structure (see chart on page 8).

The retail banking core business of CIC comprises all the banking and specialized activities whose products are distributed via the network of regional banks organized into five territorial divisions and the CIC network in the Greater Paris region. These include life insurance and property-casualty insurance, equipment operating and finance leasing, real estate leasing, factoring, fund management, employee savings plan management and real estate.

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

Capital markets activities, in their broadest sense, comprise customer and proprietary transactions involving interest rate instruments, foreign currencies and equities, including brokerage services.

Private banking offers a broad range of finance and private asset management expertise to entrepreneurs and private investors.

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

Headquarters and holding company services includes all activities that cannot be attributed to a specific business segment and units that provide solely logistical support, and whose expenses are, in principle, fully recharged to other entities. They include intermediate holding companies and real estate used for operating purposes held by specific companies.

> Results by business segment

Retail banking

(in € millions)	**2011**	2010	Change 2011/2010
Net banking income	3,240	3,280	- 1.2%
Operating income before provisions	1,074	1,105	- 2.8%
Income before tax	1,001	955	4.8%
Net income attributable to owners of the company	685	655	4.6%

Retail banking further improved the quality of its network, which comprises 2,108 branches, including 31 set up in 2011.

Over the year, the group's expansion resulted, in particular, in:

- the number of the banking network's customers increasing by 93,947 (including 19,871 self-employed professionals and 2,005 companies) to a total of 4,462,041 (+2%);
- a 3.7% increase in lending to €111 billion (including increases of 2% for home loans and 11.1% for capital equipment loans);
- 14.3% growth in deposits to €78 billion due to a significant increase in term deposits;
- increased momentum in the property and casualty insurance business (number of policies in issue up 5.5% to 2,865,645);
- expansion in services businesses (remote banking up 6.5% to 1,532,117 contracts, telephony services up 31% to 304,635 contracts, electronic surveillance up 9.6% to 60,207 contracts and electronic payment terminals up 3.2% to 99,041 contracts).

For the year ended December 31, 2011, net banking income for the retail banking business came to €3,240 million compared with €3,280 million in 2010.

General operating expenses remained stable at €2,166 million (€2,175 million in 2010).

Net additions to/reversals from provisions for loan losses fell to €157 million compared with €267 million in 2010.

As a result, profit before tax was up 5% at €1,001 million compared with €955 million the previous year.

Financing

(in € millions)	**2011**	2010	Change 2011/2010
Net banking income	417	405	3.0%
Operating income before provisions	338	328	3.0%
Income before tax	304	296	2.7%
Net income attributable to owners of the company	197	207	- 4.8%

Net banking income grew by 3% to €417 million.

Net additions to/reversals from provisions for loan losses increased from €32 million in 2010 to €34 million in 2011.

Income before tax increased by 3% to €304 million.

Capital markets activities

(in € millions)	**2011**	2010	Change 2011/2010
Net banking income	336	555	- 39.5%
Operating income before provisions	180	391	- 54.0%
Income before tax	126	252	- 50.0%
Net income attributable to owners of the company	64	226	- 71.7%

Net banking income for the capital markets activities totaled €336 million in 2011 compared with €555 million in 2010.

Net additions to/reversals from provisions for loan losses fell to €54 million from €139 million in 2010.

Net income before tax fell from €252 million to €126 million after deduction of a €92 million impairment loss in respect of Greek sovereign securities.

Private banking

(in € millions)	**2011**	2010	Change 2011/2010
Net banking income	431	404	6.7%
Operating income before provisions	115	84	36.9%
Income before tax	85	70	21.4%
Net income attributable to owners of the company	51	47	8.5%

Net banking income increased by 7% from €404 million in 2010 to €431 million in 2011 and income before tax increased by 21% from €70 million to €85 million.

Private equity

(in € millions)	**2011**	2010	Change 2011/2010
Net banking income	93	191	- 51.3%
Operating income before provisions	59	156	- 62.2%
Income before tax	59	156	- 62.2%
Net income attributable to owners of the company	57	152	- 62.5%

Net banking income totaled €93 million in the year ended December 31, 2011 compared with €191 million in 2010 and income before tax totaled €59 million in 2011 compared with €156 million in 2010.

The total amount invested stood at €1.7 billion, including €373 million invested in 2011.

The portfolio comprises 575 investments.

Headquarters and holding company services

(in € millions)	**2011**	2010	Change 2011/2010
Net banking income	- 351	- 198	N/A
Operating income before provisions	- 410	- 253	N/A
Income before tax	- 703	- 238	N/A
Net income attributable to owners of the company	- 499	- 172	N/A

Net banking expense for 2011 included mainly:

- financing of working capital and the cost of subordinated notes (€139 million);
- impairment losses in respect of investments in non-consolidated companies (€181 million in 2011 compared with €36 million in 2010);
- financing of the network expansion plan (€74 million).

These three items represent a total expense of €394 million compared with €212 million in 2010.

As regards net additions to/reversals from provisions for loan losses, in 2011 this was an expense of €261 million due to the impairment losses in respect of Greek sovereign securities. The equivalent amount in 2010 was a €12 million net reversal (income).

Income before tax this year also comprised a €33 million expense in respect of impairment losses on investments in associates.

Recent developments and outlook

CIC is focusing on:

- the commercial development of its network;
- enhancing its range of products and services across all its markets;
- meeting its objective of providing the best possible service to its customers, be they private individuals, associations, self-employed professionals or corporates;
- supporting economic activity so as to provide the closest possible match to its customers' needs.

Significant changes

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

Executive compensation

(See Corporate governance on page 47).

Financial market professionals' variable compensation

(See Corporate governance on page 49).

Risk management

This section sets out the information required by IFRS 7 regarding risk exposures arising from financial instruments.

The figures provided in this section have been audited, except for those specifically marked with an asterisk (*), which have been checked for accuracy and consistency as stipulated in Article L.823-10 of the French Commercial Code, as has the rest of the board of directors' report.

The periodic and permanent control functions and the compliance function provide strict oversight of processes across all business activities.

The risk management department consolidates overall risk control and optimizes risk management as regards the regulatory capital allocated to each business and return on equity.

Credit risk

a - Organization of the lending unit

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

- loan origination procedures;
- risk assessment and the monitoring of commitments and management of at-risk items.

The lending unit and exposure management are organized based on a single set of guidelines that prescribes the rules and practices applicable within the group.

Loan origination procedures

Loan origination draws on know-your-customer, risk assessment and credit approval procedures.

Know-your-customer

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

Risk assessment

Risk assessment draws on various analyses performed at different stages in the lending cycle including, in particular:

- customer ratings;
- risk groups;
- the weighting of products in accordance with the type of risk involved and collateral and guarantees pledged.

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

Customer ratings: a single system for the entire group

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

Rating algorithms and expert models have been developed to improve the group's credit risk assessment and to comply with the regulatory requirements concerning internal rating approaches.

This rating system is common to the entire Crédit Mutuel group.

Confédération Nationale du Crédit Mutuel (CNCM) is responsible for defining the rating methodologies for all portfolios. Nevertheless, the regional entities are directly involved in carrying out and approving working parties' assignments on specific subjects and the work related to data quality and applications acceptance tests.

The group's counterparties that are eligible for internal approaches are rated by a single system.

Models (algorithms or grids) are used to differentiate and correctly classify risk. The assessment scale reflects the manner in which the risk changes and is broken down into nine non-default positions (A+, A-, B+, B-, C+, C-, D+, D- and E+) and three default positions (E-, E= and F).

Monitoring of the rating models focuses on three aspects: stability assessment, performance and additional analyses. CNCM is responsible for this monitoring, which covers each rating model.

Risk groups (counterparties)

Article 3 of CRBF regulation 93-05 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 risk groups are established based on a procedure that incorporates the provisions of the above regulation.

Product and guarantee weightings

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

Credit approval process

The credit approval process is essentially based on:

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

Management of the decision-making circuit is automated and is conducted in real-time: immediately upon completion of a loan application, the electronic dossier is transmitted to the decision maker at the appropriate level.

Approval levels

The customer relationship manager is responsible for ensuring the completeness, quality and reliability of the information collected. In accordance with Article 19 of CRBF regulation 97-02, he compiles loan files intended to formalize all qualitative and quantitative information on each counterparty. He checks the reliability of the information gathered either with customers or using any external means (sector studies, annual reports, legal information and rating agencies) or internal means at his disposal. Each customer relationship manager is responsible for any decisions he takes or causes to be taken and is endowed with personal approval powers.

For loan files whose amount exceeds the personal approval powers, the decision falls to a credit approval committee whose operating rules are covered by procedures.

Approval powers reflect a range of commitment caps based on:

- the rating;
- the total amount of commitments for a given counterparty or risk group, weighted where relevant depending on the type of loan concerned or the eligible guarantees;
- any specific exclusions.

Role of the lending unit

Each regional bank has a lending team that reports to the bank's executive management and is independent of the operational departments. It has two key roles and is therefore split into two independent teams, whose responsibilities are as follows:

- one team is responsible for checking that the loan origination decisions are appropriate based on the dual review principle while verifying that the expected return is commensurate with the risk taken;
- the other team is responsible for prudential oversight and credit risk assessment arrangements, and also performs permanent controls.

Risk assessment, commitment monitoring procedures and management of at-risk items

In accordance with the prevailing regulations, commitments are monitored by national and regional entities.

Risk measurement

To measure risk, CIC uses an array of tools that provide an aggregated, static and dynamic view of:

- the exposure to a given counterparty or group of counterparties;
- new and existing loans, based on elements adapted to suit the business lines concerned (rating, market, lending products, business segments, remuneration, etc.).

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

Commitment monitoring

Together with other interested parties, the lending unit contributes to the quarterly, formalized monitoring of the quality of the credit risk of each business line.

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

The "major risks" limits, determined based on either the bank's capital under CRBF regulation 93-05 in the case of regulatory limits, or capital and internal counterparty ratings in the case of corporate limits, are monitored in accordance with the methods (including those covering frequency) defined in the procedures specific to this area.

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

Permanent controls on commitments

Second-level controls, performed by dedicated teams independent from the lending function, identify anomalies based on specific criteria and analyze at-risk commitments each month; the appropriate remedial action is determined as a result.

An automatic analysis of some 20 ratios allows the bank to identify each month any branches experiencing difficulties in managing their commitments and to take the appropriate remedial action in a timely manner.

This adds an additional layer of security to the credit risk management mechanism.

Management of at-risk items

A unified definition of default in accordance with Basel and accounting requirements

A unified definition of default has been adopted for the entire Crédit Mutuel group. Based on the principle of aligning prudential information with accounting information (CRC 2002-03), this is reflected in the matching of the Basel concept of loans in default and the accounting concept of non-performing loans and loans in litigation. Information systems take into account contagion, thereby enabling the downgrading to be extended to the related outstandings.

Identification of at-risk items

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

Transfer to non-performing, provisioning and reclassification as performing

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

Management of customers downgraded to non-performing or in litigation

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

b - Quantified data

2011 was characterized by a 3.9% increase in customer outstandings and by a reduction in net additions to/reversals from provisions for loan losses.

Accounting data

At December 31, 2011, customer loans totaled €134.3 billion, up 3.9% compared with one year earlier, most of the increase relating to medium- and long-term loans (which increased by 5.1%).

Loans and receivables

In € millions (year-end principal balances)	**2011**	2010
Loans and receivables		
Credit institutions	34,771	41,516
Customers	134,313	129,275
Gross exposure	**169,084**	**170,791**
Impairment provisions		
Credit institutions	(310)	(349)
Customers	(2,741)	(2,748)
Net exposure	**166,032**	**167,695**

Customer loans

In € millions (year-end principal balances)	**2011**	2010
Short-term loans	**28,033**	**28,100**
Current accounts - debit	4,646	4,711
Commercial loans	4,031	3,530
Treasury facilities	18,851	19,571
Export credits	505	287
Medium- and long-term loans	**101,203**	**96,269**
Capital asset financing	25,329	22,805
Home loans	62,023	60,182
Finance leases	8,292	7,965
Other	5,559	5,317
Total gross customer loans	**129,236**	**124,369**
Non-performing loans and loans in litigation	4,806	4,636
Accrued income	271	270
Total customer loans	**134,313**	**129,275**

Commitments given

In € millions (year-end principal balances)	**2011**	2010
Financing commitments given		
Credit institutions	945	1,198
Customers	25,973	26,286
Guarantee commitments given		
Credit institutions	1,080	4,231
Customers	11,550	7,445
Provision for risks on commitments given	**116**	**127**

Focus on home loans

Home loan outstandings increased by 3.1% over the year and represented 48% of total gross customer loans. Given their nature, home loan outstandings are split amongst a very large number of customers and are backed by real estate collateral or first-rate guarantees.

In € millions (year-end principal balances)	**2011**	2010
Home loans	62,023	60,182
Of which with Crédit Logement guarantee	*22,235*	*21,062*
Of which with a mortgage or similar, highly-rated guarantee	*33,416*	*33,017*
Of which with other guarantees [1]	*6,372*	*6,103*

(1) Junior mortgages, pledges, etc.

Loan book quality

The loan book is of high quality: based on the group's 9 internal credit ratings (excluding default ratings), customers rated in the top eight categories represent 94% of loans and receivables due from customers.

Breakdown of performing customer loans by internal rating

	2011	2010
A+ and A-	28.50%	27.60%
B+ and B-	33.70%	32.50%
C+ and C-	24.30%	25.20%
D+ and D-	11.20%	11.90%
E+	2.30%	2.80%

The 2010 figures have been restated.

Concentration risk/Exposure by segment

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

Major risks

Companies

In € millions	**2011**	2010
Commitments in excess of €300m		
Number of counterparty groups	29	24
Total commitments	16,016	15,446
Of which, on statement of financial position	*5,136*	*5,096*
Of which, off-statement of financial position (guarantee and financing commitments)	*10,879*	*9,790*
Commitments in excess of €100m		
Number of counterparty groups	86	90
Total commitments	25,167	26,503
Of which, on statement of financial position	*9,162*	*9,635*
Of which, off-statement of financial position (guarantee and financing commitments)	*16,004*	*16,579*

Banks

In € millions	**2011**	2010
Commitments in excess of €300m		
Number of counterparty groups	11	9
Total commitments	4,834	3,397
Of which, on statement of financial position	*3,751*	*2,271*
Of which, off-statement of financial position (guarantee and financing commitments)	*1,083*	*1,126*

The 2010 figures have been restated.

Sovereign risks

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

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

Non-performing loans and loans in litigation totaled €4,806 million at December 31, 2011 compared with €4,636 million at December 31, 2010.

As at the end of December 2010, they represented 3.6% of total customer loans.

At December 31, 2011, actual net provisioning for known risks fell to 0.16% of gross outstanding loans compared with 0.21% at December 31, 2010.

Quality of risks arising on customer loans and receivables

In € million (year-end principal balances)	**2011**	2010
Individually-impaired loans and receivables	4,806	4,636
Provision for individual impairment	(2,612)	(2,593)
Provision for collective impairment	(129)	(155)
Coverage ratio	**57.00%**	**59.30%**
Coverage ratio (individual impairment provision only)	**54.40%**	**56.00%**

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

2011 *In € millions*	≤ 3 months	> 3 months ≤ 6 months	> 6 months ≤ 1 year	> 1 year	**Total**
Debt instruments [1]	**0**	**0**	**0**	**0**	**0**
Loans and receivables	**1,547**	**24**	**0**	**2**	**1,573**
Central governments	*1*	*0*	*0*	*0*	*1*
Credit institutions	*18*	*0*	*0*	*0*	*18*
Non-financial institutions	*3*	*0*	*0*	*0*	*3*
Large corporates	*280*	*2*	*0*	*2*	*284*
Retail customers	*1,245*	*22*	*0*	*0*	*1,267*
Other assets	**0**	**0**	**0**	**0**	**0**
TOTAL	**1,547**	**24**	**0**	**2**	**1,573**

2010					
Debt instruments [1]	**0**	**0**	**0**	**0**	**0**
Loans and receivables	**1,666**	**18**	**3**	**1**	**1,689**
Central governments	*5*	*0*	*0*	*0*	*5*
Credit institutions	*12*	*0*	*0*	*0*	*12*
Non-financial institutions	*9*	*0*	*0*	*0*	*9*
Large corporates	*254*	*5*	*1*	*0*	*260*
Retail customers	*1,386*	*13*	*2*	*1*	*1,402*
Other assets	**67**	**2**	**0**	**0**	**69**
TOTAL	**1,733**	**20**	**3**	**1**	**1,757**

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

Interbank loans

Interbank loans by geographic area

	2011	2010
France	28.00%	24.20%
Europe excluding France	41.00%	42.10%
Other countries	31.00%	33.70%

The 2010 figures have been restated.

The breakdown of interbank loans is based on the country of the parent company.

At the end of 2011, exposures related mainly to banks in Europe (in France, Germany and the United Kingdom in particular) and North America. The reduction in exposure to the most sensitive European banking systems continued in 2011.

Interbank loans by internal rating

Internal rating	Equivalent external rating	2011	2010
A+	AAA/AA+	0.80%	0.70%
A-	AA/AA-	29.00%	30.00%
B+	A+/A	54.00%	47.00%
B-	A-	8.00%	9.40%
C and below (excluding default ratings)	BBB+ and below	8.20%	12.20%
Not rated		-	0.09%

The 2010 figures have been restated.

The structure of CIC's interbank exposures by internal rating changed substantially in 2011, with:

- a significant increase in outstandings rated B+ (external equivalent A+/A), concentrated in several major French banks;
- a reduction in outstandings from counterparties with lower ratings.

Overall, 91% of outstandings are rated in the B or A tranches, i.e. an equivalent external rating of not less than A-, compared with 87% the previous year.

Debt securities, derivatives and repurchase agreements

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

In € millions (year-end principal balances)	2011 Carrying amount	2010 Carrying amount
Debt securities	29,734	34,500
Government securities	*13,213*	*14,239*
Bonds	*16,521*	*20,261*
Derivatives	2,526	2,520
Repurchase agreements and securities lending	8,969	11,125
Gross exposure	**41,229**	**48,145**
Provisions for impairment of securities	**(29)**	**(16)**
Net exposure	**41,200**	**48,129**

Asset-liability management (ALM) risk

Organization

The CM10-CIC group's asset-liability management functions, which were previously organized on a decentralized basis, are being gradually centralized.

The decision-making committees for matters concerning risk and interest rate management are as follows:

- the ALM technical committee, which manages risk in accordance with the risk limits applied within the group. The committee comprises the heads of the business lines concerned (finance department, asset-liability management, refinancing and treasury, risk) and meets at least once every quarter. The following indicators are compiled at consolidated level and by entity: static and dynamic liquidity gaps, static interest rate gaps and the sensitivity of net banking income and of net asset value;
- the ALM monitoring committee, composed of the group's senior executives, which examines changes in asset-liability management risk and approves the risk limits.

Hedging decisions are aimed at maintaining the risk indicators within the limits set for CM10-CIC as a whole and for each of its component entities. The hedges are assigned to the entities concerned, in accordance with their needs.

The various asset-liability management risk indicators are also presented each quarter to the group risk committee.

Asset-liability management:

- its key objectives are to shelter lending margins from the effects of interest and exchange rate fluctuations and to ensure that the bank has sufficient liquidity to meet its obligations and protect it from a liquidity crisis;
- does not operate as a profit center but as a function that serves the bank's profitability and its development strategy, as well as the management of liquidity risk and interest rate risk arising from the activities of the network;
- helps to define the bank's sales and marketing policy in terms of customer lending criteria and rules governing internal transfer rates, and is in constant contact with the sales teams throughout the network.

Group conventions for the management of risk and the setting of risk limits are published in a set of group guidelines for asset-liability management that are used throughout CM-CIC.

Interest rate risk management*

Interest rate risk arising on the group's commercial operations stems from interest rate differentials and differences in benchmark lending and borrowing rates. Analysis of this risk also takes into account the volatility of outstandings on products with no contractual maturity date and embedded options (early repayment and roll-over options for loans and the use of confirmed credit lines, etc.).

The management of interest rate risk arising on all operations connected with the banking network's business is analyzed and hedged overall based on the residual position in the statement of financial position using so-called macro-hedges. In addition, specific hedges may be established for customer loans involving a material amount or an unusual structure.

Risk limits are set in relation to the annual net banking income of each bank and each group. The technical committee decides on the hedges to be put in place and allocates them pro rata to the needs of each entity.

Interest rate risk is analyzed based on the main indicators below, which are updated each quarter:

1 – The static fixed-rate gap, corresponding to items in the statement of financial position, both assets and liabilities, whose cash flows are considered to be certain over a horizon of 1 to 10 years, governed by limits from 3 to 7 years, measured by a net banking income ratio.

2 – The static inflation gap over a horizon of 1 to 10 years.

3 – The sensitivity of the net interest margin, calculated based on national scenarios and subject to 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.

Four scenarios are calculated:

- a 1% increase in market interest rates and a 0.33% increase in inflation (core scenario);
- a 1% increase in market interest rates and stable inflation;
- a 2% increase in market interest rates and a 0.66% increase in inflation;
- a 3% increase in short interest rates, a 1% decline in long rates and stable inflation (stress scenario).

CIC's net interest income is exposed to a decline in interest rates: -3.49% at 1 year (i.e. a decline of €121.9 million in absolute terms). This sensitivity has fallen slightly compared with September 2011 (-3.51%). At 2 years, sensitivity to a decline in interest rates stands at -4.11% (i.e. a decline of €147.8 million in absolute terms), which is higher than it was in September 2011 (-4%).

Indicators based on a rise in interest rates:

Sensitivity as a % of NBI	1 year	2 years
Scenario 1	3.49%	4.11%
Scenario 2	4.69%	5.96%
Scenario 3	6.70%	7.95%
Scenario 4	9.37%	7.73%

4 – The sensitivity of net asset value that arises when using the standard calculation for the Basel II indicator (a uniform shift of 200 bp applied to the entire statement of financial position, as an increase or decrease) enables the change in the discounted value of items in the statement of financial position according to the various scenarios to be measured as a percentage of total equity.

Sensitivity of net asset value	As a percentage of total equity
Sensitivity +200 bp	- 0.50%
Sensitivity -200 bp	+ 1.39%

Liquidity risk management*

The liquidity risk management mechanism is operated in close conjunction with BFCM, which manages the group's long-term refinancing, and is based on the following procedures:

- compliance with the 1-month liquidity ratio, which is representative of the short-term liquidity situation (calculated by weighting each bank's ratios by its total assets) and which at December 31, 2011 came to between 102% and 164% depending on the group's individual entities compared with a regulatory requirement of 100%;
- establishing the static liquidity gap, based on contractual and agreed maturities and incorporating off-statement of financial position commitments; transformation ratios (sources/applications of funds) are calculated at maturities ranging from three months to seven years and are subject to target levels in order to lock in and optimize the refinancing policy;
- calculating the dynamic liquidity gap over five years, incorporating new loan production, thereby facilitating measurement of future financing needs associated with the development of commercial activity;
- reviewing the impact of a stress scenario on the static gap and on the transformation ratios, notably involving a 30% decline in sight sources of funds and an increased drawdown of confirmed credit lines;
- the ALM technical committee decides on the liquidity hedges to be put in place in light of all these indicators. These hedges are allocated pro rata to the cumulative needs.

Breakdown of maturities for liquidity risk

2011 *In € millions*	Contractual residual maturities ≤ 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								
Financial assets held for trading	469	288	2,227	4,270	4,678	3,224	460	15,616
Financial assets at fair value through profit or loss	5,266	1,021	814	1	1,885	0	36	9,023
Available-for-sale financial assets	308	164	1,886	1,843	6,800	5,869	699	17,569
Loans and receivables (including finance leases)	39,637	6,204	12,242	13,869	32,966	60,953	2,035	167,906
Held-to-maturity investments	7	2	3	10	15	41	0	78
Liabilities								
Central bank deposits	16	13	67	47	95	44	0	282
Financial liabilities held for trading	578	126	926	837	2,589	1,499	0	6,555
Financial liabilities at fair value through profit or loss	10,036	6,389	6,163	0	0	0	0	22,588
Derivatives used for hedging purposes (liabilities)	2	3	119	314	738	1,278	0	2,454
Financial liabilities carried at amortized cost	**83,602**	**29,745**	**15,781**	**11,532**	**30,935**	**11,183**	**4,027**	**186,805**
Of which, debt securities, including bonds	*3,951*	*4,439*	*1,563*	*515*	*1,672*	*1,351*	*0*	*13,491*
Of which, subordinated debt	*1*	*63*	*0*	*640*	*563*	*22*	*2,243*	*3,532*
2010								
Assets								
Financial assets held for trading	661	690	3,082	3,171	4,586	4,922	1,166	18,278
Financial assets at fair value through profit or loss	3,913	3,050	1,483	2	1,226	1	648	10,323
Available-for-sale financial assets	529	235	827	2,876	7,749	7,373	933	20,522
Loans and receivables (including finance leases)	41,163	10,520	11,846	13,084	32,206	59,558	1,994	170,371
Held-to-maturity investments	7		3	5	36	40		91
Liabilities								
Central bank deposits	11	7	24	2				44
Financial liabilities held for trading	636	120	795	689	2,896	1,875		7,011
Financial liabilities at fair value through profit or loss	9,919	8,049	7,218					25,186
Derivatives used for hedging purposes (liabilities)	5	1	24	172	744	911		1,857
Financial liabilities carried at amortized cost	**87,263**	**35,241**	**15,682**	**12,485**	**24,197**	**10,739**	**3,652**	**189,259**
Of which, debt securities, including bonds	*7,057*	*16,187*	*4,990*	*360*	*1,829*	*1,204*		*31,627*
Of which, subordinated debt	*1*		*198*	*63*	*1,179*	*36*	*2,243*	*3,720*

(a) Including accrued interest and securities given/received under repurchase and reverse repurchase agreements.
(b) Including undated debt securities, equities, non-performing and loans in litigation, and impairment losses. For marked-to-market financial instruments, also includes differences between fair value and redemption value.

Currency risk

The foreign currency positions of each CIC entity are automatically centralized by the holding company and by BFCM. This centralization is performed daily for commercial transfers and for cash flows, both inflows and outflows, denominated in foreign currencies.

Any unrealized foreign currency gains and losses are translated into euros at the end of each month and the resulting foreign currency position is also centralized by the holding company.

As such, with the exception of certain long-term foreign currency private equity transactions, no group entity bears any currency risk at its own level. The holding company is responsible for clearing foreign currency positions daily and monthly via the market.

Only the activities of CM-CIC Marchés benefit from foreign currency position management at their level.

The structural foreign currency positions arising from foreign currency advances made to foreign branches are not hedged.

The foreign exchange gain or loss is recognized in the asset or liability translation accounts and therefore does not pass through the income statement.

The profits or losses of the foreign branches are retained in the branches and thus form part of the structural foreign currency position.

Equity risk

CIC has exposure to various types of equity risks.

Assets measured at fair value through profit or loss

Equities held in the trading portfolio amounted to €473 million at December 31, 2011 compared with €1,171 million at December 31, 2010 and solely concerned CIC's capital markets business (see note 5b to the consolidated financial statements).

Equities accounted for using the fair value option through profit or loss related mainly to the private equity business and amounted to €1,840 million (see note 5a to the consolidated financial statements).

Available-for-sale financial assets

Equities classified as available-for-sale and various equity investments amounted to €202 million and €524 million respectively (see note 7 to the consolidated financial statements).

Long-term investments mainly comprised:

a) investments in non-consolidated companies totaling €116 million, including Foncières des Régions (€50 million);

b) other long-term securities totaling €240 million, including Veolia Environnement (€86 million).

Impairment losses recognized in the income statement totaled €110 million in 2011 compared with €21 million in 2010. At December 31, 2011, the purchase cost of impaired equities totaled €753 million with a corresponding impairment of €414 million. Their market value came to €339 million.

Private equity

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

The portfolios comprise around 600 investment lines, relating mainly to small- and medium-sized enterprises.

Risks arising on the private equity business

Assets invested	2011	2010
Number of listed investment lines	38	67
Number of unlisted investment lines	567	449
Number of funds	39	32
Proprietary portfolio (€ millions)	1,784	1,638
Funds managed on behalf of third parties (€ millions)	725	723

Market risk

General structure

CM-CIC Marchés combines all the capital markets activities of BFCM and CIC in France and those of the branches in Frankfurt (BFCM), London, New York and Singapore (CIC).

They are organized around three business lines: refinancing (transactions which are mainly recognized on BFCM's statement of financial position), commercial, and proprietary operations (recognized on CIC's statement of financial position).

Refinancing

A dedicated treasury management team is responsible for refinancing all the activities of the CM10-CIC group. It seeks to diversify its investor base in Paris, Frankfurt and London and its refinancing tools, including Crédit Mutuel-CIC HL SFH.

The products concerned consist mainly of monetary instruments and futures used to hedge interest rates and exchange rates.

In addition to the pure refinancing positions, this business also has a liquidity portfolio of available-for-sale securities, essentially comprising bonds issued by financial institutions and assigned a good credit rating (at least investment grade).

Commercial

The sales teams working out of Paris or within the regional banks use a wide range of standardized tools and products. A dedicated technical desk responsible for designing, match funding and reversing positions ("CAR") has been set up to optimize prices, preserve commercial margins and reverse positions on exchange rate and interest rate instruments.

The business also involves the sale of investment products such as *Libre Arbitre* or *Stork* (commercial own account), which is aimed at corporates within CM-CIC's various networks as well as retail investors.

Proprietary operations

This business line is organized around four specialized desks for arbitrages on equities/hybrid instruments, credit spreads, fixed income and volatility. These activities are called upon to create value in a disciplined risk environment and to drive commercial development.

Internal control structures

In 2011, the internal control function pressed ahead with its drive to improve its organization and monitoring methodologies. It continued to refine its procedures to take into account a unified system of limits incorporating the market activities of the branches and to present the CRD3 regulatory changes, in particular stressed VaR and IRC as well as risk measurement in VaR/stress-tests and regulatory risk measurement (CAD and European Capital Adequacy under Basel II standards).

A set of methodologies is formalized in a "body of rules". Regular updates throughout the year have included new products and improved the monitoring of risk measurement.

CIC's capital markets activities are organized as follows:

- they are under the responsibility of the member of general management responsible for capital markets;
- the front-office units that execute transactions are segregated from those responsible for the monitoring of risks and results (control function) and from those in charge of transaction validation, settlement and recording (back-office function);
- internal control teams operate under the responsibility of the group's risk division, which compiles management reports summarizing risk exposures. The level of capital allocated/consumed is validated by BFCM's and CIC's boards of directors;

- the permanent controls system is based on first-level controls performed by three teams:
  - the risks and results team validates production, monitors results on a daily basis and ensures compliance with limits,
  - a team in charge of accounting and regulatory issues is responsible for reconciling accounting and economic results, for providing oversight on regulatory matters, and the control of operational risks,
  - a CM-CIC Marchés team covering legal compliance is responsible for first-level legal issues;
- second-level controls organized around:
  - capital markets businesses' permanent controls, which reports to the permanent control department, supervises first-level permanent controls carried out by CM-CIC Marchés and conducts its own direct controls on activities,
  - CIC's lending department, which monitors at-risk outstandings for each counterparty group,
  - CIC's legal and tax department, which works with the CM-CIC Marchés legal team,
  - CIC's finance department, which supervises accounting procedures and templates and is responsible for accounting and regulatory controls;
- the CM10-CIC group's periodic controls team, which intervenes with specialist auditors to carry out periodic controls and compliance checks in respect of capital markets activities.

A market risk committee that meets monthly is responsible for monitoring the strategy, results and risks of CM-CIC Marchés (in France and in the branches) in relation to the limits prescribed by CIC's and BFCM's boards of directors.

Chaired by the member of general management responsible for CM-CIC Marchés, it comprises the chief operating officer of CIC and of BFCM, the front office, post-market, back office, accounting and regulatory control and risks and results managers, and the manager of the risk department and the group permanent control department. CIC's and BFCM's boards of directors are regularly informed of the risks and results of these activities.

Risk management*

The system used to set exposure limits for market risk is based on:

- an overall limit for regulatory capital (CAD/European capital adequacy) and for VaR;
- internal rules and scenarios (CAD risks, historical VaR and stress tests), which convert exposures into potential losses.

The limits set are intended to cover the various types of market risk (interest rate, currency, equity and counterparty risks). The aggregate limit is broken down into sub-limits for each type of risk and for each activity.

The group's risk division is responsible for monitoring and managing breaches of the overall limit and/or the limit allocated to each business line.

Risks are monitored based on first-tier indicators such as sensitivity to various market risk factors (mainly for traders), and second-tier indicators such as potential losses, to provide an accessible overview of capital markets exposures for decision-makers.

In 2011, regulatory capital allocated to proprietary operations and commercial businesses in metropolitan France remained stable as compared with 2010.

The capital consumed by the RMBS business conducted in the New York branch continued to fall in line with the amortization of the portfolio securities managed on a run-off basis. Trading activities are maintained within reduced limits under the supervision of CM-CIC Marchés.

CM-CIC Marchés' overnight treasury position must not exceed a certain limit with an intermediate warning limit, the two limits being set by the department and approved by the board of directors. The refinancing period for portfolio assets is also subject to monitoring and limits.

The principal trading desk risks are as follows:

1 - hybrid instruments: capital consumption averaged €71 million during the year and ended the year at €74 million due to the overall long positions in the capital markets own account activities. Convertible bond holdings stood at €2.5 billion at December 31, 2011 (compared with €2.8 billion one year earlier);

2 - credit: these positions correspond to either securities/CDS (credit default swap) arbitrages or to credit correlation positions (ItraXX/CDX tranches) or ABS (asset backed securities). On the credit arbitrage portfolio, the capital consumed remained stable at around €40 million until September 2011, to end the year down slightly at €34 million in December. On the ABS portfolio, the capital consumed remained stable at around €70 million during the year, before increasing to €92 million at the year end. This €20 million technical increase resulted from the implementation of CRD3 with regard to the securitization portfolio at December 31, 2011. As regards the credit correlation business, exclusively based on Itraxx/CDX tranches, capital consumed remained stable at around €15 million on average during the year.

3 - M&A and miscellaneous equities: capital consumed totaled €42 million on average in 2011, to end the year at €32 million. This fall followed the trend in outstandings and the removal of corporate actions from M&A. Outstandings in respect of this activity therefore totaled €256 million in December 2011 compared with €283 million at the end of 2010.

4 - fixed income: positions relate to directional or yield-curve arbitrage strategies, typically with an underlying of mainly European government securities. The positions on the peripheral states including Greece (against which provisions had been recognized exceeding 70% of their value at end-December 2011) are very limited. As regards Italy, the position has been reduced by around 40% over the past two years to around €3 billion, most of which matures in 2012 and 2014. The total holding of government securities was €8.8 billion at the end of 2011 compared with €9.5 billion in 2010, including French government securities totaling €4.8 billion.

The limits in respect of these activities have been revised downwards for 2012.

Credit derivatives

These products are used by CM-CIC Marchés and are recognized in its trading portfolio.

Trading desks are subject to exposure limits by issuer or counterparty for all types of products. Outstanding amounts are monitored on a daily basis and exposure limits are reviewed periodically by the lending committees and capital markets risk committees.

Operational risk*

In the context of the Basel II capital adequacy regulations, the CM-CIC group has implemented a comprehensive operational risk management system under the responsibility of senior management bodies. Group-wide guidelines describe the risks concerned and the quantitative evaluation methods to be used.

The group has an overall operational risk management function that is clearly identified and split in practice between a national function and regional functions. It covers operational risk, disaster recovery plans and insurance taken out to cover these risks.

The system in place for measuring and monitoring operational risk is based on a common platform applied throughout the CM-CIC group using an approach for identifying and modeling risks, whose aim is to calculate the level of capital required to be held in respect of operational risks.

Since January 1, 2010, CM-CIC has been authorized to use its advanced measurement approach to calculate its capital adequacy requirements in respect of operational risk, with the exception of the deduction of expected losses from its capital adequacy requirement and the taking into account of insurance, for the consolidated group excluding the foreign subsidiaries, Cofidis and CM-CIC Factor.

Main objectives

The operational risk management policy set up by the group is designed:

- to contribute to the group's effective management by controlling risks and the associated costs;
- from a human perspective, to protect staff, develop responsibility, autonomy and control, and leverage skills group-wide;
- from an economic standpoint, to protect margins by tightly managing risk across all activities, ensure returns on the investments made to achieve compliance with regulatory requirements, optimize capital allocated in respect of risk and adapt insurance policies to the risks identified;
- from a regulatory standpoint, to respond effectively to Basel II capital requirements and supervisory authorities' requests, develop a reliable system of internal control (CRBF 97.02), optimize disaster recovery plans for mission-critical operations and adapt financial reporting (Third Pillar of Basel II).

Role and position of the management function

The national operational risk management function coordinates and consolidates the entire procedure through deploying a dedicated team and also assists the operational risk managers in the regional groups.

The regional operational risk management function implements the risk management procedure and verifies that it is consistent with the national risk management policy.

Measurement and control procedures

For modeling purposes, the group relies mainly on the national database of internal losses, on an external database and on scenarios developed within the context of mappings and statistical work, performed in accordance with common procedures and regulatory requirements.

Homogenous risk maps broken down by business line and by risk type and objects have been drawn up for all activities, with probability-based models culled from the work of outside experts. These are validated by the operational risk technical committee. Capital adequacy requirements are calculated at national level and are then split at regional level.

Operational risk mitigation techniques include:

- preventative actions identified during the mapping process and implemented directly by operational or permanent control staff;
- safeguard initiatives, which focus on the widespread implementation of disaster recovery plans, logistics and IT solutions for all mission-critical operations in order to limit the seriousness of any incident in the event of a crisis.

A consistent group-wide crisis management process, linked to the system for interbank operations, covers crisis communication and the three phases of disaster recovery plans: emergency, business continuity and back-on-track plans.

Reporting and general oversight

Application of the operational risk management policy and risk profile is monitored using key indicators, thresholds and warnings covering the assessment of potential risks, changes in loss experience and the effectiveness of risk-reduction and financing measures. The group's executive and governance bodies are regularly provided with information on this risk data, including the requirements of CRBF 97-02.

Documentation and procedures

The group consistently applies a set of procedures that are approved by the managing bodies and are regularly updated, covering:

- governance: procedures dealing with the roles and responsibilities of the various managing, decision-making and supervisory bodies, and of the national function, the frequency and recipients of reports, the scope for the monitoring of group entities, and the methodology for the integration of subsidiaries;
- the collection of incident information: procedures laying down the rules for collecting information and controlling internal losses;
- the measurement system: procedures concerning, in particular, modeling that is probability based and drawn from the work of experts, the rules for gathering Key Risk Indicators (KRI), the basis for the allocation of capital adequacy requirements and COREP reports.

Disaster recovery plans

Disaster recovery plans are part of the back-up measures put in place by the group to limit any losses resulting from operational risk.

Disaster recovery plan guidelines, which have been drawn up by Crédit Mutuel-CIC, may be consulted by all teams concerned and are applied at the level of the regional groups.

Plans are classified into two categories:

- business-specific disaster recovery plans relate to a given banking function that is associated with one of the business lines identified in accordance with Basel II;
- cross-functional disaster recovery plans relate to activities that constitute operational support services (logistics, HR and IT issues).

Plans can be split into three components:

- emergency plan: this is triggered immediately and involves measures designed to handle emergencies and institute solutions for operating in a weakened environment;
- business continuity plan: this involves resuming activities under adverse conditions in accordance with predefined procedures;
- back-on-track plan: this is prepared shortly after the business continuity plan kicks in.

Crisis management and its organization

Crisis management procedures at the level of the group and the regions cover the most efficient organization and communications systems for handling these three phases: emergency, business continuity and back-on-track plans.

These procedures are based on:

- a crisis committee, chaired by the CEO of the bank at regional level or by the group CEO at national level, that takes the key decisions, prioritizes action plans and handles the internal and external reporting of events;
- a crisis unit that pools information, implements the decisions and provides follow-up;
- a crisis liaison team for each business line, responsible for coordinating operations on the ground together with the crisis unit. The main focus of the team's work is putting in place a disaster recovery plan until business gets back to normal.

Insurance deducted from equity

Operational risk financing programs are reviewed as and when the results of the risk assessments are available, after the application of risk-mitigation techniques, and are based on the following principles:

- insurance is taken out for insurable serious or major risks and self-insurance is developed for losses below excess levels and for intragroup risks;
- insurance is taken out for frequency risks when appropriate, or such risks are financed by withholding amounts on the operating account;
- serious risks that cannot be insured and the residual uninsured risk are recognized in the regulatory capital reserve;
- major risks arising from interbank exchange and payment systems are covered by liquidity reserves set up and allocated on an individual system basis.

CIC has a series of insurance policies covering in particular damage to goods, specific banking risks and fraud, and professional third-party liability, which it aims to utilize to reduce the consumption of regulatory capital in respect of operational risks.

Training

Each year, the group provides operational risk training for the network managers, internal controllers and operations staff responsible for monitoring these risks.

CIC's operational risk loss experience in 2011

The total amounted to €37.2 million in 2011, including €43.5 million of actual losses and €6.3 million of net provision reversals.

This total is analyzed as follows:

- fraud: €15.5 million;
- industrial relations: €1.8 million;
- human/procedural error: €8.7 million;
- legal issues: €9.5 million;
- natural disasters and systems malfunctions: €1.7 million.

Other risks

Legal risks

Legal risks are incorporated into operational risks and concern, amongst other things, the exposure to fines, penalties and damages for faults by the business in respect of its operations.

Industrial and environmental risks

Industrial and environmental risks are incorporated into operational risks and are analyzed from the perspective of systems malfunctions and the occurrence of natural disasters (100-year events, floods, earthquakes, pollution, etc.), their impact on the business and the means of prevention and protection to be put in place, notably crisis management and disaster recovery plans.

Information on Basel II Pillar 3

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

Information on capital adequacy risks

Risk management

Risk management policies and procedures implemented

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

Structure and organization of the risk management function

Within the group, the three bodies responsible for measuring, monitoring and controlling risks are the risk department, the risk committee and the risk monitoring committee.

The group's risk monitoring procedures comply with the provisions of the Order of January 19, 2010, which amended regulation 97-02 of the French Banking and Financial Regulation Committee *(Comité de la Réglementation Bancaire et Financière – CRBF)* on the risk management function, whose mission it defines.

Group risk department

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

Group risk committee

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

Group risk monitoring committee

This committee consists of members of the deliberative bodies and meets twice a year to review the group's strategic challenges in the risk area. Based on the findings presented, it makes recommendations on all decisions of a prudential nature applicable to all group entities.

The head of the risk department chairs the meetings of this committee and presents the files prepared for the various risk areas based on the work of the group risk committee. General management also participates in the meetings of this committee, which may also invite the heads of the business lines with a stake in the items on the meeting agenda.

Scope and nature of risk reporting and measurement systems

In collaboration with the various business lines, CM10-CIC's group risk department regularly produces summary management reports which review the various risks: credit, market, overall interest rate, intermediation, settlement, liquidity and operational risks. All the group's main business lines are subject to monitoring and reporting. These management reports are based mainly on the Basel II tools common to the entire group and interfaced with the accounting systems.

Composition of the capital

Regulatory capital is determined in accordance with CRBF regulation no. 90-02 of February 23, 1990.

It is split into Tier 1 and Tier 2 capital, from which certain amounts are deducted.

Tier 1 capital is determined on the basis of the consolidated equity as per the financial statements, to which "prudential filters" are applied.

These adjustments involve mainly:

- anticipating dividend payments;
- deducting goodwill and other intangible assets;
- deducting unrealized gains on equity instruments, net of the tax already deducted for accounting purposes (currency by currency) and the transfer, currency by currency, of 45% of said unrealized gains before tax to Tier 2 capital;
- adjustments are not made in respect of net unrealized losses;
- eliminating unrealized gains and losses recognized for accounting purposes directly in equity due to a cash flow hedge and those relating to other financial instruments, including debt instruments and loans and receivables.

Hybrid securities are eligible, subject to a maximum amount, for inclusion in Tier 1 capital, following the agreement of the General Secretariat of the French Prudential Supervisory Authority *(Autorité de Contrôle Prudentiel - ACP),* provided they meet the eligibility criteria stipulated in regulation no. 90-02 as amended by the Order of August 25, 2010. The securities concerned are super-subordinated securities issued in accordance with the provisions of Article L.228-97 of the French Commercial Code. There are limits on the percentage of Tier 1 capital that may consist of hybrid instruments: innovative hybrid instruments, i.e. those with strong incentives to redeem such as step-ups, may constitute only 15% of Tier 1 capital and hybrid instruments as a whole may constitute only 35% of Tier 1 capital.

Tier 2 capital consists of:

- capital arising from the issue of subordinated securities or debt which comply with the provisions of Article 4c of regulation 90-02 relating to capital (perpetual subordinated securities) or of Article 4d of said regulation (redeemable subordinated securities);
- in the case of equity instruments, 45% of unrealized capital gains transferred currency by currency before tax are recognized as Tier 2 capital;
- the positive difference between the expected losses calculated using the internal ratings-based approaches and the total of the value adjustments and collective impairment losses in respect of the exposures concerned.

In the case of the following deductions, 50% of their amount is deducted from Tier 1 capital and 50% from Tier 2 capital.

These deductions include, in particular, those elements covered by Articles 6 and 6 *quater* of regulation 90-02 relating to capital, in particular investments in non-consolidated companies representing more than 10% of the capital of a credit institution or investment firm, as well as subordinated debt and all other elements making up the equity.

They also include expected losses on equity exposures as well as expected losses on outstanding loans not covered by provisions and value adjustments, dealt with in accordance with the internal ratings-based approach.

The transitional method specified by Article 6 of CRBF regulation no. 90-02 concerning the treatment of investments in insurance companies is applied: until December 31, 2012, institutions may deduct from their capital the consolidated value of insurance company securities held, if they were acquired before January 1, 2007.

In € millions	**2011**	2010
Tier 1 capital, net of deductions	**10,838**	**11,098**
Capital	1,696	1,696
Eligible reserves	8,642	8,352
Hybrid securities retained with the ACP's agreement	2,000	2,000
Deductions from Tier 1 capital including, in particular, intangible assets	(289)	(375)
Deductions from Tier 1 capital (50%)	(1,211)	(575)
Tier 2 capital, net of deductions	**1,084**	**822**
Deductions from Tier 2 capital (50%)		(575)
Deductions from Tier 1 and Tier 2 capital	**(2,295)**	**(2,255)**
Total capital for capital adequacy ratio calculation	**10,838**	**10,815**
Risk-weighted assets in respect of credit risk	87,826	86,650
Risk-weighted assets in respect of market risk	4,237	3,780
Risk-weighted assets in respect of operational risk	7,051	7,143
Additional requirements in respect of floor levels (transitional measures)	1,182	2,978
Total risk-weighted assets	**100,296**	**100,551**
Capital adequacy ratio Total ratio	**10.8%**	**10.8%**

Hybrid securities issued by CIC

	Issue date	Issue amount	Currency	Rate
Super-subordinated securities	06.30.06	€400 million	EUR	6-month Euribor + 167 basis points
Innovative super-subordinated securities	06.30.06	€1,100 million	EUR	6-month Euribor + 107 basis points*
Super-subordinated securities	12.30.08	€500 million	EUR	3-month Euribor + 665 basis points

(*) Will change from 107 basis points to 207 basis points after ten years.

Capital adequacy

Pillar 2 of the Basel accord requires banks to carry out their own assessment of their economic capital and to use stress scenarios to assess their capital requirements in the event of an economic downturn. The effect of this pillar is to structure the dialogue between the bank and the ACP on the adequacy of the institution's capital.

The work carried out by the group to bring it into compliance with the requirements of Pillar 2 are in line with improvements being made to the credit risk measuring and monitoring procedures.

During 2008, the group introduced its internal capital assessment process in accordance with the Internal Capital Adequacy Assessment Process (ICAAP). The methods for measuring economic need have been broadened and, at the same time, management and control procedures have been drafted with the aim of defining the group's risk policy and various stress scenarios have been developed.

The difference between economic capital and regulatory capital constitutes the margin which enables the level of the group's capital to be secured. This margin depends on the group's risk profile and its degree of risk aversion.

In € millions	**2011**	2010
Capital requirements in respect of credit risk	**7,026**	**6,932**
Standardized approach		
Central governments and central banks	7	12
Credit institutions	87	96
Corporates	4,463	4,196
Retail customers	284	218
Equities	51	58
Securitization positions under the standardized approach	25	15
Other assets not corresponding to credit obligations	40	20
Internal ratings-based approach		
Credit institutions	253	323
Retail customers		
- Small and medium-sized entities	330	358
- Renewable exposures	15	3
- Real estate loans	407	423
- Other exposures to retail customers	181	235
Equities		
- Private equity *(190% weighting)*	224	194
- Listed equities *(290% weighting)*	58	97
- Other equities *(370% weighting)*	309	335
Other assets not corresponding to credit obligations	216	253
Securitization positions	76	96
Capital requirements in respect of market risk	**339**	**302**
Interest rate risk	243	195
Equity price risk	83	63
Currency risk	13	44
Capital requirements in respect of operational risk	**564**	**571**
Total capital requirements	**7,929**	**7,805**

Concentration risk

Exposures by category

In € billions	2011	Average exposure	2010
Exposure category			
Central governments and central banks	25.6	26.5	22.6
Credit institutions	39.2	40.3	50.2
Corporates	73.8	72.1	70.4
Retail customers	98.5	97.2	96.8
Equities	3.2	3.4	3.4
Securitization	4.3	5.2	6.4
Other assets not corresponding to credit obligations	3.2	3.3	3.4
TOTAL	**247.8**	**248.0**	**253.1**

At the outset, most of CIC's business was in the corporate sector. It is, however, gradually increasing its presence in the retail segment. In fact, the breakdown of its exposures shows that more than 66% of its outstandings relate to segments regarded as structurally lower risk: retail customers (40%), banks (16%) and governments (10%).

Breakdown of exposures by counterparty's country of residence

2011	**France**	**Germany**	**Other EEA member states***	**Rest of the world**	**Total**
Exposure category					
Central governments and central banks	6.9%	0.2%	2.7%	1.4%	11.2%
Credit institutions	12.1%	0.2%	1.1%	1.3%	14.7%
Corporates	24.1%	0.8%	3.1%	3.3%	31.3%
Retail customers	40.1%	0.1%	0.8%	1.8%	42.8%
TOTAL	**83.2%**	**1.3%**	**7.7%**	**7.8%**	**100.0%**
2010					
Exposure category					
Central governments and central banks	3.8%	0.3%	3.3%	2.4%	9.7%
Credit institutions	15.9%	0.4%	1.7%	1.5%	19.5%
Corporates	22.8%	0.3%	2.8%	3.2%	29.1%
Retail customers	39.3%	0.1%	0.8%	1.4%	41.6%
TOTAL	**81.8%**	**1.0%**	**8.6%**	**8.6%**	**100.0%**

(*) EEA: member states of the European Economic Area.

The change in the percentage applicable to credit institutions between 2010 and 2011 was due to the contribution of the group's interbank loans and borrowings to the parent company, BFCM, in the context of its treasury activities.

Exposures by sector

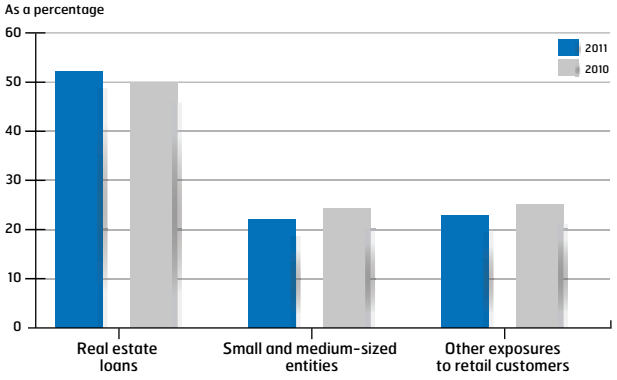
The scope for the breakdown by business sector consists of central governments and central banks, credit institutions, corporates and retail customers.

Exposure categories	**2011**	2010
Public administrations	11%	10%
Farming	1%	-
Agriculture and food	-	3%
Food and beverage	2%	-
Associations	0%	0%
Other financial activities	3%	3%
Banks and financial institutions	16%	21%
Building and construction materials	4%	3%
Industrial goods and services	3%	-
Distribution	5%	5%
Miscellaneous	3%	1%
Unincorporated businesses	3%	3%
Specialized financial	0%	2%
Holding companies and conglomerates	4%	-
Real estate	3%	2%
Automotive industry	1%	1%
Media	0%	1%
Retail	32%	30%
Oil and gas and commodities	2%	1%
Household products	1%	1%
Health	1%	1%
Utilities	1%	1%
Business services	0%	7%
Advanced technology	1%	1%
Telecommunications	0%	1%
Industrial transportation	2%	1%
Travel and leisure	1%	1%
TOTAL	**100%**	**100%**

Breakdown of retail customer portfolio

Outstanding loans to retail customers totaled €98.5 billion at December 31, 2011 compared with €96.8 billion at December 31, 2010. The following chart provides a breakdown of this portfolio by regulatory sub-category.

Breakdown of retail customer portfolio at December 31



Standardized approach

The group uses, in particular, the rating agencies' assessments to measure sovereign risk on exposures linked to central governments and central banks. The cross-reference table used to link the credit quality steps to the external ratings taken into consideration is that defined in the regulations.

Exposures under the standardized approach

2011	Weightings at:								
(in € billions)	0%	10%	20%	35%	50%	75%	100%	150%	Total
Gross exposures									
Central governments and central banks	25.0		0.1		0.4		0.1	0.0	25.6
Local and regional authorities	0.0		0.2		0.0		0.0	0.0	0.2
Credit institutions	3.2	0.5	3.8		0.3		0.1	0.1	8.0
Corporates	0.0		0.7	0.1	3.4	0.0	68.1	1.6	73.9
Retail customers			0.0	2.6	0.0	2.8	0.7	0.1	6.2
Value exposed to risk									
Central governments and central banks	24.6		0.1		0.2		0.1	0.0	25.0
Local and regional authorities	0.0		0.2		0.0		0.0	0.0	0.2
Credit institutions	3.2	0.5	3.5		0.3		0.1	0.1	7.7
Corporates	0.0		0.6	0.0	3.2	0.0	53.0	1.4	58.2
Retail customers			0.0	2.5	0.0	2.7	0.6	0.1	5.9

2010									
Gross exposures									
Central governments and central banks	22.0		0.1		0.4		0.1	0.0	22.6
Local and regional authorities	0.0		0.2				0.0	0.0	0.2
Credit institutions	2.5	0.6	5.3		0.1		0.1	0.0	8.6
Corporates	0.0		0.5		2.9		65.5	1.4	70.4
Retail customers				2.1		2.3	0.7	0.1	5.2
Value exposed to risk									
Central governments and central banks	21.9		0.1		0.2		0.1	0.0	22.3
Local and regional authorities	0.0		0.2				0.0	0.0	0.2
Credit institutions	2.5	0.6	4.7		0.1		0.1	0.0	8.0
Corporates	0.0		0.5		2.8		50.0	1.2	54.5
Retail customers				2.0		2.1	0.4	0.1	4.5

Exposures to central governments and central banks are almost exclusively weighted at 0%. The capital requirements associated with this portfolio are evidence of a limited sovereign risk for the group with regard to high-quality counterparties.

Exposures to credit institutions and customers under the standardized approach correspond to those of the foreign subsidiaries assessed under the standardized approach at this stage. The corporates category is assessed under the standardized approach with weightings of 100% or 150% depending on the weighting of the counterparty's country of residence.

Rating system

Authorization

The group has, since June 30, 2008, been authorized to use its internal credit risk rating system using the advanced method to calculate regulatory capital requirements in respect of the retail customer portfolio.

The group has also, since December 31, 2008, been authorized to use its internal rating system in respect of the bank portfolio.

The group is, for the moment, continuing to use the standardized approach in respect of the exposures of the foreign subsidiaries.

Description and control of rating system

A single rating system for the entire group
Rating algorithms and expert models have been developed to improve the group's credit risk assessment and to comply with the regulatory requirements concerning internal ratings-based approaches.

This rating system is the same as that used by the Crédit Mutuel group.

Confédération Nationale du Crédit Mutuel (CNCM) is responsible for defining the rating methodologies for all portfolios. Nevertheless, the regional entities are directly involved in carrying out and approving working parties' assignments on specific subjects and the work related to data quality and applications acceptance tests. The group's counterparty rating system is common to the entire Crédit Mutuel group.

The group's counterparties eligible for internal approaches are rated by a single system which is based on:

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

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

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

Internal rating system: formalized monitoring procedures
The quality of the rating system is monitored using national procedures which specify the topics to be reviewed, the warning thresholds and responsibilities of the personnel involved. These documents are updated by CNCM's risk department as often as is necessary based on the decisions ratified.

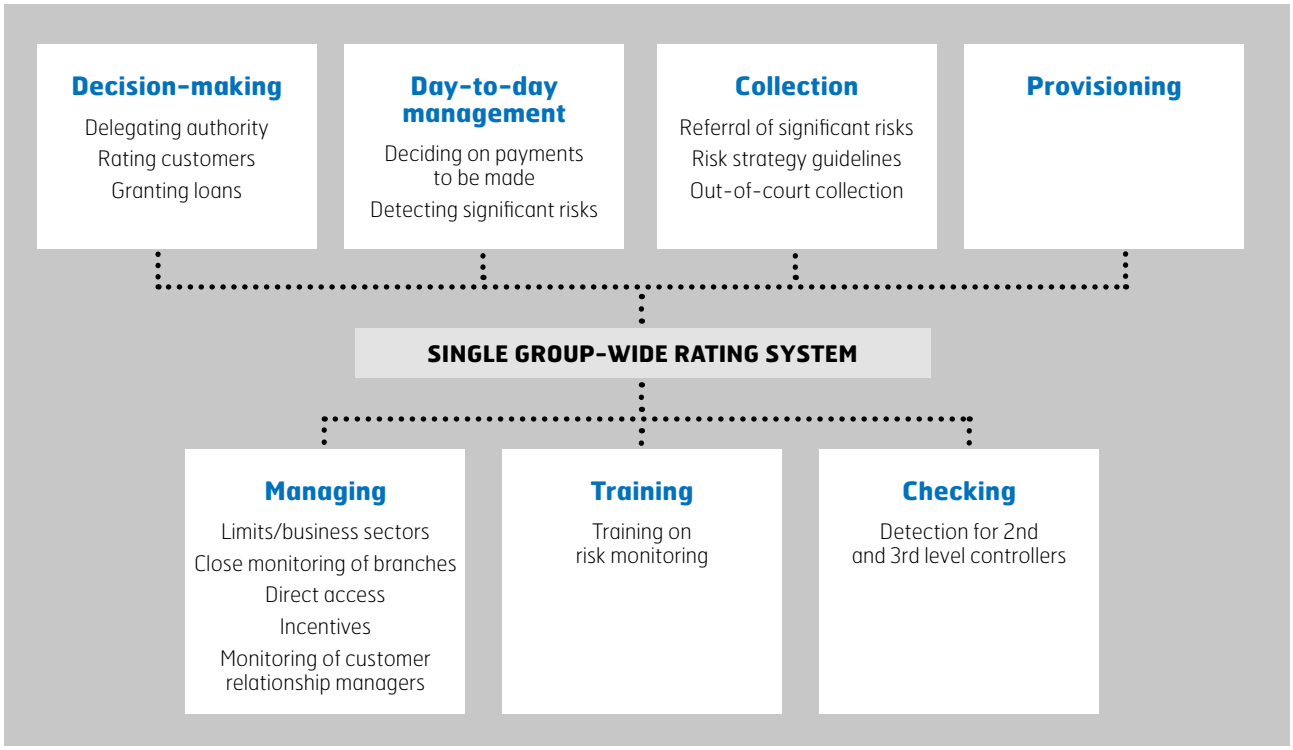
Reporting of the monitoring of the mass rating models focusses on three main aspects: stability assessment, performance and additional analyses. Reports are drawn up in respect of each mass rating model on a quarterly basis and supplemented by monitoring work and annual and half-yearly checks, which are more detailed.

The parameters used to calculate weighted risks are national and apply to all group entities. The annual monitoring of default probabilities is carried out prior to any new estimate of the regulatory parameter. This monitoring is supplemented by intermediate monitoring, carried out on a half-yearly basis. The procedures for monitoring LGD (loss given default) and CCF (credit conversion factors) are implemented on an annual basis, their main objective being to validate, at the level of each segment, the values used by these parameters. In the case of loss given default, this validation is carried out on the one hand by verifying the strength of the prudence margin calculation methods and, on the other hand, by reconciling the LGD estimators with the most recent data and actual figures. As regards the CCF, it is validated by reconciling the estimators with the most recent CCFs observed.

The internal rating system comes within the scope of both permanent control and periodic control
The group's permanent control plan concerning Basel II comprises two levels. At national level, permanent control is involved on the one hand in validating new models and significant adjustments made to existing models and, on the other hand, in the ongoing monitoring of the internal rating system (and, in particular, its parameters). At regional level, permanent control verifies the overall suitability of the internal rating system, the operational aspects related to the production and calculation of ratings, the credit risk management procedures directly related to the internal rating system and the quality of the data.

As regards periodic control, the group's audit unit carries out an annual review of the internal rating system. A framework procedure defines the type of assignments to be carried out on an ongoing basis on the Basel II procedures as well as the breakdown of responsibilities between the regional and national audit units.

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



The following measures ensure the overall consistency of the procedures:

- the circulation of national procedures by CNCM;
- communication between group entities on best practice;
- the use by almost all group entities of the same information system, determining the group's structure (same applications used throughout the group);
- reporting applications, which verify the consistency of the practices adopted.

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

Value exposed to risk (Exposure At Default: - EAD) by exposure category

Internal ratings-based approach

	2011		2010		Change 2011/2010	
In € billion	**Value exposed to risk**	**Value adjustments**	Value exposed to risk	Value adjustments	Value exposed to risk	Value adjustments
Foundation internal ratings-based approach						
Credit institutions	30.6	0.0	40.7	0.0	(10.1)	0.0
Advanced internal ratings-based approach						
Retail customers						
Revolving	*1.9*	*0.0*	*0.3*	*0.0*	*1.6*	*0.0*
Residential real estate	*48.5*	*0.3*	*47.4*	*0.3*	*1.1*	*0.0*
Other	*37.4*	*1.5*	*40.3*	*1.7*	*(2.9)*	*(0.2)*
TOTAL	**118.4**	**1.8**	**128.7**	**2.0**	**(10.3)**	**(0.2)**

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

These figures correspond to the target Basel II regulations, without taking into account the Basel I 80% threshold.

Retail - Individuals

2011 *(in € millions)*	Credit quality step	Gross exposure	Exposure At Default (EAD)	Risk Weighted Assets (RWA)	Risk Weight (RW)	Expected Loss (EL)
Real estate	1	2,931	2,879	42	1.5%	0
	2	14,686	14,479	246	1.7%	1
	3	8,044	7,945	326	4.1%	2
	4	6,733	6,661	527	7.9%	3
	5	3,163	3,124	422	13.5%	3
	6	1,642	1,594	387	24.3%	4
	7	910	901	302	33.6%	4
	8	874	869	386	44.4%	7
	9	568	565	340	60.2%	13
Revolving	1	84	38	0	0.8%	0
	2	661	329	3	0.9%	0
	3	656	353	7	2.0%	0
	4	743	441	20	4.5%	0
	5	365	237	23	9.6%	1
	6	251	170	30	17.3%	1
	7	122	88	25	27.8%	1
	8	102	81	32	39.1%	2
	9	47	40	25	62.7%	2
Other loans	1	983	898	21	2.4%	0
	2	4,125	3,921	93	2.4%	0
	3	2,962	2,814	159	5.6%	1
	4	2,808	2,675	285	10.6%	2
	5	1,698	1,615	294	18.2%	3
	6	1,268	1,067	215	20.2%	4
	7	633	611	169	27.6%	5
	8	441	433	130	30.0%	7
	9	290	284	119	41.7%	11

Retail – Other

2011 *(in € millions)*	Credit quality step	Gross exposure	Exposure At Default (EAD)	Risk Weighted Assets (RWA)	Risk Weight (RW)	Expected Loss (EL)
Real estate	1	1,463	1,441	70	4.8%	0
	2	2,155	2,131	167	7.8%	1
	3	1,330	1,313	186	14.2%	1
	4	1,018	1,003	224	22.4%	2
	5	899	887	267	30.1%	3
	6	661	654	231	35.3%	3
	7	465	462	215	46.5%	4
	8	323	322	177	55.1%	5
	9	289	288	176	61.1%	9
Revolving	1	22	11	0	2.2%	0
	2	20	11	1	4.8%	0
	3	11	7	1	8.8%	0
	4	9	5	1	11.7%	0
	5	7	4	1	16.9%	0
	6	12	8	2	25.4%	0
	7	6	4	1	35.1%	0
	8	6	4	2	47.0%	0
	9	4	3	2	65.2%	0
Other loans	1	3,679	3,376	302	8.9%	2
	2	4,096	3,833	472	12.3%	3
	3	3,233	3,019	552	18.3%	6
	4	2,806	2,606	589	22.6%	9
	5	2,883	2,644	673	25.4%	16
	6	1,894	1,743	461	26.5%	17
	7	1,898	1,740	522	30.0%	29
	8	1,079	990	364	36.8%	27
	9	920	847	386	45.6%	44

Exposures in default are not included in the above table.

The LGD (loss given default) used to calculate expected losses provides a cycle average estimate whereas the accounting information recorded relates to a given year. Consequently, a comparison of EL (expected loss) with losses for a given year is not relevant.

Trading desk counterparty risk

Counterparty risk concerns derivatives and repurchase agreements within the banking and trading portfolios.

Such transactions are entered into mainly by CM-CIC Marchés.

In this context, netting and collateral agreements have been put in place with the main counterparties, which limit exposures to counterparty risk.

Counterparty risk

Value exposed to risk in € billions	**2011**	2010
Derivatives	7.0	6.2
Repurchase agreements	0.5	0.1
TOTAL	**7.5**	**6.3**

Credit risk reduction techniques

Netting

When an entity enters into a framework agreement with a counterparty, it nets its exposures to said counterparty.

Description of the main categories of security interests in property taken into account by the institution

The group defines security interests in property as the right of the institution to liquidate, retain or obtain the transfer or ownership of certain amounts or assets such as pledged cash deposits, debt securities, equities or convertible bonds, gold, units in UCITS, life insurance policies and all types of instruments issued by a third party institution and repayable on demand.

The eligibility of security interests in property is not automatic: it is subject to prior compliance with minimum legal and operational requirements. To ensure inclusion in the credit risk reduction process, the group has implemented applications structuring the process of obtaining and monitoring guarantees.

Operational procedures describe the characteristics of the guarantees used and the procedures for dealing with warnings generated in the event of non-compliance.

In all cases, the borrower's intrinsic repayment capacity remains the paramount consideration in lending decisions.

Procedures applied with regard to the valuation and management of instruments constituting security interests in property

The procedures used to value guarantees depend on the nature of the instrument constituting the security interest in property. Generally speaking, research carried out within the group is based on statistical estimation methodologies, directly integrated into applications, based on external indices to which discounts may be applied depending on the type of asset accepted by way of guarantee. By exception, specific procedures stipulate expert valuations, particularly in the event that thresholds set for transactions are exceeded.

These procedures are drawn up at national level. Group entities are then responsible for operational management, monitoring valuations and calling guarantees.

The main categories of protection providers

Other than intra-group guarantees, the main categories of protection providers taken into account are mutual guarantee associations specializing in home loans.

Securitization

Objectives and involvement

Objectives

In connection with its capital markets activities, the group' involvement in the securitization market concerns taking investment positions with a threefold aim: return, risk taking and diversification. The risks concerned are mainly credit risks on the underlying assets and liquidity risk including, in particular, the changes in the European Central Bank's eligibility criteria. The activity is purely an investment activity relating to senior or mezzanine tranches, but which still benefit from an external rating.

In the context of specialized financing, the group assists its customers by acting as a sponsor (arranger or co-arranger) or sometimes as an investor in the context of the securitization of trade receivables. The conduit used is General Funding Ltd (GFL), which subscribes to senior units in the securitization vehicle and issues commercial paper. GFL benefits from a liquidity line granted by the group, which guarantees that it will place the conduit's commercial paper. The group is exposed mainly to credit risk on the portfolio of receivables ceded and to the risk of the capital markets drying up.

Regardless of the context of the activity, the group is not the "originator" and only acts as sponsor on an incidental basis. It does not invest in re-securitizations.

Capital markets activities: monitoring and control procedures

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

The group also monitors the credit quality of the securitization tranches on a daily basis by monitoring the ratings set by the external credit rating agencies. The actions of these agencies (upgrades, downgrades and credit watch placements) are analyzed. In addition, a quarterly summary of changes in ratings is prepared.

In the context of the counterparty limit management procedure, the following work is carried out: in-depth analysis of securitizations that have reached the group commitment approval level, analysis of certain sensitive securitizations (issued in countries that are peripheral to the eurozone or that have been significantly downgraded). It aims, in particular, to assess the level of credit enhancement of the position as well as the performance of the underlying.

In addition, a record is prepared for each securitization tranche, regardless of the approval level, summarizing the main characteristics of the tranche held, the structure and the underlying portfolio. In the case of securitizations issued on or after January 1, 2011, information about the performance of the underlyings has been added. This information is updated once a month. The agents' issue prospectuses and pre-sale documentation are also recorded and made available with the records, as well as the investor reports for the securitizations issued on or after January 1, 2011.

Finally, in 2011, the capital markets business acquired an application for measuring the impact of various scenarios on the positions (trend in prepayments, defaults and recovery rates in particular).

Credit risk hedging policies

The capital markets business traditionally involves the purchase of securities. However, the purchase of protection in the form of Credit Default Swaps may be authorized and is governed, where relevant, by the procedures set in the body of rules.

Prudential approaches and methods

Those entities authorized to use the internal ratings-based approach to credit risk apply the method based on the ratings. In all other cases, the standardized approach is used.

Accounting principles and methods

Securitization securities are recognized in the same way as other debt securities, i.e. based on their accounting classification. The accounting principles and methods are detailed in note 1 to the consolidated financial statements.

Exposures by securitization type
Exposures are stated net of provisions.

Securitization by type in € billions

	2011				2010	
	Banking portfolio		Trading portfolio	Correlation portfolio	Banking portfolio	
Net exposures	Standardized approach	Internal ratings-based approach	Internal ratings-based approach	Internal ratings-based approach	Standardized approach	Internal ratings-based approach
Investor						
- Traditional securitization	0.5	4.4	2.0		0.9	6.3
- Synthetic securitization				1.3		
- Traditional re-securitization						
- Synthetic re-securitization						
Sponsor		0.3				0.3
TOTAL	**0.5**	**4.7**	**2.0**	**1.3**	**0.9**	**6.6**

Breakdown of outstandings by credit quality step in € billions

Net exposures						
E1	0.3	1.5	1.8		0.9	2.9
E2		1.4	0.1			1.4
E3		0.0	0.0			0.1
E4		0.3	0.0			0.2
E5		0.0				0.0
E6	0.1	0.1			0.0	0.1
E7		0.1				0.1
E8	0.0	0.4			0.0	0.4
E9	0.1	0.0	0.0			0.0
E10		0.0	0.1			0.1
E11						0.0
Weighted positions at 1,250%	0.0	0.9	0.0			1.0
TOTAL	**0.5**	**4.7**	**2.0**	**1.3**	**0.9**	**6.3**

Capital requirement

TOTAL	**0.0**	**1.0**	**0.1**	**0.1**	**0.0**	**1.1**

Equities

Value exposed to risk

In € billions	2011	2010
Equities	**3.2**	**3.3**
Under internal ratings-based approach		
Private equity (190%)	1.5	1.3
Exposures to listed equities (290%)	0.3	0.4
Other exposures to equities (370%)	1.0	1.1
Under standardized approach		
Equities under standardized approach weighted at 150%	0.5	0.5
Investments in credit institutions deducted from capital	**0.2**	**0.1**
Investments in entities in the insurance sector deducted from capital	**1.1**	**1.1**
Total amount of unrealized gains and losses included in Tier 1 capital	**0.0**	**0.0**

The vast majority of the investments deducted from capital are investments in associated companies that are either credit institutions or insurance companies.

The private equity business line is broken down into i) the line covering private equity under the internal ratings-based approach for those transactions with a leverage effect, and ii) the line covering equities under the standardized approach in other cases.

Interest rate risk: banking portfolio

Those items relating to the measurement of capital requirements with regard to interest rate risk are dealt with in the section entitled "Risk management".

Market risks

Market risks are calculated on the trading portfolio. In the case of interest rate and equity risks, they result mainly from CM-CIC Marché's activities.

Counterparty risks concerning derivatives and repurchase agreements are detailed in the section entitled "Counterparty risk".

Those items relating to the measurement of capital requirements in respect of market risks are dealt with in the section entitled "Risk management".

Operational risks

Those items relating to the measurement of capital requirements in respect of operational risks are dealt with in the section entitled "Risk management".

This report also meets the disclosure requirements concerning policy and procedures implemented on the one hand and reporting systems and risk measurement on the other hand.

Description of the advanced method approach (AMA) (Article 388-1)

In connection with the implementation of the operational risk advanced method approach (AMA) for measuring capital requirements in respect of operational risks, a dedicated, independent function is responsible for managing this risk. The operational risk measurement and control procedures are based on risk mappings prepared by business line and risk type, in close collaboration with the functional departments and day-to-day risk management procedures. These mappings serve as a standardized framework for analysis of the loss experience and result in modeling drawn from the work of experts reconciled with probability-based estimates based on different scenarios.

For modeling purposes, the group relies mainly on the national database of internal losses. Information is included in this database in accordance with a national collection procedure which defines a uniform threshold of €1,000 above which each loss must be input and which governs reconciliations between the loss database and the accounting records.

In addition, the group subscribes to an external database which is used on an ongoing basis together with the methodologies for integrating this data into the operational risk measurement and analysis system.

The group's general management and reporting system incorporates the requirements of CRBF regulation 97-02. Exposures to operational risk and losses are reported to the executive body on a regular basis and at least once a year.

The group's procedures in the areas of governance, collection of loss information and its risk measurement and management systems enable it to take the appropriate corrective action. These procedures are the subject of regular checks.

Authorized use of the AMA

With effect from January 1, 2010, the group has been authorized to use the advanced method approach to calculate regulatory capital requirements in respect of operational risks (with the exception of the deduction of expected losses from its capital requirements and the taking into account of insurance) in the case of all consolidated companies except foreign subsidiaries and Factocic.

Operational risk hedging and reduction policy (Article 380d)

Operational risk mitigation techniques include:

- preventative actions identified during the mapping process and implemented directly by operational or permanent control staff;
- safeguard initiatives, which focus on the widespread implementation of disaster recovery plans that fall into two categories: business-specific disaster recovery plans which relate to a given banking function that is associated with one of the business lines identified in accordance with Basel II and the cross-functional disaster recovery plans which relate to activities that constitute operational support services (logistics, human resources and IT).

These plans can be split into three components:

- emergency plan: this is triggered immediately and involves measures designed to handle emergencies and institute solutions for operating in a weakened environment;
- business continuity plan: this involves resuming business under adverse conditions in accordance with predefined procedures;
- back-on-track plan.

An on-going national procedure deals with the methodology used in drawing up the disaster recovery plans. It constitutes a reference document accessible to all staff involved in the plans. It is applied by all the regional groups.

Use of insurance techniques (Article 388-2)

The group has developed insurance techniques covering operational risks. It did not use them in 2011 to reduce the consumption of regulatory capital.

Financial statements

Consolidated statement of financial position

Assets

(in € millions)	Notes	2011	2010
Cash and amounts due from central banks	4	3,740	5,403
Financial assets at fair value through profit or loss	5	24,639	28,601
Derivatives used for hedging purposes	6	98	127
Available-for-sale financial assets	7	17,569	20,522
Loans and receivables due from credit institutions	4	35,603	42,909
Loans and receivables due from customers	8	132,303	127,462
Remeasurement adjustment on portfolios hedged for interest rate risk	9	755	601
Held-to-maturity financial assets	10	78	91
Current tax assets	11	623	504
Deferred tax assets	12	980	767
Accruals and other assets	13	13,529	11,660
Investments in associates	14	1,403	1,375
Investment property	15	23	23
Property and equipment and finance leases (lessee accounting)	16	1,588	1,606
Intangible assets	17	265	299
Goodwill	18	87	86
TOTAL		**233,283**	**242,036**

Liabilities and equity

(in € millions)	Notes	**2011**	2010
Due to central banks	19	282	44
Financial liabilities at fair value through profit or loss	20	29,143	32,197
Derivatives used for hedging purposes	6	2,454	1,857
Due to credit institutions	19	69,576	62,586
Due to customers	21	100,207	91,326
Debt securities	22	13,491	31,627
Remeasurement adjustment on portfolios hedged for interest rate risk	9	(1,037)	(801)
Current tax liabilities	11	209	181
Deferred tax liabilities	12	224	149
Accruals and other liabilities	23	4,792	8,191
Provisions	24	903	1,080
Subordinated notes	25	3,532	3,720
Equity		9,507	9,879
Attributable to owners of the company		*9,227*	*9,568*
- Capital stock		*608*	*608*
- Additional paid-in capital		*1,088*	*1,088*
- Consolidated reserves		*7,943*	*7,133*
- Unrealized or deferred gains and losses	*26a*	*(967)*	*(376)*
- Net income for the year		*555*	*1,115*
Non-controlling interests		*280*	*311*
TOTAL		**233,283**	**242,036**

Consolidated income statement

(in € millions)	Notes	2011	2010
Interest income	28	8,851	9,575
Interest expense	28	(6,237)	(6,531)
Commission income	29	2,196	2,171
Commission expense	29	(515)	(507)
Net gain/(loss) on financial instruments at fair value through profit or loss	30	(100)	(49)
Net gain/(loss) on available-for-sale financial assets	31	(49)	133
Income from other activities	32	241	137
Expense on other activities	32	(221)	(292)
Net banking income		**4,166**	**4,637**
Payroll costs	33a	(1,607)	(1,663)
Other general operating expenses	33c	(1,036)	(985)
Depreciation and amortization	34	(167)	(178)
Operating income before provisions		**1,356**	**1,811**
Net additions to/reversals from provisions for loan losses	35	(549)	(441)
Operating income after provisions		**807**	**1,370**
Share of income/(loss) of associates	14	48	116
Net gain/(loss) on disposals of other assets	36	17	5
Income before tax		**872**	**1,491**
Corporate income tax	37	(293)	(347)
Net income		**579**	**1,144**
Non-controlling interests		24	29
NET INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY		**555**	**1,115**
Basic earnings per stock unit (in €)	38	14.69	29.94
Diluted earnings per stock unit (in €)	38	14.69	29.94

Statement of comprehensive income

(in € millions)	Notes	2011	2010
Net income		**579**	**1,144**
Translation adjustments		(5)	0
Remeasurement of available-for-sale financial assets		(563)	(141)
Remeasurement of hedging derivatives		(7)	(0)
Remeasurement of non-current assets			
Actuarial differences on defined benefit plans			
Share of unrealized or deferred gains and losses of associates		(26)	2
Total gains and losses recognized directly in equity	26b	**(601)**	**(139)**
Net income and gains and losses recognized directly in equity		**(22)**	**1,005**
Attributable to owners of the company		(37)	1,027
Non-controlling interests		15	(22)

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

Consolidated statement of changes in equity

(in € millions)	Equity attributable to owners of the company									Non-controlling interests	Total consolidated equity
	Capital stock	Additional paid-in capital	Elimination of treasury stock	Reserves[1]	Translation adjustment	Unrealized or deferred gains and losses on AFS financial assets[2]	Unrealized or deferred gains and losses on hedging instruments	Net income for the year	Total		
Equity at Jan. 1, 2010	**591**	**983**	**(55)**	**6,614**	**(34)**	**(277)**	**(10)**	**801**	**8,613**	**383**	**8,996**
Appropriation of prior-year earnings				801				(801)	0		
Dividends paid				(159)					(159)	(22)	(181)
Capital increase	17	105							122		122
Sub-total: movements arising from stockholder relations	**17**	**105**		**642**				**(801)**	**(37)**	**(22)**	**(59)**
Consolidated net income for the year								1,115	1,115	29	1,144
Changes in fair value of AFS financial assets[2]						(89)			(89)	(51)	(140)
Sub-total						**(89)**	**0**	**1,115**	**1,026**	**(22)**	**1,004**
Translation adjustments					46				46	7	53
Restructuring and internal asset sales				(1)					(1)		(1)
Impact of changes in group structure				(30)					(30)	(71)	(101)
Other movements		0		(49)					(49)	36	(13)
Equity at Dec. 31, 2010	**608**	**1,088**	**(55)**	**7,176**	**12**	**(366)**	**(10)**	**1,115**	**9,568**	**311**	**9,879**
Equity at Jan. 1, 2011	**608**	**1,088**	**(55)**	**7,176**	**12**	**(366)**	**(10)**	**1,115**	**9,568**	**311**	**9,879**
Appropriation of prior-year earnings				1,115				(1,115)	**0**		
Dividends paid				(333)					(333)	(21)	(354)
Sub-total: movements arising from stockholder relations	**0**	**0**	**0**	**782**	**0**	**0**	**0**	**(1,115)**	**(333)**	**(21)**	**(354)**
Consolidated net income for the year								555	555	24	579
Changes in fair value of AFS financial assets[2]						(579)	(8)		(587)	(9)	(596)
Sub-total						**(579)**	**(8)**	**555**	**(32)**	**15**	**(17)**
Translation adjustments					19				19	1	20
Restructuring and internal asset sales				(1)					(1)		(1)
Impact of changes in group structure				2		(4)			(2)	(26)	(28)
Other movements				8					8		8
Equity at Dec. 31, 2011	**608**	**1,088**	**(55)**	**7,967**	**31**	**(949)**	**(18)**	**555**	**9,227**	**280**	**9,507**

(1) At December 31, 2011, reserves comprised the legal reserve for €61 million, the special long-term capital gains reserve for €287 million, retained earnings for €2,627 million, other CIC reserves for €320 million and post-acquisition retained earnings for €4,672 million.
(2) AFS: Available for sale.

At December 31, 2011, CIC's capital stock comprised 38,027,493 stock units with a par value of €16 each, including 229,741 treasury stock units.

The board of directors will propose to the stockholders' meeting to be held on May 24, 2012 that a dividend of €6.50 per stock unit be paid, compared with €8.80 per stock unit paid in respect of the previous year.

Consolidated statement of cash flows

(in € millions)	**2011**	2010
Net income	579	1,144
Corporate income tax	293	347
Income before tax	**872**	**1,491**
Net depreciation/amortization expense on property and equipment and intangible assets	167	177
Impairment of goodwill and other non-current assets		1
Net additions to provisions and impairment	220	183
Share of income/loss of associates	(48)	(116)
Net loss/gain from investing activities	(59)	(13)
(Income)/expense from financing activities		
Other movements	1,524	287
Non-monetary items included in income before tax and other adjustments	**1,804**	**519**
Cash flows relating to interbank transactions	5,043	2,752
Cash flows relating to customer transactions	4,133	7,510
Cash flows relating to other transactions affecting financial assets or liabilities	(17,213)	678
Cash flows relating to other transactions affecting non-financial assets or liabilities	(5,469)	214
Taxes paid	(236)	(284)
Net decrease/(increase) in assets and liabilities from operating activities	**(13,742)**	**10,870**
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES (A)	**(11,066)**	**12,880**
Cash flows relating to financial assets and investments	**83**	**(87)**
Cash flows relating to investment property	**(2)**	**(3)**
Cash flows relating to property and equipment and intangible assets	**(130)**	**(155)**
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES (B)	**(49)**	**(245)**
Cash flows relating to transactions with stockholders[1]	**(277)**	**(60)**
Other net cash flows relating to financing activities[2]	**186**	**206**
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES (C)	**(91)**	**146**
IMPACT OF MOVEMENTS IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS (D)	**105**	**127**
Net increase/(decrease) in cash and cash equivalents (A + B + C + D)	**(11,101)**	**12,908**
Net cash flows from (used in) operating activities (A)	(11,066)	12,880
Net cash flows from (used in) investing activities (B)	(49)	(245)
Net cash flows from (used in) financing activities (C)	(91)	146
Impact of movements in exchange rates on cash and cash equivalents (D)	105	127
Cash and cash equivalents at beginning of year	**20,286**	**7,378**
Cash accounts and accounts with central banks	5,359	3,877
Demand loans and deposits - credit institutions	14,927	3,501
Cash and cash equivalents at end of year	**9,185**	**20,286**
Cash accounts and accounts with central banks	3,457	5,359
Demand loans and deposits - credit institutions	5,728	14,927
CHANGE IN CASH AND CASH EQUIVALENTS	**(11,101)**	**12,908**

(1) Cash flows relating to transactions with stockholders comprise:
- *€333 million in dividends paid by CIC to its stockholders in respect of 2010;*
- *€21 million in dividends paid to non-controlling stockholders;*
- *€64 million received from associated companies.*

(2) Other net cash flows relating to financing activities comprise:
- *the issue and redemption of bonds representing a net amount of €381 million;*
- *the redemption of subordinated notes amounting to €195 million.*

> Notes to the consolidated financial statements

The notes are expressed in millions of euros (€ millions).

Note 1 - Summary of significant accounting policies and valuation and presentation methods

Pursuant to regulation (EC) 1606/2002 on the application of international accounting standards and regulation (EC) 1126/2008 on the adoption of said standards, the consolidated financial statements for the year ended December 31, 2011 have been drawn up in accordance with IFRS as adopted by the European Union at December 31, 2011. These standards include IAS 1 to 41, IFRS 1 to 8 and any SIC and IFRIC interpretations adopted at that date. Standards not adopted by the European Union have not been applied. The financial statements are presented in accordance with CNC recommendation 2009-R.04.

All IAS and IFRS were updated on November 3, 2008 by regulation 1126/2008 that replaced regulation 1725/2003. The entire framework is available on the European Commission's website at: http://ec.europa.eu/internal_market/accounting/ias/index_en.htm

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

Standard / Interpretation	Date of application specified by the IASB (accounting periods beginning on or after)	Date of application in the EU (accounting periods beginning on or after)
IAS 32: Classification of Issue Rights	02/01/2010	02/01/2010
IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments	07/01/2010	07/01/2010
IAS 24: Related Party Disclosures	01/01/2011	01/01/2011
IFRIC 14: Prepayment of Minimum Funding Requirement	01/01/2011	01/01/2011
2010 Improvements		
IFRS 3 amendment: Business Combinations	07/01/2010	07/01/2010
IFRS 7 amendment: Financial Instruments - Disclosures	01/01/2011	01/01/2011
IAS 1 amendment: Presentation of Financial Statements	01/01/2011	01/01/2011
IFRIC 13 amendment: Customer Loyalty Programmes	01/01/2011	01/01/2011
IAS 34 amendment: Interim Financial Reporting	01/01/2011	01/01/2011
Standards and interpretations no longer applied		
IFRS 7 amendment: Disclosures - Transfers of Financial Assets	07/01/2011	07/01/2011
IAS 12 amendment: Deferred tax: Recovery of Underlying Assets	01/01/2012	Not adopted
IFRS 9: Financial Instruments	01/01/2015	Not adopted
IFRS 10: Consolidated Financial Statements	01/01/2013	Not adopted
IFRS 11: Joint Arrangements	01/01/2013	Not adopted
IFRS 12: Disclosures of Interests in Other Entities	01/01/2013	Not adopted
IFRS 13: Fair Value Measurement	01/01/2013	Not adopted
IAS 28: Investments in Associates and Joint Ventures	01/01/2013	Not adopted
IAS 19: Employee Benefits	01/01/2013	Not adopted
IAS 1 amendment: Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income	01/01/2013	Not adopted
IFRIC 20: Stripping Costs in the Production Phase of a Surface Mine	01/01/2013	Not adopted

Use of estimates in the preparation of the financial statements

Preparation of the financial statements may require the use of assumptions and estimates that are reflected in the measurement of income and expense in the income statement and of assets and liabilities in the statement of financial position, and in the disclosure of information in the notes to the financial statements.

This requires managers to draw upon their judgment and experience and make use of the information available at the date of preparation of the financial statements when making the necessary estimates. This applies in particular to:

- the impairment of debt and equity instruments;
- the use of calculation models when valuing financial instruments that are not listed on an active market and are classified in "Available-for-sale financial assets", "Financial assets at fair value through profit or loss" or "Financial liabilities at fair value through profit or loss";
- the assessment of the active nature of certain markets;
- calculation of the fair value of financial instruments that are not listed on an active market and are classified in "Loans and receivables" or "Held-to-maturity financial assets" for which this information must be provided in the notes to the financial statements;
- impairment tests performed on intangible assets;
- measurement of provisions, including retirement obligations and other employee benefits.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market and which are not intended at the time of their acquisition or grant to be sold. They include loans granted directly by the group or its share in syndicated loans, purchased loans and debt securities that are not listed on an active market. Loans and receivables are measured initially at fair value, which is usually the net amount disbursed at inception. They are subsequently carried at amortized cost using the effective interest rate method.

The interest rates applied to loans granted are deemed to represent market rates, since they are constantly adjusted in line with the interest rates applied by the vast majority of competitor banks.

The fair value of loans and receivables is disclosed in the notes to the financial statements at the end of each reporting period and corresponds to the net present value of future cash flows estimated using a zero-coupon yield curve that includes an issuer cost inherent to the debtor.

Commissions received or paid that are directly related to setting up the loan and are treated as an additional component of interest are recognized over the life of the loan using the effective interest rate method and are shown under interest items in the income statement.

Impairment of loans and receivables, financing commitments and financial guarantees given and available-for-sale or held-to maturity debt instruments

Individual impairment of loans

Impairment is recognized when there is objective evidence of a measurable decrease in value as a result of an event occurring after inception of a loan or group of loans, and which may lead to a loss. Loans are tested for impairment on an individual basis at the end of each reporting period. The amount of impairment is equal to the difference between the carrying amount and the present value of the estimated future cash flows associated with the loan, discounted at the original effective interest rate. For variable-rate loans, the last known contractual interest rate is used.

Loans on which one or more installments are more than three months past due (six months in the case of real estate loans and nine months for local authority loans) are deemed to represent objective evidence of impairment. Likewise, an impairment loss is recognized when it is probable that the borrower will not be able to repay the full amount due, when an event of default has occurred, or where the borrower is subject to court-ordered liquidation.

Impairment charges and provisions are recorded in net additions to/reversals from provisions for loan losses. Reversals of impairment charges and provisions are recorded in net additions to/reversals from provisions for loan losses for the portion relating to the change in risk and in net interest for the portion relating to the passage of time. Impairment provisions are deducted from the asset in the case of loans and receivables and the provision is recorded under provisions in liabilities for financing and guarantee commitments.

Loan losses are recorded in losses and the corresponding impairments and provisions are written back.

Collective impairment of loans (portfolio-based impairment)

Customer loans that are not individually impaired are risk-assessed on the basis of loan portfolios with similar characteristics. This assessment draws upon internal and external rating systems, the estimated probability of default, the estimated loss rate, and the amount of loans outstanding. Portfolio-based impairment is deducted from the carrying amount of the assets concerned, while any movements in impairment are included in "Net additions to/reversals from provisions for loan losses" in the income statement.

Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or a series of payments the right to use an asset for an agreed period of time.

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

An operating lease is a lease other than a finance lease.

Finance leases – lessor accounting

In accordance with IAS 17, finance lease transactions with non-group companies are included in the consolidated statement of financial position in an amount corresponding to the net investment in the lease.

In the lessor's financial statements, the analysis of the economic substance of the transaction results in the recognition of a financial receivable due from the customer. This amount is reduced in line with lease payments received, which are broken down between principal repayments and interest.

Finance leases – lessee accounting
In accordance with IAS 17, assets acquired under finance leases are included in property and equipment and an obligation in the same amount is recorded as a liability. Lease payments are broken down between principal repayments and interest.

Financial guarantees and financing commitments given

Financial guarantees are treated like an insurance policy when they provide for specified payments to be made to reimburse the holder for a loss incurred because a specified debtor fails to make payment on a debt instrument on the due date.

In accordance with IFRS 4, these financial guarantees are still measured using French GAAP, pending an addition to the standards to enhance the current mechanism. Consequently, these guarantees are subject to a provision in liabilities in the event of a likely outflow of resources.

By contrast, financial guarantees that provide for payments in response to changes in a financial variable (price, credit rating or index, etc.) or a nonfinancial variable, provided that in this event the variable is not specific to one of the parties to the agreement, fall within the scope of application of IAS 39. These guarantees are thus treated as derivatives.

Financing commitments that are not regarded as derivatives within the meaning of IAS 39 are not shown in the statement of financial position. However, a provision is made in accordance with IAS 37.

Purchased securities

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

Held-to-maturity financial assets

Classification
Held-to-maturity financial assets are financial assets listed on an active market, with fixed or determinable payments that the group has the positive intention and ability to hold to maturity, other than those that the group has designated at fair value through profit or loss or as available for sale. The positive intention and ability to hold to maturity are assessed at the end of each reporting period.

Basis for recognition and measurement of related income and expenses
Held-to-maturity investments are recognized at fair value upon acquisition. Transaction costs are deferred and included in the calculation of the effective interest rate. Held-to-maturity investments are subsequently measured at amortized cost using the effective interest rate method, which builds in the actuarial amortization of premiums and discounts (corresponding to the difference between the purchase price and redemption value of the asset).

Income earned from this category of investments is included in "Interest income" in the income statement.

Should a credit risk arise, impairment on held-to-maturity financial assets is calculated in the same way as for loans and receivables.

Available-for-sale financial assets

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

Basis for recognition and measurement of related income and expenses
Available-for-sale financial assets are carried at fair value until disposal. Changes in fair value are shown on the "Unrealized or deferred gains and losses" line within a specific equity account. On disposal or recognition of an impairment in value, the unrealized gains and losses recorded in equity are transferred to the income statement. Purchases and sales are recognized at the settlement date.

Income derived from fixed-income available-for-sale securities is recognized in the income statement under "Interest income", using the effective interest method. Dividend income relating to variable-income available-for-sale securities is taken to income under "Net gain/(loss) on available-for-sale financial assets".

Impairment of available-for-sale debt instruments
An impairment loss is recognized when there is objective evidence of impairment as a result of an event occurring after the initial recognition of the debt instrument, which may lead to a loss.

Impairment losses are recognized in "Net additions to/reversals from provisions for loan losses" and are reversible. In the event of impairment, any unrealized or deferred gains or losses are written back to the income statement.

Impairment of available-for-sale equity instruments
An equity instrument is impaired when there exists objective evidence of impairment, either in the event of:

a) a significant or lasting decline in the fair value to below cost; or

b) the existence of information on significant changes that have a negative impact and have arisen in the technological environment prevailing in the economic or legal market in which the issuer operates and which indicates that the cost of the investment may not be recovered.

In the case of an equity instrument, the loss of at least 50% of its value compared with its acquisition cost or a loss of value lasting more than 36 consecutive months implies an impairment. Such instruments are analyzed on a line-by-line basis. Judgment must also be exercised for securities that do not meet the above criteria but for which it is considered that recovery of the amount invested in the near future cannot reasonably be expected.

Impairment is recognized under "Net gain/(loss) on available-for-sale financial assets" and is irreversible so long as the instrument is carried in the statement of financial position. Any subsequent impairment is also recognized in the income statement. In the event of impairment, any unrealized or deferred gains or losses are written back to the income statement.

Financial instruments at fair value through profit or loss

Classification
Financial instruments at fair value through profit or loss comprise:

a) financial instruments held for trading purposes, consisting mainly of instruments that:

- were acquired or incurred principally for the purpose of selling or repurchasing them in the near term; or
- are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- represent derivatives not classified as hedges.

b) financial instruments designated at inception as at fair value through profit or loss in accordance with the fair value option provided by IAS 39, for which application guidance was given in the amendment published in June 2005. The fair value option is designed to help entities produce more relevant information, by enabling:

- certain hybrid instruments to be measured at fair value without separating out embedded derivatives whose separate measurement would not have been sufficiently reliable;
- a significant reduction in accounting mismatches between certain assets and liabilities;
- a group of financial assets and/or liabilities to be managed and monitored for performance in accordance with a risk management or investment strategy on a fair value basis. This category mainly includes all securities held in the private equity portfolio.

Basis for recognition and measurement of related income and expenses
Financial instruments included in this category are recognized in the statement of financial position at fair value up to the date of their disposal. Changes in fair value are taken to the income statement under "Net gain/(loss) on financial instruments at fair value through profit or loss". Income earned on fixed-income securities in this category is included in the income statement under "Interest income". Purchases and sales of securities at fair value through profit or loss are recognized on the settlement date. Any changes in fair value between the transaction date and settlement date are recognized in the income statement. Fair value also incorporates an assessment of counterparty risk on these securities.

Fair value
Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. The fair value of an instrument upon initial recognition is generally its transaction price.

If the instrument is traded on an active market, the best estimate of fair value is the quoted price.

The appropriate quoted market price for an asset held or liability to be issued is usually the current bid price, and for an asset to be acquired or liability held, the ask price.

When the bank has assets and liabilities with offsetting market risks, the net position is valued at the bid price for a net asset held or a net liability to be issued and at the ask price for a net asset to be acquired or liability held.

A market is deemed to be active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions in very similar instruments carried out on an arm's length basis.

If the market for a financial instrument is not active, fair value is established using a valuation technique.

Derivatives are remeasured based on available observable market data such as yield curves to which the bid/ask price is then applied.

A multi-criteria approach is adopted to determine the value of securities held in the private equity portfolio, backed by historical experience of valuing unlisted companies.

Financial instruments at fair value through profit or loss - derivatives

A derivative is a financial instrument:

a) whose fair value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, credit rating or credit index, or other variable – sometimes called the "underlying";

b) which requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts exhibiting a similar response to changes in the underlying;

c) which is settled at a future date.

Derivatives are classified as financial instruments held for trading except when they are part of a designated hedging relationship.

Derivatives are recorded in the statement of financial position under financial instruments at fair value through profit or loss. Changes in fair value and interest accrued or payable are recognized in "Net gain/(loss) on financial instruments at fair value through profit or loss".

Derivatives qualifying for hedge accounting in accordance with IAS 39 are classified as fair value hedges or cash flow hedges, as appropriate. All other derivatives are classified as trading items, even if they were contracted for the purpose of hedging one or more risks.

Embedded derivatives

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

Embedded derivatives are separated from the host contract and accounted for as a derivative at fair value through profit or loss provided that they meet the following three conditions:

- the hybrid instrument hosting the embedded derivative is not measured at fair value through profit or loss;
- the economic characteristics and associated risks of the embedded derivative are not closely related to those of the host contract;
- the separate measurement of the embedded derivative is sufficiently reliable to provide useful information.

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

Structured products are products created by bundling basic instruments – generally options – to exactly meet customer needs. CIC offers various categories of structured products based on plain vanilla options, binary options, barrier options, Asian options, lookback options, options on several assets and index swaps.

There are three main methods of valuing these products: methods consisting of solving a partial differential equation, discrete time tree methods and Monte Carlo methods. CIC uses the first and third methods. The analytical methods used are those applied by the market to model the underlyings.

The valuation parameters applied correspond to observed values or values determined using a standard observed values model at the end of the reporting period. If the instruments are not traded on an organized market, the valuation parameters are determined by reference to the values quoted by the most active dealers in the corresponding products or by extrapolating quoted values. All the parameters used are based on historical data. The parameters applied to measure the value of unquoted forward financial instruments are determined using a system that provides a snapshot of market prices. Every day, at a fixed time, the bid and ask prices quoted by several market players, as displayed on the market screens, are recorded in the system. A single price is fixed for each relevant market parameter.

Certain complex financial instruments – mainly customized equity barrier options with single or multiple underlyings presenting low levels of liquidity and long maturities – are measured using internal models and valuation inputs such as long volatilities, correlations, and expected dividend flows where no observable data can be obtained from active markets. Upon initial recognition, these complex financial instruments are recorded in the statement of financial position at their transaction price, which is deemed to be the best indication of fair value even though the result of the model-based valuation may differ. The difference between the price at which a complex instrument is traded and the value obtained from internal models, which generally represents a gain, is known as "day one profit". IFRS prohibit the recognition of a margin on products valued using models and parameters that are not observable on active markets. The margin is therefore deferred. The margin realized on options with a single underlying and no barrier is recognized over the life of the instrument. The margin on products incorporating barrier options is recognized upon maturity of the structured product, due to the specific risks associated with the management of these barriers.

Reclassification of debt instruments

Fixed-income securities or debt instruments classified at fair value through profit or loss may be reclassified in other categories as follows:

a) held-to-maturity, only in rare cases, in the event of a change in the management intention, and provided that they satisfy the eligibility conditions for this category;

b) loans and receivables in the event of a change in the management intention, the capacity to hold the security for the foreseeable future or until maturity and provided that they satisfy the eligibility conditions for this category;

c) available for sale in rare cases.

Fixed-income securities or available-for-sale debt instruments may be reclassified in other categories as follows:

a) held-to-maturity in the event of a change in the management intention or capacity, and provided that they satisfy the eligibility conditions for this category;

b) loans and receivables if there is the intention and capacity to hold the financial asset for the foreseeable future or until maturity and provided that they satisfy the eligibility conditions for this category.

In the event of a transfer, the fair value of the financial asset on its reclassification date becomes its new cost or amortized cost. Gains or losses recognized prior to the transfer date cannot be reversed.

In the event of a transfer from the "available-for-sale" category into either the "held-to-maturity" or "loans and receivables" category of debt instruments with a fixed maturity date, unrealized gains and losses previously deferred into equity are amortized over the asset's residual life. In the event of a transfer of debt instruments with no fixed maturity date into loans and receivables, unrealized gains and losses previously deferred are maintained in equity until the securities are sold.

Fair value hierarchy of financial instruments

There are three levels of fair value of financial instruments, as defined by IFRS 7:

- level 1: prices quoted on active markets for identical assets or liabilities;
- level 2: data other than the level 1 quoted prices, which are observable for the asset or liability concerned, either directly (i.e. prices) or indirectly (i.e. data derived from prices);
- level 3: data relating to the asset or liability that are not based on observable market data (non-observable data). Given the diversity of the instruments and the reasons for their inclusion in this category, the calculation of the sensitivity of the fair value to the change in the parameters would provide information of little relevance. This category comprises mainly investments in non-consolidated companies and the private equity business line.

Hedge accounting

IAS 39 permits three types of hedging relationship. The hedging relationship is selected on the basis of the type of risk being hedged. A fair value hedge is a hedge of the exposure to changes in fair value of a financial asset or liability and is mainly used to hedge the interest rate risk on fixed-rate assets and liabilities and on demand deposits, as permitted by the European Union. A cash flow hedge is a hedge of the exposure to variability in cash flows relating to a financial asset or liability, firm commitment or future transaction. Cash flow hedges are used in particular for interest rate risk on variable-rate assets and liabilities, including rollovers, and for foreign exchange risk on highly probable foreign currency revenues. Hedges of a net investment in a foreign operation are a special type of cash flow hedge.

At the inception of the hedge, the group documents the hedging relationship, i.e. that between the item being hedged and the hedging instrument. This documentation describes the management objectives of the hedging relationship, as well as the underlying strategy, type of risk covered, the hedged item and hedging instrument, and the methods used to assess the effectiveness of the hedging relationship.

Hedge effectiveness is assessed at the inception of the hedge and subsequently at least at the end of each reporting period.

The ineffective portion of the hedge is recognized in the income statement under "Net gain/(loss) on financial instruments at fair value through profit or loss".

Fair value hedges

In a fair value hedge, changes in the fair value of the derivative instrument are taken to income under "Interest income/expense – derivatives used for hedging purposes" symmetrically with the change in interest income/expense of the hedged item.

In a fair value hedging relationship, the derivative instrument is measured at fair value through profit or loss under "Net gain/(loss) on financial instruments at fair value through profit or loss" symmetrically with the remeasurement of the hedged item to reflect the hedged risk. This rule applies when the hedged item is recognized at amortized cost or is classified as available-for-sale. If the hedging relationship is fully effective, any changes in the fair value of the hedging instrument will offset changes in the fair value of the item hedged.

Hedges must be deemed to be highly effective to qualify for hedge accounting. The change in the fair value or cash flows of the hedging instrument must offset the change in the fair value or cash flows of the item hedged within a range of 80% to 125%.

If the hedging relationship is broken or no longer fulfills the hedge effectiveness criteria, hedge accounting is discontinued on a prospective basis. The related derivatives are transferred to the trading book and accounted for using the treatment applied to this asset category. The carrying amount of the hedged item in the statement of financial position is no longer adjusted to reflect changes in fair value and the cumulative adjustment recorded in respect of the hedging transactions is amortized over the remaining life of the item hedged. If the hedged item no longer appears in the statement of financial position, in particular due to early repayments, the cumulative adjustment is taken immediately to income.

Fair value hedge accounting for a portfolio hedge of interest-rate risk

In October 2004, the European Union amended IAS 39 to allow demand deposits to be included in portfolios of liabilities contracted at fixed rates. This method is applied by the group.

At the end of each reporting period, CIC verifies that the hedging contracted for each portfolio of assets and liabilities is not excessive.

The maturity of the liability portfolio is modeled by asset-liability management.

Changes in the fair value of a portfolio hedge of interest-rate risk are recognized on a specific line of the statement of financial position, under "Remeasurement adjustment on interest-rate risk hedged portfolios", with the offsetting entry in income.

Cash flow hedges

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

The amounts recognized in equity are reclassified into profit and loss under "Interest income/expense" in the same period or periods during which the cash flows attributable to the hedged item affect profit or loss. The hedged items continue to be accounted for using the treatment applicable to the asset category to which they belong.

If the hedging relationship is broken or no longer fulfills the hedge effectiveness criteria, hedge accounting is discontinued. The cumulative amounts recognized in equity as a result of the remeasurement of the hedging instrument remain in equity until the hedged transaction itself impacts income, or until the transaction is no longer expected to occur, at which point said amounts are transferred to the income statement.

Regulated savings

Home savings accounts *(comptes d'épargne logement* - "CEL") and home savings plans (plans d'épargne logement - "PEL") are government-regulated retail products sold in France. Account holders receive interest on amounts paid into these accounts over a certain period (initial savings phase), at the end of which they are entitled to a mortgage loan (secondary borrowing phase). For the distributing establishment, they generate two types of obligation:

- to pay interest in the future on paid-in amounts at a fixed rate (in the case of PEL accounts only, as interest payable on CEL accounts is regularly revised on the basis of an indexation formula and is therefore treated as a variable rate);
- to grant loans to customers at their request, at a rate set on inception of the contract (both PEL and CEL products).

The cost represented by these obligations has been estimated on the basis of behavioral statistics and market data. A provision is recognized in liabilities to cover the future costs relating to the risk that the terms of such products may be potentially unfavorable to the bank, i.e. where the bank offers different interest rates than those on similar non-regulated products. This approach is managed based on generations of regulated PEL savings products with similar characteristics. The impact on income is included in interest paid to customers.

Debt securities

Debt securities are initially recognized at fair value – which is generally the net amount received – and subsequently measured at amortized cost using the effective interest method.

Certain "structured" debt instruments may contain embedded derivatives, which are isolated from the host contract when they meet the criteria for separate recognition and can be measured reliably.

The host contract is subsequently measured at amortized cost. Fair value is based on quoted market prices or valuation models.

Property and equipment and intangible assets

Property and equipment and intangible assets shown in the statement of financial position comprise assets used in operations and investment property. Assets used in operations are those used in the provision of services or for administrative purposes. They include assets other than property leased under operating leases. Investment property comprises real property held to earn rentals or for capital appreciation, or both. Investment property is accounted for at cost, in the same way as assets used in operations.

Property and equipment and intangible assets are recognized at acquisition cost plus any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Borrowing costs incurred in the construction or adaptation of property assets are not capitalized.

Subsequent to initial recognition, property and equipment and intangible assets are measured at amortized cost, which represents cost less accumulated depreciation, amortization and any accumulated impairment losses.

The depreciable amount is cost less residual value, net of costs to sell. Property and equipment and intangible assets are presumed not to have a residual value as their useful lives are generally the same as their economic lives.

Depreciation and amortization is calculated on a straight-line basis over the estimated useful life of the assets, based on the manner in which the economic benefits embodied in the assets are expected to be consumed by the entity.

Intangible assets that have an indefinite useful life are not amortized.

Depreciation and amortization on property and equipment and intangible assets is recognized in "Depreciation, amortization and impairment" in the income statement.

Where an asset consists of a number of components that may require replacement at regular intervals, or that have different uses or different patterns of consumption of economic benefits, each component is recognized separately and depreciated using a depreciation method appropriate to that component.

CIC has adopted the component approach for property used in operations and investment property. These items are depreciated over the following useful lives:

- 40-80 years for the shell;
- 15-30 years for structural components;
- 10-25 years for equipment;
- 10 years for fixtures and fittings.

Leasehold rights paid are not amortized but are tested for impairment. New occupancy fees paid to the owner are amortized over the life of the lease as additional rent. Other intangible items (e.g. acquired customer contract portfolios) are amortized over a period of nine or ten years.

Depreciable and amortizable assets are tested for impairment when evidence exists at the end of the reporting period that the items may be impaired. Non-depreciable and non-amortizable non-current assets are tested for impairment at least annually.

If there is an indication of impairment, the recoverable amount of the asset is compared with its carrying amount. If the asset is found to be impaired, an impairment loss is recognized in income, and the depreciable amount is adjusted prospectively. This loss is reversed in the event of a change in the estimated recoverable amount or if there is no longer an indication of impairment. Impairment is recognized under "Depreciation, amortization and impairment" in the income statement.

Gains and losses on disposals of non-current assets used in operations are recognized in the income statement in "Net gain/(loss) on disposals of other assets".

Gains and losses on disposals of investment property are shown in the income statement under "Income from other activities" or "Expense on other activities".

Corporate income tax

This item includes all current or deferred income taxes.

Current income tax is calculated based on the applicable tax regulations.

Deferred taxes

In accordance with IAS 12, deferred taxes are recognized for temporary differences between the carrying amount of assets and liabilities and their tax basis, except for goodwill and fair value adjustments on intangible assets that cannot be sold separately from the acquired business.

Deferred taxes are calculated using the liability method, based on the latest enacted tax rate applicable to future periods.

Net deferred tax assets are recognized only in cases where their recovery is considered highly probable.

Current and deferred taxes are recognized as tax income or expense, except deferred taxes relating to unrealized or deferred gains and losses, which are taken directly to equity.

Non-recoverable taxes payable on probable or certain dividend payments by consolidated companies are taken into account.

Provisions

A provision is recognized when it is probable that an outflow of resources embodying economic benefits will be required to settle an obligation arising from a past event, and a reliable estimate can be made of the amount of the obligation. This amount is discounted in order to determine the amount of the provision.

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

Employee benefits

Employee benefits are accounted for in accordance with IAS 19. Where appropriate, a provision is set aside for such benefits, recognized within "Provisions". Any movements in the provision are taken to income within "Payroll costs".

Post-employment benefits covered by defined benefit plans

These relate to retirement, early retirement and supplementary retirement plans for which the group has a legal or constructive obligation to provide certain benefits to its employees.

These obligations are calculated using the projected unit credit method, which consists in attributing benefits to periods of service in line with the plan's benefit formula, which is then discounted based on demographic and financial assumptions. The group uses the following assumptions to calculate its employee benefit obligations:

- a discount rate determined by reference to the market yield on long-term bonds issued by top-tier corporates at the end of the reporting period;
- the expected salary inflation rate is measured based on a long-term estimate of inflation and actual salary increases;
- employee turnover, calculated for each age band;
- retirement age, estimated separately for each individual based on the actual or approximate date on which employment first commenced and on assumptions related to the law on pension reform, with a maximum age of 67 at retirement;
- the INSEE TH/TF 00-02 life expectancy table.

The effect of changes in these assumptions and experience adjustments (the effects of differences between the previous assumptions and actual outcomes) gives rise to actuarial gains and losses.

Plan assets are measured at fair value and the expected return on these assets is recognized in the income statement. The difference between the expected return on plan assets and the actual return gives rise to an actuarial gain or loss.

The group has chosen to immediately recognize actuarial gains and losses in the current-year income statement in the form of provisions, with no deferral over the remaining active lives of employees.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized in the income statement when they occur.

Supplementary pensions covered by pension funds

Under the terms of the AFB transitional agreement dated September 13, 1993, the banking industry pension schemes were discontinued and bank employees joined the government-sponsored ARRCO and AGIRC schemes effective from January 1, 1994. The four pension funds to which CIC group banks contributed were merged. They pay the various benefits covered by the transitional agreement. In the event that fund assets are not sufficient to cover these benefit obligations, the banks are required to make additional contributions. The average contribution rate for the next ten years is capped at 4% of the payroll. The pension fund resulting from mergers was converted into an IGRS, a French supplementary pension management institution, in 2009. It does not have an asset shortfall.

Other post-employment benefits covered by defined benefit plans

Provisions are set aside in the financial statements of the individual group companies for obligations in relation to retirement bonuses and supplementary pensions (including special retirement regimes). They are measured on the basis of the vested benefit entitlements of active employees. Staff turnover rates taken into account in the calculation correspond to the rates observed in each individual group entity. Account is also taken of projected future salary levels and the related payroll taxes. At least 60% of the obligations of the group's French banks relating to retirement bonuses are covered by insurance taken out with ACM Vie, a Crédit Mutuel group insurance company which is consolidated by CIC under the equity method.

Defined contribution post-employment benefits
Group entities pay into a number of retirement schemes managed by third parties. Under these schemes, group entities have no legal or constructive obligation to pay further contributions, in particular where plan assets are inadequate to fund future obligations.

As these schemes do not represent an obligation for the group, no provision is recorded and the related expenses are recognized in the income statement in the period in which the contribution is due.

Other long-term benefits
Other long-term benefits are employee benefits (other than post-employment benefits and termination benefits) which fall due more than 12 months after the end of the period in which the employees render the related services, such as long-service awards or time savings accounts.

The group's obligation in respect of other long-term benefits is measured using the projected unit credit method. However, as the corridor approach is not permitted, actuarial losses are taken to the income statement as and when they arise.

Employees are granted long-service awards after 20, 30, 35 and 40 years of service. A provision is set aside for these awards.

Termination benefits
These benefits are granted by the group following the decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy in exchange for such benefits. The related provisions are discounted when payment falls due more than twelve months after the end of the reporting period.

Short-term employment benefits
Short-term employee benefits are employee benefits (other than termination benefits) which fall due wholly within twelve months of the end of the reporting period, such as wages and salaries, social security contributions and certain bonuses.

An expense is recognized in respect of these benefits in the period in which the services giving rise to the benefits were provided to the entity.

Debt-equity distinction

Financial instruments issued by the group are classified as debt instruments when the group has a contractual obligation to deliver cash to holders of the instruments and when the remuneration of these instruments is not discretionary. This is the case with subordinated notes issued by the group.

Translation of assets and liabilities denominated in a foreign currency

Assets and liabilities denominated in a currency other than the local currency are translated at the year-end exchange rate.

Monetary financial assets and liabilities: foreign currency gains and losses on the translation of such items are recognized in the income statement under "Net gain/(loss) on financial instruments at fair value through profit or loss".

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

When consolidated investments denominated in a foreign currency are financed by a loan taken out in the same currency, the loan concerned is covered by a cash flow hedge.

Differences arising from the retranslation at the year-end rate of the opening capital stock, reserves and retained earnings are recorded as a separate component of equity, under "Cumulative translation adjustment". The income statements of foreign subsidiaries are translated into euros at the average exchange rate for the year, and the resulting translation differences are recorded under "Cumulative translation adjustment". On liquidation or disposal of some or all of the interests held in a foreign entity, the corresponding portion of this cumulative translation adjustment is recognized through the income statement.

Insurance company contracts

The accounting policies and measurement methods specific to assets and liabilities arising on insurance contracts have been drawn up in accordance with IFRS 4. They apply also to reinsurance contracts issued or subscribed, and to financial contracts with a discretionary profit-participation feature. Other assets held and liabilities issued by insurance companies are accounted for in accordance with the rules applicable to the group's other assets and liabilities.

Assets

Financial assets, investment property and property and equipment and intangible assets comply with the accounting methods described elsewhere. However, financial assets representing technical provisions related to unit-linked business are shown in "Financial assets at fair value through profit or loss".

Liabilities

Insurance liabilities, which represent commitments to subscribers and beneficiaries, are included under the heading "Insurance companies' technical provisions". They continue to be measured, recorded and consolidated in accordance with French GAAP.

The technical provisions in respect of life insurance contracts consist mainly of mathematical provisions corresponding generally to the contracts' surrender values. The risks covered are mainly death, disability and incapacity for work (for credit insurance).

The technical provisions related to unit-linked business are measured, at the end of the reporting period, on the basis of the realizable value of the assets underlying these contracts.

The provisions related to non-life insurance contracts correspond to unearned premiums (portion of the premiums issued relating to subsequent periods) and to outstanding claims.

Those insurance contracts with a discretionary profit-participation feature are subject to "shadow accounting". The resulting provision represents the policyholders' share of the capital gains and losses arising on the assets. These deferred profit-participation reserves are recognized on the liabilities or assets side of the statement of financial position, by legal entity, and there is no offsetting between group entities. On the assets side, they are presented under a specific heading.

At the end of the reporting period, an adequacy test is performed on the liabilities recognized on these contracts (net of related other assets and liabilities such as deferred acquisition costs and acquired portfolios). This test ensures that the recognized insurance liabilities are adequate to cover estimated future cash flows under insurance contracts. If the test reveals that the technical provisions are inadequate, the deficiency is recognized in the income statement. It may subsequently be reversed, where appropriate.

Income statement

The income and expenses recognized in respect of the insurance contracts issued by the group are included within "Income from other activities" and "Expenses on other activities". The income and expenses in respect of the insurance entities' proprietary activities are recognized under the headings relating to them.

Non-current assets held for sale and discontinued operations

A non-current asset (or group of assets) is classified in this category if it is held for sale and it is highly probable that the sale will occur within twelve months of the end of the reporting period.

The related assets and liabilities are shown separately in the statement of financial position, on the lines "Non-current assets held for sale" and "Liabilities associated with non-current assets held for sale". Items in this category are measured at the lower of their carrying amount and fair value less costs to sell, and are no longer depreciated/ amortized.

When assets held for sale or the associated liabilities become impaired, an impairment loss is recognized in the income statement.

Discontinued operations include operations that are held for sale or which have been shut down, and subsidiaries acquired exclusively with a view to resale. All gains and losses related to discontinued operations are shown separately in the income statement, on the line "Post-tax gain/(loss) on discontinued operations and assets held for sale".

Basis of consolidation

Goodwill

In accordance with IFRS 3R, when CIC acquires a controlling interest in a new entity, said entity's identifiable assets, liabilities and contingent liabilities that meet the criteria for recognition under IFRS are measured at fair value at the acquisition date, with the exception of non-current assets classified as assets held for sale, which are recognized at fair value net of selling costs. IFRS 3R permits the recognition of full goodwill or partial goodwill and the choice of method is made separately for each business combination. In the case of full goodwill, non-controlling interests are measured at fair value, whereas in the case of partial goodwill, they are measured based on their share of the values attributed to the assets and liabilities of the acquired entity. If goodwill is positive, it is recognized as an asset and, if negative, it is recognized immediately in the income statement under "Positive net effect of business combinations".

If the group's stake in an entity it already controls, and which it continues to control, increases/decreases, the difference between the acquisition cost/selling price of the stock and the portion of consolidated equity that said stock represent on the acquisition/sale date is recognized within equity.

Goodwill is presented on a separate line of the statement of financial position when it relates to fully-consolidated companies and under the heading "Investments in associates" when it relates to equity-accounted companies.

Goodwill does not include direct expenses associated with acquisitions, which are required to be expensed under IFRS 3R.

Goodwill is tested for impairment regularly and at least once a year. The tests are designed to identify whether goodwill has suffered a prolonged decline in value. If the recoverable amount of the cash-generating unit (CGU) to which goodwill has been allocated is less than its carrying amount, an impairment loss is recognized for the amount of the difference. These losses – which are recognized through the income statement – cannot be reversed. In practice, cash-generating units are defined on the basis of the group's business lines.

Fair value adjustments

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

Intercompany transactions and balances

Intercompany transactions and balances as well as gains on intercompany sales are eliminated whenever the amounts involved are material with regard to the consolidated financial statements.

Intercompany receivables, payables, reciprocal commitments, and income and expenses between fully or proportionally consolidated companies are also eliminated.

Foreign currency translation

The statements of financial position of foreign subsidiaries are translated into euros at the official year-end exchange rate. Differences arising from the retranslation at the year-end rate of the opening capital stock, reserves and retained earnings are recorded as a separate component of equity, under "Cumulative translation adjustment". The income statements of foreign subsidiaries are translated into euros at the average exchange rate for the year, and the resulting differences are recorded under "Cumulative translation adjustment". On liquidation or disposal of some or all of the interests held in a foreign entity, these amounts are recognized through the income statement.

As allowed by IFRS 1, the balance of cumulative translation adjustments was reset to zero in the opening statement of financial position.

Non-controlling interests

Non-controlling interests correspond to interests that do not confer control as defined by IAS 27 and include partnership interests that entitle their holders to a share in the net assets in the event of liquidation and other equity instruments issued by subsidiaries that are not held by the group.

Consolidation scope

Companies that are controlled exclusively by CIC are fully consolidated. Exclusive control is considered as being exercised in cases where the group holds a majority of the stock, directly or indirectly, and either the majority of the voting rights or the power to appoint the majority of members of the board of directors, management board or supervisory board, or when the group exercises a dominant influence.

Special purpose entities (SPE) are consolidated if they meet the conditions for consolidation set out in SIC 12 (where the entity's activities are conducted exclusively on behalf of the group; the group has the decision-making powers to obtain the majority of the benefits of the activities of the SPE; the group has rights to obtain the majority of benefits; the group retains the majority of the risks related to the SPE).

Entities controlled exclusively by the group are included in the consolidation scope when their full consolidation individually affects at least 1% of the main consolidated statement of financial position and income statement items. Subsidiaries that are not consolidated must represent on aggregate less than 5% of the main consolidated statement of financial position and income statement items. However, smaller entities may be included in the consolidated group if (i) CIC considers they represent a strategic investment; (ii) one of their core businesses is the same as that of the group; or (iii) they hold stock in consolidated companies.

Companies over which the group exercises significant influence are accounted for using the equity method (associates). Significant influence is considered as being exercised in cases where CIC holds at least 20% of the voting rights, directly or indirectly.

Companies that are 20%-50% owned by the group's private equity businesses and over which the group has joint control or exercises significant influence are excluded from the scope of consolidation and accounted for under the fair value option.

Note 2 - Analysis of income statement items by business segment and geographic area

- Retail banking covers:

  a) the banking network comprised of the regional banks and CIC's network in the Greater Paris region (Ile-de-France);

  b) the specialist business lines whose products are distributed via the banking network. These include equipment leasing, real estate leasing, factoring, third party fund management, employee savings plans and real estate. The insurance business – which is accounted for using the equity method – is included in this business segment.

- Financing and capital markets comprises:

  a) credit facilities for large corporates and institutional customers, specialized financing and international operations;

  b) capital markets operations, spanning customer and proprietary transactions, including brokerage services.

- Private banking encompasses all companies engaged primarily in wealth management, both within and outside France.
- Private equity conducts proprietary transactions and includes financial engineering services via dedicated entities. The entire portfolio is accounted for under the fair value option.
- Holding company services comprise all unallocated activities.

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

Analysis of assets and liabilities by business segment

Assets

Dec. 31, 2011	Retail banking	Financing and capital markets	Private banking	Private equity	Holding company services	Total
Cash and amounts due from central banks	303	1,491	985		961	3,740
Financial assets at fair value through profit or loss	26	22,659	150	1,804		24,639
Derivatives used for hedging purposes	27	67	4			98
Available-for-sale financial assets	309	13,166	3,758	9	327	17,569
Loans and receivables due from credit institutions (1)	3,581	10,868	6,818	9	14,327	35,603
Loans and receivables due from customers	110,904	14,231	7,124		44	132,303
Held-to-maturity financial assets	64	8	6			78
Investments in associates	1,466		1		(64)	1,403

(1) Of which €19,577 million due from BFCM.

Dec. 31, 2010						
Cash and amounts due from central banks	322	3,978	449		654	5,403
Financial assets at fair value through profit or loss	100	26,729	113	1,653	6	28,601
Derivatives used for hedging purposes	35	84	8			127
Available-for-sale financial assets	363	14,755	4,818	3	583	20,522
Loans and receivables due from credit institutions (1)	2,597	12,697	7,155	6	20,454	42,909
Loans and receivables due from customers	106,940	13,881	6,063		578	127,462
Held-to-maturity financial assets	68	17	6			91
Investments in associates	1,374		1			1,375

(1) Of which €24,534 million due from BFCM.

Liabilities

Dec. 31, 2011	Retail banking	Financing and capital markets	Private banking	Private equity	Holding company services	Total
Due to central banks			282			282
Financial liabilities at fair value through profit or loss	3	29,000	133		7	29,143
Derivatives used for hedging purposes	29	1,964	460		1	2,454
Due to credit institutions (1)	32,841	20,122	2,521		14,092	69,576
Due to customers	77,532	6,429	14,610		1,636	100,207
Debt securities	3,330	10,051	36		74	13,491

(1) Of which €55,396 million due to BFCM.

Dec. 31, 2010						
Due to central banks			44			44
Financial liabilities at fair value through profit or loss	6	32,015	162		14	32,197
Derivatives used for hedging purposes	20	1,415	421		1	1,857
Due to credit institutions (1)	36,934	7,178	2,903	402	15,169	62,586
Due to customers	67,859	6,763	14,216		2,488	91,326
Debt securities	4,372	27,223	32			31,627

(1) Of which €44,400 million due to BFCM.

Analysis of income statement items by business segment

2011	Retail banking	Financing and capital markets	Private banking	Private equity	Holding company services	Total
Net banking income/(expense)	**3,240**	**753**	**431**	**93**	**(351)**	**4,166**
General operating expenses	(2,166)	(235)	(316)	(34)	(59)	(2,810)
Operating income/(loss) before provisions	**1,074**	**518**	**115**	**59**	**(410)**	**1,356**
Net additions to/reversals from provisions for loan losses	(157)	(88)	(43)		(261)	(549)
Net gains on disposals of other assets[1]	84		13		(32)	65
Income before tax	**1,001**	**430**	**85**	**59**	**(703)**	**872**
2010						
Net banking income/(expense)	**3,280**	**960**	**404**	**191**	**(198)**	**4,637**
General operating expenses	(2,175)	(241)	(320)	(35)	(55)	(2,826)
Operating income/(loss) before provisions	**1,105**	**719**	**84**	**156**	**(253)**	**1,811**
Net additions to/reversals from provisions for loan losses	(267)	(171)	(15)		12	(441)
Net gains on disposals of other assets[1]	117		1		3	121
Income before tax	**955**	**548**	**70**	**156**	**(238)**	**1,491**

(1) Including net income from associates (companies accounted for using the equity method) and impairment losses on goodwill.

Breakdown of assets and liabilities by geographic area

Assets	2011				2010			
	France	Europe Excluding France	Other countries[1]	Total	France	Europe excluding France	Other countries[1]	Total
Cash and amounts due from central banks	1,265	986	1,489	3,740	977	450	3,976	5,403
Financial assets at fair value through profit or loss	23,402	252	985	24,639	26,807	208	1,586	28,601
Derivatives used for hedging purposes	91	5	2	98	117	9	1	127
Available-for-sale financial assets	12,280	4,471	818	17,569	13,646	5,635	1,241	20,522
Loans and receivables due from credit institutions	26,816	6,464	2,323	35,603	32,606	7,257	3,046	42,909
Loans and receivables due from customers	121,130	7,871	3,302	132,303	117,371	7,014	3,077	127,462
Held-to-maturity financial assets	72	6	0	78	85	6	0	91
Investments in associates	1,157	246	0	1,403	1,254	121	0	1,375
Liabilities								
Due to central banks	0	282	0	282	0	44	0	44
Financial liabilities at fair value through profit or loss	28,371	542	230	29,143	30,400	1,607	190	32,197
Derivatives used for hedging purposes	1,950	461	43	2,454	1,411	423	23	1,857
Due to credit institutions	57,301	4,977	7,298	69,576	50,634	8,069	3,883	62,586
Due to customers	87,142	12,455	610	100,207	77,513	12,900	913	91,326
Debt securities	12,539	464	488	13,491	13,837	9,985	7,805	31,627

(1) USA and Singapore.

Breakdown of income statement items by geographic area

	2011				2010			
	France	Europe Excluding France	Other countries[1]	Total	France	Europe excluding France	Other countries[1]	Total
Net banking income/(expense)	**3,511**	**409**	**246**	**4,166**	**3,931**	**376**	**330**	**4,637**
General operating expenses	(2,486)	(260)	(64)	(2,810)	(2,512)	(254)	(60)	(2,826)
Operating income/(loss) before provisions	**1,025**	**149**	**182**	**1,356**	**1,419**	**122**	**270**	**1,811**
Net additions to/reversals from provisions for loan losses	(488)	(58)	(3)	(549)	(236)	(25)	(180)	(441)
Net gains on disposals of other assets[2]	50	15	0	65	119	2	(0)	121
Income before tax	**587**	**106**	**179**	**872**	**1,302**	**99**	**90**	**1,491**

(1) USA and Singapore.
(2) Including net income from associates (companies accounted for using the equity method) and impairment losses on goodwill.

Note 3 - Consolidation scope

Changes of name:

- Banque de Vizille became CM-CIC Investissement;
- CIC Finance became CM-CIC Capital Finance;
- Vizille Capital Innovation became CM-CIC Capital Innovation;
- Vizille Capital Finance became CM-CIC Conseil.

Newly consolidated company:

- Société Foncière et Financière de Participations.

Mergers/absorptions:

- CIC Investissement with CM-CIC Investissement;
- Financière Voltaire with CM-CIC Capital Finance;
- GPK Finance with Transatlantique Gestion;
- IPO with CM-CIC Investissement;
- IPO Ingéniérie with CM-CIC Capital Finance;
- Société Foncière et Financière de Participations with CM-CIC Capital Finance.

Company removed from the consolidation scope:

- Vizille de Participations (business not material).

			2011			2010		
			Percentage		Method	Percentage		Method
Company	Currency		Voting rights	Interest	*	Voting rights	Interest	*
Consolidating company: CIC (Crédit Industriel et Commercial)								
A. Banking network								
Regional banks								
CIC Est		(i)	100	100	FC	100	100	FC
CIC Lyonnaise de Banque		(i)	100	100	FC	100	100	FC
CIC Nord Ouest		(i)	100	100	FC	100	100	FC
CIC Ouest		(i)	100	100	FC	100	100	FC
CIC Sud Ouest		(i)	100	100	FC	100	100	FC
B. Banking network subsidiaries								
Banca Popolare di Milano[1]			7	7	EM	5	5	EM
CM-CIC Asset Management			24	24	EM	24	24	EM
CM-CIC Bail		(i)	99	99	FC	99	99	FC
CM-CIC Epargne salariale		(i)	100	100	FC	100	100	FC
CM-CIC Gestion		(i)	100	100	FC	100	100	FC
CM-CIC Laviolette Financement			100	96	FC	100	100	FC
CM-CIC Lease			54	54	FC	54	54	FC
CM-CIC Leasing Benelux			100	99	FC	100	99	FC
CM-CIC Leasing GMBH			100	99	FC	100	99	FC
Factocic			96	96	FC	85	85	FC
Saint-Pierre SNC		(i)	100	100	FC	100	100	FC
Sofim		(i)	100	100	FC	100	100	FC

Company	Currency		2011 Percentage Voting rights	2011 Percentage Interest	2011 Method *	2010 Percentage Voting rights	2010 Percentage Interest	2010 Method *
C. Financing and capital markets								
Cigogne Management			60	54	FC	60	54	FC
CM-CIC Securities		(i)	100	100	FC	100	100	FC
Diversified Debt Securities SICAV - SIF			100	72	FC	100	72	FC
Divhold			100	72	FC	100	72	FC
D. Private banking								
Banque CIC (Suisse)	CHF		100	100	FC	100	100	FC
Banque de Luxembourg			72	72	FC	72	72	FC
CIC Banque Transatlantique		(i)	100	100	FC	100	100	FC
Banque Transatlantique Belgium			100	99	FC	100	98	FC
Banque Transatlantique Luxembourg			60	60	FC	60	60	FC
Banque Transatlantique Singapore Private Ltd	SGD		100	100	FC	100	100	FC
Dubly-Douilhet			63	63	FC	63	63	FC
GPK Finance					MER	100	100	FC
Transatlantique Gestion		(i)	100	100	FC	100	100	FC
Banque Pasche(2)	CHF		100	100	FC	100	100	FC
Agefor SA(2)	CHF		70	70	FC	70	70	FC
Alternative Gestion SA(2)	CHF		45	62	EM	45	62	EM
Banque Pasche (Liechtenstein) AG(2)	CHF		53	53	FC	53	53	FC
Banque Pasche Monaco SAM(2)			100	100	FC	100	100	FC
Calypso Management Company(2)	USD		70	70	FC	70	70	FC
LRM Advisory SA(2)	USD		70	70	FC	70	70	FC
Pasche Bank & Trust Ltd(2)	CHF		100	100	FC	100	100	FC
Pasche Finance SA(2)	CHF		100	100	FC	100	100	FC
Pasche Fund Management Ltd(2)	USD		100	100	FC	100	100	FC
Pasche International Holding Ltd(2)	CHF		100	100	FC	100	100	FC
Pasche SA Montevideo(2)	UYU		100	100	FC	100	100	FC
Serficom Brasil Gestao de Recursos Ltda(2)	BRL		50	50	FC	52	52	FC
Serficom Family Office Brasil Gestao de Recursos Ltda(2)	BRL		52	52	FC	52	52	FC
Serficom Family Office Inc(2)	USD		100	100	FC	100	100	FC
Serficom Family Office SA(2)	CHF		100	100	FC	100	100	FC
Serficom Investment Consulting (Shanghaï) Ltd(2)	RMB		100	100	FC	100	100	FC
Serficom Maroc Sarl(2)	MAD		100	100	FC	100	100	FC
Valeroso Management Ltd(2)	USD		100	100	FC	100	100	FC
E. Private equity								
CIC Investissement					MER	100	100	FC
CM-CIC Capital Finance		(i)	100	100	FC	100	100	FC
CM-CIC Capital Innovation			100	100	FC	100	98	FC
CM-CIC Conseil			100	100	FC	100	98	FC
CM-CIC Investissement			100	100	FC	98	98	FC
Financière Voltaire					MER	100	100	FC
IPO					MER	100	100	FC
IPO Ingénierie					MER	100	100	FC
Sudinnova			66	66	FC	63	62	FC
Vizille de Participations					NC	100	98	FC

Company	Currency		2011 Percentage Voting rights	2011 Percentage Interest	2011 Method *	2010 Percentage Voting rights	2010 Percentage Interest	2010 Method *
F. HQ, holding company services and logistics								
Adepi		(i)	100	100	FC	100	100	FC
CIC Migrations		(i)	100	100	FC	100	100	FC
CIC Participations		(i)	100	100	FC	100	100	FC
Cicor		(i)	100	100	FC	100	100	FC
Cicoval		(i)	100	100	FC	100	100	FC
Efsa		(i)	100	100	FC	100	100	FC
Gesteurop		(i)	100	100	FC	100	100	FC
Gestunion 2		(i)	100	100	FC	100	100	FC
Gestunion 3		(i)	100	100	FC	100	100	FC
Gestunion 4		(i)	100	100	FC	100	100	FC
Impex Finance		(i)	100	100	FC	100	100	FC
Marsovalor		(i)	100	100	FC	100	100	FC
Pargestion 2		(i)	100	100	FC	100	100	FC
Pargestion 4		(i)	100	100	FC	100	100	FC
Placinvest		(i)	100	100	FC	100	100	FC
Sofiholding 2		(i)	100	100	FC	100	100	FC
Sofiholding 3		(i)	100	100	FC	100	100	FC
Sofiholding 4		(i)	100	100	FC	100	100	FC
Sofinaction		(i)	100	100	FC	100	100	FC
Ufigestion 2		(i)	100	100	FC	100	100	FC
Ugépar Service		(i)	100	100	FC	100	100	FC
Valimar 2		(i)	100	100	FC	100	100	FC
Valimar 4		(i)	100	100	FC	100	100	FC
VTP1		(i)	100	100	FC	100	100	FC
VTP5		(i)	100	100	FC	100	100	FC
G. Insurance companies								
Groupe des Assurances du Crédit Mutuel (GACM)**			21	21	EM	21	21	EM

** Method: FC = full consolidation; EM = equity method; NC = not consolidated; MER = merged.*
*** Based on the consolidated financial statements.*
(i) = Members of the tax consolidation group set up by CIC.

(1) Fondazione Cassa di Risparmio di Alessandria and CIC both have the status of strategic partner and automatically have a seat on the supervisory board and on the appointments committee. As a result, CIC is deemed to have significant influence over the company, which is therefore accounted for under the equity method.
(2) Banque Pasche Group.

Notes to the statement of financial position - Assets

Note 4 - Cash, amounts due from central banks and loans and receivables due from credit institutions

	Dec. 31, 2011	Dec. 31, 2010
Cash and amounts due from central banks		
Central banks	3,417	5,062
Of which, mandatory reserves	*969*	*667*
Cash	323	341
TOTAL	**3,740**	**5,403**
Loans and receivables due from credit institutions		
Current accounts	6,056	8,163
Loans	22,792	26,125
Other receivables	1,255	1,433
Securities not quoted on an active market	3,478	4,449
Resale agreements	1,141	1,742
Individually-impaired receivables	1,099	1,267
Accrued interest	92	79
Provisions	(310)	(349)
TOTAL	**35,603**	**42,909**
Including non-voting loan stock	*167*	*159*
Including subordinated loans [1]	*750*	*762*

(1) Including a €750 million perpetual subordinated loan to BFCM.

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

	Dec. 31, 2011	Dec. 31, 2010
Financial assets at fair value through profit or loss by option	9,023	10,323
Financial assets held for trading	15,616	18,278
TOTAL	**24,639**	**28,601**

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

	Dec. 31, 2011	Dec. 31, 2010
Securities		
Government securities	2	9
Bonds and other fixed-income securities		
- Quoted	83	121
- Not quoted	0	0
Equities and other variable-income securities [1]		
- Quoted	144	202
- Not quoted	1,696	1,543
Derivatives held for trading	0	0
Other financial assets		
- Resale agreements	7,096	8,448
- Other loans and term deposits	2	0
TOTAL	**9,023**	**10,323**

(1) Securities relating to the private equity business are measured at fair value through profit or loss and represent almost all of this line.

Note 5b - Financial assets held for trading

	Dec. 31, 2011	Dec. 31, 2010
Securities		
Government securities	1,410	2,766
Bonds and other fixed-income securities		
- Quoted	11,305	11,948
- Not quoted	0	0
Equities and other variable-income securities		
- Quoted	473	1,171
- Not quoted	0	0
Derivatives held for trading	2,428	2,393
TOTAL	**15,616**	**18,278**

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

Note 5c - Analysis of derivative instruments

	Dec. 31, 2011			Dec. 31, 2010		
	Notional amount	**Assets**	**Liabilities**	Notional amount	Assets	Liabilities
Derivatives held for trading						
Interest rate derivatives						
- Swaps	249,290	1,462	3,902	274,792	1,585	3,473
- Futures and forward contracts	6,975	4	1	9,489	4	0
- Options	31,191	99	88	47,824	187	182
Foreign currency derivatives						
- Swaps	73,654	41	77	184,422	39	85
- Futures and forward contracts	17,071	168	116	16,068	83	67
- Options	17,493	194	194	15,909	166	166
Other derivatives						
- Swaps	16,567	368	242	22,289	276	347
- Futures and forward contracts	1,951	0	0	3,598	0	0
- Options	785	92	45	1,613	53	67
Sub-total	**414,977**	**2,428**	**4,665**	**576,004**	**2,393**	**4,387**
Derivatives used for hedging purposes						
Derivatives designated as fair value hedges						
- Swaps	14,479	95	2,423	13,847	125	1,838
- Futures and forward contracts	0	0	0	0	0	0
- Options	1	0		2	0	
Derivatives designated as cash flow hedges						
- Swaps	157	3	31	0	2	19
- Futures and forward contracts	0			0		
- Options	0	0		0	0	
Sub-total	**14,637**	**98**	**2,454**	**13,849**	**127**	**1,857**
TOTAL	**429,614**	**2,526**	**7,119**	**589,853**	**2,520**	**6,244**

Note 5d - Fair value hierarchy

Dec. 31, 2011	Level 1	Level 2	Level 3	Total
Financial assets				
Available for sale (AFS)				
- Government securities and similar instruments	11,526	275	0	11,801
- Bonds and other fixed-income securities	4,029	724	289	5,042
- Equities, portfolio activity securities and other variable-income securities	73	0	125	198
- Investments and other long-term securities	177	7	175	359
- Investments in non-consolidated equity interests	0	22	147	169
Trading / Fair value by option				
- Government securities and similar instruments - Trading	1,095	315	0	1,410
- Government securities and similar instruments - Fair value by option	2	0	0	2
- Bonds and other fixed-income securities - Trading	9,005	1,384	916	11,305
- Bonds and other fixed-income securities - Fair value by option	83	0	0	83
- Equities and other variable-income securities - Trading	459	0	14	473
- Equities and other variable-income securities - Fair value by option	109	0	1,731	1,840
- Loans and receivables due from credit institutions - Fair value by option	0	2,790	0	2,790
- Loans and receivables due from customers - Fair value by option	0	4,308	0	4,308
- Derivatives and other financial assets - Trading	30	2,254	144	2,428
Derivatives used for hedging purposes	0	95	3	98
TOTAL	**26,588**	**12,174**	**3,544**	**42,306**
Financial liabilities				
Trading / Fair value by option				
- Due to credit institutions - Fair value by option	0	21,913	0	21,913
- Due to customers - Fair value by option	0	615	0	615
- Debt securities - Fair value by option	0	60	0	60
- Subordinated notes - Fair value by option	0	0	0	0
- Derivatives and other financial liabilities - Trading	1,929	4,575	51	6,555
Derivatives used for hedging purposes	0	2,423	31	2,454
TOTAL	**1,929**	**29,586**	**82**	**31,597**

Level 1: use of market price. For capital markets activities, this concerns debt securities that are quoted by at least four contributors and derivatives quoted on an organized market.

Level 2: use of valuation techniques based mainly on observable data – includes, for capital markets activities, debt securities that are quoted by two contributors and over-the-counter derivatives not included in level 3.

Level 3: use of valuation techniques based mainly on non-observable data – includes unquoted equities and, for capital markets activities, debt securities that are quoted by a single contributor and derivatives valued mainly using non-observable parameters.

Outstanding Greek sovereign debt included in level 1 at December 31, 2010 was transferred at December 31, 2011 to level 2, since the valuation was based on the market value adjusted by a liquidity factor.

Breakdown of level 3 - Equities and other variable-income securities - Fair value by option

	Jan. 1, 2011	Purchases	Sales	Gains and losses recorded in profit and loss	Other movements	Dec. 31, 2011
Equities and other variable-income securities - Fair value by option	1,567	428	(383)	40	79	**1,731**

Dec. 31, 2010	Level 1	Level 2	Level 3	Total
Financial assets				
Available for sale (AFS)				
- Government securities and similar instruments	11,464	0	0	11,464
- Bonds and other fixed-income securities	6,783	1,109	197	8,089
- Equities, portfolio activity securities and other variable-income securities	152	0	24	176
- Investments and other long-term securities	425	7	174	606
- Investments in non-consolidated equity interests	0	24	163	187
Trading / Fair value by option				
- Government securities and similar instruments - Trading	2,634	132	0	2,766
- Government securities and similar instruments - Fair value by option	9	0	0	9
- Bonds and other fixed-income securities - Trading	8,924	1,455	1,569	11,948
- Bonds and other fixed-income securities - Fair value by option	118	3	0	121
- Equities and other variable-income securities - Trading	1,157	0	14	1,171
- Equities and other variable-income securities - Fair value by option	178	0	1,567	1,745
- Loans and receivables due from credit institutions - Fair value by option	0	4,076	0	4,076
- Loans and receivables due from customers - Fair value by option	0	4,372	0	4,372
- Derivatives and other financial assets - Trading	30	2,271	92	2,393
Derivatives used for hedging purposes	3	122	2	127
TOTAL	**31,877**	**13,571**	**3,802**	**49,250**
Financial liabilities				
Trading / Fair value by option				
- Due to credit institutions - Fair value by option	0	23,562	0	23,562
- Due to customers - Fair value by option	0	1,151	0	1,151
- Debt securities - Fair value by option	0	473	0	473
- Subordinated notes - Fair value by option	0	0	0	0
- Derivatives and other financial liabilities - Trading	2,659	4,311	41	7,011
Derivatives used for hedging purposes	3	1,835	19	1,857
TOTAL	**2,662**	**31,332**	**60**	**34,054**

Note 6 - Derivatives used for hedging purposes

	Dec. 31, 2011		Dec. 31, 2010	
	Assets	**Liabilities**	Assets	Liabilities
Derivatives designated as cash flow hedges	3	31	2	19
Of which, changes in value recognized in equity	*3*	*31*	*2*	*19*
Of which, changes in value recognized in income				
Derivatives designated as fair value hedges	95	2,423	125	1,838
TOTAL	**98**	**2,454**	**127**	**1,857**

A fair value hedge is a hedge of the exposure to changes in the fair value of a financial instrument attributable to a specific risk. Changes in the fair value of the hedging instrument and the hedged item, for the portion attributable to the risk being hedged, are taken to income.

Note 7 - Available-for-sale financial assets

	2011	2010
Government securities	11,648	11,321
Bonds and other fixed-income securities		
- Quoted	4,530	7,672
- Not quoted	477	372
Equities and other variable-income securities		
- Quoted	145	118
- Not quoted	57	63
Long-term investments		
- Investments in non-consolidated companies		
Quoted	52	160
Not quoted	64	73
- Other long-term securities		
Quoted	110	242
Not quoted	130	130
- Investments in non-consolidated equity interests		
Quoted	0	0
Not quoted	165	183
- Translation adjustment	0	0
- Securities loaned	3	
Accrued interest	188	188
TOTAL	**17,569**	**20,522**
Of which, unrealized gains and losses on bonds and other fixed-income securities and on government securities	*(1,134)*	*(613)*
Of which, unrealized gains and losses on equities and other variable-income securities and on long-term investments	*71*	*112*
Of which, impairment of bonds and other fixed-income	*(15)*	*(4)*
Of which, impairment of equities and other variable-income securities and of long-term investments	*(414)*	*(304)*

Long-term investments mainly comprise:

- investments in non-consolidated companies totaling €116 million, which essentially consist of stock in Foncières des Régions (€50 million);
- other long-term securities totaling €240 million, which essentially consist of stock in Veolia Environnement (€86 million).

Impairment of equities

Equity holdings were reviewed in order to identify any impairment losses. Impairment provisions are raised for quoted equities in the event of a significant (a decrease of at least 50% in its value compared with its acquisition cost) or prolonged decline of the stock price to below its cost.

Impairment losses recognized in the income statement totaled €110 million in 2011 compared with €21 million in 2010.

At December 31, 2011, the cost of impaired equities came to €753 million and the corresponding impairment amounted to €414 million. They had a market value of €339 million.

Note 7a - List of main investments in non-consolidated companies

		% held	Equity	Total assets	Net banking income or sales	Net income
Foncière des Régions	Quoted	< 5%	6,028	14,701	751	871
Veolia Environnement	Quoted	< 5%	10,895	51,511	34,787	872
Crédit logement	Not quoted	< 5%	1,452	9,477	181	87

The figures above relate to fiscal year 2010 (except those for the percentage interest held).

Note 7b - Exposures to sovereign risk

The Greek government has, for several years, been suffering a crisis of confidence which has prevented it from raising, on the financial markets, the finance necessary to balance its budget. In May 2010, the IMF and the eurozone governments implemented an initial €110 billion support plan, which was followed by a second plan in July 2011 totaling nearly €160 billion. This second plan included a plan to exchange bonds issued by the Greek government in which private sector investors could be involved on a voluntary basis (a mechanism known as Private Sector Involvement). This mechanism had two aims: to reduce the Greek government's debt and to extend the maturity of its debt, thereby bringing the country's debt position into line with its economic situation. Consequently, immediately after the June 30 closing, an impairment loss was recognized in respect of the Greek sovereign securities and, since the situation had still not stabilized at the year end, the impairment loss was retained in the financial statements for the year ended December 31, 2011. The impact on the financial statements was a transfer to the income statement, under the heading "Net additions to/reversals from provisions for loan losses", of the unrealized losses on the securities classified as "available for sale".

The Greek sovereign securities held by the group are classified in the trading portfolio or as available-for-sale financial assets and are valued at their fair value, determined on the basis of observed market prices, adjusted in respect of liquidity factors specific to each issue series.

The financial parameters of this exchange plan were set on February 21, 2012. The plan provides for the recognition of a 53.5% discount, the exchange of securities currently held for securities issued by the Greek government at 31.5% of the nominal value with terms of between 11 and 30 years, offering remuneration at a weighted average rate of 3.65% plus other securities of the same nominal value, redeemable over the period and entitling the holder to additional interest if the country's growth rate exceeds certain targets, as well as short-term securities issued by the European Financial Stability Facility for 15% of the nominal value.

The Irish and Portuguese governments also benefited from European Union and IMF support: the worsening of their public accounts prevented them from raising the finance they needed due to market mistrust. At this point in time, the projected recovery of the debt of these two governments does not seem to be in jeopardy and the recognition of an impairment loss is not therefore justified.

1. Exposure to Greek sovereign risk at December 31, 2011

	Net carrying amount[1]	Nominal value	Impairment loss
Financial assets at fair value through profit or loss	22	100	(58)
Available-for-sale financial assets	153	505	(345)
TOTAL	**175**	**605**	**(403)**

(1) Outstandings net of CDS.

The carrying amount corresponds to 29% of the nominal value.

Net banking income			(58)
Net additions to/reversals from provisions for loan losses			(345)
IMPACT - INCOME AFTER TAX			**(261)**

2. Other sovereign exposures at December 31, 2011

Net outstandings as per the financial statements	Portugal	Ireland	Spain	Italy
Financial assets at fair value through profit or loss	50		131	99
Available-for-sale financial assets	92	85	80	4,396
TOTAL	**142**	**85**	**211**	**4,495**
Residual contractual term				
Less than 1 year	39		66	1,266
1 to 3 years	20		28	2,076
3 to 5 years	29		19	375
5 to 10 years	54	85	17	545
More than 10 years			81	233
TOTAL	**142**	**85**	**211**	**4,495**

Note 8 - Loans and receivables due from customers

	Dec. 31, 2011	Dec. 31, 2010
Performing loans		
Commercial loans	4,031	3,530
Of which, factoring accounts	*2,197*	*1,973*
- Other loans and receivables		
- Home loans	62,023	60,182
- Other loans and miscellaneous receivables	54,519	52,275
- Resale agreements	732	935
Accrued interest	271	270
Securities not quoted in an active market	371	417
Individually-impaired receivables	4,624	4,458
Individual impairment	(2,470)	(2,463)
Collective impairment	(129)	(155)
Sub-total	**123,972**	**119,449**
Finance leases (net investment)		
- Equipment	5,274	5,218
- Real estate	3,018	2,748
Individually-impaired receivables	181	177
Individual impairment	(142)	(130)
Sub-total	**8,331**	**8,013**
TOTAL	**132,303**	**127,462**
Including non-voting loan stock	*9*	*7*
Including subordinated loans	*12*	*12*

Finance lease transactions	Jan. 1, 2011	Acquisitions	Disposals	Other	Dec. 31, 2011
Gross	8,143	1,745	(1,431)	16	8,473
Impairment of non-recoverable lease payments	(130)	(43)	31	0	(142)
Net	**8,013**	**1,702**	**(1,400)**	**16**	**8,331**

Maturity analysis of minimum future lease payments receivable under finance leases	1 year or less	More than 1 year and less than 5 years	More than 5 years	Total
Minimum future lease payments receivable	2,736	4,507	1,708	8,951
Present value of future lease payments	2,560	4,300	1,694	8,554
Unearned finance income	**176**	**207**	**14**	**397**

Note 9 - Remeasurement adjustment on interest rate risk hedged portfolios

	Dec. 31, 2011		Dec. 31, 2010		Change in fair value	
	Assets	**Liabilities**	Assets	Liabilities		
Fair value of portfolio interest rate risk	755	(1,037)	601	(801)	154	(236)

Note 10 - Held-to-maturity financial assets

	Dec. 31, 2011	Dec. 31, 2010
Securities		
Government securities	0	0
Bonds and other fixed-income securities	91	103
Accrued interest	0	0
TOTAL GROSS	**91**	**103**
Provisions for impairment	(13)	(12)
TOTAL NET	**78**	**91**

Note 10a - Movements in provisions for impairment

	Jan. 1, 2011	Additions	Reversals	Other	Dec. 31, 2011
Loans and receivables due from credit institutions	(349)	(4)	51	(8)	(310)
Loans and receivables due from customers	(2,748)	(684)	693	(2)	(2,741)
Available-for-sale securities	(308)	(122)	17	(16)	(429)
Held-to-maturity securities	(12)	(1)	0	(0)	(13)
TOTAL	**(3,417)**	**(811)**	**761**	**(26)**	**(3,493)**

Note 10b - Financial instruments - Reclassifications

Pursuant to the revised accounting regulations and in the rare situation of a market that was in total disarray, on July 1, 2008, CIC transferred €18.8 billion of assets from the trading portfolio into the available-for-sale portfolio (€16.1 billion) and into the loans and receivables portfolio (€2.7 billion), and €5.5 billion from the available-for-sale portfolio into the loans and receivables portfolio.

	Dec. 31, 2011	Dec. 31, 2010
Carrying amount of assets reclassified	**11,763**	**14,642**
Loans and receivables portfolio	4,350	5,358
AFS portfolio	7,413	9,284
Fair value of assets reclassified	**11,488**	**14,362**
Loans and receivables portfolio	4,074	5,078
AFS portfolio	7,414	9,284

	Dec. 31, 2011	Dec. 31, 2010
Gains/(losses) that would have been recognized in the income statement at fair value if the assets had not been reclassified	(167)	140
Unrealized gains/(losses) that would have been recognized in equity if the assets had not been reclassified	47	(150)
Gains/(losses) recognized in income (net banking income and net additions to/reversals from provisions for loan losses) relating to reclassified assets	(8)	20

Note 10c - Details of securitization outstandings

As requested by the banking supervisor and the markets regulator, an analysis is provided below of exposures linked to the financial crisis.

The trading and AFS portfolios were valued at market price based on external data sourced from organized markets, leading brokers or, when no price was available, based on comparable securities quoted in the market.

Summary	**Dec. 31, 2011**	Dec. 31, 2010
RMBS	3,985	5,579
CMBS	366	458
CLO	1,522	1,887
Other ABS	897	828
CLO hedged by CDS	721	833
Other ABS hedged by CDS	28	49
ABCP program liquidity lines	351	334
TOTAL	**7,870**	**9,968**

Unless otherwise indicated, securities are not hedged by CDS.

Exposures: Residential mortgage-backed securities (RMBS), commercial mortgage-backed securities (CMBS), collateralized loan obligations (CLO) and other asset-backed securities (ABS)

Dec. 31, 2011	**RMBS**	**CMBS**	**CLO**	**Other ABS**	**Total**
Trading	1,173	353	26	366	1,918
Available For Sale	966	13	192	227	1,398
Loans	1,846	0	1,304	304	3,454
TOTAL	**3,985**	**366**	**1,522**	**897**	**6,770**
France	14	2	0	354	370
Spain	305	0	0	206	511
United Kingdom	413	30	0	52	495
Europe excluding France, Spain and the United Kingdom	1,306	0	694	144	2,144
USA	1,795	321	828	120	3,064
Other	152	13	0	21	186
TOTAL	**3,985**	**366**	**1,522**	**897**	**6,770**
US Agencies	521	0	0	0	521
AAA	1,560	303	716	421	3,000
AA	187	30	717	107	1,041
A	242	23	51	98	414
BBB	145	2	26	121	294
BB	119	0	12	20	151
B or below	1,211	8	0	130	1,349
Not rated					0
TOTAL	**3,985**	**366**	**1,522**	**897**	**6,770**
Origination 2005 and earlier	943	28	39	207	1,217
Origination 2006	1,153	119	574	112	1,958
Origination 2007	1,125	174	550	183	2,032
Origination since 2008	764	45	359	395	1,563
TOTAL	**3,985**	**366**	**1 522**	**897**	**6,770**

Dec. 31, 2010	RMBS	CMBS	CLO	Others ABS	Total
Trading	1,819	306	23	343	2,491
Available For Sale	1,835	147	29	287	2,298
Loans	1,925	5	1,835	198	3,963
TOTAL	**5,579**	**458**	**1,887**	**828**	**8,752**
France	14	1	0	407	422
Europe excluding France	2,803	84	889	377	4,153
USA	2,366	291	998		3,655
Other	396	82		44	522
TOTAL	**5,579**	**458**	**1,887**	**828**	**8,752**
US Agencies	1,075				1,075
AAA	2,984	346	1,070	601	5,001
AA	322	92	600	56	1,070
A	69	20	179	7	275
BBB	71		26	151	248
BB	43		12	13	68
B or below	1,015				1,015
Not rated					0
TOTAL	**5,579**	**458**	**1,887**	**828**	**8,752**

Note 11 - Current or payable taxes

	Dec. 31, 2011	Dec. 31, 2010
Assets	623	504
Liabilities	209	181

Current income tax expense is calculated based on the tax rules and tax rates applicable in each country where the group has operations for the period in which the related revenue was earned.

Note 12 - Deferred taxes

	Dec. 31, 2011	Dec. 31, 2010
Deferred tax assets dealt with through the income statement[1]	438	523
Deferred tax assets dealt with through equity	542	244
Deferred tax liabilities dealt with through the income statement	212	126
Deferred tax liabilities dealt with through equity	12	23

(1) Of which €102 million relates to CIC New York.

Analysis of deferred taxes (income statement) by major category

	Dec. 31, 2011		Dec. 31, 2010	
	Assets	**Liabilities**	Assets	Liabilities
Temporary differences on:				
Provisions	288		302	
Finance leasing reserves		(136)		(112)
Income from flow-through entities		(4)		(4)
Remeasurement of financial instruments	859	(952)	603	(616)
Accrued expenses and accrued income	58		24	
Tax losses carried forward[1]	122		241	
Other temporary differences	26	(35)	1	(42)
Netting	(915)	915	(648)	648
TOTAL DEFERRED TAX ASSETS AND LIABILITIES	**438**	**(212)**	**523**	**(126)**

(1) Of which, in respect of the United States: €122 million at December 31, 2011 and €176 million at December 31, 2010.

The amount of tax losses carried forward in the USA which are recognized as an asset is limited to ten years' of future profits.

The recognition of a deferred tax asset based on the use of tax losses carried forward is tested for impairment on an annual basis.

Deferred taxes are calculated using the liability method. Tax losses are a source of deferred tax assets to the extent that they have a high probability of recovery. The deferred tax rate for the French companies is 36.10%, corresponding to the statutory tax rate.

Note 13 - Accruals and other assets

	Dec. 31, 2011	Dec. 31, 2010
Accruals		
Collection accounts	175	238
Currency adjustment accounts	12	13
Accrued income	390	370
Other accruals	1,172	1,433
Sub-total	**1,749**	**2,054**
Other assets		
Securities settlement accounts	95	53
Security deposits paid	6,764	4,568
Miscellaneous receivables	4,911	4,959
Inventories and similar	2	2
Other	8	24
Sub-total	**11,780**	**9,606**
TOTAL	**13,529**	**11,660**

This heading consists mainly of suspense accounts relating to interbank payment systems, in particular SIT.

Miscellaneous receivables essentially comprise the balance on interbank payment systems suspense accounts together with guarantee deposits relating to CIC trading desks.

Accrued expenses and accrued income consist of payroll costs and general operating expenses, but do not include accrued interest not yet due on loans and borrowings, which is recognized as related accrued interest.

Note 14 - Investments in associates

Share of net assets of associates

	Dec. 31, 2011			Dec. 31, 2010		
	Share of capital held	**Reserves**	**Net income**	Share of capital held	Reserves	Net income
Groupe ACM[1] - Not quoted	20.52%	1,132	78	20.52%	1,089	113
Banca Popolare di Milano[2] - Quoted	6.60%	212	(31)	4.52%	160	1
CM-CIC Asset Management - Not quoted	23.53%	10	1	23.53%	9	2
Alternative Gestion SA Genève - Not quoted	62.00%	1		62.00%	1	
TOTAL		**1,355**	**48**		**1,259**	**116**

(1) Comprises goodwill of €54 million.
(2) The €41 million goodwill relating to BPM was fully written off in 2011.

Financial data published by the group's main associates

	Total assets	Net banking income	Net income
Groupe ACM	63,661	1,112	593
Banca Popolare di Milano	54,053	322	111
CM-CIC Asset Management	65	53	7

The above figures relate to fiscal year 2010.

Banca Popolare di Milano. S.C.a.r.l. (BPM)

During the first half of 2011, the Italian bank was called upon by the regulator, the Bank of Italy, to strengthen its capital. In response, during the last quarter of 2011, BPM carried out a capital increase, at the price of 30 cents per each new stock unit, to which the CIC group subscribed an amount equivalent to its percentage interest. This capital increase was followed, on December 29 2011, by the early redemption in stock of the convertible bonds redeemable in stock issued in 2009.

Following these two transactions, the total number of stock units issued by BPM was 3,229,621,379 and the number of stock units owned by the CIC group was 213 million, which represented a 6.6% stake at December 31, 2011. The group's stake at the start of the fiscal year was 4.52%.

This increased stake resulted from the fact that the CIC group owned a larger stake in the convertible bonds redeemable in stock than in the stock.

The group's investment in BPM is consolidated using the equity method given CIC's significant influence over the bank, which is due to the fact that, in its capacity as a strategic partner, it has a seat on the board and is a member of the executive committee and finance committee. Its carrying amount in the consolidated financial statements is, as a result, the group's share of the net worth calculated in accordance with IFRS (which may not, however, exceed the value in use). The value in use was determined using the discounted dividend method (DDM), which involves discounting the future distributable earnings over a long period, said earnings being based on forecast accounting profits reduced by the amount put aside to comply with regulatory constraints concerning capital adequacy.

The forecast earnings used were those disclosed in the stock issue offer of October 28, 2011, this being the most recent information available. The discount rate used was based on the risk-free long-term interest rate to which was added a premium based on the volatility of BPM stock. This resulted in a value in use of 85 cents per BPM stock unit. Analysis of the sensitivity to the main parameters used in the model, and to the discount rate in particular, indicated that a 100 basis point increase in the rate would result in a 13% decrease in the value in use.

On the basis of this valuation, the carrying amount to be recognized in the group's consolidated financial statements, calculated using the equity method, totaled €181 million after impairment.

By way of reminder, the closing price of the BPM stock on the Milan stock exchange was 31 cents on December 31, 2011 and the opening price on February 23, 2012 was 50 cents. The stock market value of the CIC group's stake in BPM was €66 million at December 31, 2011 and €107 million at February 23, 2012. At September 30, 2011, according to the consolidated financial statements drawn up in accordance with IFRS, BPM had total assets of €51,927 million and equity of €3,795 million, including net income for the first nine months of 2011 of €49 million.

On October 4, 2011, the CIC group transferred its entire 6.49% stake in Banca di Legnano SpA to BPM which, following the transfer, had a 100% stake in its subsidiary which it merged with another subsidiary, Cassa di Risparmio di Alessandria SpA, on February 11, 2012.

During 2011, the CIC group recognized in the income statement, in addition to its share in BPM's income for the period totaling €2 million, the loss resulting from the conversion of the convertible bonds redeemable in stock, the accretive effect due to the increased percentage holding, the impairment loss generated by the value in use and the loss on the transfer of the Banca di Legnano stock, which totaled €73 million, comprising negative net banking income of €42 million and a loss of €31 million under the heading "Share of income/(loss) of associates".

Note 15 - Investment property

	Jan. 1, 2011	Increases	Decreases	Other movements	Dec. 31, 2011
Historical cost	39	2	(1)	0	40
Depreciation and impairment	(16)	(2)	1	(0)	(17)
Net	**23**	**(0)**	**(0)**	**0**	**23**

The fair value of investment property carried at cost is comparable to its carrying amount.

Note 16 - Property and equipment

	Jan. 1, 2011	Increases	Decreases	Other movements	Dec. 31, 2011
Historical cost					
Land used in operations	349	1	(2)	1	349
Buildings used in operations	2,259	107	(31)	39	2,374
Other property and equipment	659	43	(68)	(37)	597
TOTAL	**3,267**	**151**	**(101)**	**3**	**3,320**
Depreciation and impairment					
Land used in operations	0	0	0	(0)	0
Buildings used in operations	(1,175)	(115)	26	(1)	(1,265)
Other property and equipment	(486)	(33)	53	(1)	(467)
TOTAL	**(1,661)**	**(148)**	**79**	**(2)**	**(1,732)**
Net	**1,606**	**3**	**(22)**	**1**	1,588

Note 17 - Intangible assets

	Jan. 1, 2011	Increases	Decreases	Other movements	Dec. 31, 2011
Historical cost					
Internally developed intangible assets	1	0	0	(0)	1
Purchased intangible assets	404	21	(8)	(6)	411
- Software	*94*	*9*	*(3)*	*1*	*101*
- Other	*310*	*12*	*(5)*	*(7)*	*310*
TOTAL	**405**	**21**	**(8)**	**(6)**	**412**
Amortization and impairment					
Internally developed intangible assets	(1)	(0)	0	0	(1)
Purchased intangible assets	(105)	(55)	5	9	(146)
- Software	*(38)*	*(12)*	*2*	*(0)*	*(48)*
- Other	*(67)*	*(43)*	*3*	*9*	*(98)*
TOTAL	**(106)**	**(55)**	**5**	**9**	**(147)**
Net	**299**	**(34)**	**(3)**	**3**	**265**

Note 18 - Goodwill

	Jan. 1, 2011	Increases	Decreases	Other movements[1]	Dec. 31, 2011
Gross value	86	0	0	1	87
Impairment	0	(0)	0	0	0
Carrying amount	**86**	**(0)**	**0**	**1**	**87**

(1) Other movements resulted from the change in exchange rates (€1 million).

Goodwill is tested for impairment on an annual basis.

	Jan. 1, 2011	Increases	Decreases	Other movements	Dec. 31, 2011
CIC Banque Transatlantique	6				6
CIC Private Banking - Banque Pasche	54			1	55
Transatlantique Gestion	5				5
CM-CIC Investissement	21				21
TOTAL	**86**	**0**	**0**	**1**	**87**

Notes to the statement of financial position - Liabilities

Note 19 - Due to central banks - Due to credit institutions

	Dec. 31, 2011	Dec. 31, 2010
Central banks	282	44
Due to credit institutions		
Current accounts	4,821	2,738
Other borrowings [1]	61,308	55,491
Repurchase agreements	3,214	4,193
Accrued interest	233	164
TOTAL	**69,576**	**62,586**

(1) Including €52,052 million due to BFCM.

Note 20 - Financial liabilities at fair value through profit or loss

	Dec. 31, 2011	Dec. 31, 2010
Financial liabilities held for trading	6,555	7,011
Financial liabilities accounted for under the fair value option	22,588	25,186
TOTAL	**29,143**	**32,197**

Note 20a - Financial liabilities held for trading

	Dec. 31, 2011	Dec. 31, 2010
Short sales of securities		
- Government securities	0	1
- Bonds and other fixed-income securities	641	1,315
- Equities and other variable-income securities	447	548
Debts in respect of securities sold under repurchase agreements		
Derivatives held for trading	4,665	4,387
Other financial liabilities held for trading	802	760
- Of which, debts in respect of borrowed securities	*802*	*760*
TOTAL	**6,555**	**7,011**

Note 20b - Financial liabilities accounted for under the fair value option

	Dec. 31, 2011			Dec. 31, 2010		
	Carrying amount	**Amount due on maturity**	**Difference**	Carrying amount	Amount due on maturity	Difference
Securities issued	60	60	0	473	473	0
Subordinated notes	0	0	0	0	0	0
Interbank borrowings [1]	21,913	21,901	13	23,562	23,555	7
Amounts due to customers [1]	615	615	0	1,151	1,151	0
TOTAL	**22,588**	**22,576**	**13**	**25,186**	**25,179**	**7**

(1) The carrying amount of debt securities given under repurchase agreements came to €22,159 million at December 31, 2011 compared with €23,741 million at December 31, 2010.
The assessment of the specific credit risk was not material.

Note 21 - Due to customers

	Dec. 31, 2011	Dec. 31, 2010
Regulated savings accounts		
- Demand	22,843	19,865
- Term	7,331	7,275
Accrued interest	5	13
Sub-total	**30,179**	**27,153**
Current accounts	36,061	35,190
Term deposits and borrowings	33,530	27,695
Repurchase agreements	151	678
Accrued interest	286	610
Sub-total	**70,028**	**64,173**
TOTAL	**100,207**	**91,326**

Note 22 - Debt securities

	Dec. 31, 2011	Dec. 31, 2010
Retail certificates of deposit	90	83
Interbank instruments and money market securities	12,162	30,473
Bonds	1,153	967
Accrued interest	86	104
TOTAL	**13,491**	**31,627**

Note 23 - Accruals and other liabilities

	Dec. 31, 2011	Dec. 31, 2010
Accruals		
Accounts unavailable due to recovery procedures	442	453
Currency adjustment accounts	348	14
Accrued expenses	489	585
Deferred income	489	486
Other accruals	1,354	5,223
Sub-total	**3,122**	**6,761**
Other liabilities		
Securities settlement accounts	78	63
Outstanding amounts payable on securities	53	69
Miscellaneous creditors	1,539	1,298
Sub-total	**1,670**	**1,430**
TOTAL	**4,792**	**8,191**

Further details of accruals and other liabilities are provided in Note 13.

Currency adjustment accounts correspond to exchange differences on forward exchange transactions reported in off-statement of financial position items.

Note 24 - Provisions

	Jan. 1, 2011	Additions	Reversals (utilized provisions)	Reversals (surplus provisions)	Other movements	Dec. 31, 2011
Provisions for counterparty risks						
On signature commitments	126	38	(9)	(40)	(0)	115
On financing and guarantee commitments	1	0	(1)	(0)	0	0
On country risks	0	0	0	0	0	0
Provisions for risks on miscellaneous receivables	23	2	(8)	(3)	1	15
Other provisions for counterparty risks	0	0	0	(0)	(0)	0
Other provisions						
Provisions for retirement costs	120	21	(9)	(6)	(0)	126
Provisions for claims and litigation	31	7	(4)	(4)	5	35
Provisions for home savings accounts and plans	62	0	(4)	(15)	0	43
Provisions for taxes	119	5	(56)	(0)	(4)	64
Provisions for miscellaneous contingencies	327	11	(54)	(38)	5	251
Other provisions [1]	271	66	1	(24)	(60)	254
TOTAL	**1,080**	**150**	**(144)**	**(130)**	**(53)**	**903**

(1) Other provisions include provisions set aside in respect of economic interest groupings (EIG) totaling €231 million.

Note 24a - Retirement and other employee benefits

	Jan. 1, 2011	Additions	Reversals	Other movements	Dec. 31, 2011
Defined benefit plans not covered by retirement funds					
Retirement bonuses [1]	30	15	(5)	(0)	40
Top-up payments	49	4	(6)	0	
Obligations for long-service awards (other long-term benefits)	28	2	(2)	0	28
Sub-total	**107**	**21**	**(13)**	**(0)**	**115**
Supplementary defined benefit pensions covered by pension funds					
Provisions for pension fund shortfalls [2]	13	0	(2)	0	11
Sub-total	**13**	**0**	**(2)**	**0**	**11**
TOTAL	**120**	**21**	**(15)**	**(0)**	**126**

Assumptions used	**2011**	2010
Discount rate [3]	4.7%	4.0%
Salary inflation rate [4]	Minimum 1.8%	Minimum 1.5%

Movement in the CIC banks' provision for retirement bonuses

	Jan. 1, 2011	Impact of discounting	Financial income	Cost of services rendered	Other including past service cost	Change in actuarial differences	Payment to beneficiaries	Insurance contributions	**Dec. 31, 2011**
Retirement bonuses									
Commitments	180	7		7	5	(3)	(15)		181
Insurance policy	102		4			(4)	(9)	7	100
Spreading	(64)				11				(53)
Excess assets / commitments	0								0
Sub-total: banks guaranteed by ACM	**14**	**7**	**(4)**	**7**	**16**	**1**	**(6)**	**(7)**	**28**
Other French entities	7								3
Foreign entities	9								9
TOTAL	**30**								**40**

(1) F or the group's French banks, the provision for retirement bonuses is the difference between the commitment and the amount guaranteed by ACM, a CM10-CIC group insurance firm.
In 2011, the change in the provision resulted in a €12 million charge in respect of the spreading of the impact of the implementation within the group in 2010 of the unified regime (statut unique).
(2) The provisions for pension fund shortfalls relate only to the group's foreign entities.
(3) The discount rate used is the yield on long-term bonds issued by top-tier companies, based on the IBOXX index.
(4) The annual increase in salaries is the estimated cumulative future salary inflation rate. As from 2010, it is also based on the age of employees.

Note 24b - Provisions for risks arising from commitments on home savings accounts and plans

	Dec. 31, 2011	Dec. 31, 2010
Home savings plans		
Contracted between 0 and 4 years ago	212	1,764
Contracted between 4 and 10 years ago	3,676	1,821
Contracted more than 10 years ago	2,103	2,245
TOTAL	**5,991**	**5,830**
Amounts outstanding under home savings accounts	642	788
TOTAL	**6,633**	**6,618**

Home savings loans	Dec. 31, 2011	Dec. 31, 2010
Balance of home savings loans giving rise to provisions for risks reported in assets	206	241

Home savings provisions	Jan 1, 2011	Net additions	Other movements	Dec. 31, 2011
On home savings accounts	14	1		15
On home savings plans	40	(18)		22
On home savings loans	8	(2)		6
TOTAL	**62**	**(19)**	**0**	**43**
Maturity analysis				
Contracted between 0 and 4 years ago	21			12
Contracted between 4 and 10 years ago	7			0
Contracted more than 10 years ago	12			10
TOTAL	**40**			**22**

Home savings accounts ("CEL") and home savings plans ("PEL") are government-regulated retail products sold in France. Account holders receive interest on amounts paid into these accounts over a certain period (initial savings phase), at the end of which they are entitled to a mortgage loan (secondary borrowing phase). For the distributing establishment, they generate two types of obligation:

- to pay interest in the future on paid-in amounts at a fixed rate (in the case of PEL accounts only, as interest on CEL accounts is regularly revised on the basis of an indexation formula and is therefore treated as a variable rate);
- to grant loans to customers at their request, at a rate set on inception of the contract (both PEL and CEL products).

The cost represented by these obligations has been estimated on the basis of behavioral statistics and market data.

A provision is recognized in liabilities to cover the future costs relating to the risk that the terms of such products may be potentially unfavorable to the bank, i.e. where the bank offers different interest rates than those on similar non-regulated products. This approach is managed based on generations of regulated PEL savings products with similar characteristics. The impacts on income are included in interest paid to customers.

The fall in provisions for risks in 2010 was essentially due to the fall in expected future interest rates (determined using a Cox-Ingersoll-Ross interest rate model).

Note 25 - Subordinated debt

	Dec. 31, 2011	Dec. 31, 2010
Subordinated notes	336	531
Non-voting loan stock	154	154
Perpetual subordinated notes	2,107	2,107
Other debt	910	902
Accrued interest	25	26
TOTAL	**3,532**	**3,720**

Subordinated debt representing more than 10% of total subordinated debt at December 31, 2011

Main subordinated debt issues	Issue date	Issue amount	Currency	Rate	Maturity	Early redemption feature	Early redemption conditions
Subordinated notes	07.19.01	€300 M	EUR	a	07.19.2013		
Subordinated notes	09.30.03	$350 M	USD	b	09.30.2015		
Non-voting loan stock	05.28.85	€137 M	EUR	c	d		
Perpetual subordinated notes	06.30.06	€400 M	EUR	e			
Perpetual subordinated notes	06.30.06	€1,100 M	EUR	f			
Perpetual subordinated notes	12.30.08	€500 M	EUR	g			

a 3-month Euribor + 89.5 basis points.
b 6-month USD Libor + 55 basis points.
c Minimum 85% (TAM+TMO)/2 - Maximum 130% (TAM+TMO)/2.
d Repayable at borrower's discretion as from May 28, 1997 at 130% of the face value incremented at the rate of 1.5% for each subsequent year.
e 6-month Euribor + 167 basis points.
f 6-month Euribor + 107 basis points for the first ten years, then 6-month Euribor + 207 basis points.
g 3-month Euribor + 665 basis points.
e, f and g: subscribed by the parent companies BFCM and CFCM.

Payment of interest on perpetual subordinated notes, which are financial instruments reported in liabilities, may only be suspended in certain predefined situations outside the control of the issuer.

Note 26a - Unrealized or deferred gains and losses

	Dec. 31, 2011	Dec. 31, 2010
Unrealized or deferred gains and losses* relating to:		
Translation adjustments	(5)	
Available-for-sale financial assets		
Equities		
- Unrealized or deferred gains	90	134
- Unrealized or deferred losses	(20)	(21)
Bonds		
- Unrealized or deferred gains	588	37
- Unrealized or deferred losses	(1,719)	(649)
Derivatives designated as cash flow hedges	(18)	(10)
Real estate assets (IAS 16)		
Share of unrealized gains and losses of associates	18	44
TOTAL	**(1,066)**	**(465)**
Unrealized or deferred gains and losses		
- Attributable to owners of the company	(967)	(376)
- Non-controlling interests	(99)	(89)
TOTAL	**(1,066)**	**(465)**

** Amounts net of tax.*

Note 26b – Additional information on movements in unrealized or deferred gains and losses

Movement in gains and losses recognized directly in equity

	Dec. 31, 2011	Dec. 31, 2010
Translation adjustments		
Reclassification in income		
Other movements	(5)	0
Sub-total	**(5)**	**0**
Remeasurement of available-for-sale financial assets		
Reclassification in income	307	(102)
Other movements	(870)	(39)
Sub-total	**(563)**	**(141)**
Remeasurement of hedging derivatives		
Reclassification in income	0	2
Other movements	(7)	(2)
Sub-total	**(7)**	**(0)**
Remeasurement of non-current assets	0	0
Actuarial differences on defined benefit plans	0	0
Share of unrealized or deferred gains and losses of associates	(26)	2
TOTAL	**(601)**	**(139)**

Movement in gains and losses recognized directly in equity

	Dec. 31, 2011			Dec. 31, 2010		
	Gross	**Tax**	**Net**	Gross	Tax	Net
Translation adjustments	(5)		(5)	(0)		0
Remeasurement of available-for-sale financial assets	(869)	306	(563)	(182)	41	(141)
Remeasurement of hedging derivatives	(10)	3	(7)	0	0	(0)
Remeasurement of non-current assets			0			0
Actuarial differences on defined benefit plans			0			0
Share of unrealized or deferred gains and losses of associates	(26)		(26)	2		2
TOTAL MOVEMENTS IN GAINS AND LOSSES RECOGNIZED DIRECTLY IN EQUITY	**(910)**	**309**	**(601)**	**(180)**	**41**	**(139)**

Note 27 - Commitments given and received

Commitments given	Dec. 31, 2011	Dec. 31, 2010
Financing commitments		
To credit institutions	945	1,198
To customers	25,973	26,286
Guarantees		
To credit institutions	1,080	4,231
To customers	11,550	7,445

Commitments received	2011	2010
Financing commitments		
From credit institutions	720	1,226
Guarantees		
From credit institutions	30,080	29,028

Assets given as collateral for liabilities	2011	2010
Securities loaned	12	8
Security deposits on market transactions	6,763	4,568
Securities sold under repurchase agreements	24,887	28,295
TOTAL	**31,662**	**32,871**

Notes to the income statement

Note 28 - Interest income and expense

	2011		2010	
	Income	**Expense**	Income	Expense
Credit institutions and central banks	818	(1,503)	777	(1,263)
Customers	7,266	(3,796)	6,956	(3,286)
- Of which, finance leases	*2,682*	*(2,361)*	*2,602*	*(2,284)*
Financial assets/liabilities accounted for under the fair value option	0		0	
Derivatives used for hedging purposes	295	(553)	1,329	(1,590)
Available-for-sale financial assets	470		511	
Held-to-maturity financial assets	2		2	
Debt securities		(316)		(330)
Subordinated debt		(69)		(62)
TOTAL	**8,851**	**(6,237)**	**9,575**	**(6,531)**

Note 29 - Commission income and expense

	2011		2010	
	Income	**Expense**	Income	Expense
Credit institutions	4	(3)	5	(3)
Customers	750	(7)	707	(7)
Securities transactions	492	(34)	512	(29)
Derivative instruments	4	(13)	5	(20)
Currency transactions	16	(1)	19	(2)
Financing and guarantee commitments	5	(8)	4	(7)
Services provided	925	(449)	919	(439)
TOTAL	**2,196**	**(515)**	**2,171**	**(507)**

	2011	2010
Commissions on financial assets and liabilities not carried at fair value through profit or loss (including demand accounts)	785	752
Commissions for management services provided to third parties	421	434

Note 30 - Net gain/(loss) on financial instruments at fair value through profit or loss

	2011	2010
Trading instruments	(32)	(191)
Instruments accounted for under the fair value option[1]	(118)	98
Ineffective portion of hedges	5	(5)
Foreign exchange gains	45	49
TOTAL CHANGES IN FAIR VALUE	**(100)**	**(49)**

(1) Including €98 million net loss in respect of the private equity business.

Note 30a - Ineffective portion of hedges

	2011	2010
Change in fair value of hedged items	952	(139)
Change in fair value of hedging instruments	(947)	134
TOTAL INEFFECTIVE PORTION OF HEDGES	**5**	**(5)**

Note 31 - Net gain/(loss) on available-for-sale financial assets

	2011				2010			
	Dividends	**Realized gains and losses**	**Impairment**	**Total**	Dividends	Realized gains and losses	Impairment	Total
Government securities, bonds and other fixed-income securities		12	0	12		90	0	90
Equities and other variable-income securities	1	25	0	26	1	5	0	6
Long-term investments	56	43	(110)	(11)	47	9	(21)	35
Other	0	(76)	0	(76)	0	2	0	2
TOTAL	**57**	**4**	**(110)**	**(49)**	**48**	**106**	**(21)**	**133**

Note 32 - Income/expenses on other activities

	2011	2010
Income from other activities		
Investment property	0	1
Rebilled expenses	61	0
Other income	180	136
Sub-total	**241**	**137**
Expenses on other activities		
Investment property	(2)	(1)
Other expenses	(219)	(291)
Sub-total	**(221)**	**(292)**
TOTAL	**20**	**(155)**

Note 33 - General operating expenses

	2011	2010
Payroll costs	(1,607)	(1,663)
Other expenses	(1,036)	(985)
TOTAL	**(2,643)**	**(2,648)**

Note 33a - Payroll costs

	2011	2010
Wages and salaries	(987)	(1,017)
Social security charges	(435)	(422)
Employee benefits	(3)	(2)
Employee profit-sharing and incentive bonuses	(74)	(114)
Payroll-based taxes	(111)	(105)
Other	3	(3)
TOTAL	**(1,607)**	**(1,663)**

Note 33b - Average number of employees (as full time equivalent)

	2011	2010
Banking staff	11,964	12,144
Managerial staff	8,704	8,584
TOTAL	**20,668**	**20,728**
Analysis by country		
France	19,157	19,223
Outside France	1,511	1,505
TOTAL	**20,668**	**20,728**

Note 33c - Other general operating expenses

	2011	2010
Other taxes and duties	(114)	(80)
External services	(941)	(923)
Rebilled expenses	20	18
Other miscellaneous expenses	(1)	(0)
TOTAL	**(1,036)**	**(985)**

Note 33d - Statutory auditors' fees

	PricewaterhouseCoopers Audit				Ernst & Young et Autres			
Amounts excluding VAT in € millions	2011		2010		2011		2010	
Audit								
Statutory audit and contractual audits								
- CIC	0.60	17%	0.65	16%	0.55	22%	0.63	23%
- Fully consolidated subsidiaries	2.38	66%	2.77	70%	1.90	76%	2.00	72%
Other assignments and services directly related to the statutory audit[1]								
- CIC								
- Fully consolidated subsidiaries	0.46	13%	0.14	4%	0.01	0%	0.10	3%
Sub-total	**3.44**	**96%**	**3.56**	**90%**	**2.46**	**98%**	**2.73**	**98%**
Other services performed by the networks for fully consolidated subsidiaries								
- Legal, tax and corporate advisory services	0.03	1%	0.13	3%				
- Other	0.13	3%	0.26	7%	0.05	2%	0.06	2%
Sub-total	**0.16**	**4%**	**0.39**	**10%**	**0.05**	**2%**	**0.06**	**2%**
TOTAL	**3.60**	**100%**	**3.95**	**100%**	**2.51**	**100%**	**2.79**	**100%**

(1) Other assignments directly related to the statutory audit comprise mainly assignments carried out at the request of the supervisory authorities, the aim of which was to ensure that the group and its procedures comply with regulatory requirements.

The above amounts correspond to the amounts recognized as charges during the fiscal year.

Note 34 - Movements in depreciation, amortization and provisions for impairment of property and equipment and intangible assets

	2011	2010
Depreciation and amortization		
Property and equipment	(148)	(151)
Intangible assets	(19)	(25)
Impairment		
Property and equipment	0	(1)
Intangible assets	(0)	(1)
TOTAL	**(167)**	**(178)**

Note 35 - Net additions to/reversals from provisions for loan losses

	Additions	Reversals	Loan losses covered by provisions	Loan losses not covered by provisions	Recovery of loans written off in prior years	Total	2010
Credit institutions	(3)	51	(0)	(0)	0	48	(70)
Customers							
- Finance leases	(10)	6	(3)	(6)	0	(13)	(7)
- Other customer items	(630)	646	(205)	(20)	10	(199)	(268)
Sub-total	**(643)**	**703**	**(208)**	**(26)**	**10**	**(164)**	**(345)**
Held-to-maturity financial assets	(2)	0	0	0	0	(2)	(12)
Available-for-sale financial assets [1]	(358)	1	(40)	(49)	44	(402)	(120)
Other, including financing and guarantee commitments	(41)	62	(2)	(0)	0	19	36
TOTAL	**(1,044)**	**766**	**(250)**	**(75)**	**54**	**(549)**	**(441)**

(1) Including €345 million relating to the impairment of Greek sovereign securities (see note 7b).

Note 36 - Net gain/(loss) on disposals of other assets

	2011	2010
Property and equipment and intangible assets		
Losses on disposals	(4)	(4)
Gains on disposals	21	9
TOTAL	**17**	**5**

Note 37 - Corporate income tax

	2011	2010
Current taxes	(192)	(379)
Deferred tax income and expense	(111)	15
Adjustments in respect of prior years	10	17
TOTAL	**(293)**	**(347)**

Including a charge of €197 million in respect of companies located in France and a charge of €96 million for companies located elsewhere.

Reconciliation between the corporate income tax recorded in the accounts and the theoretical tax charge	**2011**
Theoretical tax rate	**36.1%**
Impact of permanent differences	11.0%
Impact of tax consolidation	- 4.6%
Impact of preferential "SCR" and "SICOMI" rates	- 2.3%
Impact of changes in deferred tax rates	- 2.0%
Impact of tax credits and tax deductions	- 1.7%
Impact of different tax rates paid by foreign subsidiaries	- 0.9%
Impact of reduced tax rate on long-term capital gains	- 0.7%
Other	0.6%
Effective tax rate	**35.5%**
Taxable income [1]	824
TAX CHARGE	**(293)**

(1) Sum of pre-tax income of fully-consolidated companies.

CIC has set up a tax group with its main subsidiaries (more than 95%-owned) and the regional banks.

Each regional bank that is part of the overall tax group forms a sub-group that includes its own subsidiaries. The companies included in the tax group are shown with an (i) in front of their name in the list of consolidated companies.

Note 38 - Earnings per stock unit

	2011	2010
Net income attributable to owners of the company	555	1,115
Number of stock units at beginning of year	37,797,752	36,687,530
Number of stock units at end of year	37,797,752	37,797,752
Weighted average number of stock units	37,797,752	37,242,641
Basic earnings per stock unit (in euros)	**14.69**	**29.94**
Additional weighted average number of stock units assuming full dilution	0	0
Diluted earnings per stock unit (in euros)	**14.69**	**29.94**

CIC's capital stock amounts to €608,439,888, made up of 38,027,493 stock units with a par value of €16 each, including 229,741 treasury stock units.

Note 39 - Fair value of financial instruments carried at amortized cost

The estimated fair values presented are calculated based on observable parameters at December 31, 2011 and are obtained by computing estimated discounted future cash flows using a risk-free yield curve. For asset items, the yield curve factors in a credit spread calculated for the CM10-CIC group as a whole, which is revised on a yearly basis.

The financial instruments discussed in this note relate to loans and borrowings. They do not include non-monetary items (e.g. equities), trade accounts payable, other asset accounts, or other liability and accrual accounts. Non-financial instruments are not discussed in this section.

The fair value of financial instruments repayable on demand and regulated customer savings deposits equals the amount that may be requested by the customer, i.e. the carrying amount.

Certain group entities may also apply assumptions whereby fair value is deemed to equal the carrying amount for those contracts indexed to a floating rate, or whose residual life is one year or less.

The reader's attention is drawn to the fact that, excluding held-to-maturity financial assets, financial instruments carried at amortized cost are not sold or are not intended to be sold prior to maturity. Accordingly, capital gains and losses are not recognized.

However, if financial instruments carried at amortized cost were to be sold, their price may differ significantly from the fair value calculated at December 31, 2011.

	Dec. 31, 2011		Dec. 31, 2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Loans and receivables due from credit institutions	35,603	35,374	42,909	42,353
Loans and receivables due from customers	132,303	132,905	127,462	127,733
Held-to-maturity financial assets	78	91	91	94
Liabilities				
Due to credit institutions	69,576	69,544	62,586	62,535
Due to customers	100,207	99,411	91,326	89,891
Debt securities	13,491	13,606	31,627	31,676
Subordinated debt	3,532	4,160	3,720	4,340

Note 40 - Related party transactions

	2011		2010	
	Associates (accounted for using the equity method)	**Parent company**	Associates (accounted for using the equity method)	Parent company
Assets				
Loans, advances and securities				
- Loans and receivables due from credit institutions[1]	0	20,282	0	24,537
- Loans and receivables due from customers	0	40	0	50
- Securities transactions	0	54	70	0
Other assets	6	66	4	60
TOTAL	**6**	**20,442**	**74**	**24,647**
Liabilities				
Deposits				
- Due to credit institutions	0	56,272	0	44,489
- Due to customers	305	20	43	21
Debt securities	574	0	703	65
Subordinated debt	0	3,074	0	3,020
Other liabilities	0	16	0	19
TOTAL	**879**	**59,382**	**746**	**47,614**
Financing and guarantee commitments				
Financing commitments given	0	0	0	0
Guarantee commitments given	0	101	0	81
Financing commitments received	0	0	0	0
Guarantee commitments received	0	2,113	0	1,682

(1) Including a €750 million perpetual subordinated loan due from BFCM.

	2011		2010	
Income statement items related to transactions with related parties	**Associates (accounted for using the equity method)**	**Parent company**	Associates (accounted for using the equity method)	Parent company
Interest income	0	243	0	164
Interest expense	(11)	(814)	(8)	(608)
Commission income	375	45	393	34
Commission expense	0	(133)	0	(123)
Other income and expenses	64	33	25	13
General operating expenses	(59)	(304)	(98)	(301)
TOTAL	**369**	**(930)**	**312**	**(821)**

The parent company is BFCM, the majority stockholder of CIC, and Caisse Fédérale de Crédit Mutuel (CFCM), the entity controlling BFCM and all its subsidiaries.

Transactions carried out with the parent company mainly cover loans and borrowings taken out for the purposes of treasury management, as BFCM is the group's refinancing vehicle, as well as IT services billed with the Euro Information entities.

Companies accounted for using the equity method comprise CM-CIC Asset Management, the Assurances du Crédit Mutuel group and Banca Popolare di Milano.

Relations with the group's key executives (see Corporate governance on page 47).

Total compensation paid to the group's key executives	**Fixed salary**	**Variable salary**	**Benefits-in-kind**	**Sundry adjustments**	**Total 2011**	Total 2010
Key executives	1.2	0.0	0.0	0.0	**1.2**	2.8

In addition, CIC's board of directors, at its meeting on May 19, 2011, decided to make a severance payment to Michel Lucas on the termination of his term of office as chairman and chief executive officer. Said compensation was to be based on performance conditions, representing one year of his compensation as a corporate officer, i.e. an estimated total commitment of €770,000 (including social security charges).

Statutory auditors' report on the consolidated financial statements

Year ended December 31, 2011

To the stockholders,

In fulfillment of the assignment entrusted to us by your stockholders' general meeting, we hereby report to you, for the year ended December 31, 2011, on:

- the audit of the accompanying consolidated financial statements of CIC;
- the justification of our assessments;
- the specific verification required by law.

The consolidated financial statements have been approved by the board of directors. Our role is to express an opinion on these financial statements based on our audit.

I – Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit includes examining, on a test basis or using other sampling methods, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used, the significant estimates made in the preparation of the financial statements and the overall presentation of the financial statements. We believe that the information we have gathered is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the consolidated financial statements for the year ended December 31, 2011 give a true and fair view of the assets, liabilities, financial position of the group formed by the entities included in the consolidation scope and of the results of its operations in accordance with IFRS as adopted by the European Union.

II – Justification of our assessments

The accounting estimates used in the preparation of the consolidated financial statements for the year ended December 31, 2011 were drawn up in an uncertain environment, associated with the public finance crisis in certain eurozone countries (and in Greece, in particular) and accompanied by an economic and liquidity crisis, which has made assessing the economic outlook difficult. It is against this backdrop that, in accordance with the requirements of Article L.823-9 of the French Commercial Code *(Code de commerce)* relating to the justification of our assessments, we bring to your attention the following matters:

- your group uses internal models and methodologies to measure financial instruments that are not traded on active markets, as well as to recognize certain provisions as described in notes 1 and 10c to the consolidated financial statements. We examined the control systems relating to these models and methodologies, the parameters used and the identification of the financial instruments to which they apply;
- your group details in note 7b to the consolidated financial statements its exposures to sovereign risk, in particular Greek sovereign risk, as well as the procedures for measuring and recognizing such risk. We examined the control systems relating to the assessment and measurement of credit risk, the accounting treatment applied and the appropriateness of the information disclosed in the aforementioned note;
- your group recognizes impairment losses on available-for-sale financial assets when there is an objective indication or a prolonged or significant reduction in the value of these assets (notes 1 and 7 to the consolidated financial statements). We examined the control systems relating to the identification of indications of loss of value, the valuation of the most significant items, and the estimates which led, where applicable, to the recognition of impairment provisions to cover losses of value;
- your group carried out impairment tests on goodwill and on equity interests which resulted, where relevant, in the recognition of impairment provisions in respect of this fiscal year (notes 1 and 18 to the consolidated financial statements). We have reviewed the methods used to implement these tests, the main assumptions and parameters used and the estimates which resulted, where relevant, in the recognition of provisions to cover said impairment losses;
- your group recognizes impairment provisions to cover the credit and counterparty risks inherent in its business (notes 1, 8, 10a, 24 and 35 to the consolidated financial statements). We examined the control systems applicable to the monitoring of credit and counterparty risk, the impairment methodologies and the coverage of impairment losses by individual and collective provisions;
- your group recognizes deferred tax assets, in particular for tax losses carried forward (notes 1 and 12 to the consolidated financial statements). We examined the main estimates and assumptions that led to the recognition of these deferred taxes;
- your group recognizes provisions for employee benefit obligations (notes 1 and 24a to the consolidated financial statements). We examined the methodology used to assess these obligations, as well as the main assumptions and calculation methods used.

These assessments were made in the context of our audit of the consolidated financial statements taken as a whole and therefore contributed to the formation of our opinion expressed in the first section of this report.

III – Specific verification

As provided by law and in accordance with French professional standards, we also specifically verified the information given in the group's board of directors' report.

We have no matters to report as to its fair presentation and consistency with the consolidated financial statements.

Neuilly-sur-Seine and Paris La Défense, April 20, 2012

The Statutory auditors:
PricewaterhouseCoopers Audit: Agnès Hussherr
Ernst & Young et Autres: Isabelle Santenac

Company financial statements

The statutory auditors have audited the company financial statements.

Board of directors' report on the company financial statements

The company financial statements are prepared in accordance with regulation 91-01 issued by the *Comité de la Réglementation Bancaire* (French banking regulatory committee – CRB), as amended by regulations 2000-03 and 2005-04 issued by the *Comité de la Réglementation Comptable* (French accounting regulatory committee – CRC) and by regulations 2010-04 and 2010-08 issued by the *Autorité des Normes Comptables* (French accounting standards authority).

Highlights of the fiscal year

- As part of the continuing restructuring of the CM-CIC group's capital structuring activities, CIC sold its stake in CM-CIC Investissement to CIC Capital Finance, generating a €67.1 million capital gain.
- In connection with the setting up of CM-CIC Immobilier, the group's new real estate division, CIC sold to BFCM its stakes in CM-CIC Agence Immobilière (formerly Afedim) and CM-CIC Participations Immobilières (formerly Soparim), generating capital gains of €9.5 million and €3.7 million respectively.
- CIC also sold its entire stake in Banca di Legnano, generating a €20 million capital gain.
- The gains and losses on non-current assets recognized in the 2011 income statement comprised a €153.5 million expense in respect of the impairment provision against CIC's subsidiaries that hold stakes in Banca Popolare di Milano.
- CIC's financial statements were affected by the loss in value of Greek government debt: the net of tax impact on the companies totaled €224.3 million.

CIC Greater Paris region network

The Greater Paris region network was made up of 301 branches at December 31, 2011.

At that date, the number of customers totaled 686,153, including 571,897 personal banking customers.

Outstanding loans totaled €15.4 billion (2.9% up on the previous year), consisting mainly of home loans (€11 billion).

Deposits rose significantly (+16.1%) to €15.5 billion and savings fell 6.9% to €10.2 billion.

Financing and capital markets

Outstanding loans in financing totaled €18.4 billion. Deposits came to €6.9 billion. Customer funds invested in savings products increased by 2% compared with 2010.

2011 results

Net banking income fell from €1,344 million in 2010 to €1,252 million in 2011.

Net commission income came to €279 million.

Dividends received from subsidiaries and equity interests came to €405.2 million, compared with €256 million in 2010, the majority being derived from the regional banks and CM-CIC group subsidiaries.

General operating expenses were up 2.6%.

The average number of employees in 2011 was 3,862.

Operating income before provisions came to €616 million in 2011 compared with €724 million in 2010.

Net additions to/reversals from provisions for loan losses represented a net charge of €338 million compared with a charge of €141 million in 2010.

The net loss on disposals of non-current assets amounted to €85 million.

CIC's total tax charge includes corporate income tax payable on CIC's net income and the net benefit from tax consolidation.

The company recorded net income of €275 million in 2011 compared with net income of €538 million in 2010.

Equity amounted to €5,331 million at December 31, 2011.

Articles L.441-6-1 and D.441-4 of the French commercial code require the disclosure of specific information on the due dates of amounts due to suppliers: the relevant amounts in respect of CIC are not material.

Details of executive compensation are provided on page 70 of the board of directors' report on the consolidated financial statements.

Information relating to CIC's stock ownership structure as at December 31, 2011 as well as changes during the year and dividends paid is provided on pages 31 to 35 of the section entitled "Presentation of CIC - capital and market for the company's stock".

The operations of CIC's subsidiaries are described on pages 182 to 189.

Financial statements

Balance sheet

Assets

(in € millions)	Notes	**Dec. 31, 2011**	Dec. 31, 2010
Cash and central banks		2,519	4,705
Government securities	2	10,529	11,810
Interbank loans and advances	3	40,526	52,038
Customer transactions	4	34,911	34,728
Bonds and other fixed-income securities	5	15,620	18,279
Equities and other variable-income securities	6	559	1,233
Investments in subsidiaries and other long-term investments	7	98	178
Investments in associates	8	4,166	3,245
Lease financing			
Intangible assets	9	92	95
Property and equipment	10	534	543
Unpaid capital			
Treasury stock	11	9	9
Other assets	12	10,931	9,075
Accruals and other assets	13	4,960	4,512
TOTAL		**125,454**	**140,450**

Off-balance sheet items

(in € millions)	Notes	**Dec. 31, 2011**	Dec. 31, 2010
Commitments and guarantees received			
Financing commitments received			
Commitments received from credit institutions		720	1,201
Guarantees received			
Guarantees received from credit institutions		10,829	11,510
Securities commitments received			
Optional repurchase agreements			
Other commitments and guarantees received		12	580

Liabilities and equity

(in € millions)	Notes	**Dec. 31, 2011**	Dec. 31, 2010
Central banks			
Due to credit institutions	14	70,638	64,718
Customer transactions	15	24,556	24,065
Debt securities	16	10,761	28,327
Other liabilities	12	3,128	3,937
Accruals and other liabilities	13	5,796	9,136
Provisions	17	1,538	1,033
Subordinated debt	18	3,327	3,469
General banking risks reserve	19	379	379
Equity	19	5,331	5,386
- Capital stock		*608*	*608*
- Additional paid-in capital		*1,088*	*1,088*
- Reserves		*667*	*666*
- Revaluation reserve		*44*	*44*
- Untaxed provisions		*43*	*40*
- Retained earnings		*2,606*	*2,402*
- Net income for the year		*275*	*538*
TOTAL		**125,454**	**140,450**

Off-balance sheet items

(in € millions)	Notes	**Dec. 31, 2011**	Dec. 31, 2010
Commitments and guarantees given			
Financing commitments given			
Commitments given to credit institutions		1,204	1,408
Commitments given to customers		13,908	14,454
Guarantees given	22		
Guarantees given on behalf of credit institutions		7,533	7,929
Guarantees given on behalf of customers		7,745	7,504
Securities commitments given			
Optional resale agreements			
Other commitments and guarantees given		290	678

Income statement

(in € millions)	Notes	**2011**	2010
Interest income	27	2,821	3,762
Interest expense	27	(2,278)	(2,924)
Income from variable-income securities	28	406	256
Commission income	29	411	399
Commission expense	29	(132)	(135)
Net gains on trading account securities	30	91	208
Net gains/(losses) on available-for-sale securities	31	(42)	(13)
Other banking income	32	94	20
Other banking expense	32	(118)	(229)
Net income from other activities	32	(1)	0
Net banking income		**1,252**	**1,344**
Payroll costs	33	(354)	(359)
Other general operating expenses		(240)	(219)
Depreciation, amortization and impairment		(42)	(42)
General operating expenses		**(636)**	**(620)**
Operating income before provisions		**616**	**724**
Net additions to/reversals from provisions for loan losses	34	(338)	(141)
Operating income after provisions		**278**	**583**
Net gains on disposals of non-current assets	35	(85)	(13)
Income/(loss) before non-recurring items		**193**	**570**
Net non-recurring items	36		
Corporate income tax	37	85	(29)
Net allocations to general banking risks reserve			
Net allocations to untaxed provisions		(3)	(3)
NET INCOME (LOSS)		**275**	**538**

Five-year financial summary

Caption	2007	2008	2009	2010	**2011**
1. At December 31					
Capital stock (in €)	573,626,848	586,384,976	590,676,336	608,439,888	**608,439,888**
Number of stock units in issue	35,851,678	36,649,061	36,917,271	38,027,493	**38,027,493**
"A" series common stock	35,851,678	36,649,061	36,917,271	38,027,493	**38,027,493**
"D" series preferred stock	-	-	-	-	**-**
Preferred investment certificates	-	-	-	-	**-**
Ordinary investment certificates	-	-	-	-	**-**
2. Results of operations (in € thousands)					
Banking income	8,813,597	9,651,017	5,866,707	4,632,388	**3,781,357**
Net income before tax, depreciation and amortization	657,102	86,775	1,662,616	781,283	**739,597**
Provisions and non-recurring items	-	-	-	-	**-**
Corporate income tax	19,951	(154,749)	130,846	29,159	**(84,789)**
Net income/(loss)	546,302	(73,083)	1,080,530	537,729	**275,129**
Dividends	172,088	36,649	160,590	334,642	**247,179**
3. Earnings per common stock unit (in €)					
Income after tax but before depreciation, amortization and provisions	18.55	6.56	41.42	19.53	**21.50**
Net income/(loss)	15.34	(2.01)	29.45	14.23	**7.28**
Dividend per "A" series stock unit	4.80	1.00	4.35	8.80	**6.50**
Dividend per "D" series stock unit and investment certificates					
4. Employee information (excluding foreign branches) (in €)					
Number of employees (average full-time equivalents)	4,223	4,097	3,759	3,498	**3,533**
Total payroll	213,077,999	193,851,371	173,519,754	175,790,924	**176,031,659**
Total benefits (social security, etc.)	103,361,020	89,836,051	93,886,625	65,945,942	**87,488,486**

> Notes

The notes are presented in millions of euros (€ millions).

Note 1 - Accounting policies, valuation and presentation methods

The company financial statements are prepared in accordance with regulation 91-01 issued by the *Comité de la Réglementation Bancaire* (French banking regulatory committee – CRB), as amended by regulations 2000-03 and 2005-04 issued by the *Comité de la Réglementation Comptable* (French accounting regulatory committee – CRC) and by regulations 2010-04 and 2010-08 issued by the *Autorité des Normes Comptables* (French accounting standards authority).

CIC is fully consolidated into the consolidated financial statements of the CIC, CM10-CIC and Crédit Mutuel groups.

Use of estimates in the preparation of the financial statements

Preparation of the financial statements may require the use of assumptions and estimates that are reflected in the measurement of income and expense in the income statement and of assets and liabilities in the balance sheet, and in the disclosure of information in the notes to the financial statements. This requires managers to draw upon their judgment and experience and make use of the information available at the date of the preparation of the financial statements when making the necessary estimates. This applies in particular to:

- the impairment of debt and equity instruments;
- impairment tests performed on intangible assets;
- the measurement of provisions, including retirement obligations and other employee benefits;
- the valuation of financial instruments not quoted on an organized market.

Reclassification of financial assets

With a view to standardizing accounting treatments and ensuring consistency with International Financial Reporting Standards, the CRC issued regulation 2008-17 on December 10, 2008, which amends CRB regulation 90-01 on accounting for securities transactions. This regulation consolidates the provisions of opinion 2008-19 of December 8, 2008 relating to transfers from trading securities and from available-for-sale securities.

Transfers from trading securities to held-to-maturity securities and from available-for-sale securities are now permitted in two instances:

a) when exceptional market conditions require a change of strategy;

b) when, subsequent to their acquisition, fixed income securities are no longer negotiable in an active market and if the bank has the intention and ability to hold these securities over the foreseeable future or until their maturity.

The effective date of transfers from trading securities and from available-for-sale securities may not be before July 1, 2008 and must correspond to the date at which consolidated financial statements are prepared.

Recognition of changes in accounting methods

Changes in accounting methods are applied retrospectively, that is to say as if the new methods had always been applied. The impact resulting from the first-time application of a change in accounting method is recognized directly to equity at January 1, resulting in the restatement of the opening balance sheet.

Loans

Loans are stated at their nominal value in the balance sheet.

Commissions received on the granting of a loan and those paid to referral agents are recognized in the income statement over time in accordance with a method which involves treating them as if they were interest. This actuarial amortization is recognized in the income statement within net interest income/(expense). In the balance sheet, commissions received and the incremental transaction costs which are amortized are included within the balance of the loan concerned.

Accrued interest receivable and payable are included within the balance sheet asset or liability heading to which they relate.

With regard to credit risk, a distinction is drawn between performing loans, non-performing loans and impaired non-performing loans for accounting purposes.

Reclassification of loans as non-performing or impaired non-performing loans

As required by CRC regulation CRC 2002-03, loans are reclassified as non-performing loans when exposed to a proven risk, namely if one or more installments are more than three months past due (six months in the case of real estate loans and nine months for local authority loans), if it is probable the borrower will be unable to repay the full amount due, when an event of default has occurred, or where the borrower is subject to court-ordered liquidation.

In addition to the regulatory definition, loans may be reclassified as non-performing loans when there is a risk of loss highlighted notably by financial, economic and/or legal analyses of the customer's situation or by any other information indicating the customer is exposed to a risk of insolvency.

When a loan meets the criteria for reclassification, all amounts due by the customer (or by the group to which the customer belongs) as well as amounts due by other joint account holders or by co-borrowers are considered in the same light, by all federations and all banks of the CM-CIC group.

Loans are reclassified as impaired non-performing loans if the prospects of collecting these loans have deteriorated sharply or if the write off of the loan must be envisaged. Impaired non-performing loans are classified as a distinct component of non-performing loans. Past due interest ceases to be recognized in respect of impaired non-performing loans.

Recognition of impairment losses

Impairment is recognized when there is objective evidence of impairment as a result of an event occurring after inception of a loan or group of loans, which may lead to a loss. Loans are tested for impairment on an individual basis at each balance sheet date. The amount of impairment is equal to the difference between the carrying amount and the present value of the estimated future cash flows associated with the loan, discounted at the original effective interest rate. For variable-rate loans, the last known contractual interest rate is used.

Impairment losses in respect of the principal are recognized by way of a provision, additions and reversals being reported as a

component of provisions for loan losses except for the effect of changes in the time value linked to the discounting mechanism, which is treated as interest income, and therefore as a component of net banking income. Impairment losses in respect of the interest on non-performing loans are recognized under interest received.

The impairment provision is deducted from the asset concerned when it relates to loans and reported under liabilities as a component of provisions for contingencies when it concerns financing and guarantee commitments.

Restructured loans
When non-performing loans are restructured at off-market conditions and reclassified as performing loans, a discount is recognized immediately as an expense and reversed over the term of the loan as a component of the interest margin.

Loan segmentation
In the notes to the financial statements, loans have been segmented by geographical area based on the location of the permanent CIC establishment.

Securities portfolio

Securities are accounted for in accordance with CRB regulation 90-01 as amended by CRB regulation 95-04, with CRC regulations 2000-02 and 2005-01, and with CB instruction 94-07 as amended by CB instruction 2000-12.

As required by these regulations and instructions, government securities, bonds and other fixed-income securities (interbank securities, negotiable debt instruments and marketable securities) are classified as trading securities, available-for-sale securities or held-to-maturity securities. Equities and other variable-income securities are classified as trading securities, available-for-sale securities, portfolio activity securities, investments in subsidiaries, investments in associates and other long-term investments.

Trading securities
Trading securities are securities purchased or sold for the purpose of being sold or repurchased in the near term or which are held by the bank because of its market-making activity. They are recognized at acquisition cost, excluding related costs but including any accrued interest. At each balance sheet date, trading securities are measured at their most recent mark-to-market value. Net unrealized gains or losses arising from fluctuations in market value are recognized in the income statement.

Available-for-sale securities
Available-for-sale securities are securities that have not been classified as trading securities, as held-to-maturity securities, as portfolio activity securities, as investments in subsidiaries, investments in associates or other long-term investments. They are recognized at acquisition cost, excluding related costs. Any discounts or premiums are spread over their residual life.

At each balance sheet date, each holding is valued separately. Bonds are grouped together by homogeneous group. When the carrying amount exceeds the estimated realizable value, an impairment loss is recognized representing the unrealized loss. This is determined for each relevant holding or homogenous group. Unrealized gains are not recorded and unrealized gains and unrealized losses are not offset. For equities quoted in Paris, the net realizable value corresponds to the average stock price during the month preceding the valuation date. For equities quoted on a foreign market and for bonds, realizable value corresponds to the most recent market value preceding the valuation date.

Held-to-maturity securities
Held-to-maturity securities are securities which the bank has the positive intent to hold to maturity. They are recognized at acquisition cost, excluding related costs. The difference between cost and redemption value is spread over the remaining life of the security. These securities are hedged with regard to the principal or interest rate exposure.

An impairment loss is recognized if a deterioration in the financial situation of the issuer means that the securities might not be redeemed at maturity.

Portfolio activity securities
Portfolio activity securities represent investments made on a regular basis with the sole objective of generating a gain over the medium term without intervening for any length of time in the business or participating actively in its day-to-day management. These investments are made via special purpose vehicles, on a significant and permanent basis, the return on investment being generated mainly from the gains on disposal.

These securities are recognized at their cost of acquisition. At the balance sheet date, the value of each holding is determined separately. When the carrying amount exceeds the value in use, an impairment loss is recognized for the amount of the unrealized loss. Unrealized gains are not recognized. The value in use takes into account the issuer's general prospects and the expected period of ownership. For quoted securities, the average stock price over a sufficiently long period may be used.

Other long-term investments, investments in subsidiaries and investments in associates

Other long-term investments are made with the intention of promoting lasting business relationships with the issuer, without however influencing the issuer's management. Investments in subsidiaries are those which management judges to be useful to the group's activities over the long term, in that they enable the group to exercise influence over or to control the issuer.

They are recognized at acquisition, merger or similar cost, and may be revalued within the legal framework defined in 1976. Each investment is reassessed at the year end. If the carrying amount is more than the value in use, an impairment provision is recognized for the unrealized capital loss. Unrealized capital gains are not recognized. The value in use represents the amount the company would be willing to pay to obtain the securities in question given the objectives of the investment, and may be estimated using various criteria such as adjusted net assets, actual and prospective profitability, and recent stock market prices.

Securities sold under delivered repurchase agreements

On the balance sheet, securities sold under delivered repurchase agreements are not de-recognized as an asset whereas the liability to the transferee is recognized as such. The principles for their measurement and the recognition of income from these securities remain those of the asset category in which they are classified.

Reclassification criteria and rules

If the holding intention or ability to hold securities changes, they may be reclassified provided they satisfy the eligibility conditions and transfer rules. In the event of transfer, the securities are remeasured based on their original classification on the transfer date.

Transactions in interest-rate and currency option, futures and forward contracts

The group trades on its own account in interest-rate and currency option, futures and forward contracts on various organized and over the counter markets as part of its risk management strategy covering interest-rate and currency positions resulting from its assets and liabilities.

Transactions on organized and similar markets

Option, futures and forward contracts on organized and similar markets are measured in accordance with the rules determined by the French banking regulatory committee. Contracts are remeasured at the year end based on listed prices on the applicable markets. Any resulting gain or loss is recognized through the income statement.

Transactions on over-the-counter markets

French banking regulatory committee regulation no. 90-15 is applied to all over the counter interest-rate instruments, which comprise in particular interest-rate and/or currency swaps, future rate agreements, and options such as caps and floors.

Pursuant to the above-mentioned regulation, transactions are allocated on origination to the portfolios concerned (open positions, micro-hedges, overall balance sheet and off balance sheet management, specialized management).

Transactions allocated to open-position portfolios are measured at the lower of acquisition cost or market value.

Income and expenses in respect of transactions allocated to micro-hedge portfolios are recognized in the income statement symmetrically to the income and expenses in respect of the hedged item.

Income and expenses in respect of transactions allocated to overall interest-rate risk management portfolios are recognized in the income statement pro rata temporis.

Transactions allocated to specialized management portfolios are measured at market value. Changes in value are recognized in net banking income after adjustments to reflect counterparty risk and future management expenses.

Balances remaining after netting hedging derivatives are amortized over the residual term of the hedged items.

Structured products

Structured products are products created by bundling basic instruments – generally options – to exactly meet customers' needs. CIC offers various categories of structured products based on plain vanilla options, binary options, barrier options, Asian options, lookback options, options on several assets and index swaps.

There are three main methods of valuing these products: methods consisting of solving a partial differential equation, discrete time tree methods and Monte Carlo methods. CIC uses the first and third methods. The analytical methods used are those applied by the market to model the underlyings.

Structured products are recognized at market value. The valuation parameters applied correspond to observed values or values determined using a standard observed values model at the balance sheet date. If the instruments are not traded on an organized market, the valuation parameters are determined by reference to the values quoted by the most active dealers in the corresponding products and/or by extrapolating quoted values. All parameters used are based on historical data.

If complex models are used to determine the value of certain instruments, the market parameters used for measurement purposes are adjusted in application of the prudence concept to take into account the degree of liquidity of the markets concerned and their relevance as regards long maturities.

Measurement of unlisted forward financial instruments

These instruments are remeasured based on observable market prices using the so-called "snapshot" procedure under which bid and offer prices from a number of market players are recorded at the same time each day using market flow software. A single price is used for each market parameter concerned.

Property and equipment and intangible assets

Property and equipment and intangible assets are recognized at acquisition cost plus any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, and may be revalued in accordance with the French Finance Acts of 1977 and 1978.

Subsequent to initial recognition, property and equipment and intangible assets are measured at amortized historical cost, which represents cost less accumulated depreciation, amortization and any accumulated impairment losses.

The depreciable amount of an asset is determined after deduction of its residual value net of costs to sell. Property and equipment and intangible assets are presumed not to have a residual value as their useful lives are generally the same as their economic lives.

Depreciation and amortization is calculated on a straight-line basis over the estimated useful life of the assets, based on the manner in which the economic benefits embodied in the assets are expected to be consumed by the entity. Assets that have an indefinite useful life are not amortized. Depreciation and amortization on property and equipment and intangible assets is recognized in "Depreciation, amortization and impairment" in the income statement.

Where an asset consists of a number of components that may require replacement at regular intervals, or that have different uses or different patterns of consumption of economic benefits, each component is recognized separately and depreciated using a method appropriate to that component. CIC has adopted the components approach for property used in operations and investment property.

These items are depreciated over the following useful lives:

- 40-80 years for the shell;
- 15-30 years for structural components;
- 10-25 years for equipment;
- 10 years for fixtures and fittings.

Leasehold rights paid are not amortized but are tested for impairment. New occupancy fees paid to the owner are amortized over the life of the lease as additional rent. Other intangible items (e.g. acquired customer contract portfolios) are amortized over a period of ten years.

Depreciable and amortizable assets are tested for impairment when evidence exists at the balance sheet date that the items may be impaired. Non-depreciable and non-amortizable assets are tested for impairment at least annually.

If there is an indication of impairment, the recoverable amount of the asset is compared with its carrying amount. If the asset is found to be impaired, an impairment loss is recognized in income, and the depreciable amount is adjusted prospectively. The impairment loss is reversed in the event of a change in the estimated recoverable amount or if there is no longer an indication of impairment. Impairment is recognized in the income statement under "Depreciation, amortization and impairment".

Gains and losses on disposals of non-current assets used in operations are shown in the income statement under "Net gains on disposals of non-current assets".

Gains and losses on disposals of investment property are shown in the income statement under "Income from other activities" or "Expense on other activities".

Accrual accounts

For loans originated prior to December 31, 1999, issuance expenses were amortized in the year of issuance. In the case of issues subsequent to that date, issuance expenses are amortized over the term of the loan.

Bond redemption premiums are amortized on a straight-line basis over the term of loan.

Provisions

Additions to and reversals from provisions are recognized by type in the corresponding expense accounts.

Pursuant to CRC regulation 2000-06, provisions correspond to the best estimate of the outflow of resources required to extinguish the most probable amount of the corresponding obligation.

Provisions for country risk

Provisions are established to cover sovereign and emerging country risk, based on the economic position of the borrowing country. The allocated portion of such provisions is deducted from the corresponding asset.

General provisions for credit risk

Since fiscal year 2000, general provisions for credit risk have been constituted to cover risks arising but not yet recognized on performing loans and commitments given to customers. They are determined:

- for credit activities other than specialized financing, using an average provision for loan losses that may be experienced over the long term, i.e. 0.5% of performing customer outstandings;
- for specialized financing and for foreign branches, using a provision for loan losses obtained on the basis of the rating of receivables combined with an average loss given default. This method enables the lower level of risk dispersion and the relatively high materiality of individual loans – and hence the greater volatility of such loans – to be taken into account.

General provisions for credit risks are reversed if the events they are intended to cover materialize.

A general provision for major risks to which the group is exposed has been included in this category since 2003.

Regulated savings

Home savings accounts *(comptes d'épargne logement* - "CEL") and home savings plans *(plans d'épargne logement* - "PEL") are government-regulated retail products sold in France. Account holders receive interest on amounts paid into these accounts over a certain period (initial savings phase), at the end of which they are entitled to a mortgage loan (secondary borrowing phase). Home savings products generate two types of obligation for the bank:

- an obligation to pay interest on paid-in amounts at a fixed rate (in the case of PEL accounts only, as interest on CEL accounts is regularly revised on the basis of an indexation formula and is therefore treated as a variable rate);
- an obligation to grant loans to customers at their request, at a rate set on inception of the contract (both PEL and CEL products).

When these obligations are potentially unfavorable to the bank, they are subject to provisions calculated in accordance with CRC regulation 2007-01 that cover obligations existing on the provision calculation date; future account openings are not taken into account.

Future outstandings on home savings products are estimated on the basis of customer behavior statistics in a given interest-rate environment. PEL that are subscribed in the context of an overall offering of related products and do not meet the abovementioned behavioral laws are excluded from the projections. Provisions are constituted for at-risk outstandings as follows:

- for PEL deposits, based on the difference between probable savings balances and the minimum expected savings. The latter are determined using a 99.5% confidence interval for several thousand different interest rate scenarios;
- for loans granted in connection with home savings products, future volumes depend on the likely exercise of vested rights and on the level of current outstandings.

Future losses are assessed in relation to non-regulated rates for term savings deposits and for standard home purchase loans. This approach is managed based on generations of regulated PEL and CEL savings products with similar characteristics, with no set-off between generations. Future losses are discounted using rates derived from the average of the last 12 months' data for the zero coupon swap against 3-month Euribor rate curve. Future loss provisions are based on the average loss observed in several thousand interest-rate scenarios generated using a stochastic modeling technique. The impacts on income are included in interest paid to customers.

Assets and liabilities denominated in a foreign currency

Assets and liabilities denominated in a currency other than the local currency are translated at the official year-end exchange rate. The resulting unrealized foreign currency gains and losses are recognized in the income statement along with realized exchange gains or losses on transactions during the year.

As an exception, pursuant to CRB regulation 90-01 and instruction 94-07 of the French banking commission, translation differences on held-to-maturity securities, available-for-sale securities and investments in non-consolidated companies and subsidiaries denominated in a foreign currency and financed in euros are not recognized in the income statement. However, if the securities are to be sold or redeemed, a provision is recognized for the amount of any unrealized foreign currency loss.

General banking risks reserve

In application of article 3 of CRB regulation 90-02, a general banking risks reserve has been set up for prudential reasons to cover the general and indeterminate risks inherent in any banking activity. Additions to and reversals from this reserve are determined by senior management and are recognized in the income statement.

Interest, fees and commissions

Interest is recognized pro rata temporis in the income statement. Fees and commissions are recognized when received, other than those on financial transactions which are recognized on closure of the issue concerned or when billed.

Interest is not recognized as income on impaired non-performing loans.

Fees and commissions comprise income from banking operations remunerating services provided to third parties, other than income in the nature of interest, i.e. calculated as a function of the term and amount of the credit or commitment given.

Retirement and similar obligations

Retirement and similar obligations are provisioned and changes in the obligations are recognized in the income statement for the year. The assumptions used in calculating retirement and similar obligations include a discount rate determined by reference to long-term market rates applicable to highly-rated corporate bond issues at the balance sheet date. The rate of increase in salaries is assessed on the basis of an estimate of long-term inflation and of increases in actual salaries.

CNC recommendation 2003-R-01 on retirement and similar obligations has been applied since January 1, 2004.

Post-employment benefits covered by defined benefit plans

Obligations are calculated using the projected unit credit method and a range of assumptions to determine the discounted amount of the obligation and the cost of service for the fiscal year. The effect of changes in these assumptions and experience adjustments (differences between the previous actuarial assumptions and actual outcomes) give rise to actuarial gains and losses.

Plan assets are measured at fair value and the expected return on these assets is recognized in the income statement. The difference between the expected return on plan assets and the actual return gives rise to an actuarial gain or loss.

Plan reductions and liquidations give rise to a change in the obligations, which is recognized in the income statement for the year.

Supplementary pensions covered by pension funds

Under the terms of the AFB transitional agreement dated September 13, 1993, the banking industry pension schemes were discontinued and bank employees joined the government-sponsored Arrco and Agirc schemes effective from January 1, 1994. The three CIC group pension funds that pay the various benefits provided for by the transitional agreement were merged on January 1, 2008 in order to pool their reserves.

Subsequent to the merger, the merged entity's reserves covered all the obligations, which had been fully reassessed during the year. To bring the merged entity into compliance with the Fillon Act of August 23, 2003 and the Social Security Financing Act 2008-1330 of December 17, 2008, in 2009 it was converted into a French supplementary pension management institution *(Institution de Gestion de Retraite Supplémentaire)* and its reserves and obligations were transferred to an insurance company.

Other post-employment benefits covered by defined benefit plans

Obligations in respect of future retirement bonuses and supplementary pensions (including special retirement regimes) are either covered by insurance policies or are provisioned for the portion not covered by such policies.

Premiums for future retirement bonuses paid annually take into account rights vested at December 31 of each year, weighted by coefficients for staff turnover and life expectancy.

The commitments are calculated using the projected unit credit method in accordance with IFRS. This method specifically takes into account life expectancy, staff turnover rates, wage increases, the rate of social security charges in stipulated cases and the discount rate.

Retirement bonuses falling due and paid to employees during the year are reimbursed by the insurer to the extent of the portion covered by the policy.

Retirement bonuses are determined based on the contractual provisions relating to normal retirement at the employee's initiative, when he has reached the age of 62.

Post-employment benefits covered by defined contribution plans

A collective agreement was concluded in 1994 to create a supplementary collective capitalization retirement plan for group employees, particularly those from the former CIC Paris. This plan was extended to employees of the former Union Européenne CIC when the two institutions were merged in 1999.

Other long-term benefits

Employees receive a long-service award after 20, 30, 35 and 40 years of service. This obligation is fully provisioned in the company's accounts and is measured using the principles applied to the measurement of retirement bonuses.

Presence in countries or territories that do not cooperate in efforts to combat fraud and tax evasion

The bank has no direct or indirect presence in any country or territory covered by article L511-45 of the French monetary and financial code and included in the list drawn up in the decree of February 12, 2010.

Information concerning amounts in the balance sheet, off-balance sheet and in the income statement

The notes are presented in millions of euros (€ millions).

Introductory note: highlights of 2011

The Greek government has, for several years, been suffering a crisis of confidence which has prevented it from raising, on the financial markets, the finance necessary to balance its budget. In May 2010, the IMF and the eurozone governments implemented an initial €110 billion support plan, which was followed by a second plan in July 2011 totaling nearly €160 billion. This second plan included a plan to exchange bonds issued by the Greek government in which private sector investors could be involved on a voluntary basis (a mechanism known as Private Sector Involvement). This mechanism had two aims: to reduce the Greek government's debt and to extend the maturity of its debt, thereby bringing the country's debt position into line with its economic situation. The financial parameters of this exchange plan were due to be set by the various parties involved.

The country's position has still not stabilized: its budget deficit remains high and GDP is falling. Against this backdrop, the bank took the view that an impairment provision should be recognized in respect of Greek government securities. Consequently, the unrealized losses in respect of securities classified as held-to-maturity or available-for-sale have been recognized in the income statement within "Net additions to/reversals from provisions for loan losses".

Greek sovereign securities are classified as held-for-trading, available-for-sale or held-to-maturity and are valued on the basis of observed market prices, adjusted in respect of liquidity factors specific to each issue series.

The Irish and Portuguese governments also benefited from European Union and IMF support: the worsening of their public accounts prevented them from raising the finance they needed due to market mistrust. At this point in time, the projected recovery of the debt of these two governments does not seem to be in jeopardy and the recognition of an impairment loss is not therefore justified.

	Net carrying amount [1]	Nominal value	Impairment loss
Trading securities	20	90	(50)
Available-for-sale securities	1	10	(9)
Held-to-maturity securities	16	55	(34)
TOTAL	**37**	**155**	**(93)**

(1) Outstandings net of CDS.

The carrying amount corresponds to 29% of the nominal value.

Net banking income	(50)
Net additions to/reversals from provisions for loan losses	(42)
IMPACT - NET INCOME	**(92)**

Note 2 - Government securities

	Dec. 31, 2011				Dec. 31, 2010			
	Trading	**Available-for-sale**	**Held-to-maturity**	**Total**	Trading	Available-for-sale	Held-to-maturity	Total
Securities held	1,409	2,365	6,637	10,411	2,766	811	8,146	11,723
Securities loaned								
Cumulative translation adjustment								
Accrued interest		32	68	100		9	78	87
Securities for which impairment provision recognized		11	50	61				
Gross amount	**1,409**	**2,408**	**6,755**	**10,572**	**2,766**	**820**	**8,224**	**11,810**
Impairment		(9)	(34)	(43)				
Net amount	**1,409**	**2,399**	**6,721**	**10,529**	**2,766**	**820**	**8,224**	**11,810**
Unrealized capital gains						0		0

The positive or (negative) differences between the redemption price and the purchase price for available-for-sale and held-to-maturity securities are respectively €173 million and €(40) million.

Note 3 - Interbank loans and advances

	Dec. 31, 2011		Dec. 31, 2010	
	On demand	**At maturity**	On demand	At maturity
Current accounts	2,248		5,161	
Loans, amounts received under repurchase agreements	10,982	21,314	14,918	24,917
Securities received under repurchase agreements	12	5,919	55	6,939
Accrued interest		50		47
Non-performing loans and advances		9		9
Impairment provisions		(8)		(8)
TOTAL	**13,242**	**27,284**	**20,134**	**31,904**
TOTAL INTERBANK LOANS AND ADVANCES		**40,526**		**52,038**
Including non-voting loan stock		*45*		*47*
Including subordinated loans		*1,135*		*1,280*

Non-performing loans and advances do not include impaired non-performing assets.

Performing loans do not include loans restructured at off-market terms.

Note 3b - Interbank loans and advances by geographic area

	France	U.S.A	United Kingdom	Singapore	**Total**
Total gross outstandings at Dec. 31, 2011 [1]	39,774	131	2	577	40,484
Including non-performing loans					
Including impaired non-performing loans	*9*				*9*
Impairment provisions					
At Dec. 31, 2010	(8)				(8)
Additions					
Reversals					
Cumulative translation adjustment					
At Dec. 31, 2011	(8)				(8)

(1) Excludes accrued interest.

Note 4 - Customer loans and receivables

	Dec. 31, 2011	Dec. 31, 2010
Commercial loans	315	275
Accrued interest	0	0
Other loans and receivables		
- Loans and advances	27,368	26,941
- Securities received under resale agreements	5,019	5,295
- Accrued interest	111	102
Current accounts in debit	1,536	1,698
Accrued interest		
Non-performing loans	1,008	831
Impairment provisions	(446)	(414)
TOTAL	**34,911**	**34,728**
Including receivables eligible with the European Central Bank	*1,519*	*1,909*
Including non-voting loan stock		
Including subordinated loans	*11*	*11*

Non-performing loans include €603 million of impaired loans, for which an impairment provision of €342 million has been recognized; performing loans include €75 million of loans restructured at off-market terms.

Note 4b - Customer loans and receivables by geographic area

	France	U.S.A	United Kingdom	Singapore	Total
Total gross outstandings at Dec. 31, 2011[1]	30,337	1,650	1,591	1,668	35,246
Including non-performing loans	*305*	*36*	*41*	*23*	*405*
Including impaired non-performing loans	*460*		*143*		*603*
Impairment provisions					
At Dec. 31, 2010	(328)	(12)	(58)	(17)	(414)
Additions	(101)	(8)	(21)	(2)	(132)
Reversals	82	6	8	7	102
Cumulative translation adjustment	(1)	(1)			(2)
At Dec. 31, 2011	(348)	(15)	(71)	(12)	(446)

(1) Excludes accrued interest.

Note 4c - Impairment provisions on non-performing loans and receivables

Assets	Dec. 31, 2010	Additions	Reversals	Other movements	Dec. 31, 2011
On interbank loans and advances	8			0	8
On customer loans and receivables	414	132	(102)	2	446
On finance leases and operating leases					
On bonds and other fixed-income securities	350	4	(49)	11	316
On other assets	1				1
TOTAL	**773**	**136**	**(151)**	**13**	**771**

Non-performing customer loans and receivables totaled €1,008 million compared with €831 million at December 31, 2010. They are covered by asset impairment provisions totaling €446 million, representing a coverage ratio of 44.2% compared with 49.8% one year earlier.

Impairment and other provisions for credit risk represent 2.73% of gross customer outstandings, compared with 1.99% in 2010.

Non-performing loans and receivables are covered by impairment provisions, with the exception of country risk provisions and general provisions for credit risk, which are based on performing loans and receivables.

Note 5 - Bonds and other fixed-income securities

	Dec. 31, 2011				Dec. 31, 2010			
	Trading	**Available-for-sale**	**Held-to-maturity**	**Total**	Trading	Available-for-sale	Held-to-maturity	Total
Securities held - quoted	11,183	882	2,034	14,099	11,821	1,120	3,679	16,620
Securities held - not quoted		590	71	661		541	83	624
Securities loaned								
Accrued interest	6	4	10	20	7	5	14	26
Non-performing loans[1] and other fixed-income securities[1]		141	1,105	1,246		122	1,265	1,387
Gross amount	**11,189**	**1,617**	**3,220**	**16,026**	**11,828**	**1,788**	**5,041**	**18,657**
Impairment provisions		(90)		(90)		(28)		(28)
Other provisions		(6)	(310)	(316)		(4)	(346)	(350)
Net amount	**11,189**	**1,521**	**2,910**	**15,620**	**11,828**	**1,756**	**4,695**	**18,279**
Unrealized capital gains		29		29				
Including subordinated bonds		*53*	*8*	*61*		*58*	*17*	*75*
Including securities issued by public institutions				*503*				*884*

(1) Non-performing loans comprise €125 million of impaired non-performing loans against which a provision of €3 million has been raised.

The positive or (negative) differences between the redemption price and the purchase price for available-for-sale and held-to-maturity securities are respectively €(32) million and €(16) million.

The reduction in held-to-maturity securities between 2010 and 2011 corresponds to redemptions made in 2011 as well as sales of securities generating a net loss of €29 million.

Trading and available-for-sale securities have been marked to market based on external data obtained from organized markets or, for over-the-counter markets, using key broker prices. If prices are not available, they have been measured based on comparable securities quoted on the market.

Note 5b - Bonds and other fixed-income securities - Monitoring of transfers made between categories in 2008 pursuant to CRC regulation 2008-17 amending CRB regulation 90-01

Due to the exceptional situation brought on by the deterioration in global financial markets, CIC transferred securities from the trading and available-for sale categories. These reclassifications were carried out on the basis of valuations dated July 1, 2008.

Reclassified assets:	Carrying amount on the day of the transfer	Carrying amount in the closing balance sheet	Value at closing date if transfers had not occurred	Unrealized capital gain/(loss)
From trading securities to held-to-maturity securities	18,443	7,030	7,498	468
From trading securities to available-for-sale securities	349	22	22	
From available-for-sale securities to held-to-maturity securities	421	235	207	(28)
TOTAL	**19,213**	**7,287**	**7,727**	**440**

Note 6 - Equities and other variable-income securities

	Dec. 31, 2011				Dec. 31, 2010			
	Trading	**Available-for-sale**	**Portfolio activity**	**Total**	Trading	Available-for-sale	Portfolio activity	Total
Securities held - quoted	450	58		508	1,161	8		1 169
Securities held - not quoted		54		54		67		67
Securities loaned								
Accrued interest								
Gross amount	**450**	**112**		**562**	**1,161**	**75**		**1,236**
Impairment provisions		(3)		(3)		(3)		(3)
TOTAL	**450**	**109**		**559**	**1,161**	**72**		**1,233**
Unrealized capital gains		11		11		6		6

There were no transfers between portfolios during 2011.

Note 7 - Investments in subsidiaries and other long-term investments

	Dec. 31, 2010	Acquisitions Additions	Disposals Reversals	Transfers	Other movements	Dec. 31, 2011
Other long-term investments						
- Quoted	3	4	(7)			(0)
- Not quoted	86	4	(5)			85
Investments in subsidiaries						
- Quoted	89	14	(90)			13
- Not quoted	5				0	5
Sub-total	**183**	**22**	**(102)**		**0**	**103**
Cumulative translation adjustment						
Securities loaned						
Accrued interest						
Calls for funds and current account advances to non-trading real estate companies (SCI)						
Gross amount	**183**	**22**	**(102)**		**0**	**103**
Impairment provisions						
- Quoted securities						
- Non-quoted securities	(5)					(5)
Sub-total	**(5)**					**(5)**
Net amount	**178**	**22**	**(102)**		**0**	**98**

Note 8 - Investments in associates

	Dec. 31, 2010	Acquisitions Additions	Disposals Reversals	Transfers	Other movements	Dec. 31, 2011
Gross amount	3,268	1,627	(663)		(0)	4,232
Cumulative translation adjustment						
Securities loaned	0					
Accrued interest						
Calls for funds and current account advances to non-trading real estate companies (SCI)	1		(1)			0
Impairment provisions	(24)	(46)	4		0	(66)
Net amount	**3,245**	**1,581**	**(660)**		**0**	**4,166**
Gross carrying amount for investments in non-quoted credit institutions	1,841					1,866
Gross carrying amount for investments in quoted associates						
Gross carrying amount for investments in non-quoted associates	3,268					4,231

Transactions with associates	Dec. 31, 2011 Associates Total	Dec. 31, 2011 Associates Of which, subordinated	Dec. 31, 2010 Associates Total	Dec. 31, 2010 Associates Of which, subordinated
Assets				
Interbank loans and advances	30,292	1,144	37,656	1,278
Customer loans and receivables	633		672	
Other miscellaneous receivables	15			
Bonds and other fixed-income securities	104		36	
Swaps	2,358			
Liabilities				
Due to credit institutions	37,283		27,553	
Due to customers	688		220	
Other liabilities	3			
Swaps	77			
Debt securities	4		3	
Off-balance sheet				
Commitments given				
Credit institutions[1]	270		270	
Customers	8,406		5,679	
Commitments received				
Credit institutions	1,349			

(1) Commitments given to associates concern, in particular, guarantees given to the regional banks on their certificates of deposit and medium term note issues.

Transactions with other related entities are not significant.

Related party transactions

All related party transactions were carried out on normal market terms, i.e. those normally used for transactions with third parties, such that the beneficiary of the agreement does not enjoy more advantageous terms than those granted to a third party of the company, given the terms normally adopted by companies in the same sector.

Note 9 - Intangible assets

	Dec. 31, 2010	Acquisitions Additions	Disposals Reversals	Other movements	Dec. 31, 2011
Gross amount					
Goodwill	94				94
Set up costs	1				1
Research and development					
Other intangible assets	52	3	(1)		55
Gross amount	**147**	**3**	**(1)**		**150**
Amortization					
Goodwill	(45)	(5)		1	(49)
Set up costs	(1)				(1)
Research and development					
Other intangible assets	(6)			(1)	(8)
Total amortization	**(52)**	**(5)**			**(58)**
Net amount	**95**	**(2)**	**(1)**		**92**

Note 10 - Property and equipment

	Dec. 31, 2010	Acquisitions Additions	Disposals Reversals	Other movements	**Dec. 31, 2011**
Gross amount					
Land used in operations	195	1			196
Land not used in operations	0		(0)	(0)	0
Buildings used in operations	645	28	(2)		671
Buildings not used in operations	1		(0)	0	1
Other property and equipment	151	4	(23)		132
Total gross amount	**992**	**33**	**(25)**	**0**	**1,000**
Depreciation					
Land used in operations					
Land not used in operations					
Buildings used in operations	(326)	(32)	2		(356)
Buildings not used in operations	(0)	(0)	0	(0)	(0)
Other property and equipment	(123)	(5)	18		(110)
Total depreciation	**(449)**	**(37)**	**20**	**(0)**	**(466)**
Net amount	**543**				**534**

Note 11 - Treasury stock

	Dec. 31, 2011	Dec. 31, 2010
Number of stock units held	229,741	229,741
Proportion of capital stock	0.60%	0.60%
Carrying amount	9	9
Market value	23	31

CIC's treasury stock holding is derived from the CIC Banque CIAL partial asset contribution carried out in 2006.

Note 12 - Other assets and liabilities

	Dec. 31, 2011		Dec. 31, 2010	
	Assets	**Liabilities**	Assets	Liabilities
Option premiums	293	292	361	365
Securities settlement accounts	4		4	
Debts in respect of borrowed securities		1,880		2,620
Deferred tax				
Miscellaneous debtors and creditors	10,629	956	8,706	952
Non-performing receivables	1		1	
Accrued interest	5	0	4	0
Impairment provisions	(1)		(1)	
TOTAL	**10,931**	**3,128**	**9,075**	**3,937**

Note 13 - Accruals

	Dec. 31, 2011		Dec. 31, 2010	
	Assets	**Liabilities**	Assets	Liabilities
Collection accounts	116	186	113	167
Currency adjustment accounts and off-balance sheet	3,843	4,450	3,448	3,845
Other accruals	1,001	1,160	951	5,124
TOTAL	**4,960**	**5,796**	**4,512**	**9,136**

Note 14 - Due to credit institutions

	Dec. 31, 2011		Dec. 31, 2010	
	On demand	**At maturity**	On demand	At maturity
Current accounts	17,210		15,610	
Term deposits		29,348		24,627
Amounts received under resale agreements				
Securities sold under repurchase agreements	12	23,909	75	24,302
Accrued interest		159		104
TOTAL	**17,222**	**53,416**	**15,685**	**49,033**
TOTAL DUE TO CREDIT INSTITUTIONS		**70,638**		**64,719**

Note 15 - Due to customers

	Dec. 31, 2011		Dec. 31, 2010	
	On demand	**At maturity**	On demand	At maturity
Regulated savings accounts	5,190	1,136	4,474	1,139
Accrued interest				1
TOTAL - REGULATED SAVINGS ACCOUNTS	**5,190**	**1,136**	**4,474**	**1,140**
Other liabilities	7,238	10,178	7,921	8,980
Securities sold under repurchase agreements		745		1,503
Accrued interest		69		47
TOTAL - OTHER LIABILITIES	**7,238**	**10,992**	**7,921**	**10,530**
TOTAL DUE TO CUSTOMERS, ON DEMAND AND AT MATURITY		**24,556**		**24,065**

Note 16 - Debt securities

	Dec. 31, 2011	Dec. 31, 2010
Retail certificates of deposit	3	7
Interbank instruments and money market securities	9,560	27,300
Bonds	1,155	973
Other debt securities	2	2
Accrued interest	41	45
TOTAL	**10,761**	**28,327**

Note 17 - Provisions

	Dec. 31, 2010	Additions	Reversals	Other movements	Dec. 31, 2011
Provisions for counterparty risks					
On signature commitments	30	265	(4)		291
On financing and guarantee commitments			(0)	0	(0)
On country risks					
General provisions for counterparty risks	254	1	(32)	4	227
Other provisions for counterparty risks					
Provisions for losses on forward financial instruments	6	155			161
Provisions on subsidiaries and equity interests	15	113		(0)	128
Other provisions for contingencies and charges (excluding counterparty risks)					
Provisions for retirement costs	26	4	(1)		29
Provisions for home savings accounts and plans	9		(3)		6
Other provisions[1]	693	161	(163)	5	696
TOTAL	**1,033**	**699**	**(203)**	**9**	**1,538**

(1) At December 31, 2011, includes €379 million of provisions linked to tax consolidation temporary differences.

Note 17b - Provisions for risks on commitments in respect of home savings

	Dec. 31, 2011		Dec. 31, 2010	
	Outstandings	**Provisions**	Outstandings	Provisions
Home savings plans	961	3	950	6
Home savings accounts	76	2	81	2
Home savings loans	16		18	1

Note 18 - Subordinated debt

	Dec. 31, 2010	Issues	Redemptions	Other movements	Dec. 31, 2011
Subordinated debt	1,208		(151)	9	1,066
Non-voting loan stock	137				137
Perpetual subordinated loan stock	2,107				2,107
Accrued interest	17				17
TOTAL	**3,469**		**(151)**	**9**	**3,327**

Other movements relating to subordinated debt are due to exchange rate movements on a USD 350 million liability.

Main subordinated debt issues

Issue	Issue date	Amount	Amount at year end	Rate	Maturity
Subordinated notes	07.19.01	€300 M	€300 M	a	07.19.2013
Subordinated notes	09.30.03	$350 M	$350 M	b	09.30.2015
Non-voting loan stock	05.28.85	€137 M	€137 M	c	d
Perpetual subordinated notes	06.30.06	€400 M	€400 M	e	
Perpetual subordinated notes	06.30.06	€1,100 M	€1,100 M	f	
Perpetual subordinated notes	12.30.08	€500 M	€500 M	g	

a) 3-month Euribor + 89.5 basis points.
b) 6-month USD Libor + 55 basis points.
c) Minimum 85% (TAM+TMO)/2 - Maximum 130% (TAM+TMO)/2.
d) Repayable at borrower's discretion as from May 28, 1997 at 130% of the face value incremented at the rate of 1.5% for each subsequent year.
e) 6-month Euribor + 167 basis points.
f) 6-month Euribor + 107 basis points for the first ten years, then Euribor + 207 basis points (in the absence of early redemption).
g) Variable 3-month Euribor + 665 basis points.
e), f) and g) subscribed by the parent companies BFCM and CFCM.

Note 19 - Equity and general banking risks reserve

	Capital	Additional paid-in capital	Reserves[1]	Revaluation reserve	Untaxed provisions	Retained earnings	Net income for the year	Total	General banking risks reserve
Equity at Jan. 1, 2010	**590**	**983**	**665**	**44**	**38**	**1,495**	**1,081**	**4,896**	**379**
Net income for the year							538	538	
Appropriation of prior year earnings			1			1,080	(1,081)		
Dividends paid						(160)		(160)	
Capital increase	18	105						123	
Impact of remeasurement									
Other movements					2	(13)		**(11)**	
Equity at Dec. 31, 2010	**608**	**1,088**	**666**	**44**	**40**	**2,402**	**538**	**5,386**	**379**
Equity at Jan. 1, 2011	**608**	**1,088**	**666**	**44**	**40**	**2,402**	**538**	**5,386**	**379**
Net income for the year							275	275	
Appropriation of prior year earnings			1			537	(538)		
Dividends paid						(332)		(332)	
Capital increase									
Impact of remeasurement									
Other movements					3	(1)		2	
Equity at Dec. 31, 2011	**608**	**1,088**	**667**	**44**	**43**	**2,606**	**275**	**5,331**	**379**

(1) At December 31, 2011, reserves comprised the legal reserve for €60 million, the special long-term capital gains reserve for €287 million, retained earnings for €195 million, statutory reserves for €124 million and the special reserve pursuant to Article 238bis AB of the French Tax Code for €1 million.

At December 31, 2011 CIC's capital stock comprised 38,027,493 common stock units with a par value of €16 each.

CIC generated net income of €275,130,652.28.

The stockholders' meeting will be asked to appropriate the amount of €2,881 million, comprising the net income of €275.1 million and retained earnings of €2,605.9 million, as follows:

Dividends relating to the 2011 fiscal year	247.2
Appropriation to the legal reserve	0.0
Addition to retained earnings	2,633.8
TOTAL DISTRIBUTABLE AMOUNT	**2,881.0**

Note 20 - Breakdown of certain assets/liabilities by residual term

	Within 3 months and on demand	3 months or more, within 1 year	1 year or more, within 5 years	5 years or more	Perpetual	Accrued interest	Total
Assets							
Interbank loans and advances[1]	31,019	5,284	1,980	1,249	944	50	40,526
Customer loans and receivables[2]	8,509	2,804	7,240	15,110	596	111	34,370
Bonds and other fixed-income securities[3]	626	379	1,528	955		14	3,502
Liabilities							
Due to credit institutions	48,314	16,395	4,774	972		159	70,614
Due to customers	17,063	3,026	4,234	163		69	24,555
Debt securities							
- Retail certificates of deposit	1	2					3
- Interbank instruments and money market securities	6,592	2,332	376	260		24	9,584
- Bonds	84	296	657	118		17	1,172
- Other			2				2

1) Excluding non-performing loans and receivables and provisions for impairment.
(2) Excluding amounts not allocated, non-performing loans and receivables and provisions for impairment.
(3) Concerns exclusively available-for-sale and held-to-maturity securities (excluding non-performing assets).

Note 21 - Equivalent value in euros of foreign currency assets

The equivalent value in euros of foreign currency assets and liabilities at December 31, 2011 was, respectively, €28,941 million and €20,469 million.

CIC does not hold any material operational positions in foreign currency.

Note 22 - Guarantee commitments given

In connection with the CM10-CIC group's refinancing operations (mortgages and covered securities), certain customer loans granted by CIC form part of the assets given as guarantee for these refinancing operations carried by non-group entities. At December 31, 2011, they amounted to €7,914 million.

The bank obtains refinancing from Caisse de Refinancement de l'Habitat by issuing promissory notes that securitize receivables covered by article L.313-42 of the French monetary and financial code, which totaled €565 million at December 31, 2011. On the same date, home loans guaranteeing these promissory notes amounted to €1,094 million.

Note 23 - Commitments on forward financial instruments

Transactions in forward financial instruments (based on the concepts of micro/macro-hedging and the management of open positions/specialist management of forward commitments and options)

	Dec. 31, 2011			Dec. 31, 2010		
	Hedging	**Position management**	**Total**	Hedging	Position management	Total
Forward commitments						
Organized markets						
- Interest rate contracts		2,732	2,732		5,635	5,635
- Foreign exchange contracts					10	10
- Other commitments		14	14		460	460
Over-the-counter markets						
- Forward rate agreements		4,200	4,200		3,809	3,809
- Interest rate swaps	37,497	252,227	289,724	43,905	273,141	317,046
- Financial swaps	115	45,202	45,317	21	55,822	55,843
- Other commitments	3	174	177	14	49	63
- Swaps – other		413	413		696	696
Options						
Organized markets						
- Interest rate options						
• Purchased		72	72		4,591	4,591
• Sold		325	325		5,912	5,912
- Foreign exchange options						
• Purchased		13	13			
• Sold		13	13			
- Equities and other options						
• Purchased		122	122		89	89
• Sold		50	50		121	121
Over-the-counter markets						
- Interest rate caps and floors						
• Purchased	282	15,255	15,537	535	18,345	18,880
• Sold	283	16,247	16,530	1,605	18,159	19,764
- Interest rate, foreign exchange, equity and other options						
• Purchased		8,769	8,769		8,476	8,476
• Sold		8,814	8,814		8,366	8,366
TOTAL	**38,180**	**354,642**	**392,822**	**46,080**	**403,681**	**449,761**

Breakdown of over-the-counter interest rate instruments by portfolio type

Dec. 31, 2011	Isolated open position	Micro-hedging	Global interest rate risk	Specialist management	Total
Forward commitments					
Purchases				2,104	2,104
Sales				2,096	2,096
Swaps	12,159	36,417	1,079	240,068	289,723
Options					
Purchases	260	282		14,995	15,537
Sales	252	282	1	15,995	16,530
Dec. 31, 2010					
Forward commitments					
Purchases				2,791	2,791
Sales				1,018	1,018
Swaps	10,525	42,310	1,596	262,615	317,046
Options					
Purchases	172	535		18,173	18,880
Sales	153	1,604	1	18,005	19,763

During 2011, transfers totaling €337 million were made from the hedging swaps portfolio to the trading swaps portfolio.

Note 24 - Breakdown of forward instruments by residual term

Dec. 31, 2011	Within 1 year	1 year or more, within 5 years	5 years or more	Total
Interest rate instruments				
Organized markets				
- Purchases	996			996
- Sales	1,527	606		2,133
Over-the-counter markets				
- Purchases	7,817	8,507	1,317	17,641
- Sales	7,989	8,837	1,800	18,626
- Interest rate swaps	121,136	114,261	54,326	289,723
Foreign exchange instruments				
Organized markets				
- Purchases	13			13
- Sales	13			13
Over-the-counter markets				
- Purchases	6,940	1,750	2	8,692
- Sales	7,018	1,747	2	8,767
- Financial swaps	14,144	25,825	5,349	45,318
Other forward financial instruments				
Organized markets				
- Purchases	133			133
- Sales	53			53
Over-the-counter markets				
- Purchases	142	24		166
- Sales	114	21		135
- Swaps	78	329	6	413
TOTAL	**168,113**	**161,907**	**62,802**	**392,822**

Note 25 - Forward financial instruments - Counterparty risk

The counterparty risk related to forward financial instruments is estimated based on the method used for the calculation of prudential ratios

Credit risks on forward financial instruments	Dec. 31, 2011	Dec. 31, 2010
Gross exposure		
Risks on credit institutions	3,867	4,480
Risks on companies	1,840	1,436
TOTAL	**5,707**	**5,916**

	Dec. 31, 2011		Dec. 31, 2010	
Fair value of forward financial instruments	**Assets**	**Liabilities**	Assets	Liabilities
Fair value of forward financial instruments	4,265	6,504	3,829	5,637

Note 26 - Other off-balance sheet commitments

	Dec. 31, 2011	Dec. 31, 2010
Foreign exchange commitments		
Amounts receivable	2,901	3,827
Amounts payable	2,359	3,978
Commitments on forward financial instruments		
Commitments made on organized and similar markets		
Forward foreign exchange commitments		
- Hedging	28,670	47,839
- Other	79,936	88,146
Financial foreign exchange swaps		
- Isolated open position		
- Micro-hedging	115	21
- Global interest rate risk		
- Specialist management	45,203	55,822
Finance leasing commitments		
Remaining lease payments on property finance leases		
Remaining lease payments on equipment finance leases		

Note 27 - Interest income and expense

	2011		2010	
	Income	**Expense**	Income	Expense
Credit institutions	1,014	(1,347)	1,887	(2,124)
Customers	1,150	(354)	1,068	(227)
Finance leases and operating leases				
Bonds and other fixed-income securities	361	(279)	483	(257)
Other	296	(298)	324	(316)
TOTAL	**2,821**	**(2,278)**	**3,762**	**(2,924)**
Including expenses relating to subordinated debt		*(86)*		*(76)*

Note 28 - Income from variable-income securities

	2011	2010
Available-for-sale securities	1	0
Portfolio activity securities		
Equity interests and other long term investments	15	13
Investments in associates	390	243
Income from investments in non-trading real estate companies		
TOTAL	**406**	**256**

Note 29 - Commission income and expense

	2011		2010	
	Income	**Expense**	Income	Expense
Treasury and interbank activities	1	(2)	1	(2)
Customer transactions	171	(1)	152	(1)
Securities transactions		(12)	0	(4)
Foreign exchange transactions	1	(1)	1	(2)
Off-balance sheet activities				
- Commitments on securities	1		1	
- Forward financial commitments		(12)	0	(18)
- Financing commitments and guarantees	3	(2)	3	(1)
Financial services	233	(8)	238	(13)
Means of payment		(84)		(87)
Other commission (including income retroceded)	1	(10)	3	(7)
TOTAL	**411**	**(132)**	**399**	**(135)**

Note 30 - Net gains on trading account securities

	2011	2010
On securities held for trading	402	(276)
On foreign exchange trading	29	29
On forward financial instruments		
- Interest rates	(276)	(272)
- Foreign exchange	18	9
- On other financial instruments, including equity instruments	73	721
Sub-total	**246**	**211**
Additions to impairment provisions on financial instruments	(155)	(4)
Reversals from impairment provisions on financial instruments		1
TOTAL	**91**	**208**

Note 31 - Net gains/(losses) on available-for-sale and similar securities

	2011	2010
Available-for-sale securities		
Gains on disposals	31	14
Losses on disposals	(11)	(44)
Additions to impairment provisions	(63)	(0)
Reversals from impairment provisions	1	17
Portfolio activity securities		
Gains on disposals		
Losses on disposals		
Additions to impairment provisions		
Reversals from impairment provisions		
TOTAL	**(42)**	**(13)**

Note 32 - Other banking income and expense

	2011		2010	
	Income	**Expense**	Income	Expense
Incidental income	15		1	
Transfer of expenses				
Net additions to provisions	75	(1)	16	(138)
Other income and expense relating to banking activities	4	(117)	3	(91)
Net income (expense) from other activities		(1)		
TOTAL	**94**	**(119)**	**20**	**(229)**

Note 33 - Payroll costs

	2011	2010
Wages and salaries	(211)	(217)
Payroll taxes	(93)	(92)
Retirement benefit expense	(3)	(10)
Employee profit-sharing and incentive bonuses	(18)	(19)
Payroll-based taxes	(26)	(28)
Net addition to provisions for retirement benefits	(3)	4
Other net additions to provisions		3
TOTAL	**(354)**	**(359)**

Note 34 - Net additions to provisions for loan losses

	2011	2010
Additions to non-performing loan impairment provisions	(178)	(238)
Reversals from non-performing loan impairment provisions	150	250
Loan losses covered by impairment provisions	(74)	(174)
Loan losses not covered by impairment provisions	(56)	(42)
Recovery of loans written off in prior years	50	2
Balance of loans	**(108)**	**(202)**
Additions to impairment provisions	(266)	(14)
Reversals from impairment provisions	36	75
Balance of risks	(230)	61
TOTAL	**(338)**	**(141)**

Note 35 - Net gains/(losses) on disposals of non-current assets

	2011					2010
	Government securities and similar	Bonds and other fixed-income securities	Equity interests and other long-term investments	Investments in associates	Total	Total
On non-current financial assets						
Gains on disposals		26	20	80	126	235
Losses on disposals	(34)	(21)	(2)		(57)	(233)
Additions to impairment provisions			(113)	(45)	(158)	(19)
Reversals from impairment provisions				4	4	4
Sub-total	**(34)**	**5**	**(95)**	**39**	**(85)**	**(13)**
On property and equipment and intangible assets						
Gains on disposals						1
Losses on disposals						(1)
Sub-total						
TOTAL					**(85)**	**(13)**

During the first half of 2011, the Italian bank Banca Popolare di Milano (BPM) was called upon by the regulator, the Bank of Italy, to strengthen its capital. In response, during the last quarter of 2011, BPM carried out a capital increase, at the price of 30 cents per each new stock unit, to which CIC subscribed an amount equivalent to its percentage interest. This capital increase was followed, on December 29, 2011, by the early redemption in stock of the convertible bonds redeemable in stock issued in 2009.

Following these two transactions, the total number of stock units issued by BPM was 3,229,621,379 and the number of stock units directly owned by CIC was 15,793,979, which represented a 0.49% stake at December 31, 2011. CIC's stake at the start of the fiscal year was 0.44%.

In the balance sheet, the BPM stock units, which are recognized within equity interests, are stated at their acquisition price if said price is less than their value in use; if it is more than their value in use, an impairment provision is recognized equal to the amount of the unrealized capital loss.

At December 31, 2011, the value in use was determined using the discounted dividend method (DDM), which involves discounting the future distributable earnings over a long period, said earnings being based on forecast accounting profits reduced by the amount put aside to comply with regulatory constraints concerning capital adequacy.

The forecast earnings used were those disclosed in the stock issue offer of October 28, 2011, this being the most recent information available. The discount rate used was based on the risk-free long-term interest rate to which was added a premium based on the volatility of BPM stock. This resulted in a value in use of 85 cents per BPM stock unit.

The stake in BPM is valued at €13.4 million, which is above the acquisition cost. In addition, CIC has investments in several other group companies, which themselves own BPM stock. Some of these entities have suffered a loss in value due to the need to recognize in their books an impairment provision in respect of the BPM stock.

The closing price of the BPM stock on the Milan stock exchange was 31 cents on December 31, 2011 and the opening price on February 23, 2012 was 50 cents.

At September 30, 2011, according to the consolidated financial statements drawn up in accordance with IFRS, BPM had total assets of €51,927 million and equity of €3,795 million, including net income for the first nine months of 2011 of €49 million.

On October 4, 2011, CIC transferred its entire 6.49% stake in Banca di Legnano SpA to BPM which, following the transfer, had a 100% stake in its subsidiary which it merged with another subsidiary, Cassa di Risparmio di Alessandria SpA, on February 11, 2012.

During the fiscal year, CIC recognized in "Net gains/(losses) on disposals of non-current assets" the loss resulting from the conversion of the convertible bonds redeemable in stock totaling €2.6 million, impairment provisions in respect of investments in subsidiaries totaling €152.3 million and the €20 million gain on disposal of the Banca di Legnano stock.

Note 36 - Net non-recurring income

	2011	2010
Merger deficit		
Provision		
TOTAL		

Note 37 - Corporate income tax

	2011	2010
Current taxes - excluding effect of tax consolidation	(48)	
Current taxes - accruals relating to prior years	(8)	6
Current taxes - effect of tax consolidation	141	(35)
TOTAL	**85**	**(29)**
Relating to operating activities		
Relating to non-recurring items		
TOTAL		

The 5% non-recurring contribution represents €0.2 million of the tax charge.

Note 38 - Breakdown of income statement items by geographic area

	France	U.S.A.	United Kingdom	Singapore	**Total**
Net banking income	950	204	51	47	1,252
General operating expenses	(560)	(37)	(8)	(31)	(636)
Operating income before provisions	390	167	43	16	616
Net additions to/reversals from provisions for loan losses	(325)	(12)	(7)	6	(338)
Operating income after provisions	65	155	36	22	278
Net gains/(losses) on disposals of non-current assets	(89)	4			(85)
Income/(loss) before non-recurring items	(24)	159	36	22	193
Non-recurring items					
Corporate income tax	109	(15)	(7)	(2)	85
Additions to/reversals from untaxed provisions	(3)				(3)
Net income/(loss)	**82**	**144**	**29**	**20**	**275**

Note 38b - Breakdown of income statement items by business segment

	Network	Private banking	Financing	Financial engineering	HQ and holding company services	Total
Net banking income	577	13	475		187	1,252
General operating expenses	(375)	(17)	(180)		(64)	(636)
Operating income/(expense) before provisions	202	(4)	295		123	616
Net additions to/reversals from provisions for loan losses	(21)		(72)		(245)	(338)
Operating income after provisions	181	(4)	223		(122)	278
Net gains/(losses) on disposals of non-current assets			(28)		(57)	(85)
Income/(loss) before non-recurring items	181	(4)	195		(179)	193
Non-recurring items						
Corporate income tax					85	85
Additions to/reversals from untaxed provisions					(3)	(3)
Net income/(loss)	**181**	**(4)**	**195**		**(97)**	**275**

Note 39 - Average number of employees

	2011	2010
Banking staff	2,023	1,998
Managerial grade staff	1,839	1,827
TOTAL	**3,862**	**3,825**

Note 40 - Total compensation paid to key executives

	Fixed salary	Variable salary	Benefits-in-kind	Sundry adjustments	Total 2011	Total 2010
Key executives	1.2	0.0	0.0	0.0	1.2	1.0

Members of the board of directors did not receive any compensation. No advances or loans were granted to any members of the board of directors during the fiscal year.

CIC's board of directors, at its meeting on May 19, 2011, decided to make a severance payment to Michel Lucas on the termination of his term of office as chairman and chief executive officer. Said compensation was to be based on performance conditions, representing one year of his compensation as a corporate officer, i.e. an estimated total commitment of €770,000 (including social security charges).

Note 41 - Earnings per stock unit

At December 31, 2011, CIC's capital stock amounted to €608,439,888, made up of 38,027,493 stock units with a par value of €16 each, including 229,741 treasury stock units which are not taken into account in the calculation of earnings per stock unit.

Thus, earnings per stock unit in respect of 2011 totaled €7.28 compared with €14.23 in respect of 2010.

Note 42 - Individual rights to staff training

The individual rights to staff training earned by December 31, 2011, as set out in articles L.933-1 to L.933-6 of the French Employment Code, amounted to 391,149 hours.

Investments in subsidiaries and associates at December 31, 2011

Company and address	Capital stock	Equity less capital, excluding 2011 income
Detailed information about investments in French and foreign companies with a carrying value representing more than 1% of CIC's capital stock		
A / SUBSIDIARIES (more than 50% of the capital stock owned by CIC)		
A.1 CREDIT INSTITUTIONS		
CIC Ouest - 2 avenue Jean-Claude Bonduelle, 44000 Nantes - SIREN 855 801 072	83,780,000	337,645,000
CIC Nord Ouest - 33 avenue Le Corbusier, 59800 Lille - SIREN 455 502 096	230,000,000	271,174,000
CIC Est - 31 rue Jean Wenger-Valentin, 67000 Strasbourg - SIREN 754 800 712	225,000,000	312,916,000
CIC Banque Transatlantique - 26 avenue Franklin D. Roosevelt, 75008 Paris - SIREN 302 695 937	29,371,680	81,196,000
CIC Sud Ouest - 42 cours du Chapeau Rouge, 33000 Bordeaux - SIREN 456 204 809	155,300,000	58,325,000
CIC Lyonnaise de Banque - 8 rue de la République, 69001 Lyon - SIREN 954 507 976	260,840,262	433,506,000
CM-CIC Epargne Salariale - 12 rue Gaillon, 75002 Paris - SIREN 692 020 878	13,524,000	3,029,000
CM-CIC Bail - 12 rue Gaillon, 75002 Paris - SIREN 642 017 834	26,187,800	67,142,000
CM-CIC Lease - 48 rue des Petits Champs, 75002 Paris - SIREN 332 778 224	64,399,232	11,561,070
CM-CIC Securities - 6 avenue de Provence, 75009 Paris - SIREN 467 501 359	19,704,678	12,431,000
A.2 OTHERS		
CM-CIC Gestion - 60 rue de la Victoire, 75009 Paris - SIREN 319 180 675	1,108,224	5,613,000
CM-CIC Capital Finance(1) - 4 rue Gaillon, 75002 Paris - SIREN 562 118 299	1,212,647,450	260,635,082
Adepi - 6 rue Gaillon, 75002 Paris - SIREN 331 618 074	244,192,608	432,606,586
CIC Participations - 4 rue Gaillon, 75002 Paris - SIREN 349 744 193	8,375,000	41,769,786
CIC Associés - 4 rue Gaillon, 75002 Paris - SIREN 331 719 708	15,576,000	1,487,197
CIC Migrations - 6 rue Gaillon, 75002 Paris - SIREN 395 064 769	37,800	501,846
B / ASSOCIATES (10% to 50% of the capital stock owned by CIC)		
Groupe Sofemo - 34 rue du Wacken, 67000 Strasbourg - SIREN 339 943 680	11,050,000	33,835,000

General information on other subsidiaries and associates

SUBSIDIARIES		
French subsidiaries		
Foreign subsidiaries		
ASSOCIATES		
French companies		
Foreign companies		

(1) Formerly CIC-Finance.

(2) Net banking income in the case of banks.

Share of capital held (%)	Carrying amount of securities held		Advances granted by CIC	Guarantees and securities given by CIC	Revenue[2] excluding taxes for last fiscal year	Net income for last fiscal year	Dividends received in 2011 by CIC
	Gross	Net					
100.00	366,582,523	366,582,523	0		452,531,000	126,527,000	33,197,771
100.00	313,939,359	313,939,359	0		507,514,000	102,995,000	80,212,450
100.00	231,131,287	231,131,287	0		669,564,000	155,980,000	84,374,880
100.00	119,664,384	119,664,384	0		65,974,000	18,471,000	16,434,575
100.00	220,670,272	220,670,272	100,000,000		278,266,000	46,736,000	23,683,213
100.00	341,810,017	341,810,017	0		628,375,000	108,753,000	123,351,952
99.94	31,957,273	31,957,273	0		23,682,000	3,787,000	1,013,674
99.22	250,288,011	250,288,011	0		2,230,218,792	(47,031,000)	0
27.88	22,309,854	21,319,501	0		522,528,114	5,611,887	2,782,756
100.00	38,690,049	38,690,049	0		54,285,233	20,502	0
99.99	6,665,810	6,665,810	0		23,003,000	1,209,000	159,293
99.97	1,662,614,627	1,662,614,627	0		24,004,489	28,294,637	19,404,371
100.00	474,936,885	474,936,885	0		61,866,457	57,547,305	0
100.00	40,267,900	40,267,900	0		21,968,429	(122,973,472)	0
100.00	19,787,882	17,068,700	0		198,522	61,727	0
100.00	10,619,034	4,086,180	0		205,595	(2,554,125)	0
33.30	7,820,000	7,820,000	0		66,984,000	13,586,000	1,593,900
	12,959,585	5,829,336					937,500
	34,875	34,875					0
			0				
	10,643,063	10,560,708					2,257,462
	1,321,600	1,321,600					3,500,000

Business and results of subsidiaries and associates

Regional banks[1]

CIC Nord Ouest

Financial data in € millions	**2011 Company - French GAAP**	2010 Company - French GAAP
Number of FTE employees at December 31	2,706	2,694
Total assets	18,636	17,835
Equity attributable to owners of the company including general banking risks reserve	604	581
Customer deposits	12,309	10,897
Customer loans	15,745	15,372
Net income	**103**	**178**

CIC Est

Financial data in € millions	**2011 Company - French GAAP**	2010 Company - French GAAP
Number of FTE employees at December 31	3,424	3,489
Total assets	24,755	24,638
Equity attributable to owners of the company including general banking risks reserve	694	622
Customer deposits	14,434	13,199
Customer loans	20,876	20,357
Net income	**156**	**249**

CIC Lyonnaise de Banque

Financial data in € millions	**2011 Company - French GAAP**	2010 Company - French GAAP
Number of FTE employees at December 31	3,740	3,732
Total assets	30,655	27,621
Equity attributable to owners of the company including general banking risks reserve	803	817
Customer deposits	16,882	14,439
Customer loans	22,742	21,943
Net income	**109**	**203**

CIC Sud Ouest

Financial data in € millions	**2011 Company - French GAAP**	2010 Company - French GAAP
Number of FTE employees at December 31	1,671	1,606
Total assets	10,234	8,866
Equity attributable to owners of the company including general banking risks reserve	260	236
Customer deposits	5,628	4,582
Customer loans	8,097	7,213
Net income	**47**	**32**

CIC Ouest

Financial data in € millions	**2011 Company - French GAAP**	2010 Company - French GAAP
Number of FTE employees at December 31	2,677	2,656
Total assets	19,604	19,141
Equity attributable to owners of the company including general banking risks reserve	548	454
Customer deposits	11,819	10,567
Customer loans	16,548	16,404
Net income	**127**	**52**

(1) Customer deposits do not include certificates of deposit or repurchase agreements.
Customer loans do not include resale agreements but include lease financing transactions.

Specialist subsidiaries – Retail banking

CM-CIC Epargne Salariale

Financial data in € millions	**2011 Company – French GAAP**	2010 Company – French GAAP
Number of employees at December 31	117	114
Total assets	69	72
Equity	22	18
Assets under management (excluding current bank accounts)	5,634	5,350
Net income	**5.4**	**1**

CM-CIC Bail

Financial data in € millions	**2011 Company – French GAAP**	2010 Company – French GAAP
Number of employees at December 31	191	171
Total assets	6,401	6,466
Equity	363	339
Assets under management (excluding current bank accounts)	5,860	5,613
Net income	**11.2**	**12.7**

CM-CIC Laviolette Financement

Financial data in € millions	**2011 Company – French GAAP**	2010 Company – French GAAP
Number of employees at December 31	121	112
Total assets	267	233
Equity	8	7
Assets under management (excluding current bank accounts)	1,893	1,609
Net income	**2.6**	**1.4**

CM-CIC Lease

Financial data in € millions	**2011 Company - French GAAP**	2010 Company - French GAAP
Number of employees at December 31	51	52
Total assets	3,109	2,798
Equity	80	86
Assets under management (excluding current bank accounts)	2,964	2,712
Net income	**5.3**	**8.3**

Factocic

Financial data in € millions	**2011 Company - French GAAP**	2010 Company - French GAAP
Number of employees at December 31	215	214
Total assets	2,439	2,165
Equity attributable to owners of the company including general banking risks reserve	144	148
Factored receivables	14,552	12,565
Net income	**9.8**	**13.5**

Specialist subsidiary - Financing and capital markets

CM-CIC Securities

Financial data in € millions	**2011 Company - French GAAP**	2010 Company - French GAAP
Number of employees at December 31	257	245
Total assets	848	645
Customer assets in custody	15,233	17,004
Net income	**0**	**(0.1)**

Specialist subsidiaries – Private banking

CIC Banque Transatlantique[1]

Financial data in € millions	**2011 Consolidated – IFRS**	2010 Consolidated – IFRS
Number of employees at December 31	308	291
Total assets	2,624	2,067
Equity attributable to owners of the company including general banking risks reserve	144	115
Customer funds invested in group savings products	10,542	10,461
Customer deposits	1,997	1,587
Customer loans	1,403	1,168
Net income (consolidated/attributable to owners of the company)	**20.1**	**18.7**

(1) Customer deposits do not include certificates of deposit or repurchase agreements.
Customer loans do not include resale agreements but include lease financing transactions.

Banque CIC Suisse

Key figures prepared using local accounting standards *Financial data in CHF millions*	**2011 Company**	2010 Company
Number of employees at December 31	289	285
Total assets	4,347	3,807
Equity	204	201
Customer capital (assets in custody and deposits)	2,823	4,793
Net income	**3**	**2.3**

CIC Private Banking – Banque Pasche

Key figures prepared using local accounting standards *Financial data in CHF millions*	**2011 Consolidated**	2010 Consolidated
Number of employees at December 31	136	145
Total assets	1,161	1,274
Customer capital (assets in custody and deposits)	4,354	5,862
Net income	**(17.9)**	**(5.1)**

Banque de Luxembourg

Key figures prepared using local accounting standards *Financial data in € millions*	**2011 Company**	2010 Company
Number of employees at December 31	762	746
Total assets	17,599	18,048
Equity including general banking risks reserve *	672	647
Assets in custody	43,404	50,661
Net income	**57.3**	**64.9**

** Equity includes untaxed provisions.*

Dubly-Douilhet SA

Financial data in € millions	**2011 Company - French GAAP**	2010 Company - French GAAP
Number of employees at December 31	30	32
Total assets	55	51
Equity*	9	9
Assets in custody	873	886
Net income	**3.4**	**1.1**

** Equity includes untaxed provisions.*

Specialist subsidiaries - Private equity

CM-CIC Capital Finance

Financial data in € millions	**2011 French GAAP**	2010* French GAAP
Number of employees at December 31	29	29
Total assets	1,540	1,052
Equity	1,502	351
Portfolio valuation	1,952	1,471
Net income	**28.4**	**38.3**

** CM-CIC Capital Finance + SFFP + IPO Ingénierie + Société Financière Voltaire.*

CM-CIC Investissement

Financial data in € millions	**2011* French GAAP**	2010** French GAAP
Number of employees at December 31	59	75
Total assets	1,547	1,461
Equity	1,496	1,425
Portfolio valuation	1,702	1,559
Net income attributable to owners of the company	**65.5**	**103.8**

** CM-CIC Investissement + CM-CIC Capital Innovation + CM-CIC Conseil (formerly Vizille Capital Finance) + Sudinnova.*
*** CM-CIC Investissement (formerly Banque de Vizille) + CIC Investissement + IPO + CM-CIC Capital Innovation + CM-CIC Conseil (formerly Vizille Capital Finance) + Sudinnova.*

Statutory auditors' report on the company financial statements

Year ended December 31, 2011

To the stockholders,

In fulfillment of the assignment entrusted to us by you stockholders' general meetings, we hereby report to you, for the year ended December 31, 2011, on:

- the audit of the accompanying annual financial statements of CIC;
- the justification of our assessments;
- the specific verifications and information required by law.

The annual financial statements have been approved by your board of directors. Our role is to express an opinion on these financial statements based on our audit.

I – Opinion on the annual financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual financial statements are free from material misstatement.

An audit includes examining, on a test basis or using other sampling methods, evidence supporting the amounts and disclosures in the annual financial statements. An audit also includes assessing the accounting principles used, the significant estimates made in the preparation of the financial statements and the overall presentation of the financial statements. We believe that the information we have gathered is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the financial statements for the year ended December 31, 2011 give a true and fair view of CIC's assets, liabilities, financial position and of the results of its operations in accordance with French accounting rules and principles.

II – Justification of our assessments

The accounting estimates used in the preparation of the financial statements for the year ended December 31, 2011 were drawn up in an uncertain environment, associated with the public finance crisis in certain eurozone countries (and in Greece, in particular) and accompanied by an economic and liquidity crisis, which has made assessing the economic outlook difficult. It is against this backdrop that, in accordance with the requirements of Article L.823-9 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

- the company uses internal models and methodologies to value positions on certain financial instruments that are not listed on active markets, as well as to recognize certain provisions, as described in note 1 to the financial statements. We examined the control systems applied to the models used, the determination of the inactive nature of the market and the parameters used;
- as stated in notes 1, 4c and 17 to the financial statements, the company recognizes impairment losses and provisions to cover the credit risks inherent to its business. We examined the control systems applicable to the monitoring of credit risk, the assessment of the risk of non-recovery and the coverage of said risks, as regards assets by specific impairment losses and as regards liabilities by general provisions to cover credit risks;
- the company makes other estimates in the usual context of preparing its financial statements, in particular as regards the valuation of equity interests and other long-term investments and the assessment of retirement benefit obligations recognized and provisions for legal risks. We examined the assumptions made and verified that these accounting estimates are based on documented methods in accordance with the principles described in note 1 to the financial statements.

These assessments were made in the context of our audit of the company financial statements taken as a whole and therefore contributed to the formation of our opinion expressed in the first section of this report.

III – Specific verifications and information

We also carried out the specific verifications provided for by law, in accordance with French professional standards.

We have no matters to report as to the fair presentation and consistency with the annual financial statements of the information given in the board of directors' report and in the documents sent to stockholders on the financial position and the company financial statements.

As regards the information provided pursuant to Article L.225-102-1 of the French commercial code on compensation and benefits paid to corporate officers and commitments made in their favor, we verified the consistency of this information with the financial statements or with the data used to draw up the financial statements and, if applicable, with the information received by the company from companies that control it or are controlled by it. On the basis of this work, we certify that this information is accurate and fair.

Pursuant to the law, we satisfied ourselves that the information relating to the acquisition of equity interests and the gaining of control, and the identity of the holders of capital and voting rights, was provided to you in the board of directors' report.

Neuilly-sur-Seine and Paris La Défense, April 20, 2012

The statutory auditors:
PricewaterhouseCoopers Audit: Agnès Hussherr
Ernst & Young et Autres: Isabelle Santenac

Social and environmental responsibility

General information

Ethics

Ethical guidelines

CIC applies the provisions of the code of ethics common to the CM10-CIC group. This code, which incorporates the good conduct rules with which employees must comply, particularly vis-à-vis customers, is based on compliance with the following general principles:

- serving the best interests of customers;
- complying strictly with the rules of confidentiality;
- carrying out one's duties with rigor and professionalism;
- acting at all times with integrity.

Employees who perform "sensitive functions", in particular within capital markets activities, financing and investment, portfolio management and financial analysis and who are exposed to conflicts of interest or who are in possession of confidential information are subject to strict rules governing and, in particular, restricting their personal transactions.

Management is required to ensure compliance with these principles, whose application is regularly verified by the control departments.

More generally, CIC complies with the Crédit Mutuel group's ethical rules and values, whose application is the subject of an annual, in-depth review at national level.

Anti-money laundering and terrorist financing measures

CIC has implemented anti-money laundering and terrorist financing measures that comply with the regulatory requirements and are tailored to the risks generated by its various activities, both in France and abroad. These measures comprise a set of procedures, effective tools and staff who are specially trained and employed in the detection of suspicious transactions. They are themselves subject to internal controls and regular assessment by the supervisory authorities.

In this context, CIC's objective is to:

- have the highest level of knowledge of its customers and their transactions and to assess the money-laundering risks with the aim, where relevant, of avoiding entering into business with any customer whose identity or activities are ill-defined;
- carry out monitoring proportional to said risks, based on the funds deposited by and/or lent to each customer, in order to detect unusual or atypical transactions;
- ensure that the regulatory requirements and internal standards are complied with by performing appropriate tests and formalizing such procedures;
- involve all staff in money laundering prevention by means of regular training and awareness initiatives.

The aim of the various components of the control system (periodic, permanent and compliance) is to ensure the consistency of the procedures implemented, their correct application and the coverage of risks. It relies, in particular, on Tracfin correspondents who, within each group entity, are responsible for the ongoing monitoring of transactions, preparing regulatory returns and contributing by their actions to the increased vigilance of each.

CIC does not operate in states or territories that the Financial Action Task Force (FATF) regards as non-cooperative; a list of these states and territories is issued on a regular basis by the French government. Transactions that could be entered into by customers involving countries which are designated by the FATF as having inadequate anti-money laundering provisions are also subject to reinforced monitoring measures.

Customer relations

Ease of access, customer relationship tools and quality assurance

With 31 new points of sale opened in 2011, CIC continued to strengthen its coverage, thereby increasing its geographic proximity to its customers.

At the same time, with a view to extending an ever more pleasant and personalized welcome to its customers, investment in upgrading branches continued with 112 major renovations in 2011.

Personalized relations between customers and their dedicated adviser has been facilitated and strengthened by the range of complementary communication channels available in addition to the branch network (telephone, internet and e-mail). In particular, the practice of communicating via secure messaging (offering an optimal level of confidentiality) has become an efficient and appropriate means of contact (nearly 5.7 million e-mails were exchanged in 2011).

As part of the ongoing quest for service quality, simplification and responsiveness, electronic document management (EDM) is now widespread. With EDM and Filbanque's online banking service, customers now have round-the-clock access to:

- their documents online (stored for ten years), making it easier to check them while at the same time contributing to CIC's efforts to reduce paper consumption; and
- an electronic safe enabling them to store their personal documents whilst ensuring complete confidentiality and security.

Overall in 2011, in line with its concern for environmental responsibility, CIC produced in paperless form customer documents and internal management reports with a volume equivalent to 49.5 million pages.

Ombudsman

The ombudsman can be called upon by customers to examine any disputes that fall within his remit and issue an opinion, which is considered binding.

In 2011, he received 1,847 requests, of which 54% were within his remit.

More than 90% of replies were given in less than a month and more than 55% of them were partly or wholly in customers' favor.

New technologies, available resources and paperless processes Euro Information

The grouping of the production sites continued in early 2011 with the relocation of the Nantes site to the Lille site.

Following this relocation, the group's information system is run by four cloned IT sites, highly secured and interconnected by an ultra-broadband network.

As part of its expansion in Europe, CM-CIC launched the "2014 Convergence" project, one of the main aims of which is the internationalization of this IT platform.

Production

As at year-end 2011 the following were connected to the production sites:

- 7,859 ATMs (+1.8%) which processed 380 million transactions including respectively 2,495 ATMs for 116 million transactions at CIC;
- 213,469 electronic payment terminals (105,839 at CIC).

At constant scope, the information system handled during the year:

- more than 43 million accounts (+3.3%) including more than 16 million for CIC;
- more than 32 billion real-time transactions (+13.7%);
- 4.17 billion accounting entries, i.e. an increase of 5.6% (1.5 billion for CIC);
- 2.24 billion merchant transactions (+0.2%) including 492 million for CIC;
- 1.57 billion authorization requests from purchasers and issuers (+9.2%) (492 million for CIC);
- 200 million letters issued (-0.5%).

Paperless document management increased with:

- 429 million documents available on line, of which 162 million produced in 2011 (+38%);
- 519,000 customers have opted to receive paperless statements online rather than in hard copy (+23% in one year); this increase represents 99,000 new customers (39,500 for CIC, i.e. +38%);
- 98% of internal group documents are produced only in on-screen form.

869 million customer contacts were conducted electronically (+8%), half of them via the internet (412 million log-ins, up by 2%) including 159 million for CIC:

- the increase in these customer contacts was due mainly to new mobile phone applications with 62 million log-ins (26 million for CIC);
- 70 million payment transfers were carried out over the internet (+19%) including 27 million via Filbanque;
- the MailTiers application, which enables e-mails to be automatically assigned to customers' files, processed 14 million messages, i.e. an increase of 42% (5.8 million for CIC).

Equipment

In order to cater for the growth in business volumes, the capacity of the central sites was increased by 4.9%; the overall available storage volume, covering both mainframes and open systems, grew by 33.8%, due largely to the ongoing equipping of the back-up site and the on-site data back-up systems.

Telephony

With 140 new sites installed (64 at CIC), the deployment of ToIP (text over IP) is practically complete.

Workstations

As of year-end 2011, more than 97% of head office and branch workstations had been equipped with Vista or Windows 7; new installations are now being equipped with Windows 7 and Office 2010. Migration from Vista to Windows 7, scheduled for 2012, will be carried out using a single upgrade package, with no on-site involvement.

Self-service banking

1,938 ATMs were replaced (716 at CIC). The in-house solution, which conforms to international technical standards, and is based on a functional platform and a user interface that can be personalized in seven languages, is operational on all full-service ATMs in France and worldwide, i.e. more than 10,000 ATMs at end-2011.

Security equipment

425 sites have been equipped with new centralized alarm systems (172 at CIC) and in the field of video surveillance, upgrading of the network continued.

Employment information

CIC's human resources in 2011

Staffing levels

Contrary to 2010, in which staffing levels fell (by 472 employees), 2011 saw an increase in the total number of employees* of 143 (+0.67%).

This change was due mainly to the French banks and subsidiaries which, overall, saw an increase of 119 employees (63 in the case of the banks and 56 in the case of the subsidiaries).

CIC's workforce abroad increased by 24 employees.

In total, CIC had 21,380 employees at December 31, 2011.

Training

In CIC's banks, 13,453 members of staff received training during the year. Salaries paid to members of staff during their training periods totaled €18.9 million, representing 2.71% of the wage bill.

** Total number of employees at December 31, 2011 including those of the non-consolidated subsidiaries and the representative offices. In the consolidated group, the workforce totaled 21,288.*

Employee relations

Several agreements and amendments were signed between employees and management. The following amendments, which relate to the entire CM-CIC group, also relate to the entities in the CIC group:

- agreement on elections of employee directors to CIC's board of directors;
- amendment no. 4 to the agreement on the group savings plan and amendment no. 1 on profit sharing, to include in the CM-CIC group five Crédit Mutuel federations and CIC's subsidiaries;
- amendment no. 1 to the agreement on the single CIC "group" status to include CIC Iberbanco, CM-CIC Capital Finance, CIC Banque de Vizille, Vizille Capital Finance, IPO, CM-CIC Capital Privé and CM-CIC LBO Partners.

Employee profit sharing and incentive bonuses

In 2010, the CM-CIC group's results were such as to allow the payment in 2011 of both profit sharing and incentive bonuses.

Thus, in the case of the CIC entities covered by the single "group" status, 18,812 employees received profit sharing and incentive bonuses totaling €99.4 million, i.e. 13.95% of the 2010 wage bill, representing respectively:

- 10.50% by way of bonus (including a 1% supplement in accordance with the agreement of December 15, 2010);
- 3.45% by way of share of profits.

At the same time and in accordance with amendment no. 5 on the group savings plan, the group was able to pay a €750 contribution to all employees depositing €250 in their savings plan.

No stock option plans have been established for CIC executives.

The CM11-CIC group training center at Verrières-le-Buisson.

NRE law indicators - Fiscal year 2011 (1)

Staffing levels		
Workforce		
Total employees	19,819	
Of which managerial staff	*8,201*	
Of which non-managerial staff	*11,618*	
Of which men	*8,337*	
Of which women	*11,482*	
Employees under permanent contracts	19,203	
Employees under fixed-term contracts	616	
% of employees under permanent contracts	96.9%	
Recruitment		
Total number of recruits	4,089	
Of which men	*1,537*	
Of which women	*2,552*	
Of which employees under permanent contracts	*1,329*	
Of which employees under fixed-term contracts	*2,760*	
Recruitment problems	–	
Employees leaving the group		
Number of employees that left the group	3,345	
Existence of plans to reduce staffing levels and to safeguard employment	None	
External labor – subcontracting		
Total number of hours worked by temporary employees during the year	N/A	The use of external labor, via temporary staff, is governed by constraints specific to group entities. It is used to replace absent employees or in the event of a temporary increase in activity. It remains marginal and temporary employment is generally short term.
Number of temporary contracts during the year	N/A	

Organization, working hours and absenteeism		
Organization of working time (employees under permanent contracts)		
Turnover	2.95%	
Full time/part time		
Number of full-time employees	18,385	
Number of part-time employees	1,434	
% of full-time employees	92.8%	
% of part-time employees	7.2%	
Average weekly working time (hours)		Regional banks and holding company
Full-time employees	35 hours	
Part-time employees	25.5 hours	
Overtime		
Number of hours of overtime worked	N/A	
Absenteeism and its causes		
Total number of days of absence	212,306	
Of which due to sickness	*139,292*	
Of which due to accidents at work	*5,157*	
Of which due to maternity/paternity leave	*67,857*	
Of which due to other reasons	–	

Health and safety conditions		
Number of lost-time accidents at work reported	90	
Each entity is responsible for its own policies and budgets relating to health and safety conditions. "Health, safety and working conditions" committees are set up, chaired by employee representatives. A large number of processes and campaigns have been launched: safety audit, staff training (industrial first aid, stress management, safety rules, dealing with verbal abuse, etc.), road safety and reimbursement by the employer of the cost of the flu vaccine.		
Training and employability		
Amount of wage bill spent on training (in euros)	19,427,165	
Number of employees who have completed at least one training course	14,002	
% of employees receiving training	70.6%	
% of wage bill spent on training	2.5%	
Total number of hours spent on employee training	625,811	
Average number of training days per employee	6.4	
Number of sandwich courses	326	
Of which professional training contracts	*165*	
Of which apprenticeship contracts	*161*	
Amount of apprenticeship tax paid (in euros)	5,173,551	
Equal opportunities		
Gender equality in the workplace		
Number of people on the management committees	N/A	
Of which women	*N/A*	
Number of female managerial staff	3,249	
% of managerial staff who are female	39.6%	
Number of managerial staff promoted to a more senior position during the year	540	
Of which number of women	*184*	
% of managerial staff promoted who are female	34.1%	
Employment and integration of disabled people		
Number of disabled people employed	N/A	
Number of disabled people recruited during the year	N/A	
% of the total workforce who are disabled		
Amount of compensatory contribution paid to bodies furthering professional inclusion of disabled people (in euros)	N/A	
Social dialogue		
Employee compensation		
Gross wage bill (in euros)	780,327,176	
Average gross annual compensation (in euros): **all categories of employees**	37,257	Employees under permanent contracts
Average gross annual compensation (in euros): **non-managerial employees**	26,021	Employees under permanent contracts
Average gross annual compensation (in euros): **managerial employees**	52,424	Employees under permanent contracts
Social security charges		
Total amount of social security charges paid (in euros)	514,899,423	

(1) The scope used is, unless indicated otherwise, mainland France excluding Dubly-Douilhet and SNC Saint-Pierre.

NRE: New Economic Regulations (Nouvelles Régulations Économiques).

Employee profit sharing and incentive bonuses (application of the provisions of Book IV of the French Labor Code)		
Gross amount paid (profit sharing + incentive bonuses) (in euros)	99,396,490	
Number of employees receiving profit sharing and incentive bonus payments	18,812	Employees covered by the single "group" status (see page 195).
Labor relations and collective bargaining agreements		
Agreements signed during the year Dates signed and purpose of agreements		See page 195.
Employee welfare – Works council		
Contribution to the financing of the works council (in euros)	12,385,521	
Contribution to the financing of the works council as a percentage of the gross wage bill.	1.6%	Percentage not meaningful as not all entities represented have a works council and the average contribution per works council is therefore greater.

Relations with associations and educational establishments
CIC's regional banks have many close relationships with local organizations: educational establishments (internships and apprenticeships, funding of education and academic chairs) and all types of associations via sponsorship.

Employee satisfaction

The aim of the annual staff performance appraisals combined with internal surveys is to measure employee satisfaction.

Age pyramid		
Under 25	1,215	
Of which men	*389*	
Of which women	*826*	
25 - 29	2,785	
Of which men	*991*	
Of which women	*1,794*	
30 - 34	3,089	
Of which men	*1,134*	
Of which women	*1,955*	
35 - 39	2,245	
Of which men	*905*	
Of which women	*1,340*	
40 - 44	1,694	
Of which men	*795*	
Of which women	*899*	
45 - 49	2,168	
Of which men	*979*	
Of which women	*1,189*	
50 - 54	2,705	
Of which men	*1,246*	
Of which women	*1,459*	
55 - 59	3,424	
Of which men	*1,596*	
Of which women	*1,828*	
60 and over	494	
Of which men	*302*	
Of which women	*192*	

Environmental information

NRE law indicators - Fiscal year 2011 (1)

Greenhouse gas emissions - Indicators		
Do you currently have or plan to implement a carbon footprint or similar greenhouse gas emission assessment system? Specify: year implemented, scope, methodology used, results, action plan, etc.		There is no such system at present. However, at the end of 2011, Crédit Mutuel-CIC began implementing a CSR (Corporate Social responsibility) process within all group entities and their subsidiaries, which covers the implementation of applications to collect, store and report CSR indicators. Implementation will take several years to complete.

Resource consumption		
Water (m³)		
Water consumption (in m³)	246,350	
Energy (kWh)		
Energy consumption (in kWh)	164,352,384	
Of which electricity (in kWh)	*117,311,736*	
Of which gas (in kWh)	*25,617,504*	
Of which fuel oil (in kWh)	*5,831,276*	
Of which heat	*15,591,868*	
Paper (tonnes)		
Total paper consumption	2,320	
Of which paper for internal use	*141*	
Of which magazines, newspapers, etc.	*83*	
Of which printing carried out by CCS Reprographie for CIC	*33*	*CCS: CM-CIC Services*
Of which printing carried out mainly by EIP for CIC's customers	*899*	*EIP: Euro Information production*
Of which production of checkbooks and promotional materials	*427*	
Of which related to sending of cards and PIN codes	*13*	
Of which paper for external use and subject to pollution tax (Taxe générale sur les activités polluantes - TGAP)	*724*	
Travel (in km)		
Business travel - by air	N/A	
Business travel - by train	N/A	
Business travel - by company car	41,223,187	
Business travel reimbursed (employee's own car used)	12,132,921	
Fuel	28,729,288	
Courier	N/A	
Cash transport	N/A	
Home to work travel: car, subway, bus, etc.	N/A	

Procedures for reducing the environmental impact of greenhouse gas emissions		
Energy		
Does the company currently use, or plan to use, renewable energy (e.g. via the purchase of green electricity)? Specify scope, orders of magnitude, etc.	No	

(1) The scope used is, unless indicated otherwise, mainland France excluding Dubly-Douilhet and SNC Saint-Pierre.

NRE: New Economic Regulations (Nouvelles Régulations Économiques).

Waste		
What procedures were implemented in 2011 to reduce the consumption of resources and paper, the production of waste, etc.? Specify targets and results, where applicable.		Significant efforts have been made concerning paper: recycling and, in particular, electronic management of internal and customer documents and the provision of paperless customer account statements. Also of note is the recycling of printer cartridges.
Transportation		
Does the company have, or plan to implement, a company travel plan? Specify its scope, targets, results, etc.	No	
Buildings		
Does the company have, or plan to implement, an energy efficiency program for the renovation and/or construction of its buildings? Specify its scope, targets, results and applicable standards (Thermal Regulation 2012 (RT 2012), High Environmental Quality (HQE), Low Energy Building (BBC), etc.).	No	There is currently no system to cover RT2012, HQE and BBC requirements. However, the requirements of these standards are taken into account wherever possible for the purposes of the very large number of construction and renovation projects in progress. The CM-CIC group's new training center opened in 2011 in Verrières-le-Buisson (91) has HQE certification.
Environmental assessment / Certification		
Has the company implemented an environmental assessment or certification system or an "environmental management system" as specified by ISO 14001? If so, is it certified?	No	Issue dealt with as part of the group CSR initiative launched in 2011.
Purchases/Suppliers		
How do you take into account social and environmental issues when formulating your purchasing policy? (e.g. inclusion of environmental and social criteria in calls for tender, database of approved suppliers, specification terms and conditions, etc.)?		Compliance with environmental standards is regularly reviewed in collaboration with the suppliers involved in the fields of travel management, mail, mail delivery, recycling, hygiene and cleanliness. A review is scheduled for 2012 of a global database of purchases/suppliers that will take into account all CSR issues.
Employees		
Action taken to ensure employees are informed about and receive training on environmental protection.		Subject included in the group CSR initiative launched in 2011.
Miscellaneous – Measures already in place		
What measures have been taken, where necessary, to limit the group's impact on the environment (e.g.: respect for the natural environment, control over discharges into the air, water and ground), noise and odor pollution and waste?		By way of example, the group has continued to implement two important projects: • the increase in videoconferencing facilities: the group now has around 50 rooms representing 1,100 hours per year of remote conferences, thereby limiting the amount of travel; • the digitization of millions of pages of documents.
Number of A4 pages now replaced by electronic documents	35,000,000	
Number of pages of listings now replaced by electronic documents	75,000,000	
What measures are taken, where necessary, to ensure compliance of the company's activity with the relevant legislative and regulatory provisions on this matter?		Topic dealt with as part of the group CSR initiative launched in 2011.
Amount of provisions and guarantees for environmental risks.	Nil	
Amount of compensation paid during the fiscal year in accordance with a legal ruling on an environmental issue and the action taken to rectify the relevant damage.	Nil	

Legal information

Stockholders

Stockholders' general meetings

(Summary of Articles 18-24 of the bylaws)

Composition

All stockholders are entitled to attend stockholders' general meetings.

There are no double voting rights.

Except as stipulated in the section below on disclosure thresholds, access to stockholders' general meetings is not restricted and stockholders are not required to hold a minimum number of CIC stock units to exercise the rights conferred upon them by law.

The combined ordinary and extraordinary general meeting of stockholders and holders of voting rights certificates of June 17, 1998:

- authorized stockholders to hold their stock units in either bearer or registered form (Article 7 (1) of the bylaws);
- authorized the company to obtain details of identifiable holders of stocks and securities from Euroclear France (Article 7 (3) of the bylaws);
- added mandatory stockholding disclosure thresholds (Article 9 (6) of the bylaws).

Role

Stockholders' general meetings that are duly and properly held represent all stockholders. They may be ordinary or extraordinary if they meet the appropriate conditions.

Stockholders' ordinary general meetings take all decisions other than those that change the capital stock or amend the bylaws, in particular:

- they discuss, approve or adjust the financial statements, including the consolidated financial statements, and decide on the allocation and appropriation of net income;
- they appoint, replace, remove from office or renew the terms of office of directors other than the directors who are elected by employees;
- they appoint or renew the appointments of principal and alternate statutory auditors.

Generally, they examine all proposals on the agenda other than those that fall within the remit of stockholders' extraordinary general meetings.

Every year, before the deadline that applies to credit institutions, a stockholders' ordinary general meeting is held to discuss and decide on the annual financial statements and all other documents set forth in French law and regulations that are in force and that apply to CIC.

This general meeting decides after reviewing the reports of the board of directors and the statutory auditors.

Stockholders' extraordinary general meetings examine all the proposals made by the issuer of the convening notice that involve changing the capital stock or amending the bylaws.

Disclosure thresholds

(Summary of Article 9 of the bylaws)

In addition to statutory requirements, the bylaws require disclosure of any changes in ownership that result in stockholdings exceeding or falling below 0.5% of the stock capital or any multiple thereof. If a stockholder fails to comply with this requirement, the stock units held in excess of the disclosure threshold may be stripped of voting rights for a period of two years following a request noted in the minutes of a general meeting by one or more stockholders holding stocks or voting rights at least equal to the smallest proportion of capital stock or voting rights requiring disclosure.

Convening general meetings

Stockholders meet every year at ordinary general meetings held in the forms and within the deadlines set forth in French law and regulations in force.

Attending general meetings

In order to have to right to attend, vote by mail or be represented at general meetings, holders of bearer stock are required to provide evidence of their capacity as stockholders no later than at midnight on the third working day prior to the general meeting, Paris time, by providing a certificate of participation issued by the relevant authorized intermediary.

Holders of registered stock units are required to arrange for their stock units to be registered on CIC's registers no later than three days before the date of the stockholders' general meeting.

Stockholders' general meetings may be attended by stockholders or their proxy or proxies if they provide evidence of their capacity and identity. However, if the board of directors considers it appropriate, it may decide to issue named, personal admission tickets to stockholders beforehand, and to require said tickets to be shown.

Voting at stockholders' general meetings

All stockholders may vote by mail after providing evidence of their capacity at least three days before the general meeting by means of the depository providing a certificate showing that their stock units are duly registered. The company must receive forms for voting by mail at least three days before the date of the general meeting.

All stockholders may be represented under the conditions set forth in Article L.225-106 of the French Commercial Code *(Code de commerce)*.

Voting by mail means no proxy may be appointed and vice versa. If stockholders vote by mail or appoint a proxy, stockholders may not choose another method of taking part in the stockholders' general meeting.

All members of stockholders' ordinary or extraordinary general meetings have a number of votes that is the same as the number of stock units they own or represent, subject to the application of the French law and regulations in force and the provisions of Articles 8 and 9 of the bylaws.

Decisions are taken under the conditions as regards majorities set forth in French law and are binding on all stockholders.

Appropriation of net income

(Article 27 of the bylaws)

The net income for the fiscal year consists of income in the fiscal year, after deducting general operating expenses and the company's other expenses, including any depreciation, amortization and impairment.

From this net income, less, where applicable, previous losses, at least 5% is drawn to form the legal reserve. This is no longer necessary when the legal reserve amounts to one-tenth of the capital stock.

The balance, after deducting and appropriating the amount of long-term capital gains, increased by retained earnings, constitutes distributable income.

From this distributable income, stockholders' general meetings may draw any sums they consider appropriate for allocation to any optional reserve funds or to retained earnings. The balance, if any, is divided between all the stockholders in proportion to the number of stock units they own.

Dividends are paid on the date set by the stockholders' general meeting or, failing this, on the date set by the board of directors.

Stockholders' general meetings may grant all stockholders the choice between payment of the dividend or interim dividends distributed in cash or payment in stock units, in whole or in part.

Stockholders' ordinary general meeting of May 24, 2012

Board of directors' report to the stockholders' ordinary general meeting of May 24, 2012

We have called this stockholders' ordinary general meeting to discuss the matters included on the agenda that are the subject of the resolutions submitted for your approval. A report including details of business developments since the beginning of the current year and prospects for the full year has been made available or provided to you..

1 - Approval of the financial statements for the fiscal year ended December 31, 2011

(first and second resolutions)

The company financial statements of CIC, which were approved by the board of directors at its February 23, 2012 meeting, show net income of €275,130,652.28. The board of directors' report provided with the financial statements gives details of the various elements that make up this income.

CIC's consolidated financial statements show net income of €579 million and net income attributable to owners of the company of €555 million. The related board of directors' report shows how this income was generated and how the group's various businesses and entities contributed to such income.

You have also been given the opportunity to review the report of the chairman of the board of directors regarding the functioning of the board of directors and internal control and the statutory auditors' reports, enclosed with the board of directors' report.

We ask you to approve the company and consolidated financial statements as presented to you.

2 - Appropriation of income

(third resolution)

The net income for the fiscal year amounts to €275,130,652.28. After taking into account positive retained earnings of €2,605,856,101.87, the amount to be allocated by the stockholders' general meeting therefore totals €2,880,986,754.15.

The board of directors proposes that you decide to pay stockholders a dividend of €6.50 per stock unit. The balance would be allocated to the retained earnings account.

The board of directors therefore invites you to:

- distribute a dividend of €247,178,704.50 to 38,027,493 stock units in respect of fiscal year 2011;
- allocate the available balance, i.e. €2,633,808,049.65 to the retained earnings account.

The dividend would be paid on May 31, 2012. As provided under the tax regime applicable to distributions, it is specified that the entire dividend distributed is eligible for the 40% tax abatement mentioned in point 2 of Article 158 (3) of the French Tax Code *(Code général des impôts)*.

In accordance with the provisions of French law, the stockholders' meeting is reminded that:

- for 2008, a dividend of €36,649,061.00 was distributed, representing €1 per stock unit eligible for the 40% tax abatement mentioned in point 2 of Article 158 (3) of the French Tax Code;
- for 2009, a dividend of €160,590,128.85 was distributed, representing €4.35 per stock unit eligible for the 40% tax abatement mentioned in point 2 of Article 158 (3) of the French Tax Code;
- for 2010, a dividend of €334,641,938.40 was distributed, representing €8.80 per stock unit eligible for the 40% tax abatement mentioned in point 2 of Article 158 (3) of the French Tax Code.

3 - Agreements mentioned in Article L.225-86 of the French Commercial Code

(fourth resolution)

In their special report, the statutory auditors list the regulated agreements governed by Article L.225-38 of the French Commercial Code that were entered into or that remained in effect during 2011, initially with the supervisory board's consent, then, as from May 19, 2011, with the board of directors' consent.

You are asked to approve said agreements.

4. Ratification of the compensation policy applicable to key executives and corporate officers

(fifth resolution)

The stockholders' general meeting of May 12, 2009 had ratified the compensation policy applicable to CIC's key executives and corporate officers, in accordance with the provisions of the French Commercial Code and the agreement signed by the French State and Crédit Mutuel on October 23, 2008.

The change in the method of management and the key executives and corporate officers that occurred pursuant to the decisions of the stockholders' general meeting on May 19, 2011 means it is now necessary to ratify the compensation policy adopted by CIC's board of directors on May 19, 2011 applicable to new key executives.

The principles and rules governing compensation of corporate officers are set out in the report of the chairman of the board of directors to the stockholders' general meeting of May 24, 2012 regarding the preparation and organization of the board of directors' work and internal control. Their implementation is described in the board of directors' report.

Pursuant to Article L.225-42-1 of the French Commercial Code and Article 8 of the abovementioned agreement signed by the French State and Crédit Mutuel, the stockholders' general meeting is asked to ratify the compensation policy applicable to corporate officers arising from the foregoing, and specifically the payment made when a conditional term of office ends, set at an amount of €550,000 for the chairman and chief executive officer.

5. Appointment of a member of the board of directors

(sixth resolution)

As Mr. Massimo Ponzellini resigned and the board of directors was unable to provisionally appoint a new director at its meeting on February 23, 2012, the stockholders' general meeting is asked to appoint Mr. Joseph Arenas as a member of the board of directors. As this appointment follows a resignation, and to maintain the system of renewing one-third of the Board's members provided for in Section II of Article 10 of the bylaws, his appointment shall be for one year, that is, until the close of the stockholders' general meeting held to vote on the financial statements for the year ending December 31, 2012.

6. Renewal of the term of office of a principal statutory auditor and an alternate statutory auditor

(seventh and eighth resolutions)

The term of office as a principal statutory auditor held by PricewaterhouseCoopers Audit, a firm of statutory auditors, member of the French Regional Institute of Accountants of Versailles and of the PricewaterhouseCoopers network, expires at the close of the stockholders' general meeting of May 24, 2012 held to vote on the financial statements for the year ended December 31, 2011.

Pursuant to Article L.225-228 of the French Commercial Code, at its meeting on February 23, 2012, the board of directors proposed that the statutory auditor's term of office should be renewed for a further period of six years, i.e. until the stockholders' general meeting held to vote on the financial statements for the year ending December 31, 2017, due to the knowledge of CIC this firm has gained and in order to maintain continuity of the external audit line between Crédit Mutuel and CIC.

The term of office as an alternate statutory auditor held by Mr. Étienne Boris also expires at the stockholders' general meeting of May 24, 2012. The board of directors proposed that his term of office should also be renewed for a period of six years, i.e. until the stockholders' general meeting held to vote on the financial statements for the year ending December 31, 2017.

Having been consulted about these two proposals beforehand, the French Prudential Supervisory Authority *(Autorité de Contrôle Prudentiel)* approved them in a letter to CIC dated March 13, 2012.

The board of directors accordingly submits the renewal of the term of office of PricewaterhouseCoopers Audit as a principal statutory auditor (seventh resolution) and Mr. Étienne Boris as an alternate statutory auditor (eighth resolution) for your approval.

7. Authorization granted to the board of directors to buy back the company's stock

(ninth resolution)

We ask you to cancel the authorization previously given to the board of directors to trade in CIC stock on the stock exchange with immediate effect and to give it a new authorization for this purpose. It should be stressed that the legal framework for such transactions is laid down in EU regulation no. 2273/2003 of December 22, 2003, Articles L.225-209 et seq. of the French Commercial Code, and in Title IV of Book II and Chapter I of Title III of Book IV of the general regulations of the French securities regulator *(Autorité des marchés financiers* – AMF), and in its implementing instructions. Within this framework, CIC wishes to trade on the stock exchange as follows:

- stock will be traded in accordance with the liquidity agreement entered into by CIC with CM-CIC Securities, in the capacity of investment service provider, which is the trader;
- the provisions of this liquidity agreement comply with the code of ethics drawn up by the AMAFI on September 23, 2008 and approved by the AMF;
- stock will be traded freely by the investment service provider with the sole aim of ensuring the liquidity and regular listing of CIC stock on the Paris stock exchange;
- bearing in mind that, according to the regulatory framework, it is only necessary to set a maximum purchase price in order to expressly cap the corresponding commitment, the maximum purchase price will be set at €300;
- the stock held in this context will not be cancelled;
- the maximum number of stock units that may be purchased in this context remains unchanged at 100,000, i.e. 0.26% of the capital stock at the beginning of this stockholders' meeting, it being specified that the maximum commitment that may result from the use of this amount in full, taking into account the price limit set, will be €30 million;
- CIC will provide the AMF with the statistics relating to the trading of this stock every month and with a statement every six months.

For information purposes, as of December 31, 2011, the liquidity grouping created pursuant to the agreement in force held 18,496 CIC stock units after purchasing 46,645 stock units and selling 40,632 stock units in 2011.

The tenth resolution relates to powers.

Resolutions

First resolution

Approval of CIC's financial statements for the fiscal year ended December 31, 2011

After reviewing the board of directors' report to the general meeting, its report on CIC's financial statements, the appended report of the chairman of the board of directors regarding the functioning of the board of directors and internal control, the statutory auditors' report, and the annual financial statements for the fiscal year ended December 31, 2011, the stockholders' general meeting approves said annual financial statements as presented to it, which show net income of €275,130,652.28.

Second resolution

Approval of the consolidated financial statements for the fiscal year ended December 31, 2011

After reviewing the board of directors' report to the general meeting, its report on the consolidated financial statements, the appended report of the chairman of the board of directors regarding the functioning of the board of directors and internal control, the statutory auditors' report, and the consolidated financial statements for the fiscal year ended December 31, 2011, the stockholders' general meeting approves said financial statements as presented to it, which show net income attributable to owners of the company of €555 million.

Third resolution

Appropriation of income

The stockholders' general meeting notes that:

- the company's net income for the fiscal year amounts to: €275,130,652.28;
- retained earnings amount to: €2,605,856,101.87;
- as a result, distributable income amounts to: €2,880,986,754.15.

and decides to allocate this amount as follows:

- dividend for stock units in respect of fiscal year 2011: €247,178,704.50;
- remaining balance to be allocated to retained earnings: €2,633,808,049.65.

As a result, the stockholders' general meeting sets the dividend to be paid for each of the 38,027,493 stock units at €6.50. However, the dividend that would otherwise be allocated to stock units that are not eligible for dividends under French law will be appropriated to retained earnings.

The ex-dividend date will be May 31, 2012.

The entire dividend distributed is eligible for the 40% tax abatement mentioned in point 2 of Article 158 (3) of the French Tax Code.

In accordance with the provisions of French law, the stockholders' general meeting is reminded that:

- for 2008, a dividend of €36,649,061.00 was distributed, representing €1 per stock unit eligible for the 40% tax abatement mentioned in point 2 of Article 158 (3) of the French Tax Code;
- for 2009, a dividend of €160,590,128.85 was distributed, representing €4.35 per stock unit eligible for the 40% tax abatement mentioned in point 2 of Article 158 (3) of the French Tax Code;
- for 2010, a dividend of €334,641,938.40 was distributed, representing €8.80 per stock unit eligible for the 40% tax abatement mentioned in point 2 of Article 158 (3) of the French Tax Code.

Fourth resolution

Agreements mentioned in Article L.225-38 of the French Commercial Code

After reviewing the statutory auditors' special report on the transactions and agreements mentioned in Article L.225-86 of the French Commercial Code, and deliberating on the basis of this report, the stockholders' general meeting approves the transactions and agreements referred to therein.

Fifth resolution

Ratification of the compensation policy applicable to key executives and corporate officers

After reviewing the report of the chairman of the board of directors on the conditions for preparation and organization of the board of directors' work and internal control and the information contained in the board of directors' report, the stockholders' general meeting ratifies the compensation policy applicable to key executives and corporate officers which are set out therein. It specifically ratifies the payment to be made when a conditional term of office ends, set at an amount of €550,000 for the chairman and chief executive officer, the sole key executive and corporate officer paid by CIC.

Sixth resolution

Appointment of a member of the board of directors

The stockholders' general meeting appoints Mr. Joseph Arenas as a member of the board of directors as from the date hereof. As this appointment follows a resignation, and to maintain the system of renewing one-third of the Board's members provided for in Section II of Article 10 of the bylaws, his appointment shall be for one year, that is, until the close of the stockholders' general meeting held to vote on the financial statements for the year ending December 31, 2012.

Seventh resolution

Renewal of the term of office of a principal statutory auditor

Noting that the term of office of a principal statutory auditor held by PricewaterhouseCoopers Audit, member of the French Regional Institute of Accountants of Versailles, having its registered office at 63 rue de Villiers -92208 Neuilly-sur-Seine Cedex, expires at the close of this stockholders' general meeting, and as proposed by the board of directors, the French Prudential Supervisory Authority having approved this, the stockholders' general meeting decides to renew the term of office as a principal statutory auditor of PricewaterhouseCoopers Audit for a period of six years i.e. until the close of the stockholders' general meeting held to vote on the financial statements for the fiscal year ending December 31, 2017.

Eighth resolution

Renewal of the term of office of an alternate statutory auditor

Noting that the term of office of an alternate statutory auditor held by Mr. Étienne Boris, member of the French Regional Institute of Accountants of Versailles, having as his address for service 63 rue de Villiers - 92208 Neuilly-sur-Seine Cedex, expires at the close of this stockholders' general meeting and as proposed by the board of directors, the French Prudential Supervisory Authority having approved this, the stockholders' general meeting decides to renew the term of office as an alternate statutory auditor of Mr. Étienne Boris for a period of six years, i.e. until the close of the stockholders' general meeting held to vote on the financial statements for the fiscal year ending December 31, 2017.

Ninth resolution

Authorization given to the board of directors to buy back stock in the company

After reviewing the board of directors' report to the stockholders' general meeting, within the scope of EU regulation no. 2273/2003 of December 22, 2003, the provisions of Articles L.225-209 et seq. of the French Commercial Code, and Title IV of Book II and Chapter I of Title III of Book IV of the general regulations of the French securities regulator *(Autorité des marchés financiers* – AMF) and its implementing instructions, the stockholders' general meeting authorizes the board of directors, with immediate effect, to trade in stock in the company on the stock exchange under the following conditions:

- stock must be purchased and sold by means of a liquidity agreement entered into with an investment service provider in accordance with the regulations in force;
- these transactions will be carried out by the service provider with the sole aim of ensuring the liquidity and regular listing of stock in the company on the Paris stock exchange;
- the maximum purchase price is set at €300 per stock unit;
- the maximum number of stock units that may be purchased is set at 100,000, representing a maximum potential commitment of €30 million;
- stock held in connection with the liquidity agreement will not be cancelled.

This authorization will remain in effect until October 31, 2013 inclusive.

The stockholders' general meeting grants full powers to the board of directors to enter into all agreements, carry out all formalities, and, in general, take all the necessary steps within the aforementioned framework.

Tenth resolution

Powers

The stockholders' general meeting gives full powers to the bearer of a copy or excerpt of the minutes of this meeting to carry out all filings, publications and other formalities prescribed by law.

General information

Legal information about CIC

(See also the "Presentation of CIC" and "Corporate governance" sections)

Name and registered office

The company's name is:

Crédit Industriel et Commercial
Abbreviated to: **CIC**

This abbreviation can be used on its own.

Its registered office is located at:
6 avenue de Provence - 75009 Paris

Telephone: +33 1 45 96 96 96

Applicable legislation and legal form

Bank organized as a French *société anonyme* (corporation) governed by the French Companies Act of July 24, 1966 (Act no. 66-537) and the French Banking Act of January 24, 1984 (Act no. 84-46) relating to the business and control of credit institutions.

Company governed by French law

Incorporation date and expiration date

The company was incorporated on May 7, 1859. Its term will expire on December 31, 2067, unless it is dissolved or its term is extended before that date.

Purpose (summary of Article 5 of the bylaws)

The purpose of the company in France or abroad is in particular:

- to carry out all banking operations and related operations;
- to provide all investment services and related services;
- insurance broking in all businesses;
- realtor activity;
- all professional training activities relating to the above matters;
- to acquire, hold and manage interests in all banking, financial, real estate, industrial and commercial companies in France or abroad.

Registration number and APE business identifier code

542 016 381 Paris Trade and Companies Registry.

Business identifier code: 6419Z (other financial brokerage activities)

Legal documents relating to the company

The company's bylaws, minutes of stockholders' general meetings and reports can be consulted at the registered office located at 6 avenue de Provence - 75009 Paris (Corporate Secretary's office).

Fiscal year

January 1 to December 31.

Dependency

CIC is not dependent on any patents, licenses or industrial, commercial or financial supply agreements for the conduct of its business.

Material contracts

As of the date hereof, CIC has not entered into any material contracts, other than those entered into during the normal course of its business, that create an obligation or a commitment that would have negative consequences for the group as a whole.

Legal and arbitration proceedings

French anti-trust authorities *(Autorité de la concurrence)* have started an investigation into the main banks in the French banking sector, aimed at checking that all the inter-banking fees and commissions, in particular those applicable to direct debits, payments using interbank remittance slips (the 'TIP' system) and online banking transactions comply with anti-trust laws.

In order to avoid any legal action, the banks have proposed an agreement that would abolish all the inter-banking fees and commissions involved in the medium term. The French anti-trust authorities are expected to announce shortly whether they agree to end their investigation in exchange for certain commitments whose exact nature is as yet unclear.

Furthermore, it should be noted that multilateral interchange fees and commissions could be replaced by bilateral or unilateral fees and commissions. It is therefore too early to say what the final outcome of this investigation will be.

Additional information

Documents on display

(see also "Legal information about CIC")

This registration document is available on CIC's website (cic.fr) and on the AMF's website. During the time it remains valid, this shall also be the case for all the reports and background financial information (see below, "Financial communication").

Anyone who wishes to obtain further information about CIC may, without making any commitment, request documents:

- by mail: CIC, External Relations *(Relations extérieures)*, 6 avenue de Provence - 75009 Paris;
- by email: relationsexterieures@cic.fr

The documents of incorporation, the bylaws, minutes of general meetings and reports may be consulted at CIC's registered office: 6 avenue de Provence - 75009 Paris (General Secretary).

Financial communication

The board of directors of CIC plans to approve the financial statements for the first half of 2012 on July 26. A press release will be published at this time in the financial press. Approval of the financial statements for 2012 is expected to take place in February 2013.

The board of directors organizes regular meetings with the press and specialist banking sector financial analysts in order to present the group's results and to respond to their questions. These results are then reported and commented on in the specialist press and the national daily newspapers.

Every six months CIC produces a newsletter for its individual stockholders. With a print run of 23,000 it is distributed widely, notably among employee stockholders, including those who have chosen to contribute their stocks to a collective employee investment fund. Persons wishing to receive this newsletter can request it by calling +33 1 45 96 77 40.

Stockholders are thus regularly informed of the company's results and significant events affecting or involving it.

CIC's website (www.cic.fr) carries all the group's publications under the headings "institutional" and "stockholders and investors". The latter section contains all the financial information: publications such as the letter to CIC stockholders and the annual information document, financial calendar, regulatory information required by the Transparency Directive, issuance programs required by the Prospectus Directive, exposure to sovereign debt, stock prices and volumes, and the group's ratings by rating agencies.

The regulatory information and the issuance programs are also available online, from the website of the AMF *(Autorité des Marchés Financiers,* the French securities regulator) (www.amffrance.org) under the heading "Decisions and disclosures", subheading "Search", then "Prospectuses and disclosures."

Person responsible for the registration document

Person with overall responsibility for the registration document

Mr. Michel Lucas, chairman and chief executive officer.

Declaration by the person responsible for the registration document

I hereby declare that, having taken all reasonable care to ensure that such is the case, the information contained in the registration document is, to the best of my knowledge, in accordance with the facts and no omission likely to affect its import has been made.

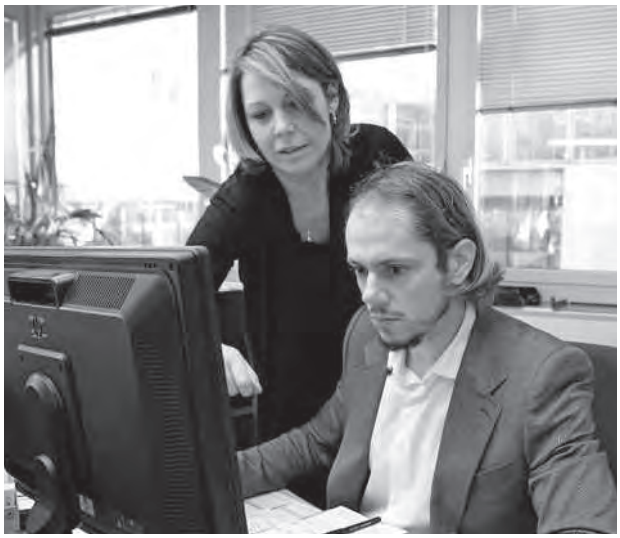
I further declare that, to the best of my knowledge, the financial statements have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and results of the company and of the entities in the consolidation scope taken as a whole, and that the board of directors' report provided in the "Financial information" section (pages 64-99 for the consolidated financial statements and page 151 for the company financial statements) provides a true and fair view of the development and performance of the business, the results and financial position of the company and the entities in the consolidation scope taken as a whole as well as a description of the main risks and uncertainties that they face.

I obtained a statement from the statutory auditors at the end of their assignment, in which they state they had verified the information relating to the financial position and the financial statements set out in this document, and had read the entire document.

The statutory auditors have prepared a report on the annual financial statements relating to the fiscal year ended December 31, 2010 presented in the registration document filed with the AMF under no. D.11-0362 and updated under no. D.11-0362-A01 shown on page 189 of this document; this report contains an observation.

Paris, April 20, 2012

Michel Lucas
Chairman and chief executive officer



Statutory Auditors

The statutory auditors, PricewaterhouseCoopers Audit and Ernst & Young et Autres, are members of the French Regional Institute of Accountants of Versailles.

Principal Statutory Auditors

Name: PricewaterhouseCoopers Audit
Address: 63 rue de Villiers – 92208 Neuilly-sur-Seine Cedex
Represented by Agnès Hussherr
First term of office began on: May 25, 1988
Length of current term of office: six years from May 11, 2006
This term of office expires at the close of the stockholders' general meeting called to approve the financial statements for the year ending December 31, 2011.

Name: Ernst & Young et Autres
Address: Tour First – 1 place des Saisons – 92400 Courbevoie
Represented by Isabelle Santenac
First term of office began on: May 26, 1999
Length of current term of office: six years from May 19, 2011
This term of office expires at the close of the stockholders' general meeting called to approve the financial statements for the year ending December 31, 2016.

Alternate Statutory Auditors

Étienne Boris, Picarle & Associés.

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In accordance with Article 28 of European Regulation no. 809-2004 on prospectuses and Article 212-11 of the general regulations issued by the French securities regulator *(Autorité des marchés financiers* – AMF), the following are incorporated by reference:

- the consolidated financial statements, executive board report and statutory auditors' report on the consolidated financial statements for the year ended December 31, 2010, presented on pages 64 to 131 and page 181 respectively of the registration document *(document de référence)* D.11-0362 filed with the AMF on April 26, 2011;
- the consolidated financial statements, executive board report and statutory auditors' report on the consolidated financial statements for the year ended December 31, 2009, presented on pages 64 to 131 and page 179 respectively of the registration document *(document de référence)* D. 10-0352, filed with the AMF on April 29, 2010;

The chapters of registration documents D.11-0362 and D.10-0352 0316 not referred to above are either not relevant for the investor, or are covered elsewhere in this registration document.

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