ANNUAL REPORT 2016

Crédit Mutuel
Nord Europe

PRESENTATION OF THE CMNE GROUP

LOCATION

Situation as at 31/12/16

EDITORIAL

left: André. **HALIPRÉ**

right: Éric **CHARPENTIER**

"Development secured in all the lines of business and consolidated financial strength"

At the end of 2016, the CMNE Group posted solid results against the background of low interest rates that impact the interest margins. Its consolidated NBI and consolidated net profit amounted to €1,129 million and €205 million, down by 3.8% and 3.5% respectively.
Each of the Group's lines of business registered a sound operational performance whilst continuing its investments in the quality of service and digital transformation. Our 4,434 employees provided personalised service to 1.6 million shareholders and customers.

In balancing growth and profitability, we also bolstered our prudential capital. It amounts to €3.3 billion, up by 18% from 2015, including the impact of the first public issue of subordinated debt by the CMNE among French and European investors in September 2016 for €300 million. The overall solvency ratio stands at 20.36%, and the CET 1 capital ratio at 15.13%, beyond the regulatory requirements.

Launched in 2016, our **Medium Term Plan "Vision 2020"** comprises five strategic planks and is geared to improving customer satisfaction irrespective of the channel, innovating with digital technology, investing in human resources, seizing growth opportunities and generating sustainable profitability through rigorous cost, risk and capital management.
The CMNE is henceforth built around three competence centres: Banking, Insurance and Asset Management.

Banking, through its networks (France, Belgium, and Business), represents 1.6 million customers. The local branches put in fine commercial performances in 2016, illustrated in particular by the success of new real estate sales.
Against the background of historically low interest rates, renegotiations of loans were contained, thus preserving future margins. Moreover, the French network continued to adapt to new behaviours and expanded its offer of Internet services, through complementary physical and digital channels. In Belgium, the second domestic market of the CMNE Group, the merger of Beobank and BKCP, carried out successfully in May 2016, created a real challenger of the four players in the sector.
Beobank is henceforth positioned in all the retail customer segments with a complete product offer. The Business division embarked on an operation to refocus on its territories and continued to expand in its expertise segments, such as lease finance.
On the **Insurance** front, 2016 was marked by the implementation of Solvency 2 and the continued development of the unit-linked activity. For **Asset Management**, La Française confirmed its leading position in real estate and continued to develop its investment solutions whilst expanding its institutional clientele internationally.
The outstanding amount of La Française now stands at nearly €60 billion at the end of the financial year.

Each of these three lines of business contributes to the fine results of the CMNE Group and the consolidation of its Euro-regional positioning as a bank-insurer. At the national level, the **financial stability** of the Crédit Mutuel was confirmed yet again by the stress tests conducted by the ECB, which placed it at **the forefront of French banks** and the leading group of European banks. The ratings by Standard & Poor's, Fitch and Moody's place the Crédit Mutuel group at the best level of the French banking sector.

2017 will be an even more complex and unstable year for the banking sector, on both the economic and the regulatory front.
Our success requires us to continue the transformation of our customer relations model, accelerate the digitisation of our lines of business and rationalise our Group in terms of organisation and investments.
In a world where everything is picking up speed, we have to capitalise on our mutualist values, while providing ever more innovative services to our customers-shareholders.

André HALIPRÉ
Chairman

Éric CHARPENTIER
General Manager

2016, THE CMNE MOBILISED IN A DIFFICULT ENVIRONMENT

Banking and insurance have been going through profound, rapid changes (regulation, digitisation, etc.) in a complex environment for several years.

How can the CMNE adapt to these numerous developments?

The CMNE group affirmed its transformation by launching a new strategic plan for 2020 in September 2015. It wants to be known as an ambitious group, capable of taking up challenges, and has charted its directions, namely to:

- Improve customer satisfaction, irrespective of the channel;
- Innovate with digital technology;
- Invest in human resources;
- Seize growth opportunities;
- Generate sustainable profitability through rigorous cost, risk and capital management.

What are the first accomplishments that reflect this transformation of the CMNE?

First, the CMNE has redefined its organisation which is now built around three lines of business: Banking, Insurance and Asset Management. Priorities have been clearly defined for each of these, in line with its Medium Term Plan.

Second, it has developed services geared to customer satisfaction. As proof, the Crédit Mutuel has emerged as the preferred brand of the French according to the Posternak/Ifop barometer[1]/Ifop and has risen to n°1 for the Banking sector in customer relations[2] – distinctions that attest to the relationship of trust and confidence between the Crédit Mutuel and its customers-shareholders.

Finally, the CMNE has embarked on the digital transformation of its environment through a show of innovation and creativity. Its winning assets and achievements illustrate its dynamism, e.g.: its Customers relations Centre capable of engaging in V@D, its Internet initiatives adopted by other Crédit Mutuel branches, the development of business line laboratories, the implementation of artificial intelligence tools with the experimentation of the Watson solution in pilot local branches or the development of cooperative tools...

1 Posternak Ifop barometer /fourth quarter 2016
2 Survey conducted by Bearing Point and Kantar and TNS among customers from a sample of 4000 people

2016 was particularly marked by the conjunction of various factors of this environment: slow growth, low interest rates, regulation and digital revolution.

Has this weighed on the activity and results of the CMNE?

In 2016, all the entities of the CMNE Group registered fine momentum in their business, continued the synergies and contributed to the Group's overall performance.

The CMNE registered controlled development throughout 2016, thanks to the:

- Diversification of the sources of revenues with insurance and asset management, the development of non-banking commissions linked to the network activity (AFEDIM, Provol...) ;
- The preservation of margins whilst remaining vigilant regarding renegotiations;
- Risk control, as shown by the low cost of risk noted.

In the face of market shocks, the sound results attest to the capacities of all lines of business to structure themselves and to adapt. Combined with rigorous management, the clear strategic choices of the Medium Term Plan 2020 have made it possible to launch the first projects of said plan and to score many successes. They also prove the Group's vitality.

The CMNE has also continued to strengthen its prudential capital which amounts to €3.3 billion (+18%), including the impact of the first public issue of a subordinated debt among French and European investors for an amount of €300 million. The overall solvency ratio stands at 20.36%, and the CET 1 capital ratio at 15.13%, beyond the regulatory requirements of the ECB.

HIGHLIGHTS

The group closed the first year of its Medium Term Plan 2016-2020 in a changing environment.
Many projects were launched to adapt to the profound technological, economic and regulatory transformations.

THE GROUP

- **Activity:** Sound operating performance by each of the divisions;
- **Customers:** Implementation of more than 50 digital projects geared to customers, employees and processes;
- **Organisation:** Structuring of the Group around three competence centres (Banking, Insurance and Asset Management);
- **MTP:** Launch of the MTP 2016-2020 which comprises five strategic planks;
- **Regulatory aspects:** public issue of a redeemable subordinated loan of €300 million. New requirements on equity capital (Basle III, leverage ratio, Solvency 2) and on liquidity (LCF, NSFR), growing regulation on governance and banking policies.
- **Results:** recurrent profitability down compared with 2015.

BANKING

FRANCE NETWORK:

- **Network:** continued to adapt points of sale to new modes of consumption by customers;
- **Organisation:** development of the asset sector and reorganisation of sales promotion;
- **Savings:** very fine performance in homebuyer savings, progression of ordinary passbooks;
- **Loans:** Contained renegotiations and preservation of future margins, increase of outstanding loans with target for the year exceeded;
- **Real estate:** investment in regional real estate, record year in real estate production (SCPI, AFEDIM);
- **Services:** doubling of Provol sales;
- **Multi-access bank:** strengthening of the digital offer with the addition of B@D and commercial functionalities, the launch of two Labs (applications for Crédit and HR).

BELGIUM NETWORK:

- **Convergence:** successful merger of Beobank and BKCP Banque (harmonisation of the offer, standardisation of procedures, customer communication, rebranding of branches), launch of the Eole project (reconciliation of the Beobank and BKCP IT systems);
- **Sales promotion:** launch of the innovative concept of the pop-up store, marketing campaigns (automotive Crédit rate of 0.99% and a new slogan "You are in good hands);"
- **Organisation:** restructuring of the network, creation of Pro-Centres (for professional customers), new asset management structure and specialised teams for professional segments;
- **Credit:** increase of the mortgage portfolio and exceptionally low cost of risk.

BUSINESS NETWORK:

- **Credit:** significant increase of loans and flow treatments for the BCMNE;
- **Leasing:** Dynamic production and maintenance of margin against the background of low interest rates for Bail Actea, more difficult context for Nord Europe Lease with a reinforced risk selection policy;
- **Sales promotion:** Launch of BCMNE Customer service to optimise marketing assistance, new commercial mapping of the BCMNE on the SME market, new scope of intervention by BCMNE among SMEs with a turnover exceeding €5 million;
- **Organisation:** Creation of mid-cap business centre based in Lille, IT migration of Bail Actea, refocusing of activities in terms of targets and territories.

INSURANCE

- **Unit-linked insurance:** Support for the unit-linked strategy through different solutions (bonus mechanism, adaptation of the management methods for flagship contracts, etc.);
- **New products:** enrichment of the product offer; structures, unit-linked, insurance; health, borrower and launch of new services (online home multi-risk estimate etc.).
- **Organisation:** Restructuring of Insurance division around its specialised sectors, optimisation of the quality of services with the launch of a "full quality" audit, refocusing on the group distributors;
- **Digital:** Development of digital insurance (online; consultation, arbitration, free payments and programmes, home multi-risk estimate, provident scheme, Integral'Sante [integral health] simulator).
- **Belgium:** reinforcement of its presence in Belgium, implementation of reserve transfer – switching from branch 21 to branch 23...);
- **Regulation:** first year of Sovency 2, reinforcement of equity through an increase of capital of €50 million and an issue of redeemable subordinated loan of €50 million, derisking operations of euro assets, proactive development of the product mix.

ASSET MANAGEMENT

- **Collection:** Record collection of €6 billion, 25% of which from abroad;
- **International development:** opening of a representation office in Seoul, active approach in the Middle East, deployment of pan-European product strategies;
- **FinTech:** Launch of Moniwan, first digital distribution FinTech of SCPI geared to private investors. Creation of a French fund by New Alpha AM dedicated entirely to FinTech;
- **Real estate:** launch of the first real estate fund invested in senior housing;
- **New expert assessments:** development of activities and outstanding amount on the Investment Solutions pillar. Commitment to innovative socially responsible investment offers.

PROFILE AND KEY FIGURES

People

1 625 298
Customers and shareholders
Customers of France and Belgium networks

1 525
Directors

4 434
Employees
(FTE – open-ended contract)

Balance Sheet

€41 823 M
Consolidated total

€3 336 M
Equity
Basle III regulation

Organisation

543
Points of sale
France Network: 256 and 25 business centres
Belgium Network: 65* and 12 business centres
Business Network: 17 business centres and 2 offices

665
Automated Teller Machines (ATM)
France: 515
Belgium: 150

Results

€1 129 M
Consolidated net banking income

€304 M
EBITDA before cost of risk

€205 M
Consolidated net income

Activity

€16 221 M
Outstanding accounting resources**

€59 017 M
Outstanding financial savings and insurance**
Of which, €11 986 million outstanding insurance

€15 692 M
Outstanding loans**

1 800 000
Insurance contracts

Basle III solvency ratios

15.13 %
Common Equity Tier One

20.36 %
Solvency ratio

BANKING
NBI **€796 M**
Net Profit (Group's share) **€143 M**

INSURANCE
NBI **€187 M**
Net Profit (Group's share) **€70 M**

ASSET MANAGEMENT
NBI **€185 M**
Net Profit (Group's share) **€24 M**

* It should be noted that the Belgian network relies on 166 delegated officers.
** This is an Alternative Performance Indicator (IPA), defined in accordance with EMSA guidelines (ESMA/20151415) and Article 223-1 of the AMF (Market Supervision Authority) General Regulations (Transparency Directives, Prospectus, and Market Abuse regulations).

AN INTEGRATED GROUP IN THE SERVICE OF ITS CUSTOMERS

The history of the Crédit Mutuel Nord Europe Group begins more than a century ago. The first branches of the Crédit Mutuel Nord Europe created in Nord et le Pas-de-Calais helped lay the foundations of the cooperative movement and the principles of social responsibility, solidarity between members and territorial roots.
The CMNE has over time built a solid model of a Euro-regional universal bank, adapted to the needs of its customers-shareholders. Today, it boasts many winning assets: retail banking expertise; good geographic coverage in the North of France and in Belgium; a business model that puts customer satisfaction and innovation at the heart of its priorities; positions in all the specific areas of Banking, Insurance and Asset Management.

The Crédit Mutuel Nord Europe is the third largest unit in the Crédit Mutuel Group.

ONE GROUP, THREE SPECIFIC AREAS

The Crédit Mutuel Nord Europe Group is organised round the Caisse Fédérale, the Group's holding company, and three competence centres: Banking, Insurance and Asset Management.

Relying on this tripartite model, the CMNE is today akin to a conglomerate with fully integrated activities. It stands ready to face the corporate, regulatory and competition challenges of the banking sector.

▶ BANKING

Euro-regional and universal, the Bank is geared to private individuals and professionals, farmers, associations and companies. It provides a full line of products ranging from daily banking to corporate financing or asset management. Furthermore, it proposes a range of online services adapted to the digitisation of society. This holistic approach is based on a strong added value range.

Covering a basin of 18.5 million inhabitants in the North of France and Belgium, the networks of CMNE catered to 1.6 million customers at the end of 2016, and have emerged among those best placed to attend to their needs.

▷ France Network

As retail and local banking, the France network is the historical core of the market, reinforced in the beginning of the 1990s by the merger of Crédit Mutuel Artois-Picardie, Nord and Champagne-Ardenne. Today it is organised in 256 points of sale, located in seven departments (Aisne, Ardennes, Marne, Nord, Oise, Pas-de-Calais and Somme).

▷ Belgium Network

Belgium is the Group's second market. Since May 2016, following the merger of two banks under the motto "one bank, one brand: Beobank," the unified Belgian network comprises 65 branches and 166 delegated officers. A leader on the consumer Crédit market in Belgium, the network provides offers to build assets and Crédit to private customers, freelancers or companies.

▷ Business Network

Since the end of the 1990s, CMNE has operated and developed on the market of regional companies (creation of BCMN, acquisition of SDR de Normandie, Regrouping of BIN/Batiroc, creation of the Business division). The Banque Commerciale du Marché Nord Europe (BCMNE) is the bank dedicated to SMEs, with two specialised subsidiaries, Bail Actéa and Nord Europe Lease, which provide equipment and property leasing solutions respectively.
Very well established in the corporate segments that range from very small to medium-sized enterprises, the division boasts a wide range of products and services (tailored financing, financial and asset engineering, etc.) and henceforth has recognised expertise.

▶ INSURANCE

Created in 2004, the Nord Europe Assurances (NEA) Group is a holding which encompasses all the competencies of the Crédit Mutuel Nord Europe Group in life insurance, contingency, life, car and home insurance. The group managed to adapt on these different markets to provide a full range of products that meet specific needs: retirement savings, transfer, dependence, protection of property.

NEA comprises three life insurance companies (ACMN-Vie, North Europe Life Belgium and Nord Europe Life Luxembourg), a property and casualty insurance company (ACMN casualty), a reinsurance company (CPBK-Re) and a brokerage firm (CCMNE). They devise the insurance products on their own or in partnership with the ACM.

▶ ASSET MANAGEMENT

The third and last specific area of Crédit Mutuel Nord Europe, La Française Group, is the asset management subsidiary for third parties.

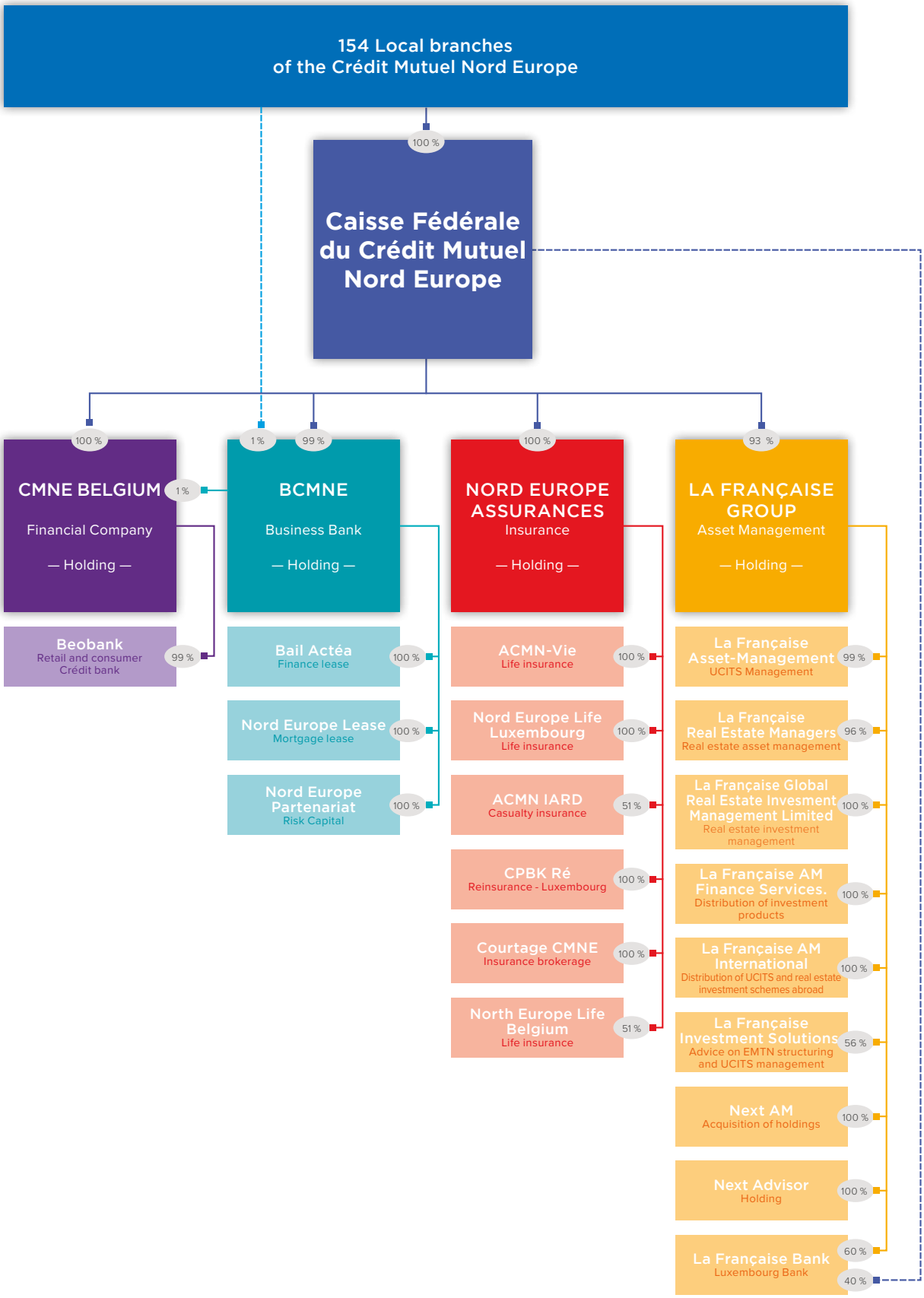
La Française is positioned as an overall asset manager, in terms of specific area and commercial coverage. It provides a full range of products and services for a diversified clientele (institutional investors, banking networks, distribution platforms, specifiers, private customers, etc.).

Created in 1975, the Group has come a long way in forty years and is now organised into four pillars:

- La Française Global Asset Management:
  Management and marketing of securities;
- La Française Global Real Estate Investment Managers:
  Management and marketing of property solutions;
- La Française Global Investment Solutions:
  Management and marketing of investment solutions;
- La Française Global Direct Financing:
  Management and marketing of financing and economic solutions.

These structures are situated mainly in France, with an office on the Boulevard Raspail in Paris. They are also established in Luxembourg, London, Frankfurt and Hong Kong, but also in Italy and Spain (representation offices). They devise financial products alone or in partnership with other affiliated management companies. For their distribution, they rely on their own networks, those of the CMNE Group or their partners (CGPI and financial networks).

FINANCIAL ORGANISATIONAL CHART



Banking Division

Insurance Division

Asset Management Division

Situation as at 31/12/16

GOVERNANCE

COMPOSITION OF THE BOARD OF DIRECTORS AND MANDATES

FÉDÉRATION DU CRÉDIT MUTUEL NORD EUROPE AT 27 APRIL 2017

Chairman:	André HALIPRÉ [1]	
Vice Chairmen:	Catherine LETELLIER [2] Dominique BUR [2]	
Secretary:	Michel HEDIN [3]	
Treasurer:	Jacques VANBREMEERSCH [3]	
Directors:	Christine DEBOUBERT [3] Vania FOSSAERT [3] Catherine LAMBLIN-MESSIEN [3] Patrick LIMPENS [3] Jocelyne MORLON [3]	Olivier OGER [3] Jacques PETIT [3] Alain POISSONNIER [3] Nathalie POLVECHE [3] Fabienne RIGAUT [3] Christine THYBAUT [3]

Also at the Caisse Fédérale du Crédit Mutuel Nord Europe: [1] chairman - [2] vice chairman - [3] director.

MANDATES AND FUNCTIONS OF THE DIRECTORS OF THE CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE

André HALIPRÉ		
France	Chairman of the Board of Directors	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille
		CAISSE DE CRÉDIT MUTUEL (Cooperative company) Vitry-le-François
		CENTRE INTERNATIONAL DU CRÉDIT MUTUEL
	Chairman of the Monitoring Committee	BANQUE COMMERCIALE DU MARCHE NORD EUROPE (SA) Lille
		NORD EUROPE ASSURANCES (SA) Paris
		GROUPE LA FRANÇAISE (SA Management Board and MC) Paris
	Member of the Board of Directors	CAISSE CENTRALE DU CRÉDIT MUTUEL
		AXIOM
	Vice Chairman of the Board of Directors	CONFÉDÉRATION NATIONALE DU CRÉDIT MUTUEL
	Permanent Representative	ASSURANCES CRÉDIT MUTUEL IARD (SA) Strasbourg CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Director)
		AXIOM (SAS) Azay-sur-Indre - CIRHYO (Director)
Abroad	Chairman of the Board of Directors	CMNE BELGIUM (SA) Brussels-Belgium
	Vice Chairman of the Board of Directors	BEOBANK NV/SA Brussels-Belgium
	Member of the Board of Directors	BKCP BANQUE (SA) Brussels-Belgium (merger with Beobank 1st May 2016)
	Permanent Representative	MOBILEASE (SA/NV Brussels-Belgium) - CRÉDIT MUTUEL NORD EUROPE BELGIUM (Director)
Dominique BUR		
France	Vice Chairman of the Board of Directors	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille
Christine DEBOUBERT		
France	Chairman	CAISSE DE CRÉDIT MUTUEL (Cooperative Company) Tourcoing République
	Director	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille

COMPOSITION OF THE BOARD OF DIRECTORS AND MANDATES

Vania FOSSAERT		
France	Vice Chairman	CAISSE DE CRÉDIT MUTUEL (Cooperative Company) Pérenchies
	Director	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille
	Business Manager	LES PIERRES BLEUES (SARL) Verlinghem
Michel HEDIN		
France	Member of the monitoring committee	GROUPE LA FRANÇAISE (SA Management Board and Monitoring Committee) Paris
	Director	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille
		CAISSE DE CRÉDIT MUTUEL (Cooperative Company) Étaples
Catherine LAMBLIN-MESSIEN		
France	Chairman	CAISSE DE CRÉDIT MUTUEL (Cooperative Company) Cambrai
	Director	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille
	Business Manager	COFIDINE (SARL) Bouchain
Catherine LETELLIER		
France	Chairman	CAISSE DE CRÉDIT MUTUEL (Cooperative Company) Méru
	Vice Chairman of the Board of Directors	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille
	Member of the monitoring committee	NORD EUROPE ASSURANCES (SA Management Board and Monitoring Committee) Paris
Patrick LIMPENS		
France	President	CAISSE DE CRÉDIT MUTUEL (Cooperative Company) Saint-Quentin
	Director	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille
	Member of the monitoring committee	NORD EUROPE ASSURANCES (SA) Paris
	Co-Business Manager	SCI RÉSIDENCE Remicourt
Jocelyne MORLON		
France	Chairman	CAISSE DE CRÉDIT MUTUEL (Cooperative Company) Charleville Mézières
	Director	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille
Olivier OGER		
France	Director	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille
Jacques PETIT		
France	Chairman	CAISSE DE CRÉDIT MUTUEL (Cooperative Company) Marquion - end of mandate 17th March 2016
	Director	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille CAISSE DE CRÉDIT MUTUEL (Cooperative Company) Marquion
	Member of the monitoring committee	BANQUE COMMERCIALE DU MARCHÉ NORD EUROPE (SA) Lille - end of mandate 28th April 2016
	Business Manager	SCI FLANDRES ARTOIS (SCI) Arras
		SCI BOLDODUC (SCI) Arras
Alain POISSONNIER		
France	Chairman	CAISSE DE CRÉDIT MUTUEL (Cooperative Company) Senlis
	Director	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille
Abroad		CRÉDIT MUTUEL NORD EUROPE BELGIUM (SA) Brussels-Belgium
France	Member of the monitoring committee	BANQUE DU MARCHÉ NORD EUROPE (SA) Lille - end of mandate 13th March 2017
Nathalie POLVECHE		
France	Chairman	CAISSE DE CRÉDIT MUTUEL (Cooperative Company) Avion
	Director	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille
	Co-Business Manager	BIOPATH (Professional limited liability company) Coquelles (62)
Fabienne RIGAUT		
France	Chairman	CAISSE DE CRÉDIT MUTUEL (Cooperative Company) Le Quesnoy
	Member of the monitoring committee	NORD EUROPE ASSURANCES (SA) Paris
	Director	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille
Christine THYBAUT		
France	Director	CAISSE SOLIDAIRE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative Company)
		CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille
Jacques VANBREMEERSCH		
France	Chairman	CAISSE DE CRÉDIT MUTUEL (Cooperative Company) Steenvoorde
	Director	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille

GROUP MANAGEMENT BOARD AT 27TH APRIL 2017

General Manager	Éric CHARPENTIER
Deputy General Manager - Banking	Christian NOBILI
Chairman of the Management Board Groupe La Française Asset-Management	Xavier LÉPINE
Chairman of the Management Board Nord Europe Assurances - Insurance	Sabine SCHIMEL
Deputy General Manager – Resources Manager	Denis VANDERSCHELDEN
Central Director – Accounting and management auditing	Florence DESMIS
Group Finance Director	Alexandre SAADA
Group Director of Risks, Ongoing Auditing and Compliance	José DRUON
Secretary-General	Jérôme PAVIE
Advisers to General Management	Christian DESBOIS and Tristan GUERLAIN

Inspector-General Groupe	Vincent GOSSEAU

The **Management Committee** is chaired by the General Manager, who has the most extensive powers to manage the CMNE Group within the context of the strategy decided by the Federal Board of Directors.

The Committee deals with matters relating to Group strategy, setting and monitoring operating targets, Group risks and more generally the business and results.

It handles the transversal coordination of the business lines (Banking, Insurance, Asset Management), seeking commercial, technical and HR synergies.

The Committee meets twice a month and in particular examines the work carried out by:

- The **Banking Committee**, chaired by the Deputy General Manager, which coordinates the three networks (France, Belgium and Business Finance). The Committee is composed of managers from each of the networks;
- The **Management Boards** for Insurance and Asset Management;
- The **Finance Committees** of NEA, the Caisse Fédérale and the banking subsidiaries.

Each quarter, the **Finance Committee** of the Caisse Fédérale and its banking subsidiaries analyse the rate risk, the liquidity risk and the financial margin as part of a process that includes production forecasts.
The Finance Committee of the Caisse Fédérale decides on the level of hedging to be put in place to protect the financial margin. In addition, each month, it deals with the investments made by the Caisse Fédérale on its own behalf. It reports on the monitoring of market counterparty risk, compliance with the limits set, the composition and development of the financial portfolios of the Group's entities. Each quarter it reports on the tracking of allocations of equity capital to banking and the trading book, as well as the impact of stress test scenarios on equity capital and profit.

The NEA Finance Committee is responsible for monitoring results, investment policy and the optimisation of resources in the regulatory context of Solvency 2 in particular. It also acts on the handling of risks (counterparties, markets, interest rates, action, real estate, spread, concentration, lack of liquidity, etc.).
The Committee covers ACMN Vie, NELL, NELB and ACMN Iard.

Two committees also meet on a Caisse Fédérale level:

- The **Major Risk Committee** examines any risks every quarter that exceed a threshold defined by General Management, individually and collectively, for each of the Group's financial units;
- The **Performance Improvement Committee** is responsible for developing and monitoring the budget (including annual investments), as well as proposing the optimisation of costs across the whole of the Caisse Fédérale and Local Branches.

MANDATES AND FUNCTIONS OF THE COMPANY TRUSTEES

Éric CHARPENTIER		
France	General Manager	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille
	Chairman of the board of directors	ASSURANCES DU CRÉDIT MUTUEL NORD VIE (SA) Paris
	Vice Chairman of the monitoring committee	BANQUE COMMERCIALE DU CRÉDIT MUTUEL NORD EUROPE (SA) Lille
		NORD EUROPE ASSURANCES (SA) Paris
		GROUPE LA FRANÇAISE (SA) Paris
	Director	CONFÉDÉRATION NATIONALE DU CRÉDIT MUTUEL (association) Paris
		CRÉDIT INDUSTRIEL ET COMMERCIAL (SA) Paris
		CAISSE CENTRALE DE CRÉDIT MUTUEL (Cooperative SA) Paris
	Permanent representative	GROUPE DES ASSURANCES DU CRÉDIT MUTUEL (SA) Strasbourg CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Director)
		EURO INFORMATION (SAS) Strasbourg. CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Member of the Management Board)
		CAISSE CENTRALE DE CRÉDIT MUTUEL (Cooperative SA) Paris. CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Director) - end of mandate 21st March 2016
Abroad	Chairman of the Board of Directors	BKCP BANQUE BELGIQUE (SA) - end of mandate 1st May 2016 merger with Beobank
		BEOBANK BELGIQUE (SA)
	Chairman of the Management Board and Director	CRÉDIT MUTUEL NORD EUROPE BELGIUM (SA)
Christian NOBILI		
France	Deputy General Manager	CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Cooperative SA) Lille
	Chairman of the Executive Board	BANQUE COMMERCIALE DU MARCHÉ NORD EUROPE (SA) Lille
	Chairman of the Board of Directors	NORD EUROPE LEASE (SA) Lille
		BAIL ACTÉA (SA) Lille
		NORD EUROPE PARTENARIAT (SA) Lille
	Member of the monitoring committee	BANQUE COMMERCIALE DU MARCHÉ NORD EUROPE (SA) Lille - end of mandate 6th December 2016
	Permanent representative	ACMN-Vie (SA) Paris - CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Director)
		GROUPE LA FRANÇAISE (SA) Paris - CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Member of the Monitoring Committee)
		NORD EUROPE ASSURANCES (SA) Paris - CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (Member of the Monitoring Committee)
Abroad	Chairman of the Management Board and director	BKCP BANQUE (SA) Belgium - end of mandate 1st May 2016, merger with Beobank
	Director	CMNE BELGIUM (SA) Belgium
	Director	BEOBANK (SA) Belgium

TABLE SUMMARISING THE REMUNERATION OF EACH COMPANY TRUSTEE DIRECTOR

Fixed remuneration is set by the Board of Directors based on proposals carefully considered by the Remuneration Committee and submitted after a comparative analysis of the remuneration of directors in similar positions in the banking sector.

The amounts shown in the table below include, for 2015 and 2016, the remuneration paid by the Caisse Fédérale du CMNE and all Group subsidiaries.

In thousands of euros

Philippe VASSEUR Chairman	2015		2016	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed remuneration	282	317	-	-
Variable annual remuneration	-	-	-	-
Variable multiyear remuneration	-	-	-	-
Special remuneration	-	-	-	-
Director's fees	-	-	-	-
Benefits in kind [1]	2	2	-	-
TOTAL	**284**	**319**	**-**	**-**

[1] Company vehicle

In thousands of euros

André HALIPRÉ Chairman	2015		2016	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed remuneration	-	-	250	250
Variable annual remuneration	-	-	-	-
Variable multiyear remuneration	-	-	-	-
Special remuneration	-	-	-	-
Director's fees	-	-	-	-
Benefits in kind [2]	-	-	14	14
TOTAL	**-**	**-**	**264**	**264**

[2] Company vehicle + accommodation

In thousands of euros

Éric CHARPENTIER General Manager	2015		2016	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed remuneration	527	527	528	528
Variable annual remuneration [3]	204	122	191	115
Variable multiyear remuneration [4]	-	-	-	27
Special remuneration	50	50	40	40
Director's fees	-	-		
Benefits in kind [5]	3	3	3	3
TOTAL	**783**	**702**	**762**	**712**

[3] Variable remuneration equivalent to 1/1000 of the Group's Consolidated Net Self-Financing Margin corresponding to the period (n-1), within the limit of 50% of the gross annual remuneration; pursuant to directive CRD IV and European Regulation CRR1, the deferred portion is 40%, payment of which is spread over 3 years in three thirds. Pursuant to articles L511-77 and 83 of COMOFI, the effective payment of the deferred fraction is subject to the following condition: if the operating profit (net gross operating income of the cost of risk) falls by 30% or more compared with the reference period, the payment is suspended. And if this fall persists for more than two years, the payment thus suspended is forfeited permanently.
[4] Amount paid for previous periods: 27 thousand euros.
[5] Company vehicle.

In thousands of euros

Christian NOBILI Deputy General Manager	2015		2016	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed remuneration	320	320	318	318
Variable annual remuneration [6]	107	64	105	63
Variable multiyear remuneration [7]	-	-	-	14
Special remuneration	30	30	10	10
Director's fees	1	1	-	
Benefits in kind [8]	3	3	3	3
TOTAL	**460**	**417**	**436**	**408**

(6) Variable remuneration equivalent to 1/1000 of the Group's Consolidated Net Self-Financing Margin corresponding to the period (n-1), within the limit of 50% of the gross annual remuneration; pursuant to directive CRD IV and European Regulation CRR1, the deferred portion is 40%, payment of which is spread over 3 years in three thirds. Pursuant to articles L511-77 and 83 of COMOFI, the effective payment of the deferred fraction is subject to the following condition: if the operating profit (net gross operating income of the cost of risk) falls by 30% or more compared with the reference period, the payment is suspended. And if this fall persists for more than two years, the payment thus suspended is forfeited permanently.
(7) Amount paid for previous periods: 14 thousand euros.
(8) Company vehicle.

TABLE RELATIVE TO SUPPLEMENTARY PENSION SCHEMES

André HALIPRÉ	Employment contract		Supplementary pension scheme		Allowances or benefits owed or likely to be owed due to the cessation or change of function		Allowances relative to a non-competition clause	
	yes	no	yes	no	yes	no	yes	no
Chairman 1st mandate: January 2016	x			x		x		x

Éric CHARPENTIER	Employment contract		Supplementary pension scheme [9]		Allowances or benefits owed or likely to be owed due to the cessation or change of function [10]		Allowances relative to a non-competition clause	
	yes	no	yes	no	yes	no	yes	no
General Manager June 2006	X		X		X			X

(9) Defined work system (art. 39) agreed in return for giving up 10 days of leave contractually granted to senior management (in the context of the agreement of 30th June 1999); this system grants a pension supplement equivalent to a maximum of 9% of the gross salary received over the 12 months of activity preceding departures – excluding gratuities and bonus – on condition of being aged 65 and having obtained settlement of his pensions. Entitlements are funded by subscription to a collective fund constituted by the Caisse Fédérale du CMNE, exempt from social contributions. The estimated amount of the annual benefit was 37 thousand euros at 31/12/16; it does not take account of the years of service acquired in his position by the beneficiary and is calculated based on the gross annual salary for 2016, independent of the terms for fulfilling the commitment.
(10) Benefits likely to be owed due to the cessation or change of function. Excluding a case of serious gross negligence, the redundancy allowance is equivalent to two years of the last annual gross salary (fixed and variable part) in addition to the elements provided for in the collective agreement.

Christian NOBILI	Employment contract		Supplementary pension scheme [11]		Allowances or benefits owed or likely to be owed due to the cessation or change of function [12]		Allowances relative to a non-competition clause	
	yes	no	yes	no	yes	no	yes	no
Deputy General Manager April 2008	X		X		X			X

(11) Defined work system (art. 39) agreed in return for giving up 10 days of leave contractually granted to senior management (in the context of the agreement of 30th June 1999); this system grants a pension supplement equivalent to a maximum of 9% of the gross salary received over the 12 months of activity preceding departures – excluding gratuities and bonus – on condition of being aged 65 and having obtained settlement of his pensions. Entitlements are funded by subscription to a collective fund constituted by the Caisse Fédérale du CMNE, exempt from social contributions. The estimated amount of the annual benefit was 27 thousand euros at 31/12/16; it does not take account of the years of service acquired in his position by the beneficiary and is calculated based on the gross annual salary for 2016, independent of the terms for fulfilling the commitment.
Beobank Life and Death pension agreement: Defined contribution system, based on an individual pension commitment, from which the beneficiary will benefit until he leaves the company; The amount paid for by the company in 2016 was 108 000 euros. On the date of his departure, or on the date scheduled for his retirement, the member will be entitled to the reserves constituted by the premiums acquired and the beneficiary share.
(12) Benefits likely to be owed due to the cessation or change of function. Excluding a case of serious gross negligence, the redundancy allowance is equivalent to 150 % of the gross annual remuneration in addition to the elements provided for in the collective agreement.

The payment of the variable and special elements is subject to a positive ex-post vote.

Ladies and Gentlemen,

In accordance with the provisions of article L. 225-37 of the Commercial Code, the Chairman of the Board of Directors submits a report dealing with:

- The terms for preparing and organising the work carried out by your Board of Directors;
- The internal auditing procedures implemented;
- Any restrictions placed on the powers of the General Manager.

It is my privilege to present this report to you, which has been finalised under my authority, based on the work carried out by the persons with responsibility for the matter at the Inspectorate General, Ongoing Audits and Compliance Control.

In accordance with article 26-5 of the Act of 3rd July 2008, this report was submitted for the approval of the Board of Directors on 27th March 2017.

I CONDITIONS FOR PREPARING AND ORGANISING THE WORK CARRIED OUT BY THE BOARD OF DIRECTORS

1. PRESENTATION OF THE BOARD OF DIRECTORS

On the closing date for the 2016 financial year, the composition of the Board of Directors of the Caisse Fédérale du Crédit Mutuel Nord Europe was as follows:

Chairman	André HALIPRÉ
Vice Chairmen	Catherine LETELLIER, Francis QUEVY
Secretary	Michel HEDIN
Directors	Jean Marc BRUNEAU, Dominique BUR, Christine DEBOUBERT, Vania FOSSAERT, Catherine LAMBLIN-MESSIEN, Patrick LIMPENS, Jacques PETIT, Nathalie POLVECHE, Fabienne RIGAUT, Christine THYBAUT, Jacques VANBREMEERSCH.

2. ORGANISATION AND PREPARATION OF THE WORK CARRIED OUT BY THE BOARD OF DIRECTORS

The Board of Directors derives its powers from the articles of association and the general operating regulations. Where required, codes of ethics and proper conduct regarding in particular preventing and dealing with irregular situations involving elected officers round out the operating rules that apply to the Group's supervisory body.

The **Board of Directors** lays down the Group's strategy based on proposals put to it by General Management. It also controls their implementation. The Board is elected by the 154 Local Branches, each of which also has its own Board of Directors, made up of members elected by the shareholders at a general meeting, in accordance with the cooperative statute of "one person, one vote". Some of its members also sit on the Boards of the Group's holding companies: BCMNE, CMNE Belgium, Nord Europe Assurances and La Française Group.

An **Executive Board**, made up of 6 members including the Chairman, Vice Chairmen, Secretary and Treasurer of the Federation, as well as the Chairmen of the regulated committees (audit, risks, appointment, remuneration), met on 3 occasions during the year. The Executive Committee is a consultative body that examines items that are subsequently submitted to the Board of Directors.

The Board of Directors has delegated powers to four specialist committees:

The Audit and Risk Committee

The Audit and Risk Committee was divided into two committees in September 2016, placed under the responsibility of the federal Board of Directors:

- An **Audit Committee** that meets at least five times per year, with a chairman who is not the chairman of the Board of Directors or the chairman of any other committee;
- A **Risk Committee** that meets at least seven times per year, with an independent chairman.

The functioning of the 2 committees is governed by their own internal policies and procedures.

The Audit Committee

- Defines, among other things, the policies on internal auditing and financial information;
- Oversees the process of drawing up financial reports;
- Monitors internal and external auditors and acts as their point of contact;
- Recommends to the Board of Directors for approval the appointment, remuneration and removal of external auditors;
- Re-examines and approves the scope and frequency of audits;
- Receives the main audit reports and ensures that management adopts measures without delay to remedy any shortcomings in the area of audits;
- Monitors the implementation of accounting principles and practices;
- Is responsible for examining and approving the company and consolidated accounts.

The Risk Committee

- Examines all risk-related strategies on a combined basis, as well as by type of risk;
- Reviews the risk policies at least once a year;
- Provides the federal Board of Directors with consultative opinions on risk appetite, monitors the implementation, by management, of the risk appetite statement;
- Monitors the strategies for managing liquidity and equity capital, as well as the strategies relative to all the risks to which CMNE is exposed, such as operating risks, Crédit risks, market risks and reputation risks, in order to ensure that they are in line with the established risk appetite.

Presence at and participation in Audit and Risk Committee meetings by their members

Absences by members of the Audit and Risk Committees from meetings are rare. In its new configuration, the federal Risk Committee is chaired by an independent director. The Audit Committee is chaired by a person other than the Chairman of the Board of Directors.

Appointment Committee

The purpose of the Appointment Committee is to give an opinion to the Board of Directors about applications for the position of director. The Committee is also required to evaluate the balance between the individual and collective skills and experience of the members of the Board. The Committee is also required to set targets with regard to the balanced representation of men and women on the Board. At least once a year the Committee evaluates the composition and effectiveness of the Board in relation to the tasks set it. Periodically it examines the policies of the Board in relation to the selection and appointment of effective directors. The Appointment Committee is made up of the Chairman of the Board of Directors (who cannot be the Chairman of the Appointment Committee), as well as 3 other directors. In 2016, the Committee met on 25th January and 13th June.

Remuneration Committee

Composed of a Chairman who is not the Chairman of the Board of Directors and three federal directors, the Remuneration Committee meets at least once a year to advise the Board of Directors on setting the overall remuneration for the company trustees of the Caisse Fédérale. The Committee also examines the remuneration of non-trustee company directors and sets the remuneration principles for the company trustees of the Group's main companies.
The Remuneration Committee's function is governed by a set of internal policies and procedures.
In 2016, the Committee met on 25th January.

2.1. MEETINGS OF THE BOARD OF DIRECTORS

The Board of Directors met on 11 occasions, once a month, except in August and October and twice in April. The attendance rate in excess of 81 % indicates the strong involvement of the directors. The average length of Board meetings was two hours and thirty minutes.

- The agendas for the meetings systematically included a point relating to the economic situation and the current institutional background, as well as to business results and monitoring Crédit risks. A regular update on market developments and the impact for CMNE is also presented to the Directors;
- The Board also expressed its views about changes to the commercial offering;
- The Board examined the quarterly updates of the interim management results for the period underway;
- The other main items appearing on the Board's agenda included:

25th January
- Initial assessment of the overall management results for 2015,
- Developments to CMNE's risk policy,
- Half-yearly summary of the activity of the Audit and Risk Committee,
- Main directions of the Group ongoing audit plan,
- Cashflow management agreement,
- Audit plan 2015.

29th February
- Approval of the 2015 company accounts for the Caisse Fédérale and the overall accounts,
- Approval of the 2015 consolidated accounts,
- Summary from the Audit and Risk Committee,
- Annual business report 2015,
- Proposed 2016 budget for Fédération Nord Europe,
- Update on the overall framework of the Group risks policy.

21st March
- Basle II report on risks and equity capital at 31st December 2015,
- Report on internal auditing and assessment of risk monitoring,
- Report from President on the work of the Board of Directors and internal auditing,
- Preparation for the Annual General Meetings held on 28th April 2016.

18th April
- Renewal of the bond issue permit,
- Renewal of the programme to issue C shares,
- ICAAP report,
- Tier 3 reporting,
- Report from the Remuneration Committee,
- Report from the Appointment Committee,
- Summary of the Audit and Risk Committee.

28th April
- Election of the Chairman of the Board of Directors, Vice Chairmen and members of the Executive Board.

23rd May
- Management results and update of forecasts for the overall scope (based on 31/03),
- Summary of the Audit and Risk Committee,
- Crisis recovery plan,
- Presentation of the ILAAP,
- Examination of the cost of risk for customer Crédit at 31/03,
- Presentation of the Internal Regulations from the Audit Committee and Group Risk Committee,
- Approval of the new Compliance Director,
- Information about the capital of Local Branches.

27th June
- Update on Assets-Liabilities Management at 31/12/2015,
- Summary of the Audit and Risk Committee,
- Composition of Committees and Commissions.

28th July
- Consolidated accounts at 30th June 2016,
- Half-yearly business report,
- Update on management forecasts at 30th June – overall scope,
- Update on solidarity within CMNE Group,
- Disposal project OPCI Raspail.

24th October
- Basle II reporting at 30th June,
- Risk Committee reporting,
- Audit Committee reporting,
- Crisis Recovery Plan indicators at 30th June,
- SRAB Act, information about the response to the follow-up letter for the Julien Report,
- Update on the Tier 2 issue of 300 million euros from September 2016,
- La Française REM regulated agreement,
- Abolition of Loans Committees.

21st November
- Consolidated accounts at 30 September 2016,
- Forecast of 2016 results updated at 30th September,
- ALM management (half-yearly report),
- Risk Committee reporting,
- Audit Committee reporting.

12th December
- Follow-up on MTP 2020 (update 2016),
- Directions 2017 for CMNE Group,
- Responses to the letter from the ECB on CRP,
- Risk Committee reporting,
- Audit Committee reporting.

- When first convened, all meetings complied with the conditions for establishing a quorum and majority, as required by the articles of association;
- The minutes of Board meetings are approved at the subsequent meeting. This approval confirms that a faithful record has been taken of the work carried out;
- The Works Council was represented at all times.

2.2. DESPATCH OF WORKING DOCUMENTS

- The members of the Board of Directors received all of the information they needed to carry out their work, based on a predetermined timetable.
  Digital media are sent by e-mail. A complete hard-copy file is given to each Director at the time of the Board meeting;

- The documents and information provided and required for the duties of the directors were mainly the following:
  - The news memo,
  - The monthly business memo,
  - The monthly risk update,
  - The company accounts and consolidated accounts,
  - Proposals on the new terms for products and services,
  - Presentation notes on topics submitted to the Board members for approval,
  - Written support material published in the form of notes to the PowerPoint presentations used during the meeting.

All of the persons attending meetings of the Board of Directors are bound by an obligation of confidentiality and non-disclosure with regard to the information provided or received within the context of these meetings.

2.3. TRAINING PLAN

To enable the Directors to fulfil their tasks, CMNE has implemented a training plan, approved each year by the Appointment Committee. The two-hour training sessions are presented by members of the Management Board. They are held prior to the meeting of the Board of Directors.
In 2016, the following topics were covered:

- The CMNE Group today, overall results and management forecasts;
- The Bank;
- ALM;
- Risk monitoring;
- Insurance;
- The consolidated results (IFRS);
- Risks - roles and responsibilities of the various players;
- Asset Management;
- Compliance (bank, insurance, asset management).

3. THE POWERS OF THE GENERAL MANAGER AND DEPUTY GENERAL MANAGER

In accordance with the Group's ongoing practices, which distinguish between the functions of direction, decision-making and audit on the one hand, and executive functions, and the functions of Chairman and General Manager on the other, are separate.

At its meeting on 24th April 2006, the Board of Directors appointed Mr Éric CHARPENTIER as General Manager from 1st June 2006, granting him all powers to act alone in the name and on behalf of the Caisse Fédérale du Crédit Mutuel Nord Europe.
At its meeting on 21st January 2008, the Board of Directors appointed Mr Christian NOBILI as Deputy General Manager from 1st February 2008, with the same powers as the General Manager.

4. TAKING ACCOUNT OF CLIMATE CHANGE

At the end of the financial year ending on 31st December 2016 and in line with article 173 IV of the Energy Transition Act16, La Française and NEA, within the deadlines set, will notify policyholders and in their annual report about the way in which ESG (Environment, Social and good Governance) will be taken into account in their investment policy, particularly in the context of "Environment", regarding the greenhouse emissions of the assets in the portfolio. The companies will also explain the terms of the voting rights attached to the financial instruments.

CMNE has already implemented a number of provisions:

- Environmental concerns are taken into account when funding investment projects (particularly sector-specific policies);
- In the retail banking business – and more specifically for housing loans – specific products apart from eco-loans at zero rates are available, such as short-term and long-term energy-saving loans;
- The effects of climate change are incorporated into the operating risk analyses (accident, major natural or accidental event, major logistics failure); in particular these risks can result in an increase in the occurrence and/or seriousness of the risk of flooding (impact on operating risk mapping);
- La Française Real Estate Managers is continuing its real estate acquisitions while remaining attentive to the existence of certifications and labels and by basing itself on the due diligence audits conducted by third parties using the environmental and social evaluation tool developed in-house by La Française: DIAGTECH. Using the innovative methodology, certifications and labels of course take up a major part of the investment decision, but in the same way as other criteria, whether environmental or social. La Française, funded the first positive energy and self-consumption service building in France on behalf of its LFP Immo SR OPCI investment fund product;

- On a national level, Risk Management will produce a consolidated quarterly report (from the period ending 31/12/16) on exposure to polluting sectors (general mining, coal and lignite extraction, coal, coal retailing trade).
  Also, to optimise this process, a map of operating risks on the climate risk is being developed. The aim is to determine the impact of the climate risk on the business and to identify protective measures.
  In terms of sector-specific policies, CMNE is part of an overall process of the Crédit Mutuel Group and takes account of the alerts issued by the Group's Risk Management department about certain sectors or counterparties. It also monitors its partner investments and counterparties carefully. The aim of these sector-specific policies is to detail the general principles and rules intervention regarding finance and investments is the sectors in question, in line with the CSR policy – i.e. coal-fired power stations, defence, civilian nuclear energy and mining. These principles may be reviewed each time the Group deems it necessary.

5. REPRESENTATION WITHIN THE BOARD OF DIRECTORS

In line with the provisions of the Act of 27th January 2011, relative to the balanced representation of women and men on boards of directors and monitoring committees and for professional equality, CMNE has implemented a policy to bring more women into Boards.

Two stages are planned:
- Within three years of the legislation being passed, the bodies in question will be required to have at least 20 % women. Those boards of directors with no women at the time of enactment must appoint one within the next six months;
- Six years after the legislation has been passed, the level of representation of women in management bodies must reach 40 %.

At 31st December 2016, the Board of Directors of the Crédit Mutuel Nord Europe Caisse Fédérale consisted of seven women and eight men, making a percentage of female directors in excess of 46 %.

II INTERNAL AUDITING PROCEDURES

1. INTERNAL AUDIT METHOD

Internal auditing is a process that is defined and implemented by the Board of Directors, as well as the company's management and staff. It is designed to provide reasonable assurance regarding the following objectives:
- The reliability of accounting and financial information;
- The efficiency and effectiveness of the operations conducted by the company;
- The protection of the organisation's assets;
- Compliance with laws and regulations.

Within this context, the Board of Directors receives information about the organisation, business and results of the general internal auditing system. The Board approves CMNE's risk limits, in particular through the document entitled "Risk Management Policy", and is informed about the use of these limits.

1.1. THE AUDIT ENVIRONMENT

- External frames of reference:
  - The Caisse Fédérale operates in a highly regulated environment and is required to comply with the decree of 3rd November 2014 relative to internal auditing, which completes the transcription into French law of the CRD IV Directive and the CRR European Regulation of June 2013 and the regulation published on the same date relative to financial conglomerates,
  - It is subject to the regulatory and reporting obligations that apply to Crédit establishments (regulatory ratios, annual internal audit report, etc.),
  - It is subject to audits by regulatory banking and insurance bodies (Prudential Audit Authority) and the financial markets (Financial Markets Authority),
  - It is also subject to the controls conducted by Crédit Mutuel's National Confederation, pursuant to the General Character Decision relating to the organisation of auditing by Crédit Mutuel.
- Internal frames of reference:
  - Articles of association,
  - General Operating Regulations and Finance Regulations,
  - Policies and procedures of the various committees,
  - Group Internal Periodic Audit Charter, Compliance Charter, Financial Activities Charter,
  - Codes of Ethics and Proper Conduct,
  - Policy on risk management,

- Definition of the assignments to be carried out by the various departments and their functions in the form of organisation charts,
- Summary of powers.

1.2. PARTIES OR STRUCTURES CONDUCTING AUDIT ACTIVITIES

In accordance with the regulatory provisions of the supervisory bodies and the standards of Crédit Mutuel's National Confederation, the internal audit system applies to all of the entities in the CMNE Group.

The Group Risk Department for ongoing audits and risk control, the General Secretariat for compliance control supervise the departments or corresponding functions in the subsidiaries, as well as directly exercising their role as auditors for France network and Business Finance. This central department ensures the consistency of the actions taken in the various Group entities through bilateral theme-based meetings.

To conduct all of the internal audit assignments, the Group has a staff of 176. They are broken down as follows (at 31/12/16):

	Ongoing audits, compliance control and risk audits	Periodic audits
Caisse Fédérale	35	46
Subsidiaries	85	10
TOTAL	**120**	**56**

The scope of internal auditing covers Banking, (France and Belgium networks and Business Finance), Insurance and Asset Management, as well as Miscellaneous Businesses and Services. With regard to their own regulations, each area of business adjusts and implements its own audit organisation.

1.2.1. Ongoing audits and compliance control are provided as follows:

- Level 1 ongoing operating auditing is carried out in the operating entities under the direct responsibility of hierarchical reporting lines;
- Level 2 of ongoing auditing is carried out by structures that are separate from the operating entities and organised around:
  - Central structures: a permanent auditing directorate, to which is attached the manager responsible for the security of information systems and the manager for ongoing audits, a compliance control directorate and a risk directorate,
  - Ongoing auditing and compliance structures in the Group's various business areas (Insurance, Belgium, Business Finance, Third-Party Management); operating links are in place between the central directorates and the business area auditing structures.

1.2.2. Group Audit Inspectorate

This Inspectorate is placed under the authority of CMNE's Inspector-General and acts across all of the Group's entities: network, federal departments and subsidiaries.
The Inspector-General presents the results of ICAG's work to the Group Audit Committee, as well as to the Committees of the subsidiaries in France, Belgium and Luxembourg.
ICAG is composed in particular of the Network Periodic Audit Department (DCPR) and the Business Line Periodic Audit Department (DCPM).

The audit plans are developed from a risk analysis to cover the main risks over a period deemed reasonable (four years for business line activities and five for the Local Branches). They are approved by the Group Audit Committee and presented to the Committees in the subsidiaries.
ICAG conducts its work based on audit methods and frames of reference that are in line with professional standards, which are reviewed and updated regularly.
In order to improve, if necessary, the effectiveness of the areas audited, recommendations are issued that are monitored throughout.

1.3. AUDIT SYSTEMS

1.3.1. Ongoing audits and compliance control

The main systems implemented by the ongoing audit departments for ongoing audits and compliance control at CMNE are shown below.

There are a number of procedures and methods involved for ongoing audits:

- The ongoing audit procedures for the operating entities (network and federal departments), organised and standardised as part of dedicated applications (internal auditing portals);
- Procedures to analyse and review the internal audits conducted by the operating entities;
- Level 2 ongoing audit plans (audits carried out directly by the ongoing audit directorate), based on a process that is standardised and organised for each individual area (market activities, loans, accounting, information system security, operating risk management, etc.);
- Procedures for monitoring the security of payment methods;
- Procedures for monitoring the security of information systems;
- The process of assessing essential external service-providers;
- The procedure for monitoring and analysing significant operating incidents.

In the area of compliance:

- **Procedures for examining compliance**
  The compliance control department is consulted on matters relating to new products or significant modifications made to existing products. It issued 4 compliance opinions in 2016;

- **The process for escalating and monitoring malfunctions**
  The procedure for centralising malfunctions shared by France and Business Finance escalated one malfunction in 2016 relative to the Crédit passport;

- **The fight against money-laundering**
  The system in place (information system, procedures, resources, controls) contributes to compliance with and the effectiveness of the fight against money-laundering and the financing of terrorism. The audit programme

is conducted exhaustively and highlights a reassuring evaluation of the system. Nevertheless, there are corrective actions put in place. These are designed to improve identification and knowledge of the customer, as well as to ensure the processing of proposals when suspicions are reported. In terms of a Group approach, supervision of the ML-FT system has been strengthened, both in terms of tools and monitoring

1.3.2. Periodic audits

For Local Branches, the effectiveness of the internal auditing systems implemented by the managers at the branch is measured regularly, either by reviews or theme-based assignments.
Each year, ICAG also certifies the company accounts of the Local Branches. Those branches whose balance sheet exceeds 450 million euros (3 in 2016) are then the subject of a specific approval procedure conducted by the General Inspectorate of CNCM.
The central functions of CMNE's Caisse Fédérale, as well as the subsidiaries (Business Finance, BCMNE, NEA, La Française Group, Beobank) are audited mainly by auditors from the Bank Audit function. It should be noted that for Beobank, audit assignments are conducted in coordination with the bank's internal audit department, the head of which reports functionally to CMNE's Inspector-General.
More specialised auditors for the Insurance and Third-Party Asset Management business lines make up the Audit Finance/Insurance function.

In 2016, the following assignments were conducted:
- 36 audits of Local Branches or Professional Advice Spaces;
- 9 network theme-based;
- 39 business line audits (including 10 conducted by internal audit Belgium).

1.4. ORGANISATION OF INTERNAL AUDITS ON BUSINESS CONDUCTED ABROAD

1.4.1. The main parties involved and auditing systems in Belgium

Internal audits are organised as follows:

- Level 1 ongoing audits are carried out in operating entities under the direct responsibility of the hierarchy. The branches follow an internal auditing procedure that is updated regularly. The internal auditing system in departments at head office is based on hierarchical checks, the separation of functions and automated controls;

- Functions dedicated to internal audits:
  - Ongoing Auditing, which is responsible in particular for organising, strengthening and assessing the way Level 1 audits operate,
  - The Compliance Officer, who is responsible for implementing compliance systems (analysis of non-compliance risks, the policy for accepting new customers, code of ethics, systems for combating money-laundering and the financing of terrorism, etc.),
  - Periodic Audits: the internal auditing departments of the two entities in the CMNE Group in Belgium conduct their tasks as part of a multiannual schedule based on the analysis of risks and approved by the respective Management Committees. Branch inspections are carried out by the audit department using a methodology based on a checklist of points that is reviewed regularly.

- The Board of Directors of Beobank is assisted on these assignments by various committees (Audit Committee, Risk Committee, Remuneration and Appointment Committee).

1.4.2. The main players and audit systems in Luxembourg

Internal auditing at La Française Bank is organised as follows:

- Level 1 audits carried out in the operating entities under the direct responsibility of the hierarchy, with monthly standardisation of the audits conducted in each department;

- Functions dedicated to internal audits:
  - The Risk Manager, who is responsible mainly for identifying and assessing risks, contributing to the implementation and monitoring of Level 1 audits,
  - The Compliance Officer, who is responsible for implementing compliance systems (analysis of non-compliance risks, exhaustive auditing of the opening of new accounts, systems for combating money-laundering and the financing of terrorism, etc.),
  - Periodic audits are conducted by the Audit Control Inspectorate of the CMNE Group in the context of a service delegated by La Française Group, the parent company of La Française Bank.

The Board of Directors of La Française Bank is assisted in its work by an Audit and Accounts Committee.

1.5. ORGANISATION OF THE INTERNAL AUDITING OF ESSENTIAL OUTSOURCED ACTIVITIES

As part of the Group's audit policy applied to outsourced services, the ongoing audits and compliance departments conduct checks to ensure that the policy defined is being complied with and assess its application.
The audit process includes an annual assessment supervised by the Ongoing Audit Department. The aim of this assessment is to ensure that the regulations, quality and continuity of services are complied with.

1.6. SYSTEMS FOR MEASURING AND MONITORING RISKS

1.6.1. Crédit or counterparty risk

- The rating systems are audited at a national level. A procedure for monitoring algorithms has been developed for this purpose by the unit that monitors ratings. This procedure includes all of the analyses required to measure the performance of models. Each federal unit within Crédit Mutuel is able to position itself in relation to the national performance of a particular algorithm. Any significant divergences observed would then be analysed;

- Internal ratings are integrated within CMNE in a highly operational way. This information is included when it comes to developing the commercial proposition of a Crédit level. Ratings are the subject of various dashboards used by management bodies and the risk monitoring committees;

- Loans are selected in accordance with risk assessment rules applied as soon as loan applications are made, based on fixed internal standards and an assignment system placed under automated a priori control.
  Risk assessment and the documentation for loan applications are part of procedures designed to analyse and retain recent elements relating to the business and financial situation of the beneficiary.
  The case records, both for private individuals and business applicants and the farming market, are created applying the provisions of internal loan regulations.
  Case managers at the branches check on the way the analysis rules are applied to finance files in the context of the internal auditing process.
  As part of its "network" assignments, the General Inspectorate also makes sure that the audit is efficient and that federal standards are effectively applied;

- A level-based system of delegation enables the General Manager, on the proposal of an allocations committee that meets during the first quarter of each year, to assign a level of authority for providing technical advice to each of the members of staff involved. This delegation is supplemented by a power attributed by the Board of Directors of the Local Branches;

- The profitability of loan transactions is examined as part of the procedures for granting loans, which includes a decision-making loop on the terms for exemption rates.
  The Management and Forecasting Audit Department and the Assets and Liabilities Function, whose work is complementary, handle the task of monitoring, forecasting and guiding matters relating to margin;

- In terms of how the quality of commitments develops, the downgrading of credits into doubtful debts, based on regulatory criteria, is carried out automatically by applying the contagion principle. Funding, calculated by the systems based on the type of debt and the nature of the guarantees given, is updated and written into the accounts at the end of each month.
  A report into the measurement and development of risks is sent regularly to General Management and the Federal Board of Directors.
  Monitoring the quality of commitments is also carried out by the periodic network audit during audit assignments, theme-based audits and balance sheet audits;

- Risk measurements using sector-based breakdowns and internal ratings are also conducted through specific analyses carried out on the bank's four main markets: private individuals, professionals, farmers and businesses;

- Each year the Board of Directors of the Caisse Fédérale approves a reference document each year on risk policy within the Group. The directors set limits for counterparty risks that apply to the whole of the CMNE Group, whether it is for dealing room transactions, Business Finance or the insurance companies.

1.6.2. Concentration risk

Measuring the risks in relation to a counterparty or group of counterparties is handled by CMNE's Major Risk Committee which every quarter analyses and monitors risks that exceed a threshold defined by General Management, singly and overall, for each of the Group's financial entities.

1.6.3. Market risk

Market risk is inherent to all of the transactions carried out by the Finance Department as part of its own management of CMNE. These transactions, conducted within a precise context defined by the Finance Committee, are the subject of a monthly report submitted to that same Committee.

This reporting system, established by the Risks Department, makes it possible to measure the rate, liquidity and counterparty risks associated with this management, as well as the margin it generates and its sensitivity to rate movements. The system also enables a check on the consumption of equity capital generated by the assets held. Finally, on a quarterly basis and using scenarios common to the whole of the Crédit Mutuel Group, this activity is also subjected to stress tests.

1.6.4. Overall interest rate risk and liquidity risk

- Each company within the scope of the banking business has its risk analysed by a specific Finance Committee on a quarterly or six-monthly basis, depending on the size of the company and the inertia of its balance sheet structure. The committee of each company decides on the implementation of cover both for rates and liquidity;

- In view of its single counterparty role in managing the rate risk of the subsidiaries and their refinancing, the quarterly analysis of the report from the Caisse Fédérale enables a consolidated overview to be created of the Group's rate risk and liquidity risk.

1.6.5. Intermediation risk

- When providing investment services for third parties, the CMNE Group authorises BFCM and CMCIC Titres to represent it with third parties and the markets and also to handle the management of its customers' securities.
  Through its role as a player on the financial markets, BFCM complies with the various accredited systems for settling investments;

- The risk of default by the party issuing the order is managed within the CMNE Group's information system through a number of devices. When orders are entered, multiple automatic checks are conducted to make sure the amount of the order is feasible, as well as ensuring that there is sufficient cover from the buyer. These checks meet the minimum conditions laid down by the FMA;

- A system based on a questionnaire to be filled in as part of the process of opening a securities account has been implemented to meet the new requirements of the FIM Directive. This questionnaire makes it possible to understand better the customer's experience, objectives and financial situation and is part of the process of finding a service that meets the customer's needs.

1.6.6. Settlement risk

- Management of the liquid assets involved with the Group's banking activities (France and Belgium networks and Business Finance) is handled as a whole in the Financial Operations and Studies Department;

- With regard to business on its own account, the CMNE Group's membership of the centralised ESES (Euroclear Settlement of Euronext-zone Securities) high-speed settlement and delivery system, which handles immediate simultaneous and irrevocable settlements/deliveries, enables it to cover the settlement risk;

- Transactions on international instruments that are not part of ESES are processed by the CMNE Group via BFCM as a client bank;

- For Belgium, securities transactions are carried out via the CLEARSTREAM settlement-delivery platform and via the NBB for Belgian sovereign securities.

1.6.7. Operating risks

The management of operating risks within the Group is organised as follows:

- The Loans and Operating Risks Guidance Function is responsible for managing operating risks. This function implements the methods and tools required, catalogues operating incidents and handles monitoring in the risk management tool;

- The Operating Risk Committee meets regularly and provides coordination communication and reporting on work carried out. This Committee reports on its work to General Management, as well as to the Risk Committee and the Board of Directors;

- Documentary databases relating to the operating risks management tool (integrated into the IT system), risk mapping and modelling, claims data and the steps taken for business continuity plans, are also available;

- The person responsible for the security of the Group's information systems is attached to the CMNE Group's Ongoing Audit Department. A system for managing the security of information operates in each Group entity.

1.6.8. Measures taken to ensure business continuity

Protective programmes are aimed at generalising computer recovery plans and business continuity plans in the business lines.

- These programmes are run by the Group Risks Department;

- This work is monitored regularly by the Operating Risk Committee and a progress report is presented once a year to the Risk Committee, which enables it to be kept informed of changes to the system, thereby enabling the continuity of the CMNE Group's businesses in the event of a major disaster;

- A crisis management system is operational. It defines and organises the structures and procedures for crisis communication.

1.6.9. Consolidated internal auditing

In line with CMNE's principles, the internal auditing system applies to all consolidated companies. The parties responsible for auditing in each business arm of CMNE make sure that there is a suitable system in place that enables business and risks can be monitored in a consolidated manner. They report for their respective areas to the Group Risks Director.

2. SPECIAL PROCEDURES RELATING TO FINANCE AND ACCOUNTING

2.1. FRAMES OF REFERENCE

- Accounting plan, regulatory texts and procedure manuals;
- General operating regulations;
- Financial regulations;
- Group financial management agreement.

2.2. ACCOUNTING AND MANAGEMENT AUDIT

This function has three departments that report to it:

- The **Accounting and Fiscal management department,** which in particular:
  - Assists with implementing the overall accounting system plan and procedures, and handles their application,
  - Organises and monitors the accounting for financial bodies and companies for which the department is responsible,
  - Organises specific works to provide statements for financial periods and to draw up interim positions,
  - Handles tax management for the CMNE Group,
  - Develops and implements the resources required to enhance the security of accounting entries and auditing of Group accounts,
  - Puts forward any adaptations needed or new rules to be inserted into financial regulations or into individual contracts governing relations between the various companies in the Group,
  - Handles contacts with internal and external auditing bodies.

- The **Consolidation and Group Reporting department**, which in particular:
  - Organises, coordinates the various parties and carries out the specific assignments for drawing up the consolidated accounts and any prudential reporting required for the Group,
  - Responds to the requirements, tests and exercises conducted by the ECB in the context of crisis prevention, in relation with the other business and departments of the Group and the National Confederation,
  - Defines and updates the consolidation procedures used by the Group, consistent with the procedures laid down by the National Confederation in the context of regulatory requirements, analyses, monitors and comments on the various ratios and handles the implementation of new rules in relation with the functions involved,
  - Assists with the implementation of the overall operating scheme of the accounting system and its procedures, consistent with regulatory requirements,
  - Handles contacts with internal and external auditing bodies,
  - Develops the periodical analysis of the regulatory ratios, comments on any changes and conducts all forward-looking simulations for the Finance Committee in order to optimise these constraints,
  - Measures and analyses the financial impact and strategic company risks on the consolidated result.

- The **Management Audit and Forecasting department**, which in particular:
  - Provides General Management with regular projections of the financial results for the CMNE Group's France network,
  - Makes all budget-monitoring items and all performance and risk analysis items available to the various levels of the CMNE organisation, enabling them to contribute towards improving the Group's financial results and, in particular, to the various technical committees (financial, development, performance improvement and requests for IT resources),
  - Designs and monitors all financial forecast quantification that is incorporated into the planning process, and drafts stage reports for the departments concerned,
  - Draws up the consolidated forecast figures and prudential ratios as part of Stress exercises, Tests, STE, ICAAP in relation with the Group's other business and departments and with the National Confederation,
  - Suggests adaptations to financial regulations or associated contracts in terms of structural developments in the CMNE Group. It also updates the rules issued regarding relations between the companies in the Group,
  - Establishes and monitors the profitability analysis for each product, market, customer, etc.
  - Designs dashboards at all levels of CMNE and draws up the operating specifications in conjunction with the operating managers, making them available to the parties in the CMNE Group within the deadlines set and also maintains them,
  - Handles any management and training programmes that are specific to the various bodies in the Group,
  - Handles relations with internal and external auditing bodies.

2.3. THE « DATA ADMINISTRATION » FUNCTION

- Reporting directly to the Central Director responsible for Accountancy and Audit Management, this function:
  - Monitors the quality and consistency of the data used to feed the warehouse, in particular through the "data qualification" module developed on a confederal level in the context of the regulations for Basle II,
  - Suggests corrective actions in collaboration with the support lines concerned,
  - Provides information about validated data for the purpose of enhancing monitoring tools and ensuring they are consistent,
  - Prepares and runs meetings for the Customer Record Quality Committee, enabling there to be coordination between the various business support lines of the CMNE's Caisse Fédérale in order to inform the member of the quality monitoring committee allocated to the data and any actions undertaken,
  - Takes part in Database Committee meetings for Business Finance and the Group's Belgian entities,
  - Takes part in and works with the working groups organised on a confederal and interfederal level, aimed at implementing and organising audits for all of the support lines and ensuring the continuity of the tools put in place.

2.4. THE ACCOUNTING AND FINANCIAL AUDIT SYSTEM

On an initial level, the accounting department has the resources to ensure the proper quality of the data produced or transmitted for all of its tasks. On a second level, the ongoing audit department monitors level 1 quality controls and conducts additional audits.

Chairman of the Board of Directors
of the Caisse Fédérale du Crédit Mutuel Nord Europe

André HALIPRÉ

CONSULTATION OF THE GENERAL MEETING OF SHAREHOLDERS REGARDING THE OVERALL REMUNERATION ENVELOPE, PURSUANT TO ARTICLE L511-41-1-B OF THE MONETARY AND FINANCIAL CODE

Order n° 2014-158 issued on 20th February 2014 containing various amendment to the legislation under European Union law on finance, transposing Directive CRD4, introduced into the Monetary and Financial Code an article L.511-73 which stipulates that "The ordinary general meeting of shareholders in Crédit establishments and finance companies is consulted annually on the overall envelope of remunerations of all kinds paid during the previous period to the persons mentioned in article L.511-71", i.e. the managers and categories of staff, including those who take risks and persons exercising an audit function, as well as any salaried employee who, given his or her overall income, is in the same remuneration bracket and whose business activities have a significant incidence on the risk profile of the company or the Group. The general meeting of shareholders of Crédit Mutuel Nord Europe's Caisse Fédérale on 27th April 2017 is required to give a recommendation through resolution n° 6 about this envelope, which amounted to 2 263 000 euros for 2016 and which includes the fixed and variable remunerations paid.

CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE

Head Office: 4 Place Richebé - 59000 Lille
Public Limited Company with capital of €325 969 650
SIREN N°: 320 342 264

Report from the Company Auditors pursuant to article L. 225-235 of the Commercial Code, on the report from the Chairman of the Board of Directors.

Financial year ending 31st December 2016

Ladies and Gentlemen,

In our capacity as Company Auditors for Caisse Fédérale du Crédit Mutuel Nord Europe and pursuant to the provisions of article L. 225-235 of the Commercial Code, we present to you our report on the report drafted by the Chairman of your company, in accordance with the provisions of article L. 225-37 of the Commercial Code, regarding the financial year ending on 31st December 2016.

It is the responsibility of the Chairman to draft and submit to the Board of Directors a report on the procedures for internal auditing and risk management implemented within the company. The report also provides the other information required by article L. 225-37 of the Commercial Code relative in particular to the corporate governance mechanism.

It is our duty:

- To inform you of any observations that we have about the information provided in the Chairman's report regarding the internal auditing procedures relating to the production and processing of accounting and financial information, and;
- To certify that the report contains the other information required by article L. 225-37 of the Commercial Code, having pointed out that it is not our duty to verify the genuine nature of this other information.

We have carried out our work in accordance with the standards of professional practice that apply in France.

Information regarding the internal auditing and risk management procedures relating to the drafting and processing of the company's accounting and financial information

Professional practising standards require us to implement all due care in assessing the sincerity of the information regarding the internal auditing procedures relating to the drafting and processing of the accounting and financial information stated in the Chairman's report.

This diligence consists in particular of:

- Familiarising ourselves with the internal auditing procedures relating to the production and processing of the accounting and financial information underlying the information presented in the Chairman's report, as well as the existing documentation;
- Familiarising ourselves with the work carried out that enabled this information and the existing documentation to be produced;
- Determining whether any major deficiencies in the internal auditing process relative to drafting and processing the accounting and financial information that we might have observed in the context of our assignment might constitute appropriate information in the Chairman's report.

On the basis of this work, we have no observations to make about the information regarding the company's internal auditing and risk management procedures regarding the drafting and processing of the accounting and financial information contained in the report by the Chairman of the Board of Directors, drawn up in accordance with the provision of article L. 225-37 of the Commercial Code.

Other information

We hereby certify that the report by the Chairman of the Board of Directors contains the other information required by article L. 225-37 of the Commercial Code.

Drawn up at Neuilly-sur-Seine and Courbevoie, 12th April 2017

The Company Auditors

DELOITTE & ASSOCIÉS

Sylvie Bourguignon

MAZARS

Michel Barbet-Massin

Nicolas De Luze

ANNUAL REPORT

BANKING

FRANCE NETWORK
BELGIUM NETWORK
BUSINESS NETWORK

FRANCE NETWORK

Market rates were particularly low in 2016, and therefore strong pressure was exerted to renegotiate credit conditions. The network managed to resist through a margin defence strategy.

The initial advancements in digital technologies have really taken off in all the bank's structures, whether in terms of the customer journey, internally in training and getting staff to adapt to developments in their line of work, or the search to simplify and optimise the operating processes.

The "common thread" for commercial actions carried out throughout the year, geared to priorities in consumer credit, unit-linked strategy and the development of commissions, particularly in insurance, have produced significant results for each of these objectives.

ACTIVITIES

▶ A network more and more suitable to the digital age

- With its 154 local outlets and 102 offices, or 256 points of sale in all, the network is enhancing CMNE's position as a local bank. Having revamped its pool of branches entirely (New Branch Concept), it continued in 2016 to adapt its points of sale and resources to changing utilisation, the expansion of digital technology and behaviour of its customers. The modular nature of some branches (open as usual in the morning; by appointment in the afternoon), enables the bank to comply with these new modes of customer contact;
- In parallel, the CMNE has continued to expand its digital offer, placing technology and innovation at the service of human relations. This "phygital" impetus capitalises on the complementary nature of physical channels (branches) and digital channels;
- It thus improved the mobile experience in 2016 by enriching B@D and commercial features. It upgraded its sites to Drupal 8, amplified the data management approach, launched the CMNE blog... It moreover contributed to the different workgroups "Customer – Shareholder priority 2018", but also initiated an innovative approach with the establishment of Labs, which have made it possible to create credit or HR apps;
- On the MTP front, the CMNE launched a process to improve customer service and satisfaction with a project that measures customer satisfaction, hones customer knowledge and segmentation to provide a personalised experience.

▶ An efficient commercial organisation

- The wealth management factor was developed, and now consists of a team of 35 managers. It has a complete commercial offer adapted to and backed by our subsidiaries;
- The sales promotion has been strengthened in particular by the establishment of an ad hoc team for real estate to foster the consolidation of the excellent results in this field;
- A new visual identity has been defined for the Professional Advice Counters (ECPs). The 2016 wave of the professional customer satisfaction survey barometer shows that 85 % of professional customers are satisfied with the CMNE, and 26 % of them very satisfied.

▶ A commercial activity in line with the forecasts

- The goodwill increased by nearly 44 000 new private and professional customers;
- Saving deposits are on the rise, driven by homebuyer savings schemes, up by +16.56 %;
- The aim set for loans this year has been exceeded (121 %), driven by consumer credit where the outstanding amount exceeds the billion euro mark;
- Credit negotiations continue to be contained;
- On the property insurance front, production is up by 11.9 % over a 12 month period;
- The results obtained in theft protection insurance after strong mobilisation led to the doubling of remote surveillance contracts and a 27 % increase in stock.

SAVINGS

In 2016, the Bank of France maintained the rate for Passbook A in August and reduced the PEL rate by 0.5 point to 1 %. Against this background of remuneration deemed more attractive by savers, the cumulated net inflow of the CMNE comes to €152.2 million on savings accounts, up by 6.1 % compared with 2015, in spite of an outflow from blue passbooks (-€59.61 million), the LDD (-€14.96 million) and time-deposit accounts (-€155.45 millions).

▶ Bank savings: inflow up by nearly 50 %

Bank savings amounted to €91 million in 2016. In terms of production, cumulated net inflow apart from C/C was boosted in particular by the cumulated homebuyer savings inflow (€246.2 million) and ordinary passbooks (€128.6 million). The objective has been exceeded and stands at 111.1 %.

▶ Financial investments: record inflow in SCPI [REIT]

Financial savings (excluding shares) registered an outflow of -€21.0 million. It continues to be marked by the maturity of more than €73 million in debenture loans in July 2016. Nevertheless, the cumulated inflow in REIT reached the €42.3 million mark.

▶ Insurance savings: fine increase of unit-linked rates

The cumulated net inflow in insurance savings achieved 95.7 % of its objective, with €67.1 million. In spite of a 34.5 % decline in cumulated inflow compared with 2015, insurance savings is the number two contributor to the overall inflow for the year. The continued development of unit-linked funds is producing result as the unit-linked rate rose to 38.4 % in 2016, compared with 28.1 % in 2015.

▶ Continued inflow on current accounts

The inflow on ordinary current accounts (change in the amount) stands at €231.4 million, whereby the average such amount is up by nearly 10 %.

CREDITS

The banks were faced with requests to renegotiate and redeem loans in a context of historically low interest rates.

As regards loans, the cumulated production (€2 327.4 million/€2 355.7 million) is slightly down (by 1.2 %) compared to the end of December 2015. For their part, the outstanding loans were up by 1.2 % over a year, to stand at €9 312.4 million. All the lines of credit, with the exception of home loans, were up over the year.

The CMNE ranks as the national leader in direct property marketing for the 4th year in a row, with 745 **AFEDIM** reservations approved in 2016. Nearly €5 million in commissions were collected this year.

▶ Target in property loans exceeded

Production reached €1 283.2 million. This line is the main contributor to the overall production for the year. The target set was exceeded (121 %). The outstanding amount in home loans reached €6 618.3 million (-0.16 % compared with the end of December 2015).

▶ Sustained consumer loan production

Consumer loans registered strong growth (+33.2 %), boosted by the marketing policy throughout the year. Consumer loan production amounted to €691 million in 2016 (compared with €518.8 million in 2015). The outstanding consumer loans were up by 14.5 %.

▶ Fine loan activity excluding private individuals

The cumulated loan production, not including private individuals, grew by 4.5 % over a year for professional loans (excluding farmers). The outstanding amount remains close to that of 2015, penalised by loans to farmers who invested less because of difficult weather conditions this year.

RESULTS

The average stock of deposits is **€10 308 million**, up 4.1 % from 2015. The related cost is 1.02 %, down by 11 cents.

The average outstanding loans reached **€9 234 million**, down 0.6 %. In view of the production rate levels, the related return of 3.47 % lost 41 cents compared with 2015.
The income from equity securities, which includes fully the yield from participatory loans granted to subsidiaries, stands at €58.8 million, up €8.8 million.

The drop in the cost of treasuring borrowings (excluding subsidiaries) continues, down 23 cents to 0.30 %.

The financial margin stands at €259 million, down €34 million, impacted by the drop in yield from loans, a high bank savings cost, being chiefly indexed on the regulated rates and penalised by changes brought about by the centralisation of regulated deposits.

Commissions declined by 1.8 % (-€3.6 million), due in particular to the effect of the decrease of early reimbursements (penalties down by €7.4 million), offset in part by the increase in AFEDIM commissions (+€1.9 million) thanks to the sound commercial performance in 2015 and 2016, the intervention commission (+€2.1 million), due in particular to the significant drop in retrocessions and finally casualty insurance commissions (+€0.9 million).

The net banking income stands at €454 million, down by €39 million or -7.9 %.

Overheads amounted to €328 million, down slightly by 0.1 %.

The staff costs, which account for more than **64.5 % of overheads**, were down by €6.5 million in 2016 (-3 %). **Taxes and charges** represent €17.7 million (+24.8 % compared with 2015). The biggest increases for the financial year pertain to the registration fees for the disposal of the real estate investment scheme (OPCI) Raspail (+2.5 million) and the increase in Urban Renewal Fund (FRU) (+€1.4 million) and Deposit and Resolution Guarantee Fund (FGDR) contributions (+€0.7 million).

The cost of customer risk declined by €3.4 million and stands at **€10.3 million**.
The gains and losses on fixed assets (€29.4 million) registered an increase in value of €29.2 million from the sale of the Raspail complex.

The **corporate tax** charge amounted to €34.9 million for 2016, taking account of the drop in the earnings of the Caisse Federale and the cancellation of the exceptional contribution (10.7 % of the income tax rate).

The net profit amounted to **€110.5 million**, down €15.1 million.

These figures are in accordance with the Accounting Standards Board (AcSB), in millions of euros.

	2015	2016
Average total balance sheet	19 442	19 298
Financial margin	293.0	258.9
Commissions and other NBI	199.8	195.2
NBI	**492.8**	**454.1**
Commissions/NBI	40.5 %	43.0 %
Overheads	-328.1	-327.8
Operating ratio	66.6 %	72.2 %
RBE	**164.7**	**126.3**
Net litigation effort (cost of customer risk)	-13.6	-10.3
Gains and losses on fixed assets	22.1	29.4
Corporate tax	-47.6	-34.9
NET ACCOUNTING PROFIT	**125.6**	**110.5**
Number of points of sale	256	258
Number of Professional Advice Counters (ECPs)	25	25
Staff (FTE under open-ended contract)	2 503	2 489
Number of customers	1 003 578	1 020 001

BELGIUM NETWORK

The gradual acquisition of the Crédit Professionnel network in the 2000s and then of Citibank Belgium (now Beobank) in 2012 confirmed Belgium's position as the CMNE Group's second home market.

In 2016, the Belgian network reached a new milestone, as BKCP Bank and Beobank merged into a single, solid structure, under the **sole banner of Beobank**, to continue its development and increase its visibility in Belgium. Its aim is to double its market share of profitable products in ten years' time.

This merger was concluded on 1st May 2016 with retroactive effect as of 1st January. The number of projects (harmonisation of the offer, uniformity of procedures, customer communication, rebranding of agencies, etc.) were carried out successfully in less than 11 months.

This merger was completed while **keeping the activity under control**: Maintaining the level of customer satisfaction, increase of production, efficient risk management, financial earnings that exceed expectations and exceptional recovery results.

Under this single new brand, the bank managed to stick to a conservative policy on financial risks. The liquidity level remained good with a rather limited rate risk and a reduced credit risk.

Financial year 2016 was also marked by the launch of **EOLE** a crucial project for the bank's future on which the teams are working to converge two IT systems (former BKCP and former Beobank) so that they can migrate the whole to Euro Information international - A project for 2018 with very concrete implications for the missions of the teams in 2016: analysis of differences, forecasts of IT developments...

ACTIVITIES

▶ Key to success of a successful merger in record time

- The commitment of the teams;
- Very important work to harmonise the offer of products and services;
- Adaptation by all the teams to change through extensive, certified training;
- Branches, website, contracts and various documents were rebranded in just one weekend;
- Network restructured in 9 months;
- Gateways created between the IT platforms of the two banks to give a unified vision to customers and staff.

▶ Commercial visibility and appeal

- The merger went through while developing the commercial activity. The start of the year was marked particularly by a very powerful car loan campaign that enabled Beobank to get its message across thanks to a competitive rate of 0.99 %. The bank moreover enhanced its mortgage loan offer by increasing the equipment ratio of its customers;
- Capitalising on the enlargement of its products and services, Beobank has updated its slogan which is now "You are in good hands." This renewal served as the springboard of a positioning campaign for investment advice launched in September 2016 to confirm Beobank as a reference in the field;
- In terms of recognition, the brand image of Beobank on the Belgian market leads to constantly growing visibility which reached 86 % in December 2016, which supplements the consumer's perception of a young, dynamic and modern bank. These elements are buttressed by a customer satisfaction rate of 8.1/10 according to the GFK study conducted in September 2016.

▶ Development of the business model

- **The marketing and sales teams have been organised** to provide support for the growth targeted by Beobank and to meet the specific needs of its three segments: Professionals, Assets and Retail. Specialised teams for the Professional and Asset Segments have been created to work closely with the Retail network;
- Following a restructuring phase, the new **network** of the Beobank comprised 231 branches, composed of 65 salaried branches and 166 independent branches;
- **4 PRO Centres and 4 Pro Corners** have been opened to cater for the specific needs of professional customers and help them develop their business. These PRO Centres are part of an innovative approach in the branch model which is completely open and placed at the disposal of the professional clientele. They can thus avail themselves of a (co-)work place, as well as meeting rooms where they can receive their professional relations, but also the advice of a specialised team;
- As part of the promotional campaign for the Extra Credit card (an extra generous, extra flexible and extra protective card), Beobank also launched an **innovative pop-up store concept** that combines the promotion of the brand and sales and services to customers in a temporary space on the Meir, one of the main commercial arteries of Antwerp.

▶ Robust business momentum

- Accounts: more than 29 000 accounts open, i.e. up 10 % from 2015, with €771 million, up 25 %;
- Cards: 33 580 new cards were issued, up 4 % but with an amount down by 5 %, essentially due to the zeroing effect, to reach €351 million;
- Deposits: slight drop of 3 % to €4.46 billion;
- Financial savings: stable portfolio that amounts to €1.51 billion, but with an inflow of €242 million in the funds, i.e. a drop of 32 %;
- Personal loans: production up by 16 % to reach €583 million, helping increase the portfolio by 5 % to reach €1.6 billion;
- Mortgage loans: production of €395 million, for a portfolio of €1.5 billion, i.e. up 14 %;
- Long-term credits: portfolio down by 7 % to €701 million, due essentially to the reorganisation period;
- Outstanding amounts: the outstanding amounts managed by Beobank have grown and stand at €13.1 billion at the end of financial year 2016.

RESULTS

In spite of the complicated context due to the merger, Beobank continued to develop its business activities throughout 2016.
Taking into account the constraints entailed by the merger, the outstanding amounts managed by Beobank were slightly up at €13.1 billion at the end of financial year **2016**. The NBI amounted to €307 million in 2016, compared with €290.4 million in 2015. The cost of the net credit risk amounted to €9.8 million compared with €4.6 million in 2015, including a provision for sectoral risk for an amount of €4.3 million in 2016. Against this background the cost of the risk was still exceptionally low in 2016.

In spite of the merger context, Beobank's contribution to the Net income is up, amounting to nearly €34 million in 2016.

The operational **risk management system** already in place at Beobank was deployed for the entire merged organisation in 2016.

A **uniform control mechanism** was adopted in the entire commercial network (salaried and independent branches) and the operational processes of the central services were harmonised.

(IFRS consolidated) key figures as at 31/12/16	Units	Beobank	
		2015	2016
Outstanding amounts managed	in € billion	12.9	13.1
Balance sheet	in € billion	6.4	6.4
NBI	in € million	290.6	307.4
Operating income	in € million	41.7	45.7
Net income (Group share)	in € million	32.3	33.7
Salaried agencies	/	83	65
Delegated agents	/	200	166
PRO Centres and PRO Corners	/	/	12
Staff FTE under open-ended contract	in FTE	1 014	982.5
Number of customers	/	559 129	607 063

BUSINESS NETWORK

In the specific contest of interest rates, there was a slight recovery for SMEs in Hauts-de-France in 2016, but below the national level. Against this background, the Business division continued to develop whilst keeping risks under control.
Well established in all business segments, from VSE to MSE, the Business division has a wide range of products and services (tailored financing, financial and asset engineering, etc.), and now has expertise that is recognised on its territories and by its customers. The customer satisfaction survey 2016 showed that 95 % of BCMNE customers were satisfied with the services provided, of whom 60 % were very satisfied.
At the end of December, the Business network represented 14 700 customers, €702 million in production, and more than €2 billion of outstanding loans under management.
For the sake of greater **business efficiency**, the BCMNE set up an **MSE business centre** in Lille and adapted its organisation on the SME market through 4 commercial regions and a new intervention threshold (turnover exceeding €5 million). On the organisational front, works have focused mainly on the preparation of the IT migrations of Bail Actéa and the launch of the Customer Service Project to optimise the commercial assistance provided by the business centres.

ACTIVITIES

▶ Investment financing production of the Business Network

In € million

Investment financing	2015	2016	Development 2016/2015
BCMNE – Medium or long-term credits	246.6	248.4	0.7 %
Bail Actéa	450.0	413.0	2.0 %
of which production stemming from the BCMNE	*39.0*	*36.5*	*-6.4 %*
Nord Europe Lease	52.6	40.7	-22.6 %
of which production stemming from the BCMNE	*12.9*	*3.4*	*-73.7 %*
TOTAL	**704.2**	**702.1**	**-0.3 %**

▶ Outstanding amounts at the end of the month of medium and long-term financing of the business network

In € million

Investment financing	2015	2016	Development 2016/2015
BCMNE - Medium- or long-term credits	610.6	677.8	11.0 %
Bail Actéa	923.5	952.7	3.2 %
Nord Europe Lease	411.2	404.6	-1.6 %
TOTAL	**1 945.3**	**2 035.1**	**4.6 %**

Source: Supervisory board; basis: end of December 2016

▶ BCMNE

▷ Dynamic business activity

For the **BCMNE**, the business dynamism produces its full effects to register significant progress on the credit supply for the medium and long term, as for the processing of flows. The BCMNE is strengthening its presence on **the financing of the operating cycle**: 2016 is characterised by strong progress in rediscounting credit of +9.6 % (+€11.9 million) and accounts receivable of +11 % (+€4 million);

- The average long-term production in **investment credits** amounted to €248 million (level equivalent to that of 2015) and the average outstanding amount to €707 million, up by 11.3 %;
- **MSEs** constitute a well identified growth lever now. At the end of 2016, MSE jobs accounted for €455 million and represented 44 % of the jobs at the bank. The share of MSEs in average long-term credit production amounted to €165 million or 66 % of the BCMNE total;
- The **international activity** continues to register strong growth in 2016 with a volume of operations of €186 million for a thousand operations. The average outstanding documentary credit exceeded 70 % at €13.2 million, compared with €7.7 million in 2015;
- The financial and asset engineering activity is growing, and generated €598 000 in banking commissions (compared with €445 000 in 2015, for an overage operating amount of €4 million);

- The « **services** » dimension developed in the day-to-day activity, resulting in an increase in the financial and banking operation commissions collected to the tune of 35.7 % for an amount of €7.4 million in 2015.

▶ Bail Actéa

▷ Business advancement

- Equipment leasing registered dynamic growth with earnings of €413 million, i.e. +2 % while maintaining the commercial margin levels (1.96 %);
- The financial outstanding amount stands at €953 million, up 3.2 %.

▶ Nord Europe LEASE

▷ Moderately growing market

- Real estate leasing (Nord Europe Lease) slowed down because of aggressive competition and enhanced risk selection policy;
- Production reached €40.7 million compared to €52 million 2015;
- The financial outstanding amount at the end of the period stood at €416 million (including €11 million in prefinancing), a decline of €6 million in outstanding amounts.

RESULTS

▶ BCMNE result

The NBI exclusive of dividends amounted to €25.3 billion, up by +18.2 %, driven by a growing financial margin.
As a corollary, the GOI stands at €11.9 million, up by +34 % and the net accounting income at €14 million, after the cost of risk (-€4.7 million).

▶ Bail Actéa result

The net profit after corporate tax amounted to €6.7 million, up 3.8 % compared with the end of 2015, and in spite of a 3.5 % decline in NBI to €20 745 million. The cost of risk is positive (for the 3rd year in a row) at €303 000.

▶ NEL result

The NBI declined (€8.7 million compared with €9.7 million in 2015), as did the net financial result after taxes (€2.3 million compared with €3.9 million in 2015).

(IFRS consolidated) key figures as at 31/12/16	Units	2015	2016
Outstanding amount managed	in € billion	2.4	2.5
Balance sheet	in € billion	2.3	2.3
NBI	in € million	55.1	56.4
Operating income	in € million	26.6	21.1
Net income (Group share)	in € million	18	13.8
Number of business centres	/	18	19
Staff FTE under open-ended contract	in FTE	180	179
Number of customers	/	1 861	1 870

BANKING DIVISION / CONSOLIDATED ACCOUNTS

The Banking Division comprises retail banks and SME-VSE and MSE banks in France and Belgium as well as equipment and property leasing companies.
These are chiefly the Caisse Fédérale, the network of local outlets, BCMNE, Bail Actéa and Nord Europe Lease in France and Beobank in Belgium, plus facilities companies and groups, particularly relating to real estate.
Its contribution to the CMNE Group's consolidated accounts is reflected in the figures below.

IFRS consolidated accounts (in € thousands)

ASSETS	31/12/16	31/12/15	Changes
Financial assets at fair value through profit	414 486	425 794	(11 308)
Hedging derivatives	33 026	46 085	(13 059)
Financial assets available for sale	4 463 942	4 552 819	(88 877)
Loans and receivables from credit institutions	3 974 921	4 137 186	(162 265)
Loans and advances to customers	16 309 746	15 937 712	372 034
Revaluation variance of rate hedged portfolios	49 813	38 416	11 397
Assets held to maturity	208 382	379 852	(171 470)
Accruals and miscellaneous assets	435 890	471 126	(35 236)
Tangible and intangible assets	237 683	259 319	(21 636)
Goodwill	2 343	2 343	-
TOTAL	**26 130 232**	**26 250 652**	**(120 420)**

LIABILITIES	31/12/16	31/12/15	Changes
Financial liabilities at fair value through profit or loss	277 117	266 575	10 542
Hedging derivatives	126 488	131 006	(4 518)
Payables to credit institutions	1 427 450	2 395 645	(968 195)
Payables to customers	16 343 647	15 915 142	428 505
Debt evidenced by a security	3 619 971	3 754 012	(134 041)
Revaluation variance of rate hedged portfolios	2 542	2 758	(216)
Accruals and miscellaneous liabilities	732 925	632 797	100 128
Provisions	157 868	135 722	22 146
Subordinate debts	831 647	531 300	300 347
Minority interests	(1 484)	(1 715)	231
Equity excluding income (Group share)	2 469 445	2 335 371	134 074
Profit (loss) for the year (Group share)	142 616	152 039	(9 423)
TOTAL	**26 130 232**	**26 250 652**	**(120 420)**

PROFIT AND LOSS ACCOUNT	31/12/16	31/12/15	Changes
NET BANKING INCOME	**795 525**	**833 437**	**(37 912)**
Overheads	(608 458)	(602 007)	(6 451)
GROSS OPERATING INCOME	**187 067**	**231 430**	**(44 363)**
Cost of risk	(19 970)	(17 804)	(2 166)
OPERATING INCOME	**167 097**	**213 626**	**(46 529)**
Gains or losses on other assets	26 371	55	26 316
CURRENT PROFIT (LOSS) BEFORE TAXES (EBT)	**193 468**	**213 681**	**(20 213)**
Income tax	(51 138)	(61 882)	10 744
TOTAL NET INCOME (LOSS)	**142 330**	**151 799**	**(9 469)**
Minority interest	(286)	(240)	(46)
NET INCOME (LOSS) (GROUP SHARE)	**142 616**	**152 039**	**(9 423)**

Comments and clarifications:
Under assets, the loans and receivables from credit institutions are reduced, particularly due to the declining centralisation of regulated savings and the maturities of term loan found in large measure in cash. The Customer outstanding loans continue their progress in consumer credits and home loans. Securities portfolios are impacted by maturities, offset in part by an increase of consolidated UCIs and simplified methods. Under liabilities, the sharp drop in payables to credit institutions is explained by the maturities of borrowings (in particular the drop of the TLTRO for €300 million). The main origin of development of payables to customers is the progress in homebuyer savings and current accounts. The outstanding debt represented by a security is declining due to the effect of maturities of negotiable debt securities greater than the new issues. The miscellaneous liabilities are up in terms of commitments to securities and in the share of minority shareholders on UCIs consolidated with the simplified method. The issue of the Caisse Fédérale TSR (€300 million) in September 2016. The increase in equity capital is due essentially to the profits for 2015 put in the reserves.
The drop in NBI is explained essentially by the continued reduction in interest margin due to the drop in interest rates (-€45 million);
Commissions are down too (-€4 million) due to a slowdown in early reimbursements and loan renegotiations, whereas earnings from securities portfolios are up by €14 million, thanks in particular to the disposal of the OBK portfolio. The operating charges are up (+20 million), essentially due to the works for the IT migration of Beobank following BKCP Bank; the staff costs are down (€11 million). The booking of a gain from the sale of the Raspail complex (€26 million) and the drop of the tax charge (€10 million) reduce the change of the net result to -€9 million.

INSURANCE

INSURANCE

The **life insurance** market was hesitant in France in 2016 due to the continued drop in the yield of funds in euros and concerns about regulatory changes. The progress of contributions on unit-linked products seemed to have reached a plateau as a result of the volatility on the stock exchanges.

There was slight growth in **non-life insurance**, marked by increasingly keener competition.

The life insurance business in **Belgium** regressed sharply due to regulatory changes and the drop in yields from Branch 21 funds.

As in banking, insurance was strongly impacted by the implementation of increasingly more restrictive **regulations**. This strengthened the termination capacity for insured persons initiated by the **Hamon law** then confirmed by the **Sapin 2 Law** and its amendments, **MIFID** in Belgium and **Priips** in France, which stressed the obligation to inform insured persons and the protection of investors, but also new accounting standards, plus the decision of the Paris Court of Appeal on EMTNs.

▶ NEA in 2016, strong and committed choices

Under **Solvency 2** put in place on 1st January 2016, NEA is endeavouring to improve its solvency further by reinforcing the equity of ACMN VIE, increasing the capital by €50 million and by a subordinated loan of €50 million, taken out by the CFCMNE, by derisking operations on the assets, and a proactive effort on the product mix (developed towards unit-linked products and by restoring the balance towards property insurance and pensions).

▶ Unit-linked strategy, a priority area

On the commercial front, NEA continued to place various solutions at the disposal of the group's distribution networks to support the group's strategy aimed at promoting unit-linked inflows. In 2016, unit-linked products thus accounted for nearly 34 % of the inflow in life insurance, and 38 % in the CMNE network, up compared to 2015, contrary to the market (20 %).
NEA also reconsidered the management modes for its flagship contracts (ACMN Opale and ACMN Opale Patrimoine [assets]) so that they can be adapted to each investor profile. NEA proposes a new offer in unit-linked and structured products. In Belgium, NEA put in place the reserve transfer, a mechanism used to shift its investments from Branch 21 to Branch 23.

▶ Implementation of a new range of products and service in a context of low rates

2016 was a year filled with product launches: the recasting of the range following the BKCP-Beobank merger, the launch of the Family Protection Plan and Funeral Plan, an enrichment of NELB's borrower's insurance offer, a revision of Family Security to bring medical formalities into line in the event that guaranteed capital was increased.

New services were put in place to simplify the customer's relationship with the company, such as the online Home Multirisk estimate and the Integral'santé [full health coverage] simulator. The electronic signature, subscription of Home and Car insurance on line, and the medical e-selection in borrower's insurance are being developed.

▶ The customer at the heart of the value chain

On the internal front, the MTP 2020 is built on the **quality of services**, a major cross-functional project. The first year witnessed the launch of a quality audit to take full stock of the situation, identify lines for improvement and devise an action plan. The aim is to bring more calm and confidence with the networks and to improve operational efficiency.
In health insurance, ACMN IARD [casualty] expanded its offer with several contracts that cover all the needs of private individuals and professionals and meet in particular the challenges of the National Interprofessional Agreement which has just reshuffled the cards of mutual health insurance providers.

▶ Many strategic projects that need a new organisation

A new direction, necessarily accompanied by a new organisation, was charted and implemented for governance, that is more suitable for the size of NEA and structure the division round its business lines. It will also enable each and every one to make an optimal contribution to the major development projects of the insurance division, giving priority to providing total quality service to the networks and the insureds, and developing the core skills and its insurance experience.
Finally, 2016 was marked by the signing of a minority stake exchange agreement between ACM and NEA, concerning NELB and the firm Partners. This agreement reflects the strategic determination of the CMNE and NEA to expand their insurance offer in Belgium. It addresses a double objective: to benefit from a property insurance offer in Belgium, and to expand a new distribution network (Partners), with the personal insurance being designed and managed by NELB.

ACTIVITIES

▶ NEA

In € million

	Turnover	Growth
ACMN-Vie	695	-20 %
ACMN IARD	154	+1 %
NEL Luxembourg (NELL)	105	-18 %
NEL Belgium (NELB)	54	-2 %
Reinsurance/brokerage	4	-10 %
TOTAL NEA	**1 012**	**-16 %**

NEA's turnover in 2016 amounted to €1 012 million, down by 16 %. Savings accounts for 72.5 % of the total at €731 million, down from the previous year (€929 million). Personal insurance with a total of €158 million is stable and accounts for 15.7 % of the activity. Property insurance amounts to €119 million (11.8 %).

62 % of NEA's turnover comes from the CMNE network, i.e. its contribution is up by 9 points over a year.
Beobank is down by 14 % to 11 % and La Française from 10 % to 8 %. The inflow balance (19 % of NEA's turnover) is achieved by networks outside the CMNE Group and their contribution is on a downward trend.

NEA outstanding loans: the total mathematical and technical provisions are up by 1 % to €11 800 million.

▶ ACMN VIE

- A turnover of €694.6 million, down by 20 % compared to 2015 because of the decline in partnerships outside the group (transfer of a portfolio of contracts marketed on the Internet to Suravenir Assurances at the end of 2015);
- The savings production is down overall by 22 % with a total of €618.7 million. The production in euros is down sharply (€423.9 million, or -31 %) to the benefit of unit-linked production (€194.8 million, +11 %);
- The unit-linked rate in the savings inflow thus comes to 31.5 % compared with 22.1 % in 2015;
- The CMNE's OPALE product launched at the end of 2015 registered a proceeds of €139.2 million in 2016, practically 50 % of which unit-linked;
- The pension production, generated almost completely by the CMNE, amounted to €75.9 million;
- CMNE's share in the turnover of ACMN VIE amounted to 68 %, and the share with the Group partners (CMNE, Beobank and La Française) represented 83 %;
- The total technical provisions amounted to €10 667 million (+1 %) of which 16.6 unit-linked in the savings segment. The company charged declining interest rates on its euro funds (1.66 % on average) and strengthened the Provision for Profit-sharing which now represents 3.43 % of the outstanding amounts in euros.

▶ ACMN IARD (casualty)

- The total written premiums of €154 million are up by 1 % and account for 15 % of the inflow of the insurance division.
- The turnover generated from property insurance products (Car- Multirisk) comes to €118.6 million, up by 1.4 %;
- The health and pension products represent 22 % of the annual production with a total of €34.5 million. They are down by 2.2 % because of the drop in health insurance (€28.8 million, i.e. -5 %). Conversely, pension is up by 15 % to €5.7 million, in particular thanks to the development of Personal Accident Insurance.

▶ NELL

- The turnover stands at €105.4 million, down by 18 %;
- Production amounted €31.8 million;
- The Myriad product, intended for Belgian brokerage, registered an inflow of €73.6 million;
- The unit-linked share is high (50.3 %);
- The total technical provisions amount to €859 million, including 35 % unit linked.

NELB

- The turnover amounts to €53.9 million, down by 2 %;
- The pension plan premiums, totalling €46.9 million, are stable;
- The premiums paid on savings and investment products are down by 13 %.

RESULTS

The consolidated net profit of the NEA division – Group share – comes to €71.6 million (CNC standards) on 31st December 2016, up by 1 %.

The contribution share of each entity breaks down as follows:

- The net profit of ACMN amounts to €49.5 million compared with €47.6 million in 2015. This increase is explained by the satisfactory level of the technical result and by the drop in overheads (end of works for the migration of information systems);
- At €16.4 million, the profit of ACMN IARD is down compared with financial year 2015 (€19.3 million). This decline is explained by an increase in the claim rate (bad weather in May-June and bodily injuries);
- Nell posted a profit of €2.6 million compared with 2.8 million in 2015;
- For its part, NELB posted a profit of €4 million compared with 1.8 million in 2015.

The Insurance division consists of entities held by Nord Europe Insurances (NEA): ACMN IARD, ACMN VIE, CPBK Re, Nord Europe Life Luxembourg, North Europe Life Belgium, SA Partners Insurances and Courtage Crédit Mutuel Nord Europe, plus the SVP Jarna, issuer of bonds secured by fungible treasury bonds.
Its contribution to the consolidated accounts of the CMNE Group is reflected in the following figures.

IFRS consolidated accounts (in € thousand)

ASSETS	31/12/16	31/12/15	Changes
Financial assets at fair value through profit	12 570 468	11 815 480	754 988
Financial assets available for sale	3 557 114	3 673 242	(116 128)
Loans and receivables from credit institutions	476 115	190 428	285 687
Loans and advances to customers	55 407	52 577	2 830
Accruals and miscellaneous assets	95 238	86 986	8 252
Investments in companies accounted by the equity method	17 745	-	17 745
Tangible and intangible assets	1 432	1 569	(137)
Goodwill	5 640	5 640	-
TOTAL	**16 779 159**	**15 825 922**	**953 237**

LIABILITIES	31/12/16	31/12/15	Changes
Payables to credit institutions	361 844	190 306	171 538
Payables to customers	95 004	109 236	(14 232)
Accruals and miscellaneous liabilities	2 218 811	1 747 352	471 459
Technical provisions of insurance contracts	12 742 171	12 599 898	142 273
Provisions	6 780	9 148	(2 368)
Subordinated debt	353 018	303 016	50 002
Minority interests	58 371	40 640	17 731
Equity excluding profit or loss (Group share)	873 707	755 380	118 327
Profit (loss) for the year (Group share)	69 453	70 946	(1 493)
TOTAL	**16 779 159**	**15 825 922**	**953 237**

PROFIT AND LOSS ACCOUNT	31/12/16	31/12/15	Changes
NET BANKING INCOME	**187 052**	**205 178**	**(18 126)**
Overheads	(70 039)	(78 472)	8 433
GROSS OPERATING INCOME	**117 013**	**126 706**	**(9 693)**
Cost of risk	-	-	-
OPERATING INCOME	**117 013**	**126 706**	**(9 693)**
Share of profit of associates	(66)	-	(66)
CURRENT EARNINGS BEFORE TAX (EBT)	**116 947**	**126 706**	**(9 759)**
Income tax	(39 330)	(46 132)	6 802
TOTAL PROFIT (LOSS)	**77 617**	**80 574**	**(2 957)**
Minority interests	8 164	9 628	(1 464)
NET INCOME (GROUP SHARE)	**69 453**	**70 946**	**(1 493)**

Comments and clarification:
The change in assets at fair value through profit or loss reflects essentially the increase of UCIs consolidated according to the simplified method. It is reinforced by a more significant unit-linked inflow, whereas the portfolio of securities available for sale, representing contracts in euros, is in decline. The increase in loans from credit institutions is explained by pension operations on securities. The effect of these developments is reflected in the symmetrical changes of related liabilities: technical provisions, miscellaneous liabilities and payables to credit institutions.
The margin from the insurance business is declining, particularly because of the drop in revenues from investments. This negative impact is partially offset by a drop in overheads, essentially due to reversals of provisions.

ASSET MANAGEMENT

ASSET MANAGEMENT

In 2016, La Française continued its organic growth by relying on the expertise of its four pillars and on the strength of its distribution platform in France and abroad. It registered **sustained growth in real estate**, acquired new expertise and continued its **growth relays abroad**. Its competencies constitute a powerful winning asset for the Group. Thanks to its performance and growth, La Française ranks among the 10 most dynamic French asset management companies.

▶ La Française closes a new record year

The inflow in 2016 exceeded €6 billion – a record high. It is positive in all four of the Group's lines of business:

- La Française Global Asset Management: €841 million;
- La Française Global Real Estate Investment Managers: €1.969 billion;
- La Française Global Investment Solutions: €3.204 billion;
- La Française Global Direct Financing: €24 million (share of inflow generated by the sales teams of La Française).

At the end of 2016, this new performance brought the assets under the group's management over a year from €52 billion to nearly **€60 billion**.

2016 was thus marked by the takeoff of activities and outstanding amounts on the **Investment Solution**, the launch of **Moniwan**, first SCPI [REIT] digital distribution fintech geared to private investors, and the successful launch of the **Zero Carbon Shares** strategy.

La Française engaged in certain emblematic actions, including being positioned as the player of reference on **European REITs** (LFGREIM), the launch and marketing of a fintech fund (NewAlpha), the recognition of the **Premia** strategy in France and abroad (LFGIS) and the success of the flagship fixed income funds (LFGAM).

Internally, La Française simplified its **organisation** to give greater visibility to the Group's lines of business and improve its agility, particularly through the transfer of the EIG's activities to the Group's holding and the reorganisation of the private management through the repatriation of the bank in Luxembourg to Paris currently under way. The development of new synergies with the CMNE group has bolstered those that already existed.

ACTIVITIES

▶ La Française Global Direct Financing (LFGDF)

Management and marketing of direct financing solutions for the economy

▷ Sustainably committed to innovative offers and SRI

- Launch of the SME **Sustainable Employment** fund to mobilise resources in the long-term for companies that create jobs (initiated by Klesia and AG2R, co-managed by Acofi, Siparex, La Française and AG2R-La Mondiale).

▷ Investment solutions

- Launch of the first Venture capital fund dedicated to Fintech. Additional acquisition of 25 % of the capital of **New Alpha**, which posted a record year in terms of number of investments (5 in Private equity through the new Fintech fund and 7 in seeding);
- Success of real estate expertise with the marketing of the La Française **Prédirec Immo IV** fund, with more than €400 million in equity commitments;
- Integration of the XAnge teams at Siparex, for a significant reinforcement of the risk capital segment and innovation as well as an opening of the Siparex Innovation and Proximity capital to the Postal Bank.

▷ Key figures 2016

- Acofi: More than 2.3 billion under management, including more than €1.6 billion already deployed;
- Siparex: funds raised (€270 million) up +21 % compared with 2015 and an investment value up significantly to €178 million, or +29 % compared with 2015;
- New Alpha had €538 million under management at the end of 2016 and 37 active asset partnerships, including 30 % outside France, representing €16 billion asset under management and 620 employees.

▶ La Française Global Real Estate Investment Managers

Management and marketing of real estate solutions

▷ Positioned on the French property market

- First REIT management company in terms of capitalisation;
- 4th in terms of net inflow;
- €14.5 billion in outstanding amount at the end of the year.

▷ Corporate development

- Acquisition of a majority stake (80 %) in LF ForumSecurities;
- Increase of stake to 85 % in the international platform which becomes LF Real Estate Partners International (LF REPI);
- New international footholds such as the opening of an LF REPI representation office in Seoul.

▷ Investment strategy

- Launch of Moniwan, first REIT BtoC digital distribution fintech for the full (100 %) dematerialisation of subscriptions;
- More than €700 million in gross inflow in REIT which puts LFGREIM in the lead group;
- Implementation of an institutional strategy on rest homes;
- Escalation of the ad hoc offer (ad hoc OPCIs (real estate investment schemes/ Remits)) with inflow of €1 billion;
- Acquisitions of the buildings in Paris on behalf of the Korean Post and Samsung for an investment of €500 million.

▷ Key figures 2016

- €2.3 billion in transactions, including 20 % abroad;
- €2 billion in inflows, including 25 % abroad.

▶ La Française Global Investment Solutions (LFGIS)

Management and marketing of investment solutions

▷ Activity and production

- In management, the LFGIS offer showed its full mettle, relevance and capacity to perform on the markets during a complicated year;
- At the end of 2016, assets amounted to €7.5 billion with very strong growth of 75 %. These inflows of €3.2 billion stem mainly from the activity of ad hoc funds for French institutional customers and from the inflow from the Premia absolute performance funds which were awarded the best multi-strategy fund by Eurohedge;
- The activities under Solution Funds and Alternative Management for institutional customers took off in 2016;
- LFGIS has a business model composed of a balanced product mix: Alternative Management – Solution Funds – structured Products;
- The outstanding amounts of absolute performance alternative funds stand at €1.3 billion, with 50 % of that amount held by international customers, accounting for 75 % of the inflow in 2016;
- Outstanding amounts in structured issues was up only slightly (+5 %) due mainly to a limited activity with the CMNE Group this year (low rates and position following the Generali decree).

▶ La Française Global Asset Management (LFGAM)

Management and marketing of transferable securities

▷ Highlights

- Gonet La Française Advisors received FINMA approval to distribute in Switzerland and launched the SRI Swiss share subfund;
- Successful launch of the Zero Carbon Shares strategy, with the shares fund dedicated to decarbonation;
- Confirmation of the expertise, performance and bond development, in particular in a total return approach by emphasising a range of absolute performance funds such as La Française Multi Strategies Obligataires;
- 3 invitations to tender on behalf of institutional investors were won for a total of €283 million under management;
- The absolute performance bond of the "La Française Multi Stratégies Obligataires" is the 4th fund of the bond range to reach an outstanding amount of €500 million in 2016, a year particularly complicated owing to interest rates;
- The flagship funds of LFGAM are ranked mainly in the top quartile in terms of performance in 2016 (European competitive rankings by Morningstar);
- The outstanding of LFGAM attained €36 billion at the end of December;
- The Fitch rating was maintained at High Standard.

VERY GOOD RESULTS

In € million

IFRS consolidated accounts IFRS	2015	2016	Changes
Net turnover	168.5	180.2	+7 %
Operating charges	125.7	128.9	+3 %
RBE (GOP)	42.7	51.3	+20 %
TOTAL CONSOLIDATED PROFIT	**23.1**	**30.4**	**+32 %**

The Management Division for third parties falls under the "Group La Française" holding, which holds mainly La Française AM, La Française Real Estate Managers, La Française AM Finance Services, La Française Investment Solutions, La Française Bank, La Française Inflection Point, FCT LFP Créances Immobilieres, CD Partenaires, LFAM International, New Alpha, 2A, Holding Cholet Dupont, NExT AM, LFAM Iberia, Siparex Proximité Innovation and LF Real Estate Partners, as well as foreign stakes; in the UK: La Française Global REIM, Inflection Point Capital Management, LF Real Estate Partners International, Tages and Alger Management; in the United States of America: La Française Forum Securities Limited and in Hong-Kong: JKC Capital Management. Its contribution to the consolidated accounts of the CMNE Group is reflected in the following figures.

IFRS consolidated accounts (in € thousand)

ASSETS	31/12/16	31/12/15	Changes
Financial assets at fair value through profit	221 885	231 611	(9 726)
Financial assets available for sale	89 966	89 445	521
Loans and receivables from credit institutions	55 367	37 256	18 111
Loans and advances to customers	172 682	260 754	(88 072)
Accruals and miscellaneous assets	226 786	195 818	30 968
Investments accounted by the equity method	27 352	66 039	(38 687)
Tangible and intangible assets	26 339	149 172	(122 833)
Goodwill	175 149	173 628	1 521
TOTAL	**995 526**	**1 203 723**	**(208 197)**

LIABILITIES	31/12/16	31/12/15	Changes
Financial liabilities at fair value through profit or loss	148 124	145 403	2 721
Payables to credit institutions	138 369	229 016	(90 647)
Payables to customers	-	659	(659)
Debts evidenced by a security	165 618	253 891	(88 273)
Accruals and miscellaneous liabilities	246 225	202 686	43 539
Provisions	2 029	1 746	283
Minority interests	20 929	14 429	6 500
Equity excluding profit or loss (Group share)	250 029	336 032	(86 003)
Profit (loss) for the year (Group share)	24 203	19 861	4 342
TOTAL	**995 526**	**1 203 723**	**(208 197)**

PROFIT AND LOSS ACCOUNT	31/12/16	31/12/15	Changes
NET BANKING INCOME	**184 791**	**172 075**	**12 716**
Overheads	(145 356)	(135 756)	(9 600)
GROSS OPERATING INCOME	**39 435**	**36 319**	**3 116**
Cost of risk	28	(13)	41
OPERATING INCOME	**39 463**	**36 306**	**3 157**
Share of profit of associates	1 035	1 018	17
Gains and losses on other asset	7 131	(386)	7 517
CURRENT PROFIT BEFORE TAXES (EBT)	**47 629**	**36 938**	**10 691**
Income tax	(16 602)	(14 126)	(2 476)
Gains and losses less taxes/discontinued activities	-	-	-
TOTAL PROFIT (LOSS)	**31 027**	**22 812**	**8 215**
Minority interests	6 824	2 951	3 873
NET INCOME (GROUP SHARE)	**24 203**	**19 861**	**4 342**

Comments and clarifications:
The changes in assets and liabilities at fair value through profit as well as loans from credit institutions stem in large measure from the activities of La Française Bank, owing to its intermediary role between investors and issuers of structured products by LFIS; this activity also impacts the accruals and prepayments, which include in particular guarantee deposits on derivatives. The drop in loans to customers is to be reconciled with the accruals and prepayments, which include guarantee deposits on derivatives. The drop in loans to customers is to be reconciled with that of debts evidenced by a security, as these two movements stem from the securitised mutual fund FCT Créances Immobilières. The drop in investments accounted by the equity method is explained by the exit of Forum securities. Finally, the substantial drop in tangible assets is due to the disposal of the Raspail complex.
The NBI is up thanks chiefly to a very good inflow in 2016, particularly from real estate and LFIS. The increase in overheads pertains in particular to staff expenses (+€7 million), with the increase in operating charges (+€2.6 million) being in large measure due to structural developments, in particular the repatriation of LFB to Paris. The proceeds from the sale of the Raspail building are entered under "Gains from other assets".

SERVICES AND MISCELLANEOUS ACTIVITIES

This division comprises all the activities which do not fall under the Group's strategic areas: NEPI (consolidated base, including the real estate business apart from operation, in particular the SCI Centre Gare), Euro Information, Financière Nord Europe, Sicorfé Maintenance, Transactimmo and Actéa Environnement.

IFRS consolidated accounts (in € thousand)

ASSETS	31/12/16	31/12/15	Changes
Financial assets available for sale	31 968	30 754	1 214
Loans and receivables from credit institutions	5 597	3 780	1 817
Accruals and miscellaneous assets	4 709	2 591	2 118
Investments in companies accounted by the equity method	115 884	105 670	10 214
Tangible and intangible assets	18 734	20 897	(2 163)
Goodwill	724	724	-
TOTAL	**177 616**	**164 416**	**13 200**

LIABILITIES	31/12/16	31/12/15	Changes
Payables to credit institutions	20 175	17 858	2 317
Accruals and miscellaneous liabilities	1 057	1 314	(257)
Provisions	111	113	(2)
Equity excluding profit or loss (Group share)	143 635	133 573	10 062
Profit (loss) for the year (Group share)	12 638	11 558	1 080
TOTAL	**177 616**	**164 416**	**13 200**

PROFIT AND LOSS ACCOUNT	31/12/16	31/12/15	Changes
NET BANKING INCOME	**6 527**	**5 760**	**767**
Overheads	(1 634)	(1 627)	(7)
GROSS OPERATING INCOME	**4 893**	**4 133**	**760**
Cost of risk	(935)	(212)	(723)
OPERATING INCOME	**3 958**	**3 921**	**37**
Share of profit of associates	9 416	8 696	720
CURRENT PROFIT BEFORE TAXES (EBT)	**13 374**	**12 617**	**757**
Income tax	(736)	(1 059)	323
TOTAL PROFIT (LOSS)	**12 638**	**11 558**	**1 080**
Minority interests	-	-	-
NET RESULT (GROUP SHARE)	**12 638**	**11 558**	**1 080**

Comments and clarifications:
The changes in the tangible assets are due to the sale of the plot of land at the Arras Golf Course, which is reflected in a positive result of €0.9 million.
The two main contributors to the increase of the net profit are Actea Environnement (€1 million) and Euro Information (€9.3 million), whereby the latter has an impact on the value of securities accounted by the equity method.

TRENDS AND OUTLOOK

TRENDS AND OUTLOOK 2017

Following a disappointing year in 2016, the OECD forecasts modest world growth of 3.3 % for 2017. The economic outlook is nonetheless subject to significant uncertainties. These have to do first with geopolitical factors with the rise of trade protectionism that could impair investor confidence in certain regions of the world. The slowdown in Chinese demand moreover weighs on world trade, and then there are the difficulties of oil and raw material producing countries

The European Central Bank expects 1.6 % growth in the euro zone in 2017, and an inflation rate gradually inching up to 1.3 %. So economic growth in the eurozone should remain solid, in spite of the "exceptional risks" due to the high – particularly political – uncertainties. Although the deflation risk has largely dissipated thanks to measures taken by the ECB to try and give new impetus to European prices, uncertainty prevails nonetheless. Whereas the American Federal Reserve has already started to raise interest rates, and plans to continue, the rates in Europe remain stuck at very low levels thanks in particular to the policy pursued by the ECB and its programme of redemption of public debt securities held privately which has been extended until the end of 2017. Consumption within the EU continues to support economic growth and unemployment continues to decline.

Growth forecasts **in France** remain modest, between 1.3 % and 1.6 %. The economic situation in France seems to have regained some dynamism, driven by household consumption and sustained by the gradual improvement of the labour market. Nevertheless, growth is still subject to uncertainties relating to the presidential elections and the environment, the euro, the price of oil, and interest rates which call for caution. In terms of the business environment, companies are still faced with high taxation, heavy regulatory constraints and legislative instability. In terms of non-cost competitiveness, improvement is long in coming in spite of good omens for investments this year.

Regulation will continue to weigh on the banks in 2017, with a powerful upswing for the European legislation (ECB, CRU, EIOP, etc.), while continuing to have to comply with the national regulators (ACPR, CSSF...), particularly in France, where recent regulations will have consequences on the banking activity, like the Eckert law on unclaimed assets, the Macron law on banking mobility or the Sapin law on the termination of borrower's insurance.

The **digital revolution** continues to cause upheavals in society. The Internet competition is changing very fast. The Internet Giants (Google, Apple, Facebook, Amazon, etc.) are developing financial offers, particular in payments, new players are emerging (Range Bank), and FinTechs are attracting significant investments to innovate certain banking areas (participatory financing platforms, money transfers, account aggregators, robo-advisors, etc.).
Faced with this digital disruption and the drop in numbers of people who use the branches, banks must continue their transformation, rethink their customer relationship, and even close certain branches. The traditional banking networks must reinvent the customer experience and provide smooth, efficient and secure digital services, using data to enrich the relationship and generate new revenues.

MEDIUM-TERM PLAN 2016-2020

In view of this uncertain economic and regulatory environment, the CMNE will have to continue to strengthen the solidity and cohesion of its group through its Medium-Term Plan 2016-2020.

With 2020 in mind, CMNE wants a dynamic vision with the plan, open to the environment and capable of taking on the competition in the banking sector. To that end, it will have to rely on the bank's winning assets and boost revenue growth while improving its profitability. CMNE will also have to maintain the pace of its transformation to adapt to the far-reaching technological, economic and regulatory changes in progress and to come.

To that end, CMNE can unquestionably rely on a set of corporate values:

- **Commitment to customer service:** Advisors provide their customers with guidance and support for the overall management of their needs;
- **Mutual commitment:** The mutual commitment is based on the membership. Directors, elected from the ranks of shareholders, see to the sound management and quality of service provided in the local outlet;
- **Territorial commitment:** CMNE plays a leading role in the financing of the local economy. It also pursues various actions on the social and cultural fronts (CMNE Foundation, Caisse solidaire);
- **Commitment to employees:** CMNE promotes the advancement and development of its employees (training...).

OUTLOOK 2017 FOR THE THREE SPECIFIC AREAS

At the end of the first year of the MTP 2016-2020, the CMNE launched many initiatives and has already implemented significant projects.

To take up the challenges of 2017, whilst remaining attentive and reactive to the continued changes of its environment, the Group is going to continue its efforts to adapt by relying on its base composed of the three specific areas:

BANKING

« Strengthen the synergies between the three networks (France, Belgium, Business) to establish its Euroregional, universal banking mode. »

INSURANCE

« Recast Nord Europe Assurance along the lines of the distribution networks, with a renewed offer in the service of the insureds. »

ASSET MANAGEMENT

« Turn La Française into a European multi-specialist asset manager that provides its expertise to the Group. »

To meet these objectives, the CMNE has charted a course round three principles:

- **Innovation:** promote creativity by not hesitating to innovate in the "mobile" customer experience; accelerate the digitisation of the lines of business; be a driving force at community level in IT choices (Priorities 2018);
- **Caution:** refuse to try to offset the drop in margins by enhancing the risk borne by the Group; adapt to the new regulatory situation that has an impact on all our lines of business;
- **Effectiveness:** rationalise the group in terms of organisation, investments and shareholding stakes, in order to limit equity consumption and erosion of earnings. Reduce the number of regulated structures.

OTHER GROUP INFORMATION

CAPITAL STRUCTURE

EQUITY CAPITAL MANAGEMENT

CONSOLIDATED DATA

SCOPE OF CONSOLIDATION

ALTERNATIVE PERFORMANCE INDICATORS

The shares of the local outlets that constitute the capital of the CMNE Group, are held exclusively by the shareholders.

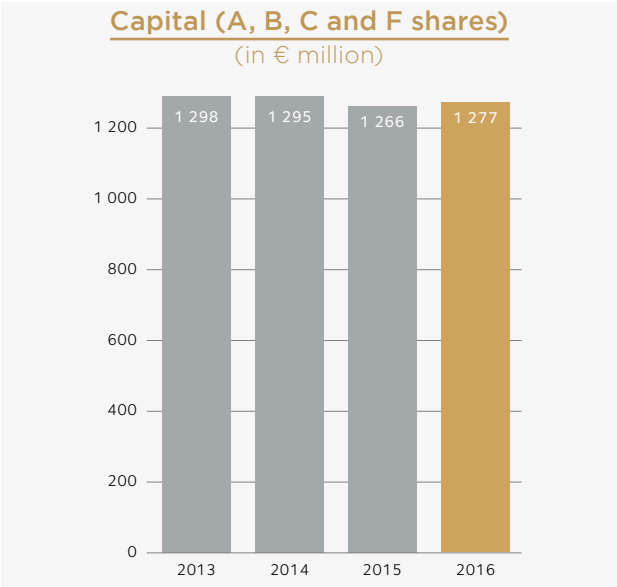
▶ Remuneration of company shares

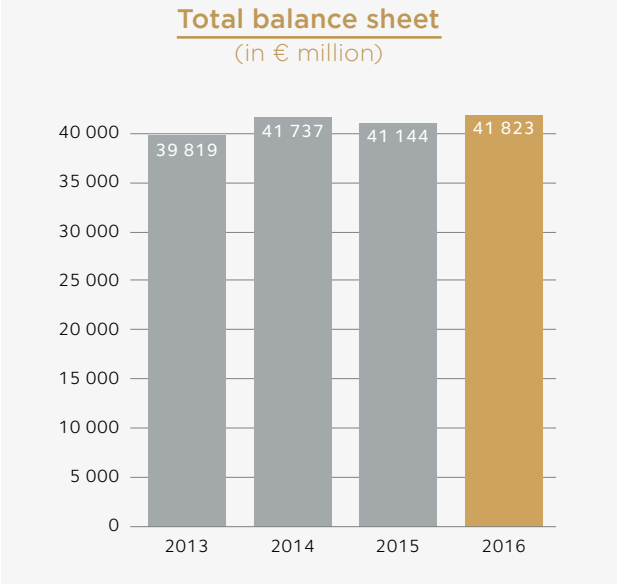
There are four types of share:

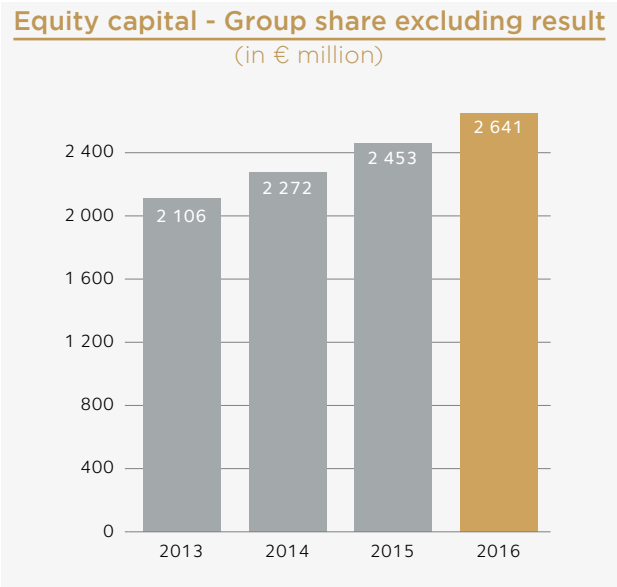
- **A shares**, non-transferable, with a par value of €1;
- **B shares**, tradable, with a par value of €1;
- **C shares**, tradable giving a notice period of 5 years, with a par value of €1;
- **F shares**, tradable giving a notice period of 5 years, with a par value of €500.

B & F shares are no longer offered since 1st June 2011. A shares receive no remuneration. B, C and F shares receive an amount of remuneration set by the general meeting of shareholders, within the limits laid down by the articles of association of the Cooperation and in line with the directives set by the Federal Board of Directors.

In 2016, the annual yield amounted to 1 % for B shares, 1.65 % for C shares, and 3.23 % for F shares, capped at the bond rate +200 bp. The amount of shares issued in financial year 2016 comes to €177 million (gross inflow withdrawn from internal transfers).







The Crédit Mutuel Nord Europe group is subject to the French prudential regulation that transposes the European directive. The risk assessment methodologies applied are compliant with the regulatory standards and the definitions used by the credit Mutuel Group.

KEY FIGURES

In € million

Regulatory ratios	31/12/15	31/12/16
Common Equity Tier One	2 259	2 480
Additional Tier One	92	79
Tier Two	479	778
TOTAL EQUITY CAPITAL CRR	**2 831**	**3 336**
Weighted risks	15 988	16 385
BASLE RATIO III	**17.70 %**	**20.36 %**
Ratio CET1	14.13 %	15.13 %
Tier 1 ratio	14.71 %	15.62 %

Crédit Mutuel Nord Europe complies with all of the regulatory ratios to which it is subject.

EQUITY CAPITAL

Under the provisions of the CRBF's regulation n° 2000-03, networks of establishments with a central governing body must comply with the management ratios on a consolidated base (market risk and credit risk, major risks, shareholdings, internal audit).

The consolidating entity and Crédit Mutuel Nord Europe's scope of prudential monitoring is identical to that used for the Group's consolidated accounts. Only the method of consolidation changes, in particular for the insurance companies, whose accounts are consolidated by total integration and prudentially using the equity method.

The overall hedging ratio measures the amount of equity capital needed to cover credit, market and operating risks. Under Basle III, overall equity capital corresponds with the sum of the Common Equity Tier One capital, i.e. the company shares and reserves, the additional Tier One capital, i.e. Super Subordinated Securities of unspecified duration and Tier Two capital, i.e. Redeemable Subordinated Notes, minus regulatory deductions (some holdings in financial establishments not consolidated or accounted for using the equity method).

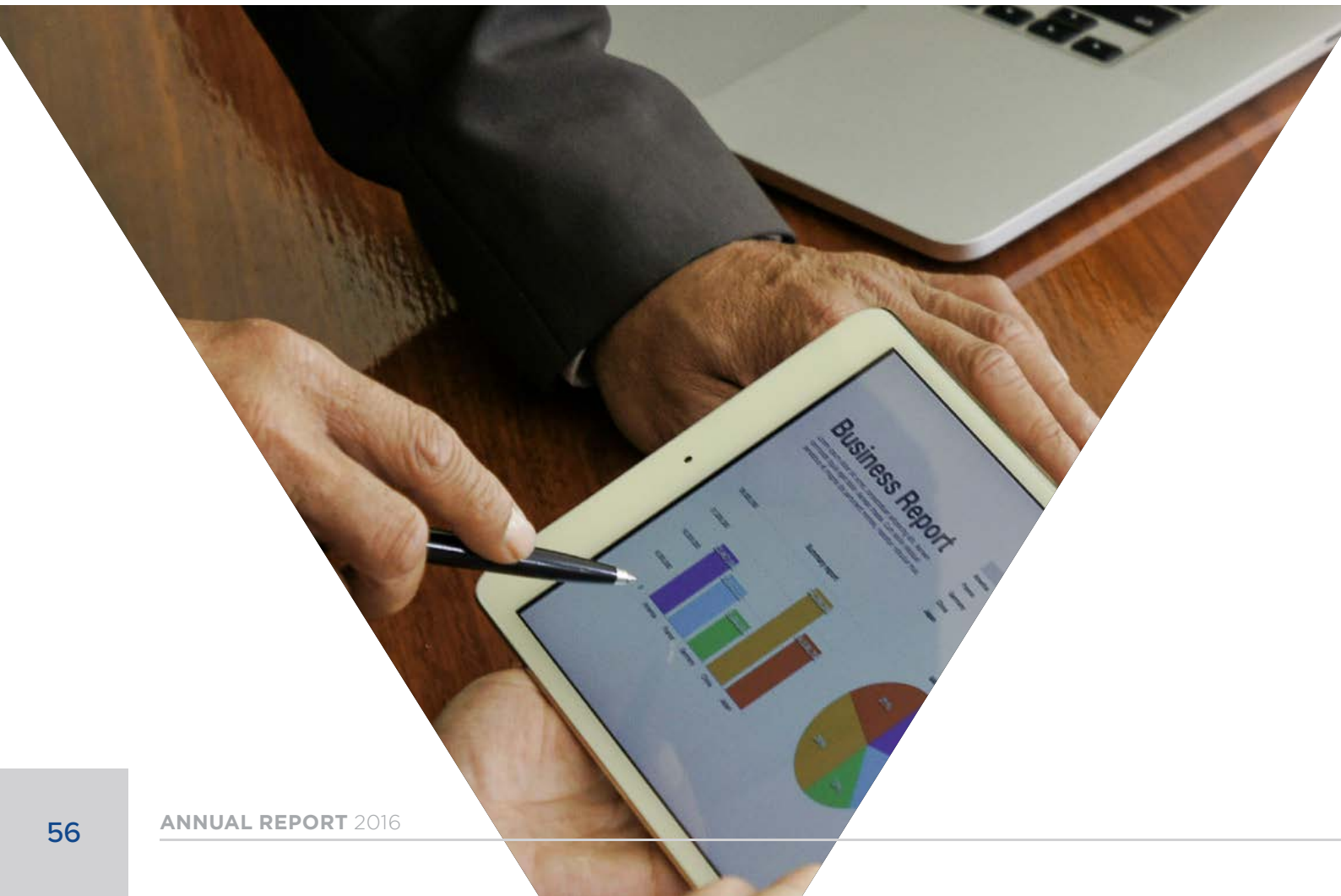
The CMNE calculates the overall hedging ratio for equity capital on the basis of IFRS consolidated accounts, using the prudential method. Book equity capital is withdrawn to take account of the effect of prudential filters, which are designed to reduce the volatility of equity capital induced by international standards, in particular through the introduction of fair market value.
The CMNE also complies with the declaratory obligations created by the European Directive that applies to conglomerates. One of the results of this is the additional monitoring of hedging by equity capital consolidated from the combination of the requirements of banking equity capital and the solvency margin of insurance companies. This monitoring also has an effect on measuring other management standards, with the difference of accounting for the consolidated entities in the insurance sector using the equity method being eliminated from the base equity capital.

Capital management

In the context of managing its equity capital, the Group ensures that its level of solvency is compatible with maintaining its financial strength. It also makes sure that the way its equity is allocated is properly distributed across the various business lines so that the Group is able to withstand stress scenarios.

As part of the planning process implemented by Crédit Mutuel's National Confederation, CMNE has had an Internal Capital Adequacy Assessment Process (ICAAP). This enables the Group to measure the adequacy of the capital ratios in relation to the various regulatory constraints, as well as the Group's objectives, in the context of the bank's appetite for risk (credit, market, operating, reputation, insurance business).

The quality of the CMNE consolidated balance sheet contributes to the rating of the entire Crédit Mutuel-CIC group by Standard & Poor's: "A, stable outlook" in the long term and "A-1" in the short term, published on 28/12/16.



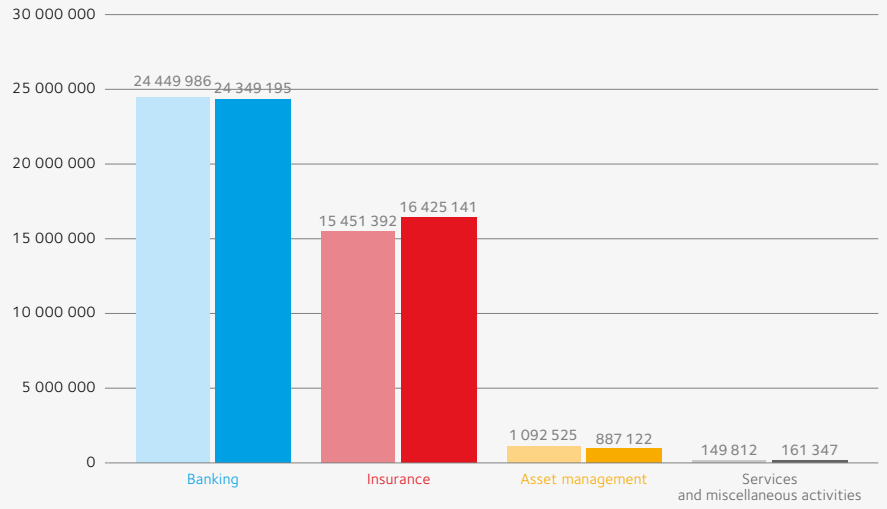
▷ Contribution to the result

After offset between businesses in € thousand

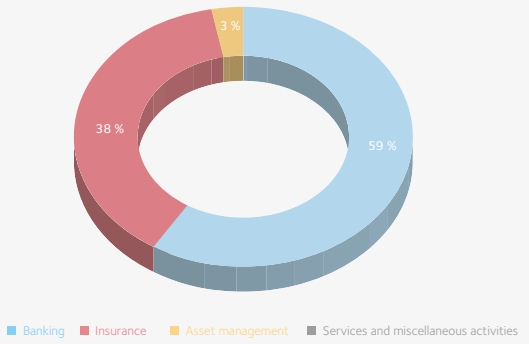
Contribution	NBI		GOP		Consolidated result		Balance sheet	
Division	2015	2016	2015	2016	2015	2016	2015	2016
Banking	780 590	746 844	186 085	144 421	108 814	99 640	24 449 986	24 349 195
Insurance	213 649	192 507	127 465	117 322	71 322	69 611	15 451 392	16 425 141
Asset management	173 470	183 231	36 467	37 041	19 897	22 654	1 092 525	887 122
Miscellaneous services and activities	5 760	6 527	4 133	4 893	11 558	12 638	149 812	161 347
TOTAL	**1 173 469**	**1 129 109**	**354 150**	**303 677**	**211 591**	**204 543**	**41 143 715**	**41 822 805**

In € thousand

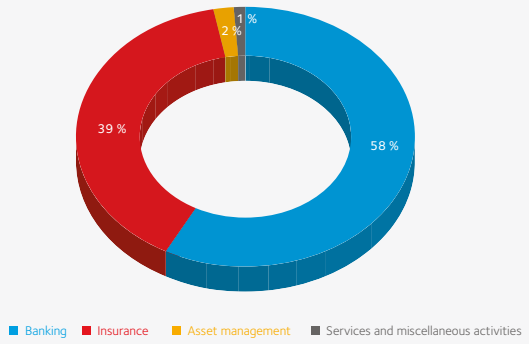
Contribution to balance sheet total (after offset between businesses)



Consolidated balance sheet December 2015

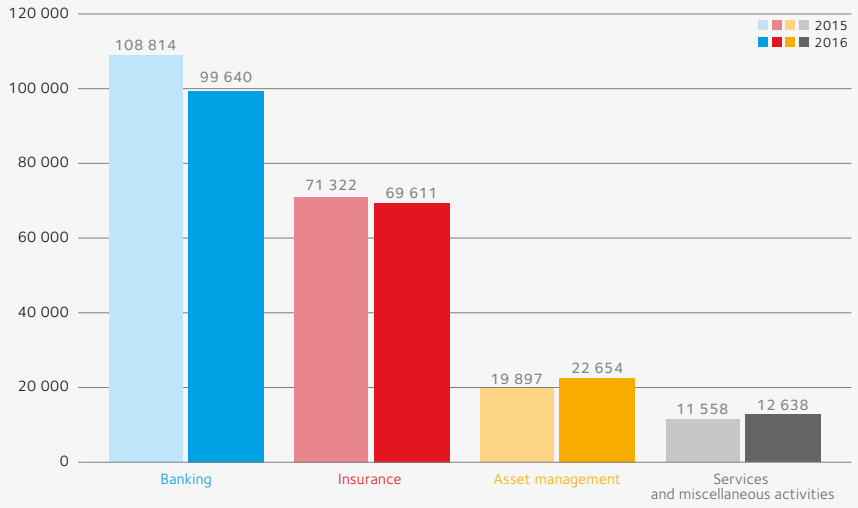


Consolidated balance sheet December 2016

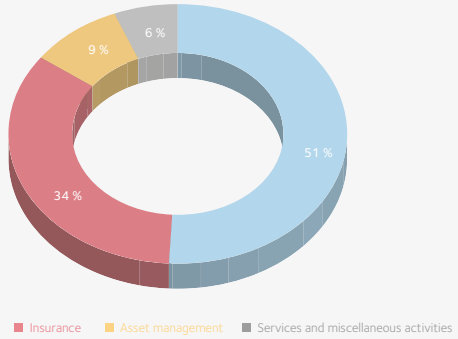


In € thousand

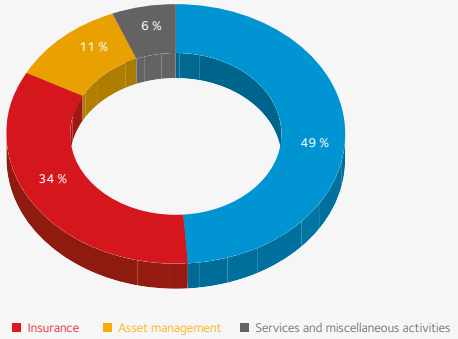
Contribution to the result (after offsets between businesses)



Consolidated result December 2015



Consolidated result December 2016



▷ Reporting per country

Country	Net banking income	Headcount	Result
Belgium	319 470	1 060	35 828
Spain	406	1	103
United States of America	465	4	-996
France	780 234	3 494	167 877
Luxembourg	23 434	59	1 695
Netherlands	0	0	0
United Kingdom	5 100	13	208
Hong-Kong	0	0	-172

This information is required by Order n°2014-158 of 20 February 2014, which entails an amendment of Article L511-45 of the monetary code and transposes the CRD4.

▷ Rate of return on assets

Pursuant to decree n° 2014-1315 dated 3rd November 2014, which introduced Article R. 511-16-1, credit establishments and finance companies are required to publish the yield of their assets in their annual report, calculated by dividing their net profit by their balance sheet total.

On 31st December 2016, this rate was 0.52 %.

SCOPE OF CONSOLIDATION

▷ SCOPE OF CONSOLIDATION

Scope of consolidation	Country	Closing date	Percentage		Contribution to the results (€ thousand)	Integration method [1]	Closing date	Percentage		Contribution to the results (€ thousand)	Integration method [1]
			Control	Interest				Control	Interest		
1. Finance companies											
1.1 Credit institutions											
> Caisses de Crédit Mutuel + Caisse Fédérale du CMNE + Fédération du CMNE	France	12/15	100	100	51 510	Parent company	12/16	100	100	54 340	Parent company
> BCMNE (consolidated basis) - 4 Place Richebé 59000 Lille	France	12/15	100	100	18 040	FC	12/16	100	100	13 779	FC
> CMNE Belgium (consolidated basis) - Boulevard de Waterloo, 16 - 1000 Bruxelles	Belgium	12/15	100	100	31 277	FC	12/16	100	100	32 960	FC
1.2 Finance companies other than under 1.1											
> FCP Richebé Gestion - 128 Boulevard Raspail - 75006 Paris	France	12/15	100	100	5 640	FC	12/16	100	100	-2 300	FC
> CMNE Home Loans FCT - 4 Place Richebé 59000 Lille	France	12/15	100	100	0	FC	12/16	100	100	0	FC
1.3 Other finance companies											
2. Non-finance companies											
2.1 Insurance											
> Nord Europe Assurances (consolidated basis) - 9 Boulevard Gouvion-St-Cyr - 75017 Paris	France	12/15	100	100	71 322	FC	12/16	100	100	69 610	FC
2.2 Services											
> Actéa Environnement - 5/7 Rue Frédéric Degeorge - 62000 Arras	France	12/15	100	100	-215	FC	12/16	100	100	1 016	FC
> CMNE CAP Seniors - 4 Place Richebé - 59000 Lille	France	12/15	100	100	0	FC	12/16	0	0	0	NC
> CMNE Environnement - 4 Place Richebé - 59000 Lille	France	12/15	100	100	-26	FC	12/16	0	0	0	NC
> Euro-Information - 34 Rue du Wacken - 67000 Strasbourg	France	12/15	10.15	10.15	8 588	EM	12/16	10.15	10.15	9 297	EM
> Financière Nord Europe - 4 Place Richebé - 59000 Lille	France	12/15	100	100	209	FC	12/16	100	100	160	FC
> GIE CMN Prestations - 4 Place Richebé - 59000 Lille	France	12/15	100	100	0	FC	12/16	100	100	0	FC
> L'Immobilière du CMN (consolidated basis) - 4 Place Richebé - 59000 Lille	France	12/15	100	100	2 546	FC	12/16	100	100	1 849	FC
> Sicorfé Maintenance - Rue Bourgelat - 62223 St Laurent Blangy	France	12/15	34.00	34.00	108	EM	12/16	34.00	34.00	120	EM
> THEIA Viager - 455 Promenade des Anglais - 06299 Nice	France	12/15	80.00	80.00	-199	FC	12/16	80.00	80.00	-988	FC
> Transactimmo - 1 Rue Arnould de Vuez - 59000 Lille	France	12/15	100	100	-38	FC	12/16	100	100	-33	FC
2.3 Industry											
2.4 Non-finance holding											
> Groupe La Française (consolidated basis) - 173 Boulevard Haussmann - 75008 Paris	France	12/15	98.18	98.18	19 897	FC	12/16	97.84	97.83	22 654	FC
> Nord Europe Participations et Investissements (consolidated basis) - 4 Place Richebé - 59000 Lille	France	12/15	100	100	2 932	FC	12/16	100	100	2 079	FC
TOTAL					**211 591**					**204 543**	

Banque Commerciale du Marché Nord Europe - 4 Place Richebé 59000 LILLE - France

Scope of consolidation serving as a basis for the elements entered in the publishable consolidation	Country	Closing date	Percentage		Contribution to the results (€ thousand)	Integration method [1]	Closing date	Percentage		Contribution to the results (€ thousand)	Integration method [1]
			Control	Interest				Control	Interest		
Banque Commerciale du Marché Nord Europe	France	12/15	100	100	7 150	FC	12/16	100	100	4 569	FC
> Bail Actéa - 19 Avenue le Corbusier - 59800 Lille	France	12/15	100	100	7 482	FC	12/16	100	100	6 715	FC
> Nord Europe Lease - 19 Avenue le Corbusier - 59800 Lille	France	12/15	100	100	3 768	FC	12/16	100	100	2 350	FC
> Nord Europe Partenariat - 2 Rue Andréï Sakharov - BP148 - 76135 Mont-Saint-Aignan	France	12/15	99.65	99.65	-360	FC	12/16	99.65	99.65	145	FC
TOTAL					**18 040**					**13 779**	

[1] Integration method: EM: Equity method; TI: Total Integration

SCOPE OF CONSOLIDATION

CMNE Belgium - Boulevard de Waterloo, 16 - 1000 BRUXELLES - Belgium

Scope of consolidation serving as a basis for the elements entered in the publishable consolidation	Country	Closing date	Percentage		Contribution to the results (€ thousand)	Integration method [1]	Closing date	Percentage		Contribution to the results (€ thousand)	Integration method [1]
			Control	Interest				Control	Interest		
CMNE Belgium	Belgium	12/15	100	100	-1 374	FC	12/16	100	100	-663	FC
> BKCP Immo IT SCRL - Boulevard de Waterloo, 16 - 1000 Bruxelles	Belgium	12/15	95.92	95.92	-4 440	FC	12/16	95.96	95.96	-957	FC
> Beobank Belgique - Boulevard Général Jacques, 263G - 1050 Bruxelles	Belgium	12/15	100	100	31 181	FC	12/16	100	100	28 531	FC
> BKCP Securities SA - Avenue Louise 390 - 1050 Bruxelles	Belgium	12/15	100	100	-22	FC	12/16	100	100	-23	FC
> BKCP Banque SA - Boulevard de Waterloo, 16 - 1000 Bruxelles	Belgium	12/15	100	100	4 201	FC	12/16	0	0	0	NC
> Immo W16 - Boulevard de Waterloo, 16 - 1000 Bruxelles	Belgium	12/15	100	100	420	FC	12/16	100	100	744	FC
> Mobilease - Boulevard de Waterloo, 16 - 1000 Bruxelles	Belgium	12/15	100	100	-12	FC	12/16	100	100	-11	FC
> OBK SCRL - Graaf Van Vlaanderenplein, 19 - 9000 Gand	Belgium	12/15	100	99.99	1 323	FC	12/16	100	99.99	5 339	FC
TOTAL					**31 277**					**32 960**	

Nord Europe Participations et Investissements - 4 Place Richebé - 59000 LILLE - France

Scope of consolidation serving as a basis for the elements entered in the publishable consolidation	Country	Closing date	Percentage		Contribution to the results (€ thousand)	Integration method [1]	Closing date	Percentage		Contribution to the results (€ thousand)	Integration method [1]
			Control	Interest				Control	Interest		
Nord Europe Participations et Investissements	France	12/15	100	100	-985	FC	12/16	100	100	-712	FC
> SCI Centre Gare	France	12/15	100	100	3 920	FC	12/16	100	100	2 761	FC
> Fininmad (Marchand de biens)	France	12/15	100	100	11	FC	12/16	100	100	30	FC
> Sofimmo 3	France	12/15	100	100	-5	FC	12/16	0	0	0	NC
> Sofimpar	Belgium	12/15	100	100	-9	FC	12/16	0	0	0	NC
TOTAL					**2 932**					**2 079**	

Immobilière du CMN - 4 Place Richebé 59000 LILLE - France

Scope of consolidation serving as a basis for the elements entered in the publishable consolidation	Country	Closing date	Percentage		Integration method [1]	Closing date	Percentage		Integration method [1]
			Control	Interest			Control	Interest	
> SCI CMN	France	12/15	100	100	FC	12/16	100	100	FC
> SCI CMN 1	France	12/15	100	100	FC	12/16	100	100	FC
> SCI CMN 2	France	12/15	100	100	FC	12/16	100	100	FC
> SCI CMN 3	France	12/15	100	100	FC	12/16	100	100	FC
> SCI CMN Location	France	12/15	100	100	FC	12/16	100	100	FC
> SCI CMN Location 2	France	12/15	100	100	FC	12/16	0	0	NC
> SCI RICHEBE INKERMAN	France	12/15	100	100	FC	12/16	100	100	FC

Nord Europe Assurances - 9 Boulevard Gouvion-St- Cyr - 75017 PARIS - France

Scope of consolidation serving as a basis for the elements entered in the publishable consolidation	Country	Closing date	Percentage		Contribution to the results (€ thousand)	Integration method [1]	Closing date	Percentage		Contribution to the results (€ thousand)	Integration method [1]
			Control	Interest				Control	Interest		
Nord Europe Assurances	France	12/15	100	100	-2 655	FC	12/16	100	100	-3 364	FC
> ACMN IARD - 4 Place Richebé - 59000 Lille	France	12/15	51.00	51.00	10 020	FC	12/16	51.00	51.00	7 368	FC
> ACMN-VIE - 9 Boulevard Gouvion-St- Cyr - 75017 Paris	France	12/15	100	100	56 004	FC	12/16	100	100	59 103	FC
> Courtage Crédit Mutuel Nord Europe - 4 Place Richebé - 59000 Lille	France	12/15	100	100	280	FC	12/16	100	100	111	FC
> CP-BK Reinsurance SA - Avenue de la gare, 65 - 1611 Luxembourg	Luxembourg	12/15	100	100	3 646	FC	12/16	100	100	1 038	FC
> Nord Europe Life LUXEMBOURG - Rue Charles Martel 62 - 2134 Luxembourg	Luxembourg	12/15	100	100	2 399	FC	12/16	100	100	2 419	FC
> Nord Europe Retraite - 4 Place Richebé - 59000 Lille	France	12/15	100	100	1	FC	12/16	100	100	68	FC
> North Europe Life Belgium - 11 Boulevard de la Plaine - 1050 Bruxelles	Belgium	12/15	100	100	1 627	FC	12/16	51.00	51.00	2 933	FC
> SA Partners Assurances - Avenue Gustave Demey, 66 - 1160 Auderghem	Belgium	-	0	0	0	NC	12/16	49.00	49.00	-66	EM
> SPV Jarna - 9B Boulevard Prince Henri - 1724 Luxembourg	Luxembourg	12/15	100	98.18	0	FC	12/16	100	97.83	0	FC
TOTAL					**71 322**					**69 610**	

[1] Integration method: EM: Equity method; TI: Total Integration

SCOPE OF CONSOLIDATION

Groupe La Française - 128 Boulevard Raspail - 75006 PARIS - France

Scope of consolidation serving as a basis for the elements entered in the publishable consolidation	Country	Closing date	Percentage		Contribution to the results (€ thousand)	Integration method [1]	Closing date	Percentage		Contribution to the results (€ thousand)	Integration method [1]
			Control	Interest				Control	Interest		
Groupe La Française	France	12/15	98.18	98.18	-9 381	FC	12/16	97.84	97.83	-4 702	FC
> 2A - 5 Boulevard de la Madeleine - 75008 Paris	France	12/15	20.00	19.63	-645	EM	12/16	20.00	19.57	-130	EM
> Alger Management Ltd - 50 Broadway - London	United Kingdom	12/15	50.00	49.09	-191	EM	12/16	50.00	48.91	123	EM
> CD Partenaires - 16 Place de la Madeleine - 75008 Paris	France	12/15	74.87	73.50	118	FC	12/16	74.87	73.24	73	FC
> Convictions Asset-Management - 15 bis Rue de Marignan - 75008 Paris	France	12/15	30.00	29.45	-184	EM	12/16	0	0	0	NC
> FCT LFP Créances Immobilières - 173 Boulevard Haussmann - 75008 Paris	France	12/15	58.37	58.37	-416	FC	12/16	58.37	58.37	25	FC
> Forum Holding BV - Fred. Roeskestraat 123, 1076 EE - AMSTERDAM	Netherlands	12/15	24.64	24.19	-414	EM	12/16	0	0	0	NC
> Forum Partners Investment Management Limited - 1700 E Putnam Ave, Old Greenwich, CT 06870 1366, Deleware - USA	USA	12/15	24.64	24.19	173	EM	12/16	0	0	0	NC
> SNC Groupe La Française - 128 Boulevard Raspail - 75006 Paris	France	12/15	100	98.18	0	FC	12/16	99.90	97.73	-10	FC
> Groupe Cholet-Dupont - 16 Place de la Madeleine - 75008 Paris	France	12/15	33.73	33.12	976	EM	12/16	33.73	33.00	1 627	EM
> Inflection Point Capital Management Ltd - 125 Old Broad Street - London	United Kingdom	12/15	49.00	51.35	-429	EM	12/16	49.00	51.17	-1 731	EM
> JKC Capital Management Ltd - 34-37 Connaught Road Central - Hong-kong SAR	Hong-kong	12/15	50.00	49.09	-19	EM	12/16	50.00	48.91	-172	EM
> La Française AM - 128 Boulevard Raspail - 75006 Paris	France	12/15	100	98.17	6 488	FC	12/16	100	97.83	6 562	FC
> La Française AM Finance Services - 128 Boulevard Raspail - 75006 Paris	France	12/15	100	98.18	3 830	FC	12/16	100	97.83	1 627	FC
> La Française AM GP - 128 Boulevard Raspail - 75006 Paris	France	12/15	100	98.17	998	FC	12/16	0	0	599	NC
> La Française AM Iberia - C/ Joaquin Costa 26 - 28002 Madrid	Spain	12/15	66.00	64.80	66	FC	12/16	66.00	64.57	103	FC
> La Française AM International - 4A Rue Henri Schnadt - 2530 Luxembourg	Luxembourg	12/15	100	98.18	161	FC	12/16	100	97.83	-166	FC
> La Française Bank - 4A Rue Henri Schnadt - 2530 Luxembourg	Luxembourg	12/15	100	98.91	816	FC	12/16	100	98.70	-1 596	FC
> La Française Forum Securities Limited - 1700 E Putnam Ave, Old Greenwich, CT 06870 - 1366, Deleware - USA	USA	-	0	0	0	NC	12/16	80.00	78.26	-996	FC
> La Française Global Real Estate Investment Management Limited - 12 Berkeley Street - London	United Kingdom	12/15	100	98.18	-1 309	FC	12/16	100	97.83	32	FC
> La Française Inflection Point - 128 Boulevard Raspail - 75006 Paris	France	12/15	51.00	75.23	1 175	FC	12/16	51.00	74.97	438	FC
> La Française Investment Solutions - 128 Boulevard Raspail - 75006 Paris	France	12/15	65.00	63.81	3 557	FC	12/16	56.04	46.54	4 116	FC
> La Française Real Estate Managers - 128 Boulevard Raspail - 75006 Paris	France	12/15	95.96	94.21	4 814	FC	12/16	95.96	93.87	9 838	FC
> La Française Real Estate Partners - 128 Boulevard Raspail - 75006 Paris	France	12/15	65.00	61.23	553	FC	12/16	65.00	61.02	1 524	FC
> LFF Real Estate Partners Limited - 16 Berkeley Street - London	United Kingdom	12/15	56.67	60.24	-117	FC	12/16	85.00	79.79	917	FC
> LFP Nexity Services Immobiliers - 147 Boulevard Haussmann - 75008 Paris	France	12/15	24.64	23.21	207	EM	12/16	0	0	0	NC
> New Alpha Asset-Management - 128 Boulevard Raspail - 75006 Paris	France	12/15	100	98.18	1 855	FC	12/16	100	97.83	2 013	FC
> NEXT Advisor - 128 Boulevard Raspail - 75006 Paris	France	12/15	100	98.18	-5	FC	12/16	0	0	208	NC
> Nouvelles EXpertises et Talents AM - 128 Boulevard Raspail - 75006 Paris	France	12/15	100	98.18	4 302	FC	12/16	100	97.83	1 439	FC
> OPCI Raspail - 128 Boulevard Raspail - 75006 Paris	France	12/15	100	99.68	1 038	FC	12/16	0	0	0	NC
> SCI Raspail Vavin Invest - 128 Boulevard Raspail - 75006 Paris	France	12/15	100	99.67	406	FC	12/16	0	0	0	NC
> Siparex Proximité Innovation - 128 Boulevard Raspail - 75006 Paris	France	12/15	46.46	45.61	283	EM	12/16	26.50	25.93	319	EM
> UFG PM - 128 Boulevard Raspail - 75006 Paris	France	12/15	100	94.21	-15	FC	12/16	100	93.87	-293	FC
> Tages Capital LLP - 39 St James' Street - London	United Kingdom	12/15	40.00	39.27	1 206	EM	12/16	40.00	39.13	867	EM
TOTAL					**19 897**					**22 654**	

Country	Net banking income	Profit or loss before taxes and charges	Current taxes	Deferred taxes	Other taxes [2]	Head-count	Public subsidies
Belgium	319 470	95 206	-2 074	-11 944	-44 315	1 060	-
Spain	406	221	-53	0	-9	1	-
United States of America	465	-1 249	0	0	-23	4	-
France	780 234	419 936	-97 340	5 409	-146 571	3 494	-
Hong-Kong	0	-176	0	0	0	0	-
Luxembourg	23 434	6 506	-1 530	510	-3 816	59	-
United Kingdom	5 100	1 172	-326	0	-309	13	-
TOTAL	**1 129 109**	**521 616**	**-101 323**	**-6 025**	**-195 043**	**4 631**	**0**

[1] Integration method: EM: Equity method; TI: Total Integration
[2] Social charges, pension charges, taxes and levies on remuneration and other taxes and levies

IAP

Pursuant to Article 223-1 of the general AMF regulation

	Label	Definition/calculation method	For the ratios, Justification of use	2016	2015
1	Operating ratio	Ratio calculated from items of the consolidated profit and loss account: ratio between overheads (sum of "General operating expenses" and "Allocation to and writebacks of depreciation and provisions for tangible and intangible assets" of the consolidated profit and loss account) and the "IFRS net banking income"	Measurement of the bank's operating efficiency	-73.10 %	-69.82 %
2	Cost of overall customer risk on credit outstandings (expressed in % or in basis points)	The cost of customer risk of note 30 to the annex of the consolidated accounts on gross credit outstandings at the end of the period (loans and receivables from customers excluding individual and collective depreciation)	It is used to assess the level of risk in percentage of the balance sheet credit commitments	-0.12 %	-0.10 %
3	Overall cost of risk	Item for the "cost of risk of the publishable consolidated profit and loss account; from difference with the cost of risk on an individual basis (definition in this table)	-	-20.99 M€	-18.46 M€
4	Cost of risk on an individual basis	Overall cost of risk excluding collective provisions (see definitions in this table)	-	-22.6 M€	-23.3 M€
5	Customer loans	Item: "loans and receivables from customers" under assets in the consolidated balance sheet	-	15 692 M€	15 876 M€
6	Deposits by customers; Accounting deposits	Item: "payables to customers" under liabilities in the balance sheet	-	16 378 M€	15 978 M€
7	Banking savings	Amount of deposits – management data	-	16 221 M€	15 884 M€
8	Financial savings and insurance	Amount of financial savings and insurance – management data	-	59 017 M€	55 918 M€
9	*Of which insurance savings*	*Life insurance – management data (insurance company)*	-	*11 986 M€*	*11 814 M€*
10	Total savings	Sum of accounting deposits, insurance savings and banking finance savings	-	75 238 M€	71 802 M€
11	Operating charges; Overheads; Management fees	Sum of the lines: "general operating charges" and "Allocation to and writebacks of depreciation and provisions for tangible and intangible assets"	-	-375 M€	-367 M€
12	Interest margin; Net interest income	Calculated from items on the consolidated profit and loss account: difference between interest received and interest paid: • Interest received = "interest and related income" in the publishable consolidated earnings; • Interest paid = "interest and related charges" in the publishable consolidated profit and loss account.	-	454 M€	506 M€
13	Production of loans	Amounts of new loans released for customers - source: management data, sum of individual data of entities form the "retail bank – banking network" sector	-	4 411 M€	4 505 M€
14	Collective provisions	Application of the IAS 39 standard which provides a collective examination of loans, in additional to the individual examination and establishment of a corresponding provision where necessary (IAS 39 §58 to 65 and application guide §AG84 to 92)	-	-23 M€	-24 M€
15	Credit/deposit ratio; Commitment ratio	Ratio calculated from items in the consolidated balance sheet, expressed as a percentage between the total customer loans ("loans and receivables from customers" under assets in the consolidated balance sheets) and customer deposits ("payables to customers" under liabilities in the balance sheets).	It measures the dependence on external refinancing	98.7 %	102.1 %
16	Overall hedging ratio for bad debts	Determined by dividing the provisions for the credit risk (including collective provisions) by the gross outstandings identified as being in default within the meaning of the regulation; calculation from Annex 8a of the consolidated accounts: "individual depreciation" + "collective depreciation"/individually impaired receivables."	This hedging ratio measures the maximum residual risk for loans in default ("bad debts")	65.3 %	66.5 %

RISK MANAGEMENT

RISK MANAGEMENT - CONTROL - AUDIT

Internal audit is structured on three levels. The level 1 operating audit is conducted by operating staff or may be incorporated into the automated checks in the information systems. Level 2 is based around central structures dealing with the management of risks, ongoing audits and security of the information systems, the compliance function and the function for money-laundering and the financing of terrorism, as well as dedicated structures within each of the Group's businesses. Actions are coordinated centrally by the Ongoing Audit committee, the Bale committee, the Risk Management committee and the operating Risk Committee chaired by the Group Risk Director. Details of the internal audit procedures (including the various types of risk) are set out in the report from the Chairman of the Board of Directors.

▶ Risk management

Among its tasks, the Risk department checks to see that the level of risks incurred is compatible with the business directions set by the monitoring body and the limits set by General Management. It also provides the monitoring body and the Risk committee with all the information required for these bodies to carry out their tasks and drafts summary reports on the monitoring of consolidated risks in order to notify the Risk committee and the executive managers.

Other tasks include providing regulatory reports relating to risks to the supervisory bodies.
In 2016, the Risk department intensified its supervision of risk appetite, based on the three pillars constituted by ICAAP, ILAAP and ORSA. The centralised monitoring conducted by the ECB generated a growth in activity. In addition, strengthening of risk management was initiated on a consolidated base, in line with work on CMNE's Medium-Term Plan 2020.

CONSOLIDATED RISK MANAGEMENT FRAMEWORK

Based on the following pillars:

Adequacy of equity capital (ICAAP)

- **Prospective risk analysis:**

Quality of credit risks	Sector-specific/unit concentration	Sovereign risk
Market Risk	Rate risk	Insurance (ORSA)
Operating Risk	Reputation Risk	

- **Determination of economic equity capital requirements**, based on assessment of the results of internal stresses;
- **Projection of the adequacy of equity capital in relation to requirements**
  => in outstanding and by ratio, **based on MTP.**

ORSA

- Identification of major risks = Risk profile
- Profile adequacy standard formula
- Definition of Company risk appetite
- Prospective assessment of solvency - measurement of resistance to stress tests

Adequacy of liquidity (ILAAP)

- Measurement and monitoring of liquidity

Balance sheet balances	Short-Term Liquidity
Increased refinancing costs	Transformation

- Internal stresses to **verify adequacy of liquidity;**
- Measurement of adequacy of liquidity in normal times and under stress conditions.

CONSOLIDATED MONITORING OF RISKS

Limits and alert thresholds

- **Group risk management policy:** Supervision of risks: Credit, Market, Rates, Liquidity, Insurance, Operating risks, Non-banking risks;
- **Key indicators** (Crisis Recovery Plan);
- **Alert procedure** in the event of significant incidents:

Levels validated by the CNCM BoD	**Levels validated by the CMNE Group**	**Procedure in the event of exceeding levels:** information from CNCM GM with, where appropriate, the decisions of the effective managers

- Themes covered:

Profitability	Quality of risks	Solvency	Liquidity

PRC

Annual Exercise at a CMNE Group level

Adequacy of liquidity (ILAAP)

- Presented to the Risk Committee;
- Reporting on risks, analysis of equity capital, credit risks, risk monitoring linked to market activities, monitoring of operating risks, monitoring of major risks, monitoring of insurance risk;
- Stress tests on loans, rates, market, liquidity: **ICAAP, ILAAP and STE**: stated in figures and presented to the Risk committee;
- **Solvency (Reverse Stress Test)**: what level of degradation needs to be reached to use up all surplus equity capital.

Compliance control

Reporting to the Group Risk Director, the group compliance control department, in conjunction with the legal department, monitors changes to regulations, disseminates standards and procedures on compliance, issues recommendations in relation to the compliance of new products, updates the mapping of non-compliance risks, plays the ongoing compliance audit role, fulfils the function of managing the fight against money-laundering and the financing of terrorism and the function of managing the audit of investment services.

On the initiative of Group risk management and in the context of developing transverse vision, collaboration with Group entities on compliance was intensified during 2016 and details were adjusted on the organisation of the functional relations between the central function and the correspondents at the subsidiaries.

Compliance control was implemented during 2016 for the France network on various projects linked to changes in legislation, such as the MCD directive transposed into the national law on property loans, which led to the total rewriting of the mapping of the risks corresponding to the implementation of the Eckert Act on dormant accounts and safety deposit boxes.

The launch of distance selling and the introduction of electronic signatures in the Network generated the validation of 21 new procedures. An internal compliance control portal was also built and will provide full information this year.

Compliance checks were conducted on the issue of the CMNE debt security, the taking account of regulatory developments, FATCA, the deposit guarantee fund, prior notification to the consumer on bank charges, outsourced essential services, follow-up of the recommendations made in 2015, the pricing for SBB and fragile customers, life insurance subscriptions, malfunctions and insurance intermediation.

With regard to the fight against money laundering and the financing of terrorism, there were numerous changes to the regulations (freezing of assets, transposition of the 4th directive, SAPIN II Act, strengthening of TRACFIN powers); The continued growth in business was demonstrated by the number of alerts dealt with by the network and subsequent to the proposal of the declaration of suspicion, in the number of reports submitted to TRACFIN and the checks carried out by the central function. Almost 2 500 members of staff were given training and the TRACFIN Athena training success rate was 92 %.

Work by the MTP 2020 working group on the harmonisation of the ML-FT for all of the CMNE Group business poles continued during the year. Among the highlights, management guided Beobank as part of the EOLE project and the launch of various projects on profiling tools.

Ongoing audits – Security of information systems

The group ongoing audit department handles the coordination of plans, as well as the implementation of methods and tools.

The audit plans for all of the entities are regularly adjusted to the types of activities and risks, including level 2 ongoing audits, which are being intensified across the whole of the Group.

In Belgium, the merger of the two banks resulted in changes within the organisation and the structure of audit plans. With regard to the commercial network and head office business, implementation of the internal audit portals was finalised.

In the Insurance business, the introduction of internal audit portals continued in 2016.

In terms of the security of the information systems and business continuity, 2016 saw the formation of a unit consisting of operating managers, dedicated to managing a major crisis. A test on a pre-established scenario was also carried out.

Level 3 – Periodic audits

The Group Audit Control Inspectorate, in line with the Group Periodic Audit Charter, operates across all entities and business lines in the CMNE Group.
Its tasks fall into four major categories:

- The periodic auditing of the commercial network France;
- Audit of the central departments and business lines of CFCMNE, as well as the audit of subsidiaries;
- The certification of the company accounts of the Local Branches;
- The handling of fraud and special matters.

In terms of activity, for the 2016 financial year, the Group Audit Control Inspectorate presented the results of:

- 36 audit assignments (34 relating to Local Branches and 2 carried out on Business Advice spaces), as well as 40 follow-up assignments;
- 9 topic-based audits and business lines for network France;
- The certification of the 2015 company accounts for 154 Local Branches;
- 29 business line audit assignments, as well as monitoring the implementation of the recommendations made about all of the Group's businesses.

At Beobank, the internal audit department, whose manager reports functionally to CMNE's Inspector-General, conducted 113 inspections of branches and delegated agents, as well as 10 business line audit assignments.
Finally, the fraud and special matters function analysed 519 situations of external fraud and 233 cases of rude and aggressive behaviour committed by customers of network France.

RISKS

Credit risk

The granting of loans is governed by procedures and frames of reference specific to each of the Group's Bank businesses. These procedures and frames of reference are established in line with the Group's policy on risk.

The fundamental principle on which the procedure for granting loans is based is Beobank's score for consumer loans or internal ratings (Crédit Mutuel Group's Internal Ratings System) for the network France Banking and Business Finance businesses. In the same way, the system for delegating powers and the tiered pricing system used for customers are affected by these internal ratings.

For the Bank network France, a credit dossier (consumer, housing or business) must have a favourable technical recommendation (compliance with the rules and conditions issued by the Federation and perception of the risks attached to the application) given by the bank officer within the limits granted by the General Manager.

The 6 levels of delegation for technical recommendations granted (depending on the qualifications of the bank officer) are amounts set for a customer based on an internal pivot rating. They are weighted upwards or downwards according the rating. If the applicant defaults, this totally excludes the case from the sales outlet's powers.

Applications for a unit amount or which take the amount outstanding to over 1.25 thousand euros are required to be the subject of a decision from the Executive Directors.

For the Bank Business Finance network, an overall limit for a counterparty or group of counterparties is set at 40 million euros. Applications with a unit value higher than 150 000 euros require a decision from the committee.

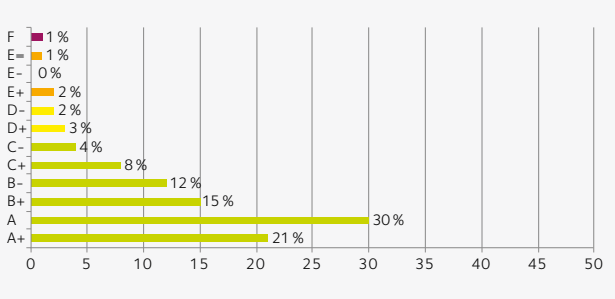
The loans committees in the Business Finance network are part of a process that involves the CMNE's Credit department and the management of the Bank business beyond specific thresholds. The loans committee for the Business Finance network is the body that examines and decides on credit applications from delegated areas governed by the lending regulations of various entities in the network. The loans committee's scope covers the whole of the Business Finance network and its composition varies in line with the amount of the applications. This committee acts where weighted outstanding amounts are in excess of 1.5 million euros.

In Belgium, at Beobank, applications in excess of 750 000 euros are granted by the business and mortgage loans department. Beyond 1.25 million, the Management Board is called on to decide.

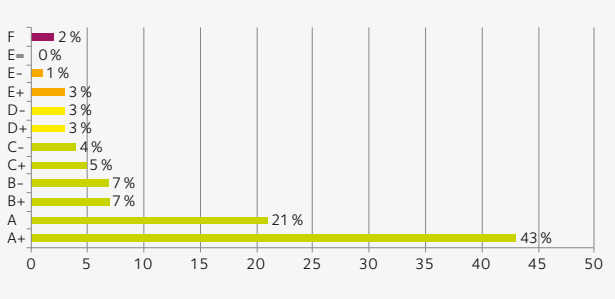
For the banking business in France (network France and Business Finance network), which represents approximately 72 % of the Group's outstanding customer loans, the breakdown of outstanding loans by rating category and rating algorithm is as follows:

- Ratings equal to or above C-, which represent the best customers, total 83 % to 91 %;
- Ratings between D+ and E+, which represent healthy loans with a fairly high risk profile, total 5 % to 14 %;
- Doubtful (E-), compromised doubtful (E=) and bad loans (F), total 2 % to 5 %.

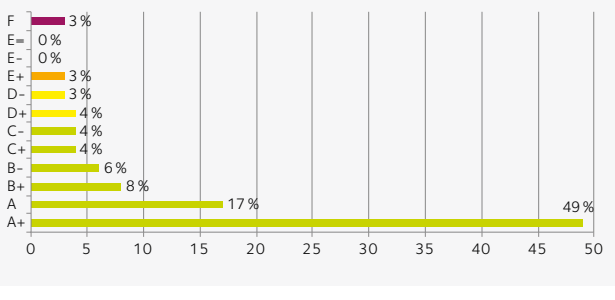
Private individuals
(7 905 million euros)



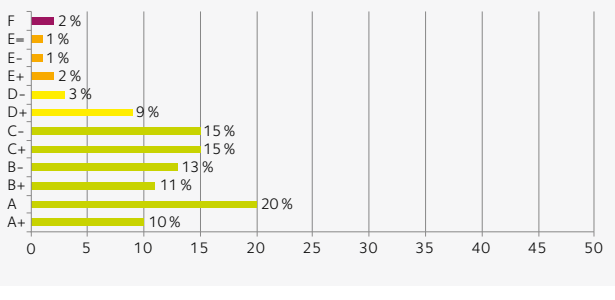
Farmers
(864 million euros)



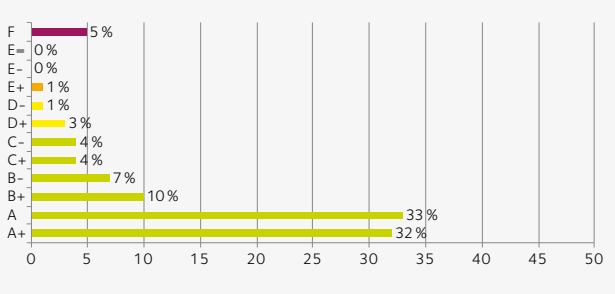
Individual businesspersons
(614 million euros)



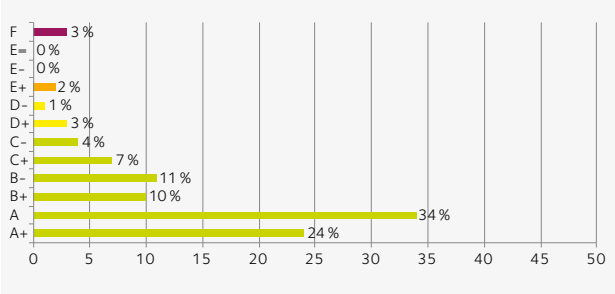
Legal entities and corporates
(3 090 million euros)



Associations and non-profit organisations
(31 million euros)

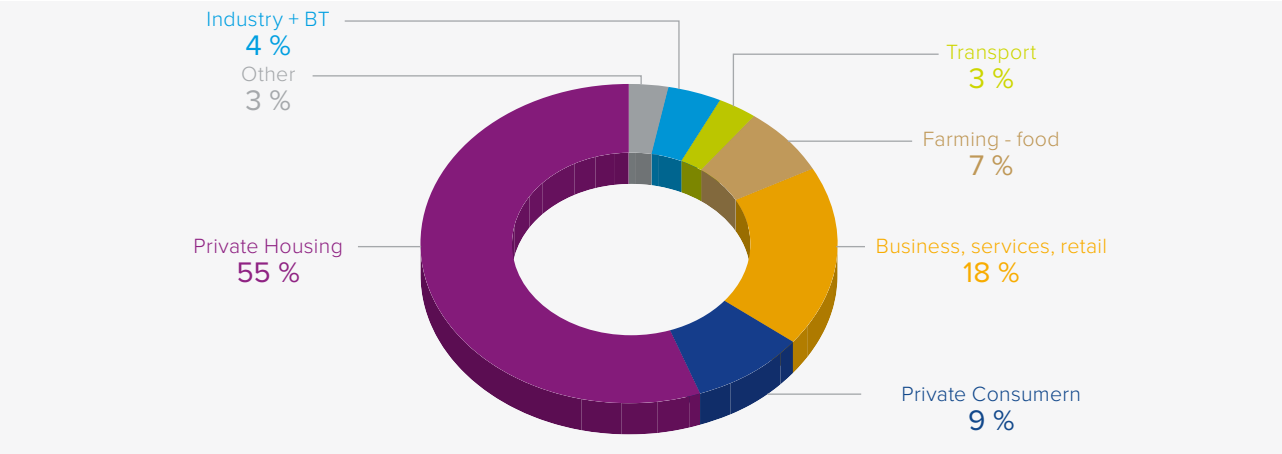


Non-trading property companies and miscellaneous
(836 million euros)



The breakdown of outstanding debts remained relatively stable. Generally speaking, the average rating for these outstanding loans remained very satisfying, with 88.3% of outstanding loans rated C- and above.

The overall breakdown of credit risk by business sector for the same scope of loans was as follows:



In thousands of euros

Quality of risks	31/12/16	31/12/15
Debts written down individually	965 397	975 194
Individual depreciation	-607 650	-624 963
Collective provision for debts	-22 984	-23 878
Overall level of cover	65.3 %	66.5 %
Level of cover (individual provision only)	62.9 %	64.1 %

In thousands of euros

Exposure	31/12/16	31/12/15	Variation	
Loans and debts				
Credit establishments	3 219 890	3 786 641	-566 751	-15 %
Customers	16 801 505	16 524 949	276 556	2 %
Gross exposure	20 021 395	20 311 590	-290 195	-1 %
Depreciations	-630 634	-648 841	18 207	-3 %
Credit establishments	0	0	0	
Customers	-630 634	-648 841	18 207	-3 %
NET EXPOSURE	**19 390 761**	**19 662 749**	**-271 988**	**-1 %**
Funding commitments given				
Credit establishments	51 996	51 996	0	0 %
Customers	2 334 967	2 407 440	-72 473	-3 %
Guarantee commitments given				
Credit establishments	46 130	67 442	-21 312	-32 %
Customers	421 225	397 960	23 265	6 %
Provision for risks on commitments given	-4 477	-4 461	-16	0 %
NET EXPOSURE	**2 849 841**	**2 920 377**	**-70 536**	**-2 %**
Debt securities *				
Government securities	1 940 501	798 886	1 141 615	143 %
Bonds	7 558 950	9 509 608	-1 950 658	-21 %
Derivative instruments	198 190	205 076	-6 886	-3 %
Pensions & loans of securities	351 312	175 000	176 312	101 %
Gross exposure	10 048 953	10 688 570	-639 617	-6 %
Depreciation of securities	-5 896	-5 656	-240	4 %
NET EXPOSURE	**10 043 057**	**10 682 914**	**-639 857**	**-6 %**

* Excludes securities classified as Loans and debts.

In thousands of euros

Payment arrears	31/12/16					NBV of assets written down	Total assets that are the subject of payment arrears and assets written down	Guarantees and other credits received relative to assets written down
	≤ 3 months	> 3 months ≤ 6 months	> 6 months ≤ 1 year	> 1 year	Total			
Equity capital instruments						34 738	34 738	
DEBT INSTRUMENTS	**0**	**0**	**0**	**0**	**0**	**1**	**1**	**0**
• Central government	0	0	0	0	0	0	0	0
• Credit establishments	0	0	0	0	0	0	0	0
• Non-credit establishment institutions	0	0	0	0	0	0	0	0
• Large corporations	0	0	0	0	0	1	1	0
• Retail customers					0		0	
LOANS AND ADVANCES	**616 832**	**31 192**	**28 339**	**3 832**	**680 195**	**357 747**	**1 037 942**	**120 393**
• Central government	1 803	0	2 458	0	4 261	10	4 271	0
• Credit establishments	549	0	0	0	549	0	549	0
• Non-credit establishment institutions	740	0	1 786	1	2 527	2 199	4 726	1 380
• Large corporations	112 925	11 046	6 149	795	130 915	84 472	215 387	13 954
• Retail customers	500 815	20 146	17 946	3 036	541 943	271 066	813 009	105 059
OTHER FINANCIAL ASSETS	**0**	**0**	**0**	**0**	**0**		**0**	**0**
TOTAL	**616 832**	**31 192**	**28 339**	**3 832**	**680 195**	**392 486**	**1 072 681**	**120 393**

Payment arrears include all outstanding capital.
The cost of risk for each business is detailed in the section on Structured Activities by business line (pages 44 to 62).

▶ Market risk

Market risk designates the risk of a loss or negative variation on the profit-and-loss account or equity capital resulting from an unfavourable development in market parameters, such as interest rates, share markets, exchange rates and various credit spreads. This concerns all transactions in the trading book and banking book.

▷ Organisation

Centralisation of market operations

Management of the CMNE Group's refinancing and investments is centralised at the Caisse Fédérale, for transactions by the French and Belgian entities. The back-office side of these transactions is also centralised in Lille.

Basic principles

- Sound, prudent management: every activity is the subject of a specific, detailed framework enabling the risks inherent to these activities to be controlled. Decision-makers, operators and analysts work jointly in compliance with the standards and obligations imposed by external authorities and internal parties;
- Compliance with the Act separating and regulating banking activities, through monitoring the indicators of Act n° 2013-672 of 26th July 2013, separating and regulating banking activities.

Nature of operations

There are two types of operation carried out by the Group finance department:

- One: the Group's medium and long-term refinancing transactions and, more generally, assets-liabilities management transactions designed to control the margin of intermediation based on the figures for the risk rate and liquidity analysed by the finance committees for each entity in the Group;
- Two: own account transactions conducted on behalf of the Caisse Fédérale and Beobank.

These transactions fall into two groups:

- Arbitrage transactions structured to generate only a marginal rate risk while still extracting their profitability from the taking of a counterparty risk and a liquidity risk. This type of transaction comes under the direct responsibility of the Group treasurer, who receives an allocation of equity capital for the purpose, an overall limit on outstanding funds and directions on the type of transactions authorised, and only concerns the Caisse Fédérale;
- Investments in dedicated OPCVM products managed by La Française and its affiliates in property products such as SCPIs OPCIs, shares, bonds and negotiable debt securities, structured or not, which are always implemented in the context of the finance committees of the entities concerned and hence are the result of a collective decision.

Structural management transactions on the balance sheet, as well as transactions as conducted as principal, come under the tight control of the finance committee of CMNE's Caisse Fédérale and are the subject of individual reports that are then merged to measure the liquidity risk.

▷ Risk types

Credit risks

A credit risk represents the amount of the bank that may incur in the context of transactions that it conducts with a counterparty, if the counterparty defaults.
Measuring the quality of counterparty credit is assessed mainly using Crédit Mutuel Group's internal rating system, as well as via the external ratings of the major agencies.
Any counterparty that fails to comply with the rules needs to be the subject of a validation process conducted by appropriate delegates or my members of the entity's finance committee.

Interest rate risk

The interest rate risk relates to the impact that any changes in interest rates are likely to have on the value of financial assets and liabilities.
The interest rate risk is monitored by a specific organisation based around ALM, the quarterly ALM management meeting and a monthly statement update presented to the finance committee.

Share risk

This risk is not significant because CMNE does play an active role on the equities market. As a prudent, long-term investor, CMNE does not have any trading position on shares.
Only certain assets correlated to share market indices constitute a possible risk on the future development of market prices.

Exchange rate risk

The exchange rate risk relates mainly to foreign currency accounts managed to deal with customer transactions.
Because there is only a small list of currencies dealt with, daily monitoring of the positions and clearly established limits mean that the impact of any price variations for foreign currencies in relation to the euro is low.

Liquidity risk

The liquidity risk is the bank's inability to meet its current liabilities or to convert certain assets that have become non-liquid into liquid assets.

Operating risks

These risks represent all of the internal management risks associated with the information system, human error and failures or inadequate procedures and controls. An operating risk function in the risk department monitors events monthly and keeps track of operating risks on market transactions.

Settlement-delivery risk

This is the risk taken in the context of the simultaneous exchange of two assets. Monthly monitoring is the subject of a presentation to the finance committee, accounting for matters pending and any R/L problems encountered that may lead to operating risk reports. A consolidated quarterly report covers any events encountered on CMNE Group's banking entities.

Dynamic management to anticipate risks

- The management of stress tests based on confederal models and specific internal developments is handled by the risks department. Previous stress scenarios based on the analysis of crisis periods negotiated in the past and hypothetical stress situations determined by business line experts are reviewed at least once a year. These stress scenarios take account of the various risk factors, foreign currencies, geographical areas, ratings, etc. A property stress test based on the past has also been put in place;
- Monitoring of loan parameters: checks on changes to external ratings and news from the main counterparties in the portfolio;
- Close links with the national units of the confederation keep CMNE well informed and enable it to benefit from the business line expertise of the Crédit Mutuel Group. This relates both to sector-specific movements as well as to an assessment of the main counterparties of in banking, insurance and major accounts;
- System of alerts and risk monitoring relayed to the heart of CMNE Group;
- With close links with the various Risk managers in the Group, CMNE circulates alerts and items of news likely to have an impact on the market transactions dealt with;
- Group works and transverse information strengthen Group cohesion on market approaches, taking account of the knowledge of CMNE Group's various specialists and Risk managers.

Decision-making and consultation bodies

Various decision-making committees are in place to ensure that decisions are taken covering the various parties in CMNE Group.

A new product committee has been established to enable CMNE to benefit from the same level of information and clarity about any new investment. These contributors provide their professional views, which in turn enables the advance validation of all issues on risks relating to finance, legal issues, operations, reputation and all other risks.

Consolidated monitoring of risks

The overall assessment of the positions of the various portfolios makes it possible to combine the various risks and benefit from consolidated positions on the various CMNE Group entities.

Risk measurement conducted via a tried-and-tested valuation process

In the finance department, the middle office is responsible for the valuations used. Financial risks carry out the necessary checks and make counter-valuations that enable the data returned to be secured.
This means that the valuations used in CMNE Group are made based on the input from specialists. Where required, a different valuation can be conducted outside the Group.

Focus on Counterparty Risk

At the proposal of the risk department, counterparty limits are agreed by the finance committee of CMNE's Caisse Fédérale. The limits are based on the internal rating of the various categories of major counterparties, as redefined by Crédit Mutuel's National Confederation within the context of Basle ratification.
The centralisation of CMNE Group's risks by the risk department in turn feeds the centralised management of counterparty risk for the whole of the Crédit Mutuel Group. This dynamic system is checked and monitored on an ongoing basis. Internal ratings are reviewed at least monthly and compared with the external ratings from the major agencies. The ceiling for unit risks refers to the equity capital of the Caisse Fédérale, BKCP Bank, Beobank and Nord Europe Assurances, as well as in compliance with the Group's consolidated equity capital. In this way, while still remaining within the national reference framework for banking limited imposed by Crédit Mutuel's National Confederation, each part of the overall business has rules that are consistent with the development of its outstanding funds and its equity capital.

As a result, the overall limits are:

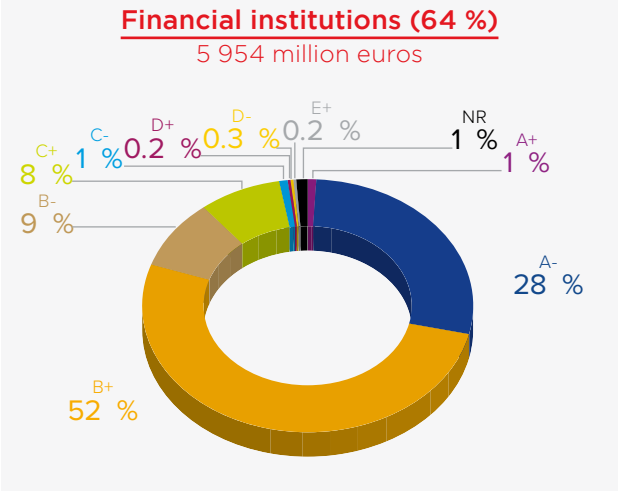
- Sovereign risk: 100 % of the equity capital of each arm of the business. The list of authorised countries is presented to and approved by the finance committee;
- Banking and financial counterparty risk: for each counterparty, a maximum authorisation is calculated based on the National Benchmark, the status defined and on the internal rating used to establish a sliding scale of limits on the markers for equity capital and refinancing. Studies of counterparties produced by the national study unit are used to adopt a position and to provide clear information before embarking on a relationship. The limits are calculated and given a ceiling by the most stringent of 3 markers:
  - Marker for CMNE equity capital, calculated taking account of the regulations on major risks that set the maximum outstanding amount for a counterparty at 25 % of consolidated equity capital, set at 510 million euros, then on a sliding scale, based on the internal rating,
  - Marker for refinancing the counterparty, as stated in the latest IFC National Benchmark,
  - Marker for the equity capital of the counterparty, as stated in the latest IFC National Benchmark.
- Corporate risk: 5 % of consolidated equity capital, both for the risks taken by Bank/Business Finance as part of its day-to-day business and for risks taken in the context of market activities. Corporate exposure is also based on Crédit Mutuel Group's Major Accounts internal ratings benchmark. Proportionate maturity limits in line with internal ratings are in place. Specific envelopes can also be put in place to meet specific investment requirements.
  These limits are intended for A+ risks (Crédit Mutuel internal rating) and are then scaled down based on the rating of the counterparties in terms of amount and maturity.

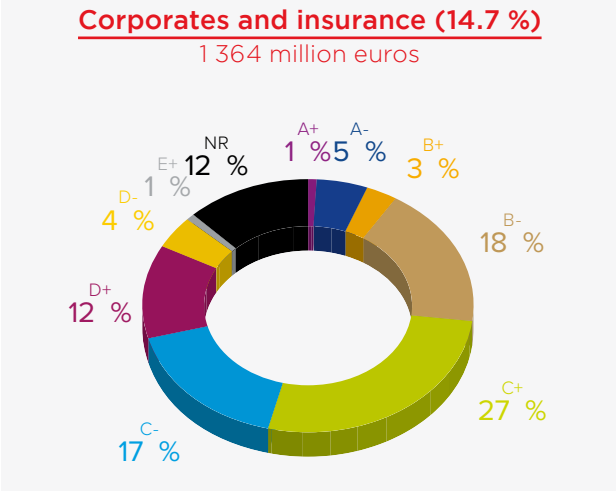
For corporate risk taken as part of market activities, the federal Board of Directors approves the rules, taking account of the issuer's rating, the volume of bond debt issued, the business sectors of the issuers and the outstanding funds of the insurance company.
For most corporate counterparties, this restricts the unit risk to 50 million euros. On an exceptional basis and for investments by the insurance company, the unit risk may rise to as much as 235 million euros for a very limited number of companies benefiting from public support.
Monitoring of the concentration of outstanding funds is conducted as part of the sound management of the Group's division of risks.

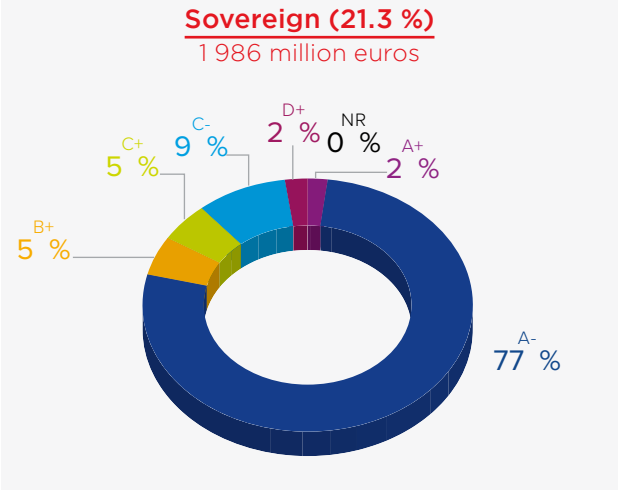
▷ Developments 2016

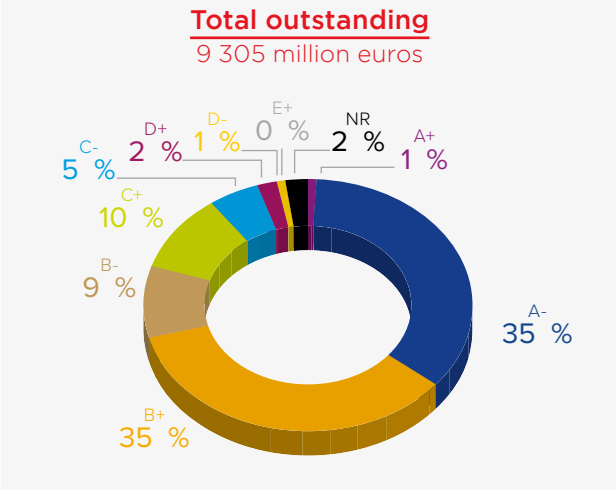
- Strengthening of the concentration approach: monitoring the concentration of the portfolio was implemented to meet the need to track the diversification of outstanding funds;
- Strengthening of risk country monitoring: the monitoring of issuing countries and their country of consolidation was reinforced. This enables better appreciation of the breakdown of country risks associated with the portfolio;
- Strengthening of sector-specific constraints: to meet the needs of the CSR policy, work was conducted on the introduction of sector-specific policies associated with the concerns of CMNE Group's corporate and environmental responsibilities;
- Strengthening of checks on valuations: an external partnership was established to reinforce CMNE's assessment of valuations on specific products.

For the whole of the CMNE Group, banking and insurance combined, the counterparty risk is broken down as follows:









All of the transactions conducted by the finance department as part of its own management as principal, or entrusted to La Française Group as part of dedicated management, are carried out in a specific context defined by the Group's finance committee and are the subject of a report submitted monthly to the committee, which includes five of the seven members of the Management Board. Twice each year, all of the financial risks carried by the Caisse Fédérale are the subject of a presentation to the Board of Directors.

Also, during the 2016 financial year, the allocation of equity capital to market activities was increased to 250 million euros,

compared with 235 million euros in 2015 for the banking book and reduced to 95 euros for the trading book, compared with 95 million euros.

Business where the Group acts on its own behalf is divided into two parts. One: an arbitrage business on European money market securities (eurozone) and on bonds issued by corporates, conducted exclusively by the CMNE Caisse Fédérale; and two: medium or long-term investments in dedicated and open OPCVM products, joint investment funds, direct shares, bonds and negotiable debt securities, structured or not. These medium and long-term investments are accommodated both within the Caisse Fédérale and at Beobank.
Furthermore, a CDO residual portfolio remains in the Caisse Fédérale for EUR 6 million in nominal amount. The CDO portfolio present in the Belgian subsidiaries on 31/12/16 was entirely disposed of.

Based on assumptions common to the whole of the Crédit Mutuel Group, CMNE conducts a stress impact measurement test each quarter. Five stress tests from the past (1994 rate rise, 1997 Asia crisis, 1987 Black Monday, 11th September 2001, subprime crisis) and seven hypothetical stress events relating to 3 types of risk (Shares, Credit and Rates). Respectively, the events measured are a 22 % fall in European shares and a fall in property based on a historical VaR, widening of spreads depending on the assets concerned and an upward and downward variation in euro rates of 65 bps. Based on calculations at the end of 2016, the most punitive in terms of the profit-and-loss account are 11th September, Black Monday and the fall in shares with a negative impact varying between 11 and 19 million euros; the most punitive in terms of the equity capital are the widening of credit spreads, Black Monday and property stress, with a negative impact varying between 20 and 43 million euros.

Arbitrage

Arbitrage transactions, which are carried out based on terms of between three months and four years, consist of buying negotiable debt securities or variable-rate or fixed-rate bonds converted into variable rates through rate swaps, financed by the regular issue of deposit certificates with terms at the outset of between one and six months. The maximum outstanding amount in this arbitrage portfolio, set by the Group's finance committee, is 1.2 billion euros, while its actual outstanding was down compared with 2015 at approximately 1 billion euros. Its consumption of equity capital for credit risk and market risk was 33 million euros, which was less than the allotted limit of 35 million euros. Arbitrage generated a result estimated at 5.3 million euros in 2016.
The duration of securities purchased and the fact that they are all at indexed rates, provides very strong insurance against market risks, since the Net Present Value (NPV) sensitivity of this portfolio is less than 1 %. The rate risk is practically zero and the liquidity risk is monitored very closely as part of overall liquidity risk management procedure.

Bond portfolio and TCN

The table below summarises the variations in value at 31st December 2016 in the portfolios of bonds and negotiable debt securities impacted in accounting terms by "marked to market".

In millions of euros

	Portfolios valued at 31/12/16			Variation in value compared with 31/12/15		
	AFS portfolio	JVOR portfolio	Total	Equity capital	Profit-and-loss account	Total
France : arbitrage	854.7		854.7	2.9		2.9
France : invested.*	159.0	111.0	270.0	-1.9	3.5	1.5
France : HQLA	287.7		287.7	1.7		1.7
Beobank * : invested.	1 180.3		1 180.3	-13.9		-13.9
OBK : invested.	Portfolio disposed of			-6.0	8.4	2.4
TOTAL	2 481.7	111.0	2 592.7	-28.0	-2.3	-30.2

* Excludes FCT CMNE: 475 million euros in France, 25 million euros at Beobank.

Dedicated OPCVM

CMNE's Caisse Fédérale holds one dedicated fund, managed on its behalf by La Française AM. The total outstanding amount of this fund at 31st December 2016 was 198.47 million euros.
The Richebé management fund is dedicated to dynamic cashflow management and generated a negative return of 1.15 %. Beobank also holds 17.5 million euros of this fund.

Shares

The Caisse Fédérale holds directly approximately 1 % of CIC securities acquired for an average historic value of 51 million euros. These securities represent a holding in a common entity of the Crédit Mutuel-CIC Group. With regard to the method used for valuing CIC securities, the AMF has agreed to a method combining a market value (share price) and a value known as "Sum of the parts". Hence the value of securities at 31st December 2016 was 312 euros, making a fair value of 117 million euros.
In 2016, the Caisse Fédérale also acquired some La Française energy shares for 5 million euros, valued at 11.5 euros per share at 31st December 2016, making a fair value of 2.1 million euros.

Excluding CIC and LFDE securities and the share of securities contained in the dedicated OPCVM products (trading book), the share risk represented only 33 million euros at 31st December 2016 in market value. This is made up of the share component of the OPCVMs, representing the investments made on behalf of Caisse Fédérale and Beobank (banking book).

Portfolios of CDO (Collateralised Debt Obligations)

The Caisse Fédérale portfolio of CDOs consists only of "Regent Street" and "New Court" vehicles from KBC Bank with a par value of 10.675 million euros and a net book value of 6 million euros. In actual fact, the Regent Street shares are now fully funded as the result of the receipt of a "credit event" in 2012, as well as the loss of 66 % in 2015 on tranche C. For their part, the New Court securities produced a latent gain of 0.004 million euros at 31st December 2016, which was down over the period. They are recorded as securities held to maturity, with their variation affecting neither equity capital nor the profit-and-loss account.
In Belgium, the acquisition of OBK in 2012 included a portfolio of CDO. Part of this portfolio was transferred to BKCP Bank in 2014.
This portfolio, which had been in extinctive management since its acquisition, was disposed of in full in 2016.

Other investments

- Other investments made on CMNE's own behalf in collective vehicles (rate products, alternative management, FCP or SCPI and OPCI stocks), represented a total of 376.1 million euros in market value. CMNE also holds a portfolio of structured securities valued at 111 million euros, which carries 1 million euros of latent gains;
- There were no speculative foreign exchange transactions.

Downgraded securities

- CMNE's downgraded securities now consist only of 'C' and 'A' in the Regent Street securitisation, representing 0.676 million euros and 4 million euros of par value respectively, funded 100 %.

▷ Liquidity risk

The Group's aim is to ensure the refinancing of its businesses at the best possible cost by managing the liquidity risk and complying with regulatory constraints.

CMNE measures its **short-term** liquidity by way of the LCR (Liquidity Coverage Ratio). The consolidated LCR mirrored changes in CMNE Group's liquidity profile, in particular movements linked to the centralisation with the Caisse des Dépôts et Consignations of the outstanding funds in Passbooks A and LDD. At the end of December 2016, the consolidated LCR was at 154 % against a regulatory minimum of 70 % at 31/12/16 and 80 % from 01/01/2017.

On a **medium-term** horizon, the NSFR (Net Stable Funding Ratio) is calculated based on existing directives and regulations that have not yet been finalised by the regulator. At 31st December 2016, it was at 118.7 %, demonstrating sufficient stable outstanding resources.

Over the **long term**, finally, CMNE measures its liquidity risk by applying the national provisions of the Crédit Mutuel Group aimed at managing the conversion of liquidity. The general principle here consists of disposing of all assets and liabilities based on the conventions already used in the context of rate risk measurement and also measuring a ratio of the application of funds equivalent to different maturity terms. This measurement is carried out on a static base and the ratio must be greater than or equal to 95 % over a horizon ranging from 3 months to 5 years. Measured and presented each quarter, it is regularly in excess of 100 %. This analysis is supplemented by a liquidity measurement in varying scenarios combining the closure of the refinancing markets and a flight of customer deposits.

In terms of refinancing, the CMNE's Caisse Fédérale has three programmes approved by the Bank of France or the AMF to issue short-term negotiable securities (NEU CP, formerly deposit certificates) (4 billion euros), medium-term negotiable securities (formerly BMTN) (1.5 billion euros) and bonds (4 billion euros).

During 2016, the CMNE's Caisse Fédérale raised medium and long-term resources by drawing on its programme of bond issues. The liquidity profile also benefited from the public issue of TSR subordinated notes for 300 million euros released in September 2016. As a reminder, the aim of this issue was to strengthen CMNE's eligible assets or regulatory capital ahead of the MREL (Minimum Requirements for own funds and Eligible Liabilities) regulations.

CMNE's Caisse Fédérale proceeded with the total reimbursement of the lines raised as part of TLTRO I (Targeted Longer-Term Refinancing Operations) at the end of June (900 million euros) and also participated in TLTRO II operations for 400 million euros at the end of June 2016, then a further 200 million euros at the end of December 2016.

CMNE's Caisse Fédérale maintains approximately 1.6 billion euros of outstanding securities that are eligible for the ECB. This figure was down following the maturity of the first tranche of FCT CMNE Home Loans; Beobank rounds out this mechanism with outstanding funds of approximately 1 billion euros of eligible securities.

In thousands of euros

Breakdown of maturities for the liquidity risk (at 31st December 2016)								
Residual contractual maturities	≤ 1 month	> 1 month ≤ 3 months	> 3 months ≤ 1 year	> 1 year ≤ 2 years	> 2 years ≤ 5 years	> 5 years	Indeterm.	Total
Assets								
Financial assets held for transaction purposes	-	-	33	40	68 578	93 994	198 395	**361 040**
Financial assets designated at fair value through the profit-and-loss account	13 279				30 765	110 244		**154 288**
Derivatives used for hedging purposes (assets)	283	145	4 400	25 853	2 345	-	-	**33 026**
Other financial assets available for sale (without analysis and by part.)	129 055	100 787	394 218	584 736	1 670 943	188 227	639 624	**3 707 590**
Financial assets available for sale (analysis by security)							202 847	**202 847**
Loans and debts (including finance lease contracts)	1 201 636	426 850	1 571 313	1 810 480	4 526 177	8 971 898		**18 508 354**
Investments held to maturity	50 473	27 754	120 121			10 034		**208 382**
Other assets (without analysis and by part.)	212 463	282 088	472		35		4 632	**499 690**
Liabilities								
Deposits from central banks	-	-	-	-	-	-	-	**-**
Financial liabilities held for transaction purposes	879	503	1 508	2 615	50 633	99 494		**155 632**
Financial liabilities designated at fair value through the profit-and-loss account		8			185 599			**185 607**
Derivatives used for hedging purposes (liabilities)	18 695	8 550	8 295	19 453	55 106	16 389		**126 488**
Financial liabilities valued at depreciated cost	14 644 081	768 624	869 940	627 956	2 510 233	2 759 809	92	**22 180 735**

▷ Rate risk

The aim of risk rate management is to reduce the structural risks of rates within the entities and control the intermediation margin generated by the various activities of the banking arm of the business.
Each company within this area of business has its risk analysed by a specific finance committee on a quarterly or six-monthly basis, depending on the size of the company or the inertia of its balance sheet structure. The committee for each company decides on the implementation of rate cover, such as liquidity.

The CMNE Group measures the rate of risk using the sensitivity of the Net Interest Margin (NIM) and the sensitivity of the Net Present Value (NPV). The latter of these makes it possible to measure overall risk in the sense of the decree of 3rd November 2014 and in line with the recommendations of the EBA (EBA/GL/2015/08). In the context of the EBA recommendations and the regulatory monitoring of the ECB under SSM, CMNE keeps developing its rate risk management system by taking part in working groups under the auspices of the central body, CNCM (Crédit Mutuel's National Confederation).

The indicators developed by CMNE Group are the subject of regulatory limits (NPV) or management limits (NIM) in accordance with the recommendations of CNCM and the Prudential and Resolution Monitoring Authority.

All of the limits below apply identically to all of the Group's banking subsidiaries:

- **NPV**: a linear movement in the rate curve of 200 bps may not represent more than 20 % of equity capital. The equity capital retained must be consistent, in terms of consolidation, with the risk rate basis analysed;
- **NIM**: a linear movement in the rate curve of 100 bps must not induce sensitivity in excess of 5 % of net banking income for the consolidation being analysed for the year underway and for the two subsequent years. Added to this limit is a risk indicator equivalent to 10 % of the NIM for the consolidation being analysed for the year underway and for the three subsequent years.

In 2016, for the Caisse Fédérale, the NPV limit was respected across lengthy observation periods, with an NPV sensitivity less than 10 % at 31/12/2016. The same applied to the sensitivity of the NIM, which was equal or lower than 5 % of NBI on a regional level.
CMNE also supplemented its NPV sensitivity analyses with curve distortion simulations (rate variations at 3 months, 3 years and 7 years, based on stress of +1 % or -1 %). The process used was aimed at identifying scenarios featuring elevated NPV variations. This work showed up only minor variations in NPV, consistent with the results already observed.

2016 saw a continuation of the highly accommodating monetary policy implemented by the European Central Bank, with intervention rates held at 0 % and a fall in the deposit rate to -0.40 %. The ECB's purchases of bonds and eligible securities on the market at a monthly rate of 80 billion euros, combined with a fall in energy prices until September strongly reduced expected inflation levels, resulting in a fall in 10-year rates to levels never seen before in France (0.10 %) and Germany (-0.10 %, albeit to be confirmed).

Against this background, CMNE, along with the whole of the bancassurance sector in the eurozone, suffered from this level of low rates, which penalised the production of new mortgages and investments in the life insurance business, particularly for contracts in euros. However, CMNE conducted a policy aimed at limiting the level of mortgage renegotiations in France in order to preserve future margins. It also implemented a prudent policy on the rates used for euro contracts. In addition, it high level of exposure to consumer credit in Belgium with Beobank and the recovery of commercial business in France in the same segment had a beneficial effect on the Group's net interest margin.

Finally, it should be stressed that the level of deposit rates accentuated the cost of bond liquidity, especially in terms of maintaining a satisfactory level of LCR.

▷ Operating risks

An operating risk results from an inadequacy or failure attributable to procedures, individuals, internal systems or external events, including events of a low occurrence probability, but where the risk of loss is high. Operating risk includes the risk of internal and external fraud, and the legal risk, but excludes strategic and reputation risks.
The Crédit Mutuel Group and the Crédit Mutuel Nord Europe Group has a reliable and exhaustive process for managing operating risks, both in terms of the scope covered and the risks taken into consideration. In the context of the Advanced Measurement Approach, or AMA), calculating equity capital requirements is based essentially on evaluating potential risks, which in turn makes it possible to allocate equity capital for operating risks covering both tier I and tier II.

The process for managing operating risks is based around 3 steps, with an audit and control phase between each:

- The identification of risks and the assessment of their impact, in particular by taking account of the history of incidents, the knowledge of the business line specialists, the Key Risk Indicators (KRI) that constitute both levers for reducing risks and the parameters used for the models;
- The implementation of risk reduction plans by seeking to reduce the severity and/or frequency of the threats identified by acting on the causes of the risks (preventative action) and the consequences with the aim of mitigating the seriousness (protective actions);
- The financing and hedging of residual risks through programmes to insure against serious and/or unexpected incidents.

The aim of managing operating risks at CMNE is to avoid a major incident or series of incidents threatening the Group's financial results and hence its future development. The Risk department is responsible for managing operating risks. It handles the work of the operating risk managers in the Group subsidiaries through and operating risk committee.

The process is based around the following actions:

- Gathering together the operating incidents that occur within the CMNE Group;
- Participating in the updating of the Crédit Mutuel-CIC's operating risk mapping;
- Implementing business continuity plans and crisis management;
- Keeping information systems secure;
- Providing regular information for executive and deliberating bodies, in particular information regarding alerts about incidents higher than the alert thresholds.

The operating risk management tool incorporated into the IT system has logged all claims and incidents that have occurred since 2001. The documentary databases relating to the tool, risk mapping and modelling and the business continuity plan process are shared by all of the Crédit Mutuel entities. The aim of this mapping is to identify the risk areas in a consistent manner, by type of business line and by event (in the sense of Basle regulations), as well as the identification of risk areas and the overall evaluation of the cost of risk.

The reduction of risks is based on effective preventative programmes identified in particular when carrying out risk mapping and implemented directly by operating staff via internal audits.
Protection programmes are aimed mainly at disseminating and regularly updating the continuity plans for the "business lines" and "support" activities. A crisis management procedure has been defined to deal with the two potentially most serious crises: a total IT crash and the major destruction of head office premises. The funding of risks is based mainly on an appropriate insurance policy. CMNE Group insurance covers the three main risk areas: people, liability and assets.

In terms of operating risk and net of any insurance recovery, the CMNE Group recorded 4.09 million euros of net losses in 2016, which corresponds to gross losses of 6.4 million euros ("external fraud/payment methods" claims remaining the main source), minus insurance repayments and other sums recovered amounting to 2.31 million euros. In addition, the stock of provisions at 31st December was 12.2 million euros (these are provisions for operating risks relating to the bank subsidiaries and non-banking insurance subsidiaries and asset management).

▶ Non-compliance risk

▷ Definition

The decree of 3rd November 2014 relative to the internal auditing of companies in the banking and investment services sector subject to the control of the Prudential Audit and Resolution Authority defines the risk of non-compliance as "the risk of administrative or disciplinary legal sanctions, significant financial loss or damage to reputation, stemming from the non-compliance with the provisions specific to banking and financial activities, whether of a directly applicable legislative or regulatory nature, national or European, or relating to professional or ethical standards, or instructions from effective directors, taken in particular pursuant to the directions of the monitoring body".

▷ Context and mechanism

The aim of the compliance mechanism is to meet customer expectations with regard to the quality of services, professionalism and diligence; to implement greater vigilance in relation to the non-compliance risks to which the Group may be exposed, with consequences that may be prejudicial to its image or reputation; to ensure that even beyond compliance with regulatory texts, the Group's operations and actions comply with the rules of good conduct and ethics to which it subscribes.

The Group Risk Director is the person responsible for compliance at CMNE Group. He is assisted by the Compliance Department placed under his hierarchical authority, as well as by a Compliance support line in a coordinated network of compliance managers across all Group entities.
The compliance mechanism for each entity covers the essential principles and procedures stated in the Group Compliance Charter and is based non-exhaustively on the mapping of non-compliance risks regarding market abuse or conflicts of interest, rules of good conduct, the mechanisms for professional alerts or the fight against corruption, the approval of new products, or the fight against the laundering of capital and the financing of terrorism.
As such, each entity implements its own governance system, designed to the needs of the entity's activities, as well as the way it is organised. The aim of this system is to report on the compliance activity within the entity, to monitor and update major changes to regulations, to examine any malfunctions noted, to present new risk areas or areas that are not sufficiently covered by the mechanisms in place, the corrective measures decided on or projected, and the reports and recommendations of the supervisory authorities on compliance.

The compliance controls are integrated totally into the audit mechanism implemented by the Group. The compliance audit tasks of each entity are defined and integrated into the audit plans by way of the entity's own internal auditing tools.

Implementation/Works

The central function completed its audit plan, which also covered sales practices and compliance with the rules of ethics. This function also has the results of the audits conducted in each entity. With a view to the operating deployment of new regulations, various works were undertaken (MIF II, 4th ML/FT Directive, PRIIPS). Work was also carried out to align and harmonise the Group's transverse approach to the fight against money laundering. The implementation of shared 2nd-line audits was prepared in order to be introduced during 2016. For investment services and other areas of compliance, similar work focused on the implementation of shared 2nd-line audits focalises was carried out and needs to be continued.

During 2016, Compliance intervened on behalf of network France on several projects linked to changes in the legislation, such as the MCD directive transposed into national law on property loans, which in turn led to the complete rewriting of the mapping of corresponding risks and the implementation of the Eckert Act on inactive accounts and safety deposit boxes.

The launch of Distance Selling and the introduction of the Electronic Signature in the network led to the validation of 21 new procedures. An Internal Compliance audit portal was also built and covers the whole year.

Compliance audits were carried out on the issue of CMNE debt securities, making sure changes to regulations were implemented, FATCA, the deposit guarantee fund, prior information about bank fees provided to consumers, essential services outsourced to external providers, follow-up on the recommendations made in 2015, pricing for SBB (basic banking services) and Fragile customers, subscription to life insurance, malfunctions, and insurance intermediation.

There were numerous regulatory changes to the fight against money laundering and the financing of terrorism (freezing of assets, transposition of the 4th directive, SAPIN II Act, strengthening of TRACFIN powers). The continued growth in business was demonstrated by the number of alerts dealt with by the network and, further to the reporting of suspicious activities, by the number of reports submitted to TRACFIN and the audits conducted by the central function. Almost 2 500 members of staff received training. Scheduled work continued as part of the MTP 2020 on the harmonisation of ML-FT mechanisms for all CMNE Group businesses.

▶ Insurance risk

The insurance business involves **specific risks** insofar as:

- It is based on taking risks which, to be managed properly, must be evenly **shared (law of large numbers)**;
- The insurance balance sheet is characterised by **the inversion of the production cycle**;
- The commitments made by the Insurance business often run over **a lengthy period of time**.

In order to respect the undertakings made to policyholders, the cover for regulatory solvency requirements and the profitability of the equity capital allocated to the business, as well as to guarantee the compliance of operations, CMNE Group operates a specific insurance risk policy that applies to all of its holdings in the insurance sector. This policy aims at implementing an overall risk management system that enables the stakeholders to be given reasonable assurance that the specific insurance risks have been properly identified, fully understood, measured accurately, controlled and managed proactively and in the same way across all of CMNE Group's insurance and reinsurance subsidiaries. In this way, the risk management system is designed to provide an overall, **consolidated view of the exposure to risks** within NEA.
The risk management system at NEA is based on key processes and appropriate governance guaranteeing the sound, prudent management of the business.

The major risks arising from the insurance business are identified within the insurance companies in the NEA group using a top-down approach, based in the main on the principal processes implemented and the overall guarantees offered to policyholders. Mapping covers the technical risks, counterparty risks, financial risks and other risks, particularly operating risks and non-compliance risks.

The **technical risks** stem directly from the undertakings made to policyholders and the inversion of the production cycle in insurance matters.
These are the risks relating to premium, supply, disaster, redemption and expense.
Premium risk is defined as the risk of losses resulting from an amount of claims to be paid that is greater than the premiums received. The **provision risk** corresponds to the risk that the provisions made for claims to be paid are insufficient to be able to settle the benefits owed to policyholders. The **disaster risk** is linked to the risk of losses caused by extreme or exceptional events.

These risks are created by the cover granted, in particular with regard to mortality, longevity, disability and health when it comes to personal insurance cover. With regard to non-life insurance, the specific risks identified are the counterparty of the guarantees linked to damages to assets and individuals, public liability, fire, pecuniary loss and legal protection.
Counterparty risk or risk of default stems mainly from transactions on reinsurance disposals.
Indeed, where there is recourse to reinsurance, the reinsurance premiums are deducted from the assets; these are compensated for by reinsurance receivables or collateral.
The amounts representative of technical provisions and the insurer's equity capital are the subject of investments in assets that are safe, liquid and profitable. By essence, these investments engender **financial risks**. They are defined as risks of losses or unfavourable changes in the company's financial situation resulting directly or indirectly from changes affecting the level or volatility of the market value or realisation of investments.

The market risks identified are as follows: **share risk, property risk, interest rate risk, spread risk, concentration risk, sovereign risk, volatility risk, liquidity risk and foreign currency risk**.
The **other specific risks** listed in the context of insurance operations are as follows: operating risks, strategic risks, emerging risks, non-compliance risks and risk to reputation.

The **profile of specific insurance risks** is defined as the instant variation in net assets, measured within the regulatory solvency framework with a given probability level. The risks are aggregated using a regulatory correlation matrix. Sovereign risks and volatility risks are assessed using a process identical to the one used by the technical specifications published by EIOPA. The profile risk of the insurance entities is measured and guided within the context of the ORSA process.
Risk appetite is defined as the level of aggregated risks that the company agrees to accept for the purpose of conducting it business and developing.
The hedging ratio is the subject of quarterly monitoring for all entities.

Technical risks can be attenuated by resorting to **reinsurance** disposals. The characteristics of the reinsurance programmes are details in an ad hoc policy. The risks relating to non-life insurance are the subject of a partial reinsurance disposal within the group.
Financial risks can be limited by resorting to **Term Financial Instruments** (TFI). The use of TFI is supervised by the investment policy.
Operating risks may be the subject of specific hedging cover provided by insurance policies subscribed to outside CMNE Group.

Risks are monitored using tracking indicators. These indicators ate provided by business line experts and approved by the committees responsible for managing.
With regard to technical risks:

- The premium risk is monitored using claims ratios with premiums and ratios combined, with a granularity per accounting and subscription period; monitoring is conducted gross and net of reinsurance operations;
- The provision risk is guided by tracking no-claims bonuses, broken down by period of occurrence;
- The disaster risk is managed by an appropriate and opportune reinsurance policy.

In finance, investments are constrained by a limit expressed in the form of Value at Risk (VaR).
The non-compliance and operating risks are monitored mainly, but not exclusively, by specific mapping, procedures, specific audits, incident databases and by monitoring remediation plans.

Non-compliance risk mapping enables both an overall and a targeted evaluation of the risks incurred. The risks are detailed as part of a frame of reference or list of non-compliance risks.

Risks are guided by an overall, consolidated view of exposure. Each family of risks has its own governance body in the form of one or more dedicated committees.
The principal tasks for structuring management of business risks consist of:

- Formalising a governance mechanism that is in line with Solvency 2 regulations, as well as with the requirements of the CMNE Group risk department relative to its own prudential constraints;
- Supervising, coordinating and harmonising the work and methods for NEA and its insurance subsidiaries.

To ensure sound, prudent management of the business, an appropriate form of governance is in place within the NEA group and its insurance subsidiaries. This governance is based on the written policies set down in the Monitoring Committee or Board of Directors, a board of effective managers, proper committee procedures, a network of function managers and an appropriate system of internal auditing.

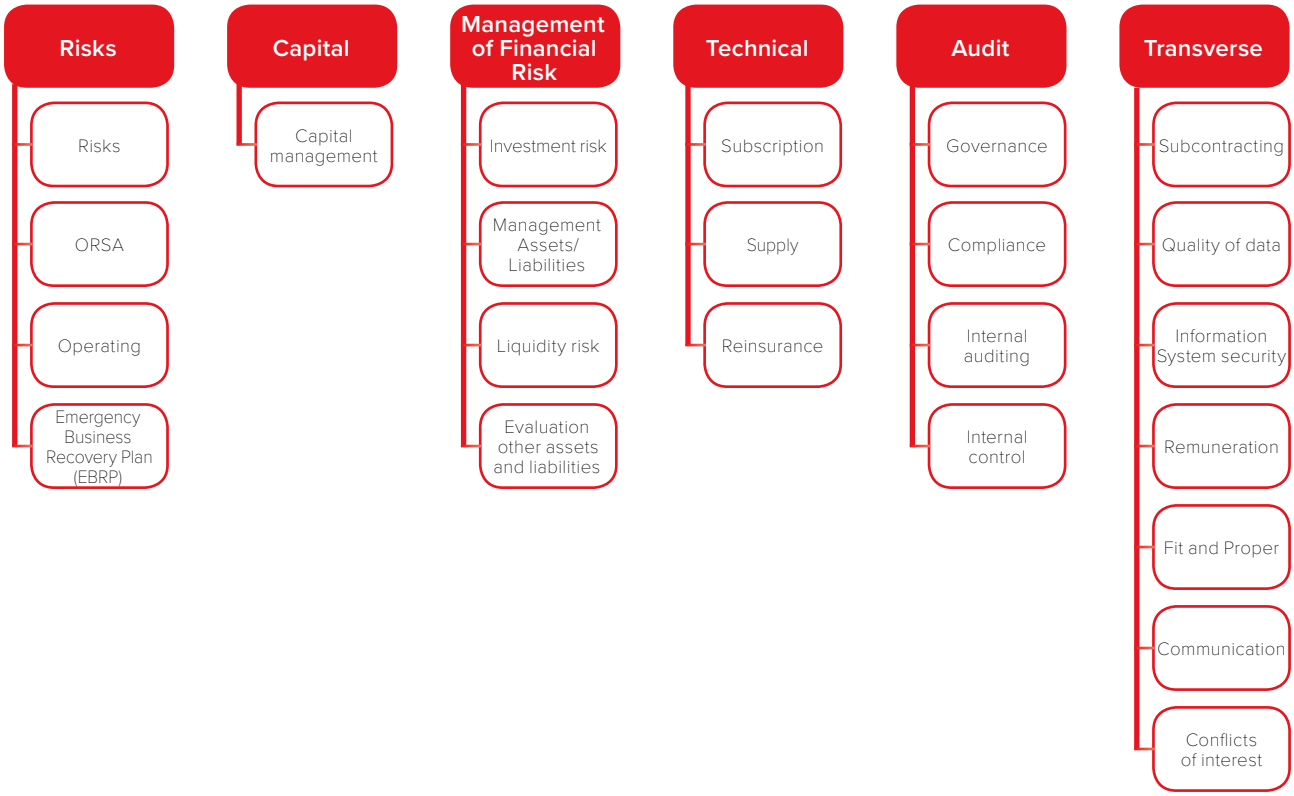
NEA is guided by:

- A Monitoring Committee, which decides on strategic direction and exercises control of the company management by the Executive Board. It is also responsible for appointing the Effective Managers of the company;
- An Executive Board that has the executive powers enabling it to implement the strategy defined by the Monitoring Committee. The Effective Managers of NEA are members of the Executive Board.

To carry out their tasks, the Manager of the NEA group base themselves on the recommendations and work of the committees set out below:

- Finance Committee;
- Risk Committee, Capital Committee and Audit Committee to measure, guide and monitor risks and financial and periodic auditing. The Risk Committee, Capital Committee and Audit Committee are the specialist committees of NEA's Monitoring Committee.

The key written policies of the NEA group are grouped into the six homogeneous families described below. They apply to all NEA insurance and reinsurance subsidiaries to the extent that the written policies take account of the specific features of all of these subsidiaries:



The ORSA process is the result of joint work between:

- The risk department, responsible for mapping the risks and policies that feed ORSA tasks. It also acts on level two and issues recommendations;
- The solvency guidance department, which defines the methodologies used for making calculations, carried out and guides those calculations.

The processes put in place to carry out ORSA tasks are based on techniques that are appropriate and suitable given the nature, extent and complexity of the risks inherent to the business. The methods and data used are reliable and form part of existing processes. The projection data is also generated jointly with the financial planning process.

INFORMATION RELATIVE TO TIER 3 OF BASLE III

GLOSSARY OF ACRONYMS AND DEFINITIONS

CMNE Group	Crédit Mutuel Nord Europe Group
CNCM	Confédération Nationale du Crédit Mutuel
CFCMNE	Caisse Fédérale du Crédit Mutuel Nord Europe
SRAB Act	Law n°2013-672 separating and regulating banking activities
SREP	Supervisory Review and Evaluation Process (process of prudential monitoring and evaluation)
GI	Full consolidation by global integration
PI	Proportional integration method of consolidation
EM	Equity method of consolidation
ECAA	External Credit Assessment Agency
EMV	Equity Method Value
CSA	Credit Support Annex (legal document regulating the management of collateral between two counterparties in a lending/borrowing transaction)
PD	Probability of Default: (probability of default of a counterparty over a period of one year)
LGD	Loss Given Default: level of loss in the event of default (ratio between the loss suffered by exposure in the event of default and exposure at the time of the default)
CCF	Credit Conversion Factor: (ratio of the amount not yet used in a commitment – but which will be drawn and is at risk at the time of default – and the amount not yet used in the commitment, the amount of which is calculated as a function of the authorised limit)
EAD	Exposure At Default: (amount owed by the borrower that the time of default)
IRBA	Internal Rating Based Advanced
IRBF	Internal Rating Based Foundation
RW	Risk Weight
EL / UL	Expected Loss (amount) / Unexpected Loss

RISK MANAGEMENT

POLICIES AND MECHANISMS IMPLEMENTED TO MANAGE RISKS

The policy on risk management and the mechanisms put place are set out in the annual report in this section on "Risk Management". CMNE Group has a reference document on the risk management policy that is submitted each year for approval to the Board of Directors. It deals with the general principles governing this policy and their application in the various arms of the business, as well as the specific principles for managing credit risks, financial risks and operating risks.

STRUCTURE AND ORGANISATION OF THE FUNCTION RESPONSIBLE FOR RISK MANAGEMENT

Nationally

The Basle agreements relative to the management of risks by credit establishments have contributed to the emergence of a "Risk" function on a national scale, independent of the units responsible for implementing or renewing lines of credit. This function is operated by the risks department and the compliance department of CNCM, both of which are part of general management.

The group risks department encompasses credit risks, rate risks, liquidity risks and market risks, operating risks and ongoing audit. It is structured into 3 main areas: the risks team, the Basle team and ongoing audit.

The risks team uses tools and methodologies (developed in-house and mainly incorporating the rating system) to list and consolidate the principal risks to which the Group is exposed. It runs the Group support line and defines and/or approves the national procedures prior to the presentation to the decision-making bodies.

The team working on the Basle accords enhances or updates the methodologies of the Basle mechanism presented for approval to the dedicated working groups in which the regional groups play a part. The team specialising in credit risks handles the management and back-testing of the models, calculation and follow-up of the parameters. The team dedicated to operating risks measure risks encountered and potential risks. It also tracks the impact of programmes to reduce risks, draws up reports and analyses the main risks.

Ongoing audit covers the ongoing audit function for the Confederation and coordinates the ongoing audits of the regional groups in the audit schedules.

In the context of Group governance, the risks department reports on its work to the effective managers. General management reports regularly to the Risk Committee, which assists CNCM's Board of Directors in examining the risks carried by the whole of the Group. The Risk Committee, whose members are appointed by the Board of Directors, meets at least twice a year to assess the quality of the risks and examine the quality of commitments made, as well as any limits exceeded or alert thresholds. It makes recommendations on the matter to the regional groups and the board of CNCM.

CMNE

To affirm the transverse nature of risk management in the Group, a Group risks department has been established with a direct line to general management.
The Group risks director:

- Is responsible for the risk management function (appointed by the ACPR regulatory body);
- Works under the general manager and does not conduct any commercial, financial or accounting activities;
- Reports to the effective managers and the monitoring committee, as required, or to the audit committee and risk committee;
- Coordinates the stakeholders in the risk management function, on a Group level;
- Ensures implementation of the measurement and monitoring systems, as well as the compatibility of risks taken with the directions set by the monitoring committee.

The Group risk departments encompasses the departments for ongoing audit, compliance and risk, which have both a direct operating responsibility within network France and a functional responsibility with their correspondents in the Group subsidiaries. Within their particular areas, these departments handle the implementation of the risk measurement and monitoring systems, as well as the compatibility of risks taken with the directions set by the monitoring committee.

Headcount working on internal audit assignments is 170 individuals spread across the Caisse Fédérale and subsidiaries, representing about 3.7 % of CMNE Group staff assigned to monitoring and risk control tasks.

Consolidated

The ongoing audit department is responsible for level two ongoing audits, as well as for the security of the information systems.

The risk department handles implementation of the measurement and monitoring systems for banking and non-banking risks. It checks that the level of risks run is compatible with the directions for the business set by the monitoring committee and the limits set by general management. It also draws up the summary reports on the monitoring of consolidated risks for the purpose of informing the federal risk committee, the monitoring committee and the effective managers. In addition, it alerts the effective managers about any situation that is likely to have repercussions on the control of risks.

The compliance control department, which is attached to the Group risk department, monitors regulations in particular, as well as the function responsible for the fight against money laundering and the financing of terrorism, the function responsible for auditing investment services and the ongoing compliance audit role. It also provides written opinions regarding the compliance of new products.

The audit and Risk Committee was divided into two separate committees in September 2016, placed under the responsibility of the federal Board of Directors:

- An **audit committee** that meets a minimum of five times a year, with a chairman other than the chairman of the Board of Directors and the chairmen of any other committee;
- A **Risk Committee**, which meets a minimum of seven times a year, with an independent chairman.

The functioning of the 2 committees is governed by their own rules and regulations.

The audit committee

- Defines, among other things, the policies on internal auditing and financial information;
- Monitors the process of drawing up financial reports;
- Monitors the internal and external auditors as acts as their point of contact;
- Recommends to the Board of Directors for approval the appointment, remuneration and removal of external auditors;
- Re-examines and approves the scope and frequency of audits;
- Receives the main audit reports and ensures that management adopts measures without delay to remedy any shortcomings in the area of audits;
- Monitors the implementation of accounting principles and practices;
- Is responsible for examining and approving the company and consolidated accounts.

The Risk Committee

- Examines all strategies on risk, both on a combined basis and by individual type of risk;
- Reviews the risk policies at least once a year;
- Provides the Board of Directors with consultative recommendations about risk appetite and monitors the implementation, by management, of the declaration on risk appetite;
- Monitors the strategies for managing liquidity and equity capital, as well as the strategies relative to all of the risks to which CMNE is exposed, such as operating risks, credit risks, market risks and reputation risks, to ensure their consistency with the risk appetite set for them.

In the context of Group governance, the risks department reports on its work to the effective managers.
General management reports regularly to the Risk Committee (from the Board of Directors).
CMNE Group attaches great importance to having a robust and efficient mechanism in place for monitoring and controlling its risks. This mechanism covers all Group entity banking and non-banking risks, in compliance with the standards set by ACPR, in particular the decrees of 3rd November 2014 relative to the internal auditing of companies in the banking, payment services and investment services sectors, and the additional monitoring of financial conglomerates.

SCOPE AND NATURE OF THE SYSTEMS FOR REPORTING AND MEASURING RISKS

In the areas of credit risk, rate risk, market risk and operating risk, the risks department and operations and financial studies department have developed dashboards designed to track and analyse changes in CMNE's risk profile. For the credit risk, the system for reporting and measuring risks used is based extensively on the tools of the Basle agreements, interfaced with accounting.

As for operating risks, the mechanism used for measuring and controlling risks is based on feeding a national database recording incidents and the mapping of risks produced by business line and by type of risk, in close collaboration with the departments concerned and the day-to-day risk management mechanisms in place.

POLICIES ON HEDGING AND THE REDUCTION OF RISKS, AS WELL AS THE POLICIES AND MECHANISMS IN PLACE TO ENSURE THEIR ONGOING EFFECTIVENESS

The policy on hedging and reducing risks, as well as the mechanisms in place to ensure their ongoing effectiveness, are stated in this document from page 25 for credit risks and page 43 for operating risks.
Consistency on a national scale is provided by mechanisms dealing with limits, procedures, dashboards and audit processes (ongoing and periodic).

GROUP RISK PROFILE

CMNE Group is a mutualistic bank, owned solely by its own shareholders, that is not listed among the Global Systemically Important Banks (G-SIBs)[1]. The Crédit Mutuel Group, of which CMNE Group is a part, is on the list of Other Systemically Important Institutions (OSSI). CMNE Group operates in France, Belgium and Luxembourg.

Retail banking is CMNE's core business, as can be seen from the proportion of customer credit risk in the total of its equity capital requirements and the predominance of the Retail portfolio in the whole of CMNE's exposure.

The Group strategy is one of controlled, sustainable and profitable development. The regular setting aside of financial reserves continues to consolidate the Group's financial strength and soundness. Its Tier One Common Equity solvency ratio of 15.13 % positions CMNE among the safest banks in Europe.

The Group's risk management mechanism is defined in line with its risk profile and strategy, as well as appropriate systems for managing risk.

Interventions on the financial markets are conducted in the context of sound, prudent management (pursuant to the SRAB Act).

SCOPE

Pursuant to EU regulation n° 575/2013 of the European Parliament and the Council relative to the prudential requirements that apply to credit establishments and investment companies (CRR – Capital Requirements Regulation), the accounting and prudential scopes are made up of the same entities, with only the method of consolidation changing.

For CMNE Group, the consolidation method differs for entities that are not in the extension of the banking or finance business, i.e. those entities of a non-financial (mutual securitisation funds), which are consolidated using the equity method, regardless of the percentage of control. The entities that make up the scope are shown in annexe 1 of the financial statements.

The entities moving from global integration in the accounting consolidation to the prudential equity method are the following:

Company	2016			Prudential Consolidation
	% Interest	% Control	Method	
CMNE Home Loans FCT	100.00	100.00	GI	EM
Nord Europe Assurances	**100.00**	**100.00**	**GI**	**EM**
ACMN IARD	51.00	51.00	GI	EM
ACMN Vie	100.00	100.00	GI	EM
CP - BK Reinsurance	100.00	100.00	GI	EM
Courtage CMNE	100.00	100.00	GI	EM
Nord Europe Life Luxembourg	100.00	100.00	GI	EM
Nord Europe Retraite	100.00	100.00	GI	EM
North Europe Life Belgium	51.00	51.00	GI	EM
SPV JARNA	97.83	100.00	GI	EM
FCT LFP Créances Immobilières	58.37	58.37	GI	EM

1 The indicators resulting from the QIS dedicated to their identification are published on the Group's institutional website in the document entitled "Systemicity Indicators".

COMPOSITION OF EQUITY CAPITAL

Since 1st January 2014, prudential equity capital is determined pursuant to part I of EU regulation n° 575/2013 of the European Parliament and the Council dated 26th June 2013 regarding the prudential requirements applicable to credit establishments and investment companies, amending EU regulation n° 648/2012 (CRR – Capital Requirements Regulation), supplemented by technical standards (EU delegated and execution regulations from the European Commission).

Equity capital is now made up of the sum of:
- Category 1 equity capital: including basic category 1 equity capital, net of deductions (Common Equity Tier 1 - CET1), and additional category 1 equity capital (AT1) net of deductions;
- Category 2 equity capital, net of deductions.

CATEGORY 1 EQUITY CAPITAL

Category 1 basic equity capital (Common Equity Tier 1 - CET 1) corresponds to share capital instruments and associated issue premiums, to reserves (including reserves on other elements of the overall combined result) and to non-distributed profits. Total flexibility of payments is required and instruments must be perpetual.

Taking account of the provisions of delegated regulation (EU) 2015/850, the former B shares and F shares are no longer eligible for CET1. However, in line with the provisions of CRR (articles 484 and 486), they must be retained by way of "grandfather" clauses, on a decreasing sliding scale over a period of ten years, from the amount recorded at 31/12/12.
The ceiling of the former B shares and F shares eligible for CET1 of 60 % of their outstanding funds at 31/12/12 for the 2016 financial year is respected.

Additional category 1 equity capital (Additional Tier 1 - AT1) corresponds to perpetual debt instruments, released from any incitement or obligation to repay (in particular gaps in repayment). AT1 instruments are subject to a loss-absorption mechanism that is triggered when the CET1 ratio is lower than a minimum threshold set at 6 %. The instruments can be converted into shares or suffer a reduction in their nominal value. The total flexibility of payments is required: suspension of the payment of coupons at the discretion of the issuer.
Article 92, paragraph 1 of CRR sets a minimum ratio of category 1 basic equity capital at 4.5 % and a minimum ratio of category 1 equity capital at 6 %.
The ECB (in its letter of 4th December 2015) requires, on completion of the prudential monitoring and evaluation process (SREP), that CFCMNE complies, on a sub-consolidated basis, with a category 1 equity capital base ratio (CET1) of 8.75 %, such as this ratio is defined in Regulation (EU) n° 575/2013.
Pursuant to article 16 of Council regulation (EU) n° 1024/2013 (SREP), in February 2017, the ECB send out a draft proposal about the prudential requirements applicable to CMNE, from 1st January 2017 on a sub-consolidated basis, raising the category 1 equity capital base ratio (CET1) to 9.75 %.
Category 1 basic equity capital is determined from the Group's own accounting equity capital[2], calculated on the prudential consolidation scope after the application of "prudential filters" and a number of regulatory adjustments.

Prudential filters

In the previous regulations, latent gains were filtered out of basic equity capital pursuant to article 2a of regulation n° 90-02 and, according to the principle of symmetry, the threshold limit value for the calculation of weighted risks, particularly for the threshold limit value on shares, did not take account of this.
While as a target, prudential filters will disappear, they will be gradually removed during the transitional phase, as follows:
- Latent gains (excluding Cash Flow Hedge) are excluded in 2016 at 40 %;
- In 2017, 20 % of latent gains will be excluded from category 1 basic equity capital (and 80 % will be included) and the threshold limit value exposure to the risk and denominator will have to be adjusted accordingly;
- For losses: SGACPR decided to speed up the timetable, requiring them to be integrated 100 % from 2014.

Also, since 1st October 2016 and in line with the new provisions introduced by the ECB (regulation (EU) n° 2016/445), latent gains and losses on sovereign securities are no longer the subject of derogation for significant institutions and were filtered 40 % in 2016.
The adjustment between latent gains and losses is carried out portfolio by portfolio.

The differences in the equity participations are divided between reserves and the amount carried forward, on the one hand, and the interim result, on the other, depending on the categories of equity capital from which they originate.

By contrast, the latent gains and losses recorded in the accounts directly as equity capital on account of a cashflow hedging transaction, as well as those relating to other financial instruments financiers, including debt instruments, continue to be neutralised (as under CRBF regulation n° 90-02).

2 Cf. Table 1 on: "Reconciliation of the financial balance sheet / regulatory balance sheet / equity capital"

The other CET1 adjustments concern in the main:
- Anticipation of the distribution of dividends to shareholders;
- The deduction of goodwill and other intangible assets;
- The negative difference between the provisions and expected losses, as well as the losses expected on shares;
- The value adjustments due to the requirements of prudent evaluation;
- Deferred tax on assets based on future profits and not resulting in any net temporary differences in associated tax liabilities;
- The losses or gains recorded by the institution on its liabilities assessed at fair value and which are linked to the development of the institution's credit quality;
- The losses and gains at fair value of the derivative instruments in the institution's liabilities and which are linked to the development of the institution's credit quality;
- Direct, indirect and synthetic holdings in CET1 entity instruments in the financial sector when they exceed an exemption of 10 % of the CET1.

CATEGORY 2 EQUITY CAPITAL

Category 2 equity capital corresponds to subordinated debt instruments with a minimum term of 5 years.
Incentives for early repayment are forbidden.

ELIGIBLE EQUITY CAPITAL

The amount of "eligible equity capital" was lower. Eligible equity capital is used to calculate the thresholds for major risks and non-financial participations weighted at 1 250 %; this is the sum of:
- Category 1 equity capital;
- Category 2 equity capital, capped at 1/3 of category 1 equity capital.

TABLES 1: FINANCIAL BALANCE SHEET RECONCILIATION/REGULATORY BALANCE SHEET/EQUITY CAPITAL

In millions of euros

		Accounting consolidation	Prudential consolidation	Difference
	Equity capital	**2 924**	**2 865**	**-59**
	Equity capital – share of Group – excl. OCI	**2 694**	**2 694**	**-**
	Subscribed capital	1 277	1 277	-
	Issue premiums	3	3	-
1	Consolidated reserves - Group	1 209	1 209	-
	Consolidated result - Group	205	205	-
2	**Equity capital – Minority interests – excl. OCI**	**75**	**19**	**-56**
	Consolidated reserves - Minority interests	60	12	-48
	Consolidated result - Minority interests	15	7	-8
3	**Latent gains or losses – Share of Group**	**152**	**152**	**-**
	of which equity capital instruments	*141*	*141*	
	of which debt instruments	*48*	*48*	
	of which cashflow hedging	*-18*	*-18*	
	Latent gains or losses - Minority interests	**3**	**-**	**-3**
	FGBR (solo entity under French standards) – to enter			
	Balance sheet elements entering into the calculation of Equity Capital	**1 337**	**1 144**	**-193**
4	Intangible fixed assets (a)	34	34	-
	Goodwill (including goodwill included in the value of equity securities)	207	207	-
5	Deferred tax			
	• Assets	67	67	-
	of which deferred tax assets on fiscal deficit	-	-	-
	• Liabilities	61	23	-38
	of which deferred tax liabilities on intangible fixed assets (b)	-	-	-
6	Subordinated debts	968	813	-155

Notes:
4, 5 and 6: The differences result from changes to the method of consolidation for certain entities stated in the consolidated scope, mainly on insurance entities.

COMPOSITION OF EQUITY CAPITAL

In millions of euros

	Equity capital	CET1	AT1	AT2
	Equity capital	**2 480**	**79**	**778**
	Equity capital – Share of Group	**2 491**		
	Paid-up capital called	1 094		
	(-) Indirect holdings in CET1 instruments	-		
	Issue premiums	3		
1	Previous profits not distributed	1 209		
	Profit or loss (share of Group)	205		
	(-) Share of interim or end-of-period profits not eligible	-20		
2	**Equity capital – Minority interests**			
	Eligible minority interests	0	-	0
3	**Other accumulated elements of the overall result**	**152**		
	of which equity capital instruments	*140*		
	of which debt instruments	*22*		
	of which Reserve for cashflow hedging	*-18*		
	FGBR (solo entity under French standards)	-		
	Balance sheet elements entering into the calculation of Equity Capital	**-164**	**79**	**778**
4	(-) Gross amount of other intangible fixed assets, including deferred tax liabilities on intangible fixed assets (a-b)	-34		
	(-) Goodwill in intangible fixed assets	-207		
5	(-) Deferred tax assets depending on future profits and not resulting from net temporary differences in associated tax liabilities	-		
	(-) Deductible deferred tax assets depending on future profits and resulting from time differences	-		
6	Subordinated debts			714
	Deductions and adjustments of equity capital	**77**	**79**	**63**
	(-) Securitisation positions that may optionally be the subject of a weighting of 1 250 %	-		
	(-) Instruments of relevant entities in which the institution does not hold a significant investment	-	-	-
	(-) Instruments of relevant entities in which the institution holds a significant investment	-	-	-
	Other adjustments			
	Prudential filter: Reserve of cashflow hedging	18		
	Prudential filter: Value adjustments due to requirements of prudent evaluation	-2		
	Prudential filter: Accumulated losses or gains due to the change in the quality of own credit on liabilities valued at their fair value	-		
	Prudential filter: Losses or gains at fair value resulting from own credit risk linked to derivative instruments (liabilities)	-		
	Transitional adjustments due to grandfather clauses on equity capital instruments	183	79	-
	Transitional adjustments due to grandfather clauses on additional minority interests	8	0	0
	Transitional adjustments on PMV on equity capital instruments	-56		
	Transitional adjustments on PMV on debt instruments	-9		
	Other transitional adjustments	0	-	32
	In IRB, negative difference between provisions and expected losses	-64		
	In IRB, positive difference between provisions and expected losses			18
	Adjustments to credit risk (Standard approach)			13

Notes:
1 : The difference reflects the treatment required in the SGACPR notice relative to the PMV carried by the companies consolidated using the equity method (see point 3).
2 : Minority interests are subject to a specific calculation in the context of the CRR.
3 : The difference reflects the treatment required in the SGACPR notice relative to the PMV carried by the companies consolidated using the equity method (see point 1).
4 : The amount of intangible fixed assets deducted from equity capital includes related deferred tax liabilities.
6 : The subordinated debts included in equity capital differ from accounting on account of elements considered as non-eligible by CRR regulations and from the calculation of a regulatory allowance over the 5 more recent years for term debts.

TABLES 2: QUALITATIVE INFORMATION ABOUT EQUITY CAPITAL INSTRUMENTS

		A Shares	C Shares	B Shares	F Shares
1	Issuer	Crédit Mutuel Local Branches members of the Fédération du Crédit Mutuel Nord Europe			
2	**Unique identifier** (for example CUSIP, ISIN or Bloomberg for private investment)	A Shares 969500MOQLCWGNJR5B72			
3	Law governing the instrument	Act n° 47-1775 of 10th September 1947 setting the status for cooperation, and article L512-1 of the Monetary and Financial Code			
	Regulatory treatment				
4	• Transitional CRR rules	Basic category 1 equity capital			
5	• CRR rules after transition	Basic category 1 equity capital		Ineligible	
6	• Eligible on an individual level (sub-)consolidated/ individual and (sub-)consolidated	Individual and (sub-)consolidated			
7	• Type of instrument type (to be specified for each territory)	Company shares - list published by ABE (article 26, paragraph 3 of CRR)			
8	Amounts accounted for in regulatory equity capital (cash in millions of euros, at the latest closing date)	56.65	1037.43	143.18	39.51
9	Face value of the instrument	56.65	1037.43	143.18	39.51
9a	Issue price	56.65	1037.43	143.18	39.51
9b	Redemption price	56.65	1037.43	143.18	39.51
10	Accounting classification	Equity capital			
11	Date of initial issue	Variable			
12	Perpetual or fixed term	Perpetual			
13	• Initial maturity	N/A			
14	Option to redeem from the issue subject to the prior consent of the monitoring authority	No			
15	Optional date for exercising the redemption option, date for exercising conditional redemption options and redemption price	N/A			
16	• Subsequent dates for exercising the redemption option, if applicable	N/A			
	Coupons/dividends				
17	Fixed or floating dividend/coupon	N/A	Floating	Floating	Floating
18	Coupon rate and any associated index	N/A			
19	Existence of a mechanism to suspend the payment of dividends (dividend stopper)	No			
20a	• Full discretion, partial or obligatory discretion (in terms of calendar)	Full discretion			
20b	• Full discretion, partial or obligatory discretion (in terms of amount)	Full discretion			
21	• Existence of a mechanism to increase remuneration (step up) or other redemption incentive incitation	No			

		A Shares	C Shares	B Shares	F Shares
22	• Cumulative or non-cumulative	No			
23	**Convertible or non-convertible**	**Non-convertible**			
24	• If convertible, trigger for conversion	N/A			
25	• If convertible, fully or partially	N/A			
26	• If convertible, conversion rate	N/A			
27	• If convertible, obligatory or optional nature of the conversion	N/A			
28	• If convertible, type of instrument into which the conversion took place	N/A			
29	• If convertible, issuer of the instrument into which the conversion took place	N/A			
30	**Features on the reduction of capital**	**Yes**			
31	• If reduction, trigger for the reduction	On decision of the general meeting of associates or, if a resolution, by decision of the resolution board of the prudential control and resolution authority pursuant to the powers held from article L. 613-31-16 of the monetary and financial code			
32	• If reduction, full or partial	Full or partial reduction			
33	• If reduction, permanent or provisional	Permanent			
34	• If provisional reduction of capital, description of the mechanism to re-increase capital	N/A			
35	**Rank of the instrument in case of liquidation (indicate the type of instrument of the rank immediately above)**	**Rank lower than all other debts**			
36	**Existence of non-compliant features (yes/no)**	**No**		**Yes**	**Yes**
37	**If yes, state the non-compliant features**	**N/A**		**A priority dividends**	**A priority dividends**

Main features of the AT1 equity capital instruments		
1	**Issuer**	**Caisse Fédérale du Crédit Mutuel Nord Europe**
2	**Unique identifier** (for example CUSIP, ISIN or Bloomberg for private investment)	**FR0010128835**
3	**Law governing the instrument**	**Article L. 228-97 of the French Commercial Code**
	Regulatory treatment	
4	• CRR transitional rules	Additional category 1 equity capital 60 %, 40 % in category 2 equity capital
5	• CRR rules after transition	Category 2 equity capital
6	• Eligible on an individual level (sub-)consolidated/individual and (sub-)consolidated	Individual and (sub-)consolidated
7	• Type of instrument type (to be detailed for each territory)	Subordinated instrument (article 63 of CRR)
8	**Amount accounted for in regulatory equity capital (cash in millions of euros, at the latest closing date)**	**131.68 million euros of which 52.7 million euros classified as category 2 equity capital**

Main features of the AT1 equity capital instruments		
9	Face value of the instrument	131.68 million euros
9a	Issue price	131.68 million euros
9b	Redemption price	72.09 million euros
10	Accounting classification	Liabilities – Depreciated cost
11	Date of initial issue	18/11/04
12	Perpetual or fixed term	Perpetual
13	• Initial maturity	N/A
14	Option to redeem from the issue subject to the prior of the monitoring authority	Yes
15	• Optional date to exercise the redemption option, date to exercise redemption options and redemption price	After 18/11/14
16	• Subsequent dates for exercising the redemption option, if applicable	N/A
	Coupons/dividends	
17	Fixed or floating dividend/coupon	Fixed becoming floating
18	Coupon rate and any associated index	6 % then Min (8 %; CMS 10 years +0.175 %)
19	Existence of a mechanism to suspend payments of dividends (dividend stopper)	No
20a	• Full discretion, partial or obligatory discretion (in terms of calendar)	N/A
20b	• Full discretion, partial or obligatory discretion (in terms of amount)	N/A
21	• Existence of a mechanism to increase remuneration (step up) or other redemption incentive	N/A
22	• Cumulative or non-cumulative	N/A
23	Convertible or non-convertible	No
24	• If convertible, trigger for conversion	N/A
25	• If convertible, fully or partially	N/A
26	• If convertible, conversion rate	N/A
27	• If convertible, obligatory or optional nature of the conversion	N/A
28	• If convertible, type of instrument into which the conversion took place	N/A
29	• If convertible, issuer of the instrument into which the conversion took place	N/A
30	Features on the reduction of capital	
31	• If reduction, trigger for the reduction	N/A
32	• If reduction, full or partial	N/A
33	• If reduction, permanent or provisional	N/A
34	• If provisional reduction of capital, description of the mechanism to re-increase capital	N/A
35	Rank of the instrument in case of liquidation (indicate the type of instrument of the rank immediately above)	Equity loans
36	Existence of non-compliant features	No
37	If yes, state the non-compliant features	N/A

COMPOSITION OF EQUITY CAPITAL

RISK MANAGEMENT

Principal features T2 equity capital instruments

1	Issuer	Caisse Fédérale du Crédit Mutuel Nord Europe																
2	Unique identifier (for example CUSIP, ISIN or Bloomberg for private investment)	FR0011828235	FR0011927037	FR0012033926	FR0012046860	FR0012112605	FR0012187078	FR0012187086	FR0012303246	FR0011781061	FR0012304442	FR0012618320	FR0012632495	FR0012616894	FR0012767267	FR0013073764	FR0013201431
3	Law governing the instrument	L211-1 and following of the Monetary and Financial Code																
	Regulatory treatment																	
4	• CRR transitional rules	Category 2 equity capital																
5	• CRR rules after transition	Category 2 equity capital																
6	• Eligible on an individual level (sub-)consolidated/individual and (sub-)consolidated	Individual and (sub-)consolidated																
7	• Type of instrument type (to be specified for each territory)	Subordinated instrument (article 63 of CRR)																
8	Amounts accounted for in regulatory equity capital (cash in millions of euros, at the latest closing date)	5	7	12.1	2	3	5	3.5	4	120	55	22	3	40	30	50	300
9	Face value of the instrument	5	7	12.1	2	3	5	3.5	4	120	55	22	3	40	30	50	300
9a	Issue price	5	7	12.1	2	3	5	3.5	4	118.512	55	22	3	40	30	50	295.791
9b	Redemption price	5	7	12.1	2	3	5	3.5	4	120	55	22	3	40	30	50	300
10	Accounting classification	Liabilities – Depreciated cost																
11	Date of initial issue	10/04/2014	03/06/2014	06/08/2014	29/07/2014	03/09/2014	15/10/2014	15/10/2014	28/11/2014	10/03/2014	22/12/2014	02/04/2015	02/04/2015	27/04/2015	01/06/2015	23/12/2015	12/09/2016
12	Perpetual or fixed term	fixed term																
13	• Initial maturity	10/04/2024	03/06/2024	06/08/2024	29/07/2024	03/09/2024	15/10/2024	15/10/2024	28/11/2024	27/06/2026	22/12/2026	02/04/2025	02/04/2025	27/04/2027	02/06/2025	23/12/2030	12/09/2026
14	Option to redeem from the issue subject to the prior consent of the monitoring authority	Yes																
15	• Optional date for exercising the redemption option, date for exercising conditional redemption options and redemption price	«At any time if there is an equity capital event, deduction at source, grossing up. From a date later than 5 years after issue, the issuer can but back the subordinated bonds»																
16	• Subsequent dates for exercising the redemption option, if applicable	N/A																
	Coupons/dividends																	
17	Dividend/coupon fixed or floating	Fixed becoming floating	Fixed becoming floating	Fixed becoming floating	Floating	Fixed becoming floating	Fixed becoming floating	Fixed becoming floating	Fixed becoming floating	Fixed	Fixed	Fixed becoming floating	Fixed becoming floating	Fixed	Fixed becoming floating	Fixed becoming floating	Fixed
18	Coupon rate and any associated index	4 % then Min (4.5 %; Max (3 %; CMS 10 years)	3.15 % then Min (6 %; Max (3.15 %; CMS 10 years)	3.10 % then Min (5 %; Max (3.10 %; CMS 10 years)	130 %*CMS 10 years	3.10 % then Min (5 %; Max (3.10 %; CMS 10 years)	3 % then Min (4.5 %; Max (3 %; CMS 10 years)	3 % then Min (4.5 %; Max (3 %; CMS 10 years)	2.6 % then Min (4 %; Max (2.6 %; CMS 10 years)	4.25 %	3.40 %	1.9 % then Min (3.75 %; Max (1.9 %; CMS 10 years)	1.9 % then Min (3.75 %; Max (1.8 %; CMS 10 years)	2.75 %	1.35 % then Min (3.10 %; Max (1.35 %; CMS 10 years)	4 % then EURIBOR6M + 1.78 %	2.125 %
19	Existence of a mechanism to suspend the payment of dividends (dividend stopper)	No																
20a	• Full discretion, partial or obligatory discretion (in terms of calendar)	N/A																
20b	• Full discretion, partial or obligatory discretion (in terms of amount)	N/A																
21	• Existence of a mechanism to increase remuneration (step up) or other redemption incentive incitation	No																
22	• Cumulative or non-cumulative	N/A																
23	Convertible or non-convertible	Non-convertible																
24	• If convertible, trigger for conversion	N/A																
25	• If convertible, fully or partially	N/A																
26	• If convertible, conversion rate	N/A																
27	• If convertible, obligatory or optional nature of the conversion	N/A																
28	• If convertible, type of instrument into which the conversion took place	N/A																
29	• If convertible, issuer of the instrument into which the conversion took place	N/A																
30	Features on the reduction of capital	No																
31	• If reduction, trigger for the reduction	N/A																
32	• If reduction, full or partial	N/A																
33	• If reduction, permanent or provisional	N/A																
34	• If provisional reduction of capital, description of the mechanism to re-increase capital	N/A																
35	Rank of the instrument in case of liquidation (indicate the type of instrument of the rank immediately above)	Refundable after payment of privileged or unsecured creditors																
36	Existence of non-compliant features	No																
37	If yes, state the non-compliant features	N/A																

TABLES 3: DETAILED INFORMATION ABOUT EQUITY CAPITAL

Amounts in thousands of euros

		Amount at the date of publication	Reference of the article of regulation EU n° 575/2013	Amount subject to pre-settlement treatment (EU) n° 575/2013 or residual amount pursuant to regulation (EU) n° 575/2013
	CATEGORY 2 EQUITY CAPITAL (CET1): instruments and reserves			
1	Equity capital instruments and related issue premium accounts	1 096 829	26 (1), 27, 28, 29, liste ABE 26 (3)	
	of which: Company shares	*1 094 079*	*liste ABE 26 (3)*	
	of which: Issue premium	*2 750*	*liste ABE 26 (3)*	
2	Profits not distributed	1 209 259	26 (1) c	
3	Other elements of the accumulated overall result (and other reserves)	152 270	26 (1)	
3a	Funds for general banking risks	-	26 (1) f	
4	Amount of eligible elements dealt with in art. 484, paragraph 3 and related issue premium accounts that are gradually excluded from CET1	182 692	486 (2)	
5	Minority interests eligible for CET1	89	84, 479, 480	7 694
5a	Interim profits, net of all charges and all foreseeable distribution of dividends, having been independently audited	184 869	26 (2)	
6	**Category 1 basic equity capital (CET1) before regulatory adjustments**	**2 826 008**		
	CATEGORY 1 BASIC EQUITY CAPITAL (CET1): regulatory adjustments			
7	Adjustments to additional values (negative amount)	-1 844	34, 105	
8	Intangible fixed assets (net of associated tax liabilities) (negative amount)	-240 701	36 (1) b, 37, 472 (4)	
9	All empty in the EU			
10	Deferred tax assets depending on future profits, excluding those resulting from time differences, net of associated tax liabilities (net of associated tax liabilities when the conditions stated in art. 38 paragraph 3 are met) (negative amount)	-	36 (1) c, 38, 472 (5)	-
11	Fair value reserves relative to the losses and gains generated by the hedging of cashflow	17 713	33 a	
12	Negative amounts resulting from the calculation of anticipated losses	-64 175	36 (1) d, 40, 159, 472 (6)	
13	Any increase in the value of equity capital resulting from securitised assets (negative amount)	-	32 (1)	
14	Losses or gains on liabilities valued at their fair value and associated with the establishment's credit quality	-	33 (1) b	
15	Pension fund assets with defined benefits (negative amount)	-	36 (1) e, 41, 472 (7)	
16	Direct or indirect holdings, by an establishment, from its own CET1 instruments (negative amount)	-	36 (1) f, 41, 472 (8)	-
17	Direct or indirect or synthetic holdings of CET1 instruments of entities in the financial sector when there is a cross-holding with the establishment aimed at artificially increasing the establishment's equity capital (negative amount)	-	36 (1) g, 41, 472 (9)	-
18	Direct or indirect or synthetic holdings of CET1 instruments of entities in the financial sector in which the establishment does not have a major holding (amount above the threshold of 10 %, net of eligible short positions) (negative amount)	-	36 (1) h, 43, 45, 46, 49 (2) (3), 79, 472 (10)	-
19	Direct or indirect or synthetic holdings of CET1 instruments of entities in the financial sector in which the establishment has a major holding (amount above the threshold of 10 %, net of eligible short positions) (negative amount)	-	36 (1) i, 43, 45, 47, 48 (1) b, 49 (1) à (3), 79, 470, 472 (11)	-
20	All empty in the EU			

		Amount at the date of publication	Reference of the article of regulation EU n° 575/2013	Amount subject to pre-settlement treatment (EU) n° 575/2013 or residual amount pursuant to regulation (EU) n° 575/2013
20a	Amount of exposure to the following elements that receive a weighting of 1 250 %, when the establishment has opted for the deduction	-	36 (1) k	
20b	*of which: qualified holdings outside the financial sector (negative amount)*	-	*36 (1) k (i), 89 à 91*	
20c	*of which: securitisation positions (negative amount)*	-	*36 (1) k (ii), 243 (1) b, 244 (1) b, 258*	
20d	*of which: positions of free delivery (negative amount)*	-	*36 (1) k (iii), 379 (3)*	
21	Deferred tax assets resulting from time differences (amount above the threshold of 10 %, net of associated tax liabilities when the conditions stated in art. 38, paragraph 3, are met) (negative amount)	-	36 (1) c, 38, 48 (1) a, 470, 472 (5)	-
22	Amount above the threshold of 15 % (negative amount)	-	48 (1)	-
23	*of which: direct and indirect holdings by the establishment of CET1 instruments in entities in the financial sector in which it has a major investment*	-	*36 (1) (i), 48 (1) b, 470, 472 (11)*	-
24	All empty in the EU			
25	*of which: deferred tax assets resulting from time differences*	-	*36 (1) c, 38, 48 (1) a, 470, 472 (5)*	-
25a	Negative results from the current period (negative amount)	-	36 (1) a, 472 (3)	
25b	Foreseeable tax charges relative to CET1 elements (negative amount)		36 (1) (i)	
26	Regulatory adjustments applied to category 1 basic equity capital in view of the amounts subject to a pre-CRR treatment	7 694		
26a	Regulatory adjustments to gains and losses not realised pursuant to articles 467 and 468	-65 064		
	of which: filter for loss not realised on equity capital instruments	-	*467*	
	of which: filter for loss not realised on debt instruments	-	*467*	
	of which: filter for gain not realised on equity capital instruments	*-140 354*	*468*	
	of which: filter for gain not realised on debt instruments	*22 306*	*468*	
26b	Amount to deduct or add from/to category 1 basic equity capital with regard to the additional filters and deductions provided for under pre-CRR provisions	-	481	
27	Deductions of eligible AT1 exceeding the establishment's AT1 equity capital (negative amount)	-	36 (1) (i)	
28	Total regulatory adjustments to category 1 basic equity capital (CET1)	-346 378		
29	Category 1 basic equity capital (CET1)	2 479 631		
	ADDITIONAL CATEGORY 1 BASIC EQUITY CAPITAL (AT1): instruments			
30	Equity capital instruments and related issue premium accounts	-	51, 52	
31	*of which: classified as equity capital pursuant to the applicable accounting frame of reference*			
32	*of which: classified as liabilities pursuant to the applicable accounting frame of reference*	-		
33	Amount of the eligible elements stated in art. 484, paragraph 4, and related issue premium accounts that will be gradually excluded from AT1	79 008	486 (3)	
34	Eligible category 1 equity capital included in AT1 consolidated equity capital (including minority interests not included in line 5) issued by subsidiaries and held by third parties	8	85, 86, 480	8
35	*of which: instruments issued by subsidiaries that will be gradually excluded*		*486 (3)*	
36	Additional category 1 basic equity capital (AT1) before regulatory adjustments	79 016		
	ADDITIONAL CATEGORY 1 EQUITY CAPITAL (AT1): regulatory adjustments			
37	Direct and indirect holdings by an establishment of its own AT1 instruments (negative amount)	-	52(1) b, 56 a, 57, 475 (2)	-

Amounts in thousands of euros

		Amount at the date of publication	Reference of the article of regulation EU n° 575/2013	Amount subject to pre-settlement treatment (EU) n° 575/2013 or residual amount pursuant to regulation (EU) n° 575/2013
38	Direct or indirect or synthetic holdings of AT1 instruments AT1 of entities in the financial sector when there is a cross-holding with the establishment, aimed at artificially increasing the establishment's equity capital (negative amount)	-	56 b, 58, 475 (3)	-
39	Direct or indirect or synthetic holdings of AT1 instruments AT1 of entities in the financial sector in which the establishment does not have a major investment (amount above the threshold of 10 %, net of eligible short positions) (negative amount)	-	56 c, 59, 60, 79, 475 (4)	-
40	Direct or indirect or synthetic holdings of AT1 instruments AT1 of entities in the financial sector in which the establishment has a major investment (amount above the threshold of 10 %, net of eligible short positions) (negative amount)	-	56 (d), 59, 79, 475 (4)	-
41	Regulatory adjustments applied to additional category 1 equity capital that is the subject of pre-CRR treatment and transitional treatments and which will gradually be excluded pursuant to the provisions of regulation (EU) n° 575/2013 (residual CRR amounts)	-		
41a	Residual amounts deducted from additional category 1 equity capital with regard to the deduction of category 1 basic equity capital during the transition period in line with art. 472 of regulation (EU) n° 575/2013	-	472, 472 (3) a, 472 (4), 472 (6), 472 (8) a, 472 (9), 472 (10) a, 472 (11) a	
41b	Residual amounts deducted from additional category 1 equity capital with regard to the deduction of category 2 equity capital during the transition period in line with art. 475 of regulation (EU) n° 575/2013	-	477, 477 (3), 477 (4) a	
41c	Amount to deduct or add to additional category 1 equity capital with regard to the additional filters and deductions provided for by the pre-CRR provisions	-	467, 468, 481	
42	Deductions of eligible T2 exceeding the establishment's T2 equity capital (negative amount)	-	56 e	
43	Total regulatory adjustments to additional category 1 equity capital (AT1)	-		
44	Additional category 1 equity capital (AT1)	79 016		
45	Category 1 equity capital (T1 = CET1 + AT1)	2 558 647		
	CATEGORY 2 EQUITY CAPITAL (T2): instruments and provisions			
46	Equity capital instruments and related issue premium accounts	714 272	62, 63	
47	Amount of the eligible elements dealt with in art. 484, paragraph 5, related issue premium accounts that will gradually be excluded from T2	-	486 (4)	
48	Eligible equity capital instruments included in the T2 consolidated equity capital (including minority interests and AT1 instruments not included in line 5) issued by subsidiaries and held by third parties	15	87,88, 480	2
49	*of which: instruments issued by subsidiaries that will gradually be excluded*		*486 (4)*	
50	Adjustments for credit risk	31 255	62 c et d	
51	Category equity capital (T2) before regulatory adjustments	745 542		
	CATEGORY 2 EQUITY CAPITAL (T2): instruments and provisions			
52	Direct or indirect holdings held by an establishment of its own instruments and T2 subordinated loans (negative amount)	-	63 b (i), 66 a, 67, 477 (2)	-
53	Direct or indirect holdings of instruments and T2 subordinated loans of entities in the financial sector when there is a cross-holding with the established aimed at artificially increasing the establishment's equity capital (negative amount)	-	66 b, 68, 477 (3)	-
54	Direct or indirect holdings of instruments and T2 subordinated loans of entities in the financial sector in which the establishment does not have a major investment (amount above the threshold of 10 %, net of eligible short positions) (negative amount)	-	66 c, 69, 70, 79, 477 (4)	-
54a	*of which new holdings not subject to transitional provisions*	-		-
54b	*of which holdings existing before 1st 2013 subject to transitional provisions*	-		-

		Amount at the date of publication	Reference of the article of regulation EU n° 575/2013	Amount subject to pre-settlement treatment (EU) n° 575/2013 or residual amount pursuant to regulation (EU) n° 575/2013
55	Direct holdings of instruments and T2 subordinated loans of entities in the financial sector in which the establishment holds a major investment (net of eligible short positions) (negative amount)	-	66 d, 69, 79, 477 (4)	-
56	Regulatory adjustments applied to category 2 equity capital regarding amounts subject to pre-CRR treatment and transitional treatments that will gradually be excluded pursuant to the provisions of regulation (EU) n° 575/2013 (residual CRR amounts)	32 175		
56a	Residual amounts deducted from category 2 equity capital with regard to the deduction of category 1 basic equity capital during the transition period pursuant to art. 472 of regulation (EU) n° 575/2013	-	472, 472 (3) a, 472 (4), 472 (6), 472 (8) a, 472 (9), 472 (10) a, 472 (11) a	
56b	Residual amounts deducted from category 2 equity capital with regard to the deduction of additional category 1 equity capital during the transition period pursuant to art. 475 of regulation (EU) n° 575/2013	-	475, 475 (2) a, 475 (3), 475 (4) a	
56c	Amount to deduct or add to category 2 equity capital with regard to the additional filters and deductions provided for by the pre-CRR provisions	32 175	467, 468, 481	
Add	*of which: subsidies received by financial lease companies*	*3 216*	*481*	
Add	*of which: latent gains on equity capital instruments carried forward to additional equity capital*	*28 959*	*481*	
Add	*of which: retreatment on holding of equity capital instrument*	-	*481*	
57	Total regulatory adjustments to category 2 equity capital (T2)	32 175		
58	Category 2 equity capital (T2)	777 716		
59	Total des equity capital (TC = T1 + T2)	3 336 363		
59a	Weighted assets regarding amounts subject to pre-CRR treatment and transitional treatments that will gradually be excluded pursuant to the provisions of regulation (EU) n° 575/2013	-		
	of which elements not deducted from CET1 (regulation (EU) n° 575/2013, residual amounts) (elements to be detailed line by line, for example deferred tax assets depending on future profits net of associated tax liabilities, indirect holding of own CET1, etc.)	-	*472 (8) b*	
	of which elements not deducted from AT1 (regulation n° 575/2013, residual amounts) (elements to be detailed line by line, for example cross-holdings of AT1 capital equity instruments, direct holdings of investments that are not significant in the capital of other entities in the financial sector, etc.)	-	*475, 475 (2) b, 475 (2) c, 475 (4) b*	
	of which elements not deducted from T2 (regulation (EU) n° 575/2013, residual amounts) (elements to be detailed line by line, for example indirect holdings of T2 own instruments T2, indirect holdings of investments that are not significant in the capital of other entities in the financial sector, etc.)	-	*477, 477 (2) b, 477 (2) c, 477 (4) b*	
60	Total weighted assets	16 385 050		

Amounts in thousands of euros

		Amount at the date of publication	Reference of the article of regulation EU n° 575/2013	Amount subject to pre-settlement treatment (EU) n° 575/2013 or residual amount pursuant to regulation (EU) n° 575/2013
	EQUITY CAPITAL RATIOS AND BUFFERS			
61	Category 1 basic equity capital (as a percentage of the total amount exposed to risk)	15.13 %	92 (2) a, 465	
62	Category 1 equity capital (as a percentage of the total amount exposed to risk)	15.62 %	92 (2) b, 465	
63	Total equity capital (as a percentage of the total amount exposed to risk)	20.36 %	92 (2) c	
64	Buffer requirement specific to the establishment (CET1 requirement pursuant to art. 92, paragraph 1, point a), plus buffer requirements for retaining equity capital and counter-cycle requirements, plus buffer for the systemic risk, plus buffer for establishment of systemic importance, expressed as a percentage of the amount exposed to risk	0.625 %	CRD 128, 129, 130	
65	*of which: buffer requirement for retaining equity capital*	*0.625 %*		
66	*of which: counter-cycle buffer*	*0.000 %*		
67	*of which: buffer requirement for systemic risk*	-		
67a	*of which: buffer for establishment of global systemic importance (EISm) or for other establishment of systemic importance (other EIS)*	-	*CRD 131*	
68	Category 1 basic equity capital available to meet the buffer requirements (as a percentage of the amount exposed to risk)	6.38 %	CRD 128	
69	[Does not apply in EU regulations]			
70	[Does not apply in EU regulations]			
71	[Does not apply in EU regulations]			
	AMOUNTS LOWER THAN THE THRESHOLD FOR DEDUCTION (BEFORE WEIGHTING)			
72	Direct or indirect holdings of equity capital of entities in the financial sector in which the establishment does not hold a major investment (amount below the threshold of 10 %, net of eligible short positions)	183 664	36 (1) h, 45, 46, 472 (10), 56 c, 59, 60, 475 (4), 66 c, 69, 70, 477 (4)	
73	Direct or indirect holdings of equity capital of entities in the financial sector in which the establishment holds a major investment (amount below the threshold of 10 %, net of eligible short positions)	160 622	36 (1) (i), 45, 48, 470, 472 (11)	
74	All empty in the EU			
75	Deferred tax assets resulting from time differences (amount below the threshold of 10 %, net of associated tax liabilities when the terms of art. 38 paragraph 3, are met)	34 012	36 (1) c, 38, 48, 470, 472 (5)	
	CEILINGS APPLICABLE WHEN INCLUDING PROVISIONS IN CATEGORY 2 EQUITY CAPITAL			
76	Adjustments for credit risk included in T2 with regard to exposures that fall within the standard approach (before application of the ceiling)	13 047	62	
77	Ceiling for the inclusion of adjustments for credit risk in T2 according to the standard approach	55 950	62	
78	Adjustments for credit risk included in T2 with regard to exposures that fall within the approach based on internal ratings (before application of the ceiling)	31 509	62	
79	Ceiling for the inclusion of adjustments for credit risk in T2 according to the approach based on internal ratings	18 208	62	
	EQUITY CAPITAL INSTRUMENTS SUBJECT TO GRADUAL EXCLUSION (applicable between 1st January 2014 and 1st January 2022 only)			
80	Ceiling currently applicable to CET1 instruments subject to gradual exclusion	448 658	484 (3), 486 (2) et (5)	
81	Amount excluded from CET1 on account of the ceiling (ceiling exceeded after reimbursement and maturities)	-	484 (3), 486 (2) et (5)	
82	Ceiling currently applicable to AT1 instruments subject to gradual exclusion	79 008	484 (4), 486 (3) et (5)	
83	Amount excluded from AT1 on account of the ceiling (ceiling exceeded after reimbursement and maturities)	-52 672	484 (4), 486 (3) et (5)	
84	Ceiling currently applicable to T2 instruments subject to gradual exclusion	-	484 (5), 486 (4) et (5)	
85	Amount excluded from T2 on account of the ceiling (ceiling exceeded after reimbursement and maturities)	-	484 (5), 486 (4) et (5)	

ADDITIONAL REGULATION OF FINANCIAL CONGLOMERATES

CNCM is one of the financial conglomerates regulated by France's ACPR regulatory body. It's business as a conglomerate is conducted through the insurance subsidiaries of regional groups, including NEA, a subsidiary of CMNE Group.
This subsidiary markets a wide range of life insurance, personal insurance, property insurance and liability insurance, to a very large extent via CMNE Group's banking networks.
In this context, the entities in the insurance sector are consolidated using the global integration method, while the prudential consolidation equity method is used to calculate the additional requirement.
Notwithstanding articles 36 and 43 of the CRR regulations and in line with the provision of article 49 of the same regulations, the Secretary-General of GACPR has authorised the Crédit Mutuel group not to deduct from its category 1 basic equity capital the holdings in equity capital instruments in entities in the insurance sector and to adopt the "Average Weighted Value" method, which consists of weighting the securities held in the Group's insurance companies to the solvency ratio denominator.
In accordance with the decree of 3rd November 2014, CMNE Group is subject to regulation regarding the adequacy of equity capital.

This additional regulation is broken down into three sections:
- Calculation of the additional requirement regarding the adequacy of equity capital;
- Audit of the concentration of risks by sector;
- Audit of the concentration of risks by beneficiary.

Section one relative to the additional requirement regarding the adequacy of equity capital makes it possible to verify the hedging annually by regulatory equity capital, including the regulatory adjustments and transitional provisions stated in the CRR regulations of the solvency requirements relative to the Group.

Section relative to the audit of the concentration of risks by sector makes it possible to report information for the banking sector and for the insurance sector of:
- Overall outstanding funds held in shares;
- Overall outstanding funds held in property investments;
- Holdings and subordinated debts on credit establishments and financial institutions.

The final section relative to the audit of the concentration of risks by beneficiary on a consolidated basis consists of declaring the gross risks (combined on the same beneficiary) greater than 10 % of consolidated equity capital, or 300 million euros.
The banking and insurance sectors are distinct for each beneficiary.

SOLVENCY RATIOS

The solvency ratios of Crédit Mutuel Nord Europe Group at 31st December 2016, after integration of the net result from the distribution of estimated dividends, amounted to:

In millions of euros

	31/12/16	31/12/15
Category 1 basic equity capital (CET1)	2 480	2 259
Additional capital 1 equity capital (AT1)	79	92
Capital 2 equity capital	778	479
TOTAL EQUITY CAPITAL	**3 336**	**2 831**
Weighted use for credit risk	14 488	14 027
Weighted use for market risk	677	773
Weighted use for operating risk	1 221	1 189
TOTAL WEIGHTED USE	**16 385**	**15 988**
CET ratio 1	15.13 %	14.13 %
T1 ratio	15.62 %	14.71 %
SOLVENCY RATIO	**20.36 %**	**17.70 %**

In the context of CRR, the overall requirement for equity capital was maintained at 8 % of risk-weighted assets (RWA).
On a sub-consolidated basis, CFCMNE complies with the ratio of category 1 basic equity capital (CET1) of 8.75 %, as required by the ECB.

CAPITAL ADEQUACY

Pillar 2 of the Basle accord requires banks to conduct their own assessment of economic capital and to use stress scenarios to assess their equity capital requirements in the event of a downturn in the economic situation. The effect of this pillar is to a structure dialogue between the Bank and the Prudential Supervisory and Resolution Authority in terms of the establishment's capital adequacy.

The work conducted by Crédit Mutuel Nord Europe Group to comply with the requirements of Pillar 2 is part of the process used to improve the mechanism for measuring and monitoring risks. Crédit Mutuel Nord Europe Group analyses its mechanism for assessing internal capital as part of the Internal Capital Adequacy Assessment Process (ICAAP). The methods for measuring economic need have been made more extensive in line with the drafting of management and audit procedures aimed at supporting the risk policy. In parallel, various stress scenarios have been developed and are used to enhance the processes of assessing economic capital and its forecasts within Crédit Mutuel Nord Europe Group.

This process is conducted in particular in terms of credit risk, sector concentration, unit concentration, sovereign risks, rate risks, market risks, operating risks and reputation risk, as well as risks regarding the insurance business.

The difference between the economic capital and the regulatory capital (plus the counter-cycle buffer from 01/01/16) constitutes the margin enabling the bank's level of capital to be secured. This margin depends on Crédit Mutuel Nord Europe Group's risk profile and the level of its aversion to risk.

In millions of euros

AMOUNT OF EQUITY CAPITAL REQUIREMENTS FOR CREDIT RISK	1 159.03
Standard approach	**358.08**
Central government or central banks	7.05
Regional or local government	0.78
Public sector entities	0.02
Establishments	34.26
Businesses	29.18
Retail customers	201.82
Exposure guaranteed by a mortgage on a property	44.33
Exposure to default	26.58
Exposure in the form of CIU units or shares	3.35
Expositions in the form of shares	0.87
Other elements	9.85
Internal ratings approach	**800.95**
Establishments	50.81
Businesses	109.59
Retail customers	92.34
• Small and medium-sized entities	20.87
• Exposure guaranteed by a property surety	50.87
• Renewable exposures	5.30
• Other	15.31
Shares	514.03
• Investment capital (weighting 190 %)	2.14
• Major holdings in the financial sector (weighting 250 %)	31.76
• Listed shares (weighting 290 %)	24.46
• Other shares (weighting 370 %)	455.68
Securitisation positions	6.36
Assets other than credit obligations	27.81
Default risk of a CCP	**0.00**

EQUITY CAPITAL REQUIREMENTS FOR MARKET RISKS	35.75
Position risk	35.75

EQUITY CAPITAL REQUIREMENTS FOR OPERATING RISKS	97.65
Internal ratings approach (AMA)	61.73
Standard approach	34.13
Basic approach	1.78

EQUITY CAPITAL REQUIREMENTS FOR CVA	18.38

EQUITY CAPITAL REQUIREMENTS FOR MAJOR RISKS	0.00

TOTAL EQUITY CAPITAL REQUIREMENTS	1 310.80

PROCEDURES FOR MANAGING EXCESSIVE LEVERAGE RISK

The procedures for managing the excessive leverage risk have been approved by the CNCM Board of Directors and are based around the following points:

- The leverage ratio is part of the key solvency indicators and monitoring the ratio is part of the tasks dealt with by the confederal risk committees and regional groups;
- An internal limit has been defined nationally for each Crédit Mutuel group;
- In the event of the limit approved by the monitoring committee being exceeded, the specific procedure involving general management of the group concerned as well as the boards of directors of the group and CNCM has been defined and applies to all Crédit Mutuel groups.

Reconciliation between the consolidated accounting assets and exposure included in the leverage ratio

In millions of euros

	Exposure at 31/12/16	
1	**Consolidated assets, as published in the financial statements**	**41 823**
2	**Adjustments on entities consolidated for accounting purposes,** but outside the prudential scope	**-15 203**
4	Adjustments on derivatives	49
5	Adjustments on temporary disposals of securities (SFTs)	15
6	Adjustments on non-balance sheet items (conversion into credit equivalents of non-balance sheet items)	1 265
EU-6a	(Adjustments on intragroup exposures excluded from the leverage ratio calculation, in line with article 429.7 of CRR)	-
EU-6b	(Adjustments on les expositions exposures excluded from the leverage ratio calculation, in line with article 429.14 of CRR) – CDC debt	-
7	Other adjustments	-181
8	**TOTAL EXPOSURE OF THE LEVERAGE RATIO**	**27 767**

Presentation of the main components of the leverage ratio

In millions of euros

	Balance sheet (excluding derivatives and temporary disposal of securities)	Exposure at 31/12/16
1	Balance sheet items (excluding derivatives and temporary disposal of securities, fiduciary assets, but including collaterals)	26 039
2	(Assets deducted to determine Tier 1)	-64
3	Total balance sheet exposures (excluding derivatives, temporary disposal of securities and fiduciary assets) – sum of lines 1 and 2	25 974
Derivatives		
4	Cost of replacement associated with all derivatives (i.e. net of eligible margin calls received)	184
5	Add-on for potential future exposure associated with derivatives (market price valuation method)	255
7	(Deductions of margin calls in cash paid in the context of derivative product transactions)	-195
9	Adjusted effective notional amount from credit derivatives sold	-
10	(Set-off for adjusted effective notional amount and deductions from the add-on for credit derivatives sold)	-
11	Total exposure of credit derivatives sold – total of lines 4 to 10	244

	Balance sheet (excluding derivatives and temporary disposal of securities)	Exposure at 31/12/16
Exposure on temporary disposals of securities		
12	Gross assets corresponding to temporary disposals of securities (without set-off), after adjustment of transactions recorded in the accounts as sales	269
14	Exposure to counterparty credit risk for assets linked to temporary disposals of securities	15
16	Total exposures on temporary disposals of securities – total of lines 12 to 15a	283
Other off-balance sheet exposure		
17	Off-balance sheet exposure in gross notional amounts	2 843
18	(Adjustments to equivalent credit risk amounts)	-1 578
19	Other off-balance sheet exposure – total of lines 17 to 18	1 265
Exposure exempt pursuant to article 429.7 and 429.14 of CRR (balance sheet and off-balance sheet)		
EU-19a	(Exemption for intragroup exposure (individual basis) in line with article 429.7 of CRR (balance sheet and off-balance sheet))	0
EU-19b	(Exemption for exposure pursuant to article 429.14 of CRR (balance sheet and off-balance sheet))	0
Equity capital and total exposure		
20	Tier 1	2 559
21	Total exposure – total of lines 3, 11, 16, 19, EU-19a and EU-19b	27 767
Leverage ratio		
22	Leverage ratio	9.21 %
Choice of transitional provisions and amounts of fiduciary items taken off the balance sheet		
EU-23	Choice of transitional provisions to define the measurement of equity capital	Yes

Breakdown of exposure taken into account for the leverage ratio

In millions of euros

		Exposure at 31/12/16
EU-1	**Total balance sheet exposure*, of which:**	**25 844**
EU-2	• Trading book exposure	198
EU-3	• Banking book exposure, of which:	25 645
EU-4	– Secured obligations	16
EU-5	– Exposure treated in the same way as sovereigns	3 448
EU-6	– Exposure on regional governments, multilateral development banks, international organisations and public sector entities not treated as sovereigns	48
EU-7	– Establishments	3 174
EU-8	– Sureties by a mortgage on real estate assets	7 747
EU-9	– Retail exposure	6 231
EU-10	– Corporate exposure	2 050
EU-11	– Default exposure	583
EU-12	– Other exposure (shares, securitisations and other assets not linked to credit exposure)	2 349

* excluding derivatives, temporary disposals of securities and exempt exposure.

Change in the ratio between 2016 and 2015

At 31st December 2016, the leverage ratio calculated according to delegated Regulation (EU) n°2015-62 published in JOUE 17th January 2015 was 9.21 % compared with 8.53 % at 31st December 2015 (base Tier 1 equity capital transitional definition). It changed positively by 68 bps, with Tier 1 equity capital growing by 207 million euros or +8.8 % (due in particular to the 2016 result being placed in reserve). In parallel, there was a moderate increase in exposure of +0.77 % (+212 million euros).

EQUITY CAPITAL BUFFERS (ART. 440 OF CRR)

In addition to the minimum CET1 requirement, the Crédit Mutuel Group gradually undertook, from 1st January 2016, addition equity capital obligations, as follows:

- A protective buffer, mandatory for all establishments: of 0.625 % at 31/12/16 and 2.5 % target weighted risks (2019);
- An O-SII buffer (O-SII = Other Systemically Important Institution) associated with the designation of the Group as an establishment considered at systemic risk on a national scale. This applies only on a national consolidated level. Set by the Secretary-General of the ACPR at between 0 and 2 %, this is aimed at reducing the risk of bankruptcy for major establishments by strengthening their equity capital requirements. For Crédit Mutuel Group, the buffer level was 0.125 % at 31/12/16 and 0.5 % as a target (2019);
- A counter-cycle equity capital buffer specific to each establishment (capped at 0.625 % in 2016), and which this year was not significant for Crédit Mutuel Group. The counter-cycle buffer, implemented in the event of excessive growth in lending (particular any deviation in the lending/GBI ratio), is imposed by a discretionary decision taken by an authority designated by a jurisdiction on all exposure that establishments have in this jurisdiction. In France, the level of counter-cycle buffer is set by the High Council of Financial Stability (HCSF). In principle, this level is situated in a bracket of 0 a 2.5 % (sometimes beyond that, under certain conditions). On 30/12/16, the HCSF set the level applicable in France at 0 %. It has known a rate of 1.5 % for Norway and Sweden. The counter-cycle equity capital buffer level specific to CM Group is calculated as being the weighted average of the counter-cycle buffer rates that apply in the countries where the Group has significant lending exposure.

Amount of the counter-cycle equity capital buffer specific to the establishment

In millions of euros

Total weighted usage	16 385
Counter-cycle equity capital buffer level specific to the establishment	0.00000001
Counter-cycle buffer requirements specific to the establishment	0

Geographical breakdown of significant lending exposure used for calculating the counter-cycle equity capital buffer

In millions of euros

Countries for which an equity capital buffer greater than 0% has been recognised by the HCSF	Overall lending exposure		Exposure of the negotiating portfolio		Securitisation exposure		Equity capital requirements				Weighting of equity capital requirements	Level of counter-cycle equity capital buffer
	Value exposed to risk for the standard approach	Value exposed to risk for the NI approach	Total long and short positions of the negotiating portfolio	Value of exposure of the negotiating portfolio for internal models	Value exposed to risk for the standard approach	Value exposed to risk for the NI approach	Of which: overall lending exposure	Of which: exposure of the negotiating portfolio	Of which: securitisation exposure	Total		
NORWAY	0	0	0	0	0	0	0	0	0	0	0	1.50 %
SWEDEN	0	0	0	0	0	0	0	0	0	0	0	1.50 %
TOTAL EXPOSURE AND OF EFP	**5 629**	**14 448**	**0**	**0**	**0**	**0**	**1 050**	**0**	**0**	**1 050**		

CREDIT AND CONCENTRATION RISK

EXPOSURE BY CATEGORY

Historically, Crédit Mutuel has placed the priority on developing a shareholder base of private individuals. The composition of the CMNE Group portfolio demonstrates these fundamentals, with a retail customer share of 57 % at 31/12/16.

In millions of euros

Exposure	31/12/16			31/12/15		
	IRB	Standard	Total	IRB	Standard	Total
Central government and central banks	0	3 449	3 449	0	3 206	3 206
Establishments	2 735	1 273	4 008	3 326	1 348	4 674
Businesses	2 424	475	2 899	2 450	626	3 076
Retail customers	11 040	5 867	16 907	10 844	5 626	16 470
Shares	1 818	53	1 870	1 611	50	1 662
Securitisation	11	0	11	11	38	49
Other assets not corresponding to credit obligations	348	143	491	470	123	593
OVERALL TOTAL	**18 376**	**11 259**	**29 635**	**18 712**	**11 017**	**29 729**

Source: Credit Risk Calculator – Consolidated CMNE scope – All listings – Balance Sheet and Off-Balance Sheet

Crédit Mutuel Group focuses on the advanced forms of the Basle accord, starting with retail customers, its core business.

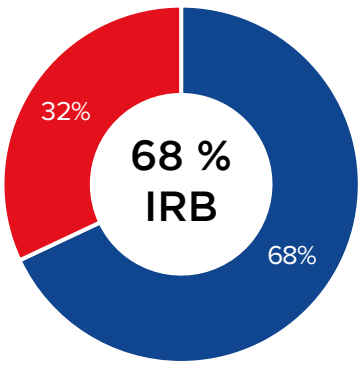
The Prudential Supervisory and Resolution Authority has authorised Crédit Mutuel group to use its internal ratings system to calculate its requirements for regulatory equity capital on credit risk:

- Advanced method, from 30/06/08, for the Retail Customer portfolio;
- Foundation method, from 31/12/08, for the Banking portfolio;
- Advanced method, from 31/12/12, for the Corporate portfolio and the Banking portfolio.

The percentage of exposure ratified using the advanced internal ratings method for regulatory "Establishments", "Businesses" and "Retail customers" portfolios was 68 % at 31/12/16.

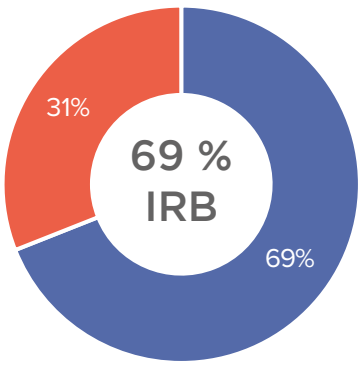
The regulatory equity capital requirements of the "Central government and central banks" portfolios are valued on a long-term basis using the standard method in agreement with the Secretary-General of the accord of the ACPR. Foreign subsidiaries were treated at 31/12/16 using the standard method.

Share of Gross Exposure at 31/12/16



IRB Standard Approach

Share of Gross Exposure at 31/12/15



IRB Standard Approach

Measurement on the scope for the categories "Establishments", "Business" and "Retail customers".

EXPOSURE BY GEOGRAPHICAL ZONE

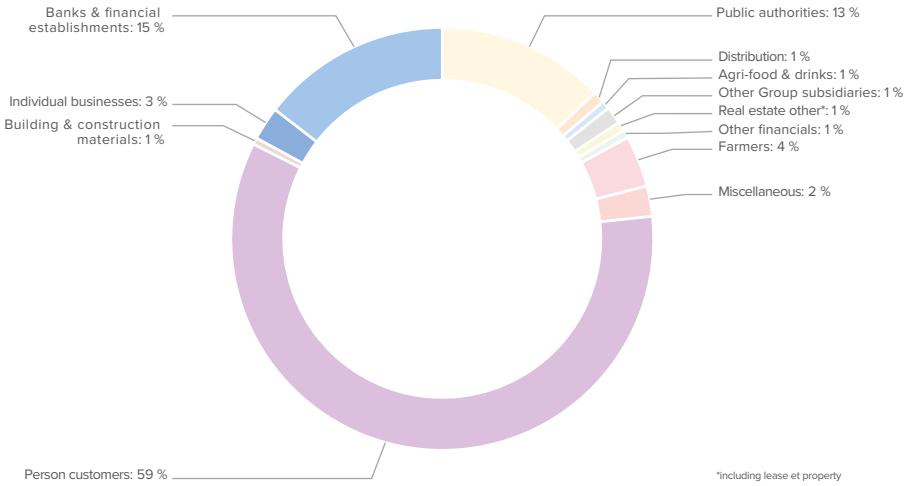
Breakdown by percentage of gross exposure at 31/12/16		Central government and central banks	Establishments	Businesses	Retail customers	Total
Europe	France	9.8 %	9.5 %	10.2 %	40.7 %	70.2 %
	Germany	0.0 %	0.3 %	0.0 %	0.0 %	0.3 %
	Belgium	2.8 %	0.4 %	0.4 %	21.1 %	24.8 %
	Spain	0.0 %	0.1 %	0.0 %	0.0 %	0.1 %
	Luxembourg	0.0 %	0.2 %	0.1 %	0.1 %	0.3 %
	Netherland	0.0 %	0.9 %	0.0 %	0.0 %	1.0 %
	United Kingdom	0.0 %	1.8 %	0.0 %	0.0 %	1.9 %
	Switzerland	0.0 %	0.3 %	0.0 %	0.0 %	0.3 %
	Rest of Europe	0.0 %	0.7 %	0.0 %	0.0 %	0.8 %
TOTAL		**12.6 %**	**14.3 %**	**10.6 %**	**62.0 %**	**99.6 %**
Outside Europe	United States	0.0 %	0.4 %	0.0 %	0.0 %	0.4 %
	Canada	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
	Rest of the World	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
TOTAL		**0.0 %**	**0.4 %**	**0.0 %**	**0.0 %**	**0.4 %**
TOTAL		**12.6 %**	**14.7 %**	**10.6 %**	**62.0 %**	**100.0 %**

Crédit Mutuel Nord Europe Group is an essentially French and Belgian operator, in line with its geographical territory for business. The geographical breakdown of gross exposure at 31/12/16 reflects this, with 99.3 % of commitments within the European Economic Area.

EXPOSURE BY SECTOR

The breakdown by sector of business is carried out on the scope for government departments and central banks, banks and financial establishments, businesses and retail customers.

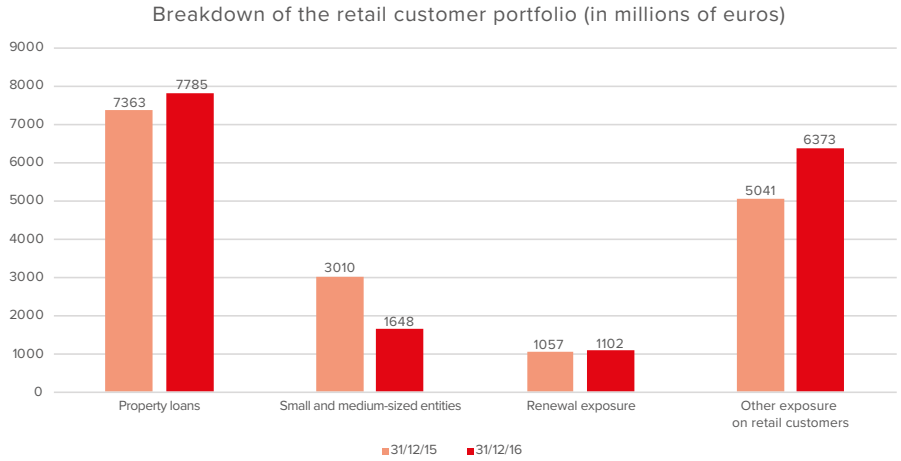
Gross exposure at 31/12/16



CMNE Group focuses mainly on retail customers. The breakdown of outstanding funds by sector of business shows a preponderance of private customers, who constitute 59.3 % of the overall portfolio (excluding categories E, F, G and H), making a gross exposure of 16 162 million euros out of the 27 263 million euros.

BREAKDOWN OF RETAIL CUSTOMER PORTFOLIO

Outstanding funds on retail customers was 16 907 million euros at 31/12/16, compared with 16 470 million euros at 31/12/15. The breakdown of this portfolio by regulatory sub-category is illustrated in the graphic below.



BREAKDOWN BY RESIDUAL MATURITY

In millions of euros

Category of gross exposure	< 1 month	1 month < D < 3 months	3 months < D < 1 year	1 year < D < 2 years	2 years < D < 5 years	D > 5 years	Open ended	Total at 31/12/16
Balance sheet								
Central government and banks	715	44	92	41	69	1 625	864	3 448
Establishments	168	157	269	334	509	328	1 472	3 237
Businesses	262	99	178	155	403	627	638	2 362
Retail customers	359	240	880	1 030	2 321	4 538	5 314	14 683
TOTAL BALANCE SHEET	**1 504**	**540**	**1 419**	**1 561**	**3 301**	**7 117**	**8 289**	**23 731**
Off-balance sheet								
Central government and banks	0	0	0	0	0	0	0	0
Establishments	0	0	2	0	0	0	82	84
Businesses	4	10	74	63	23	20	342	537
Retail customers	697	50	66	142	30	270	968	2 223
TOTAL OFF-BALANCE SHEET	**701**	**60**	**141**	**206**	**53**	**290**	**1 393**	**2 844**
TOTAL BALANCE SHEET + OFF-BALANCE SHEET	**2 206**	**600**	**1 561**	**1 766**	**3 354**	**7 407**	**9 681**	**26 576**

Excluding pensions and derivatives on Establishments (687 million euros)

ADJUSTMENT FOR CREDIT RISK

The accounting definitions for arrears and reductions in value, the description of the approaches and methods applied to determine the adjustments for general and specific credit risks, as well as the detail of allocations and writebacks over the period are presented in the annexes to the financial statements published in the CMNE Group annual report. Due to the specific situations that impacted Business Finance in particular, the cost of customer risk rose slightly over the period (the trend is stable regarding the parameters used on the internal ratings approach for measuring expected losses).

The tables below break down the outstanding doubtful and litigious debts and the provisions allocated to them at 31/12/16, according to their treatment under Basle. The Group also has in its information systems methods of identifying restructured loans in its portfolios of healthy and default loans, defined according to the principles agreed by the EBA on 23/10/13.

In millions of euros

Breakdown of outstanding funds dealt with using the internal approach at 31/12/16	Gross exposure	EAD	of which EAD in default	Provisions at 31/12/16	Provisions at 31/12/15
Central government and central banks					
Establishments	2 735	2 719	-	-	-
Business	2 424	2 062	37	23	22
Retail customers	11 040	10 205	273	162	164
• Exposure guaranteed by real collateral	6 415	6 333	124	48	50
• Revolving	1 102	573	13	10	9
• SME	1 619	1 527	51	35	36
• Other	1 905	1 771	85	70	69
Shares	1 818	1 818	-	2	2
Securitisation positions	11	11	-	5	5
Assets other than credit obligations	348	348	-	-	-
TOTAL	**18 376**	**17 162**	**310**	**192**	**194**

The provisions stated in this table correspond to the provisions allocated to doubtful debts (individual provisions).
The information regarding collective provisions is stated in the annual report.

In millions of euros

Breakdown of outstanding funds dealt with using the standard approach at 31/12/16	Gross exposure	EAD	of which EAD in default	Provisions at 31/12/16	Provisions at 31/12/15
Central government and central banks	3 449	3 448	-	-	0
Establishments	1 273	1 271	2	1	0
Businesses	475	464	15	4	16
Retail customers	5 867	4 970	261	429	433
Shares	53	53	-	0	-
Securitisation positions			-		0
Assets other than credit obligations	143	143	-	-	-
TOTAL	**11 259**	**10 348**	**277**	**433**	**449**

The provisions stated in this table correspond to the provisions allocated to doubtful debts (individual provisions).
The information regarding collective provisions is stated in the annual report.

DEFAULT EXPOSURE BY GEOGRAPHICAL ZONE

Breakdown and percentage of CDL gross exposure at 31/12/16		Central government and central banks	Establishments	Businesses	Retail customers	Total
Europe	France	0.0 %	0.0 %	5.4 %	28.5 %	33.9 %
	Germany	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
	Belgium	0.0 %	0.2 %	0.0 %	65.6 %	65.8 %
	Spain	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
	Luxembourg	0.0 %	0.0 %	0.0 %	0.1 %	0.1 %
	Netherlands	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
	United Kingdom	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
	Switzerland	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
	Rest of Europe	0.0 %	0.1 %	0.0 %	0.0 %	0.1 %
TOTAL		**0.0 %**	**0.2 %**	**5.4 %**	**94.3 %**	**100.0 %**
Outside Europe	United States	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
	Canada	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
	Rest of the world	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
TOTAL		**0.0 %**	**0.0 %**	**0.0 %**	**0.0 %**	**0.0 %**
TOTAL		**0.0 %**	**0.2 %**	**5.4 %**	**94.4 %**	**100.0 %**

STANDARD APPROACH

EXPOSURE IN STANDARD APPROACH

In millions of euros

	At 31/12/16	
	Gross exposure	EAD
Central government and central banks	3 449	3 448
Establishments	1 273	1 271
Businesses	475	464
Retail customers	5 867	4 970
Shares	53	53
Securitisation positions		
Assets other than credit obligations	143	143
TOTAL	**11 259**	**10 348**

USE OF ECAI (EXTERNAL CREDIT ASSESSMENT INSTITUTIONS)

CMNE Group uses ratings agencies assessments to measure the sovereign risk on exposure linked to central government and central banks. The correspondence table used to combine the levels of credit quality with the external ratings taken into account is the table used by the regulatory texts.

In millions of euros

	Weightings at:					
GROSS EXPOSURE	**0 %**	**20 %**	**50 %**	**100 %**	**150 %**	**Total at 31/12/16**
Central government and central banks	3 447.5	1.1				3 448.6
Local and regional government		49.9			1.6	51.6
VALUES EXPOSED TO RISK BEFORE ATTENUATION	**0 %**	**20 %**	**50 %**	**100 %**	**150 %**	**Total at 31/12/16**
Central government and central banks	3 447.4	1.1				3 448.5
Local and regional government		48.5			1.6	50.1

Exposure to central government and central banks is weighted virtually exclusively at 0 %. The equity capital requirements associated with this portfolio demonstrate a limited sovereign risk for CMNE Group to good-quality counterparties.

RATINGS SYSTEM

DESCRIPTION AND AUDIT OF THE RATINGS SYSTEM

A single ratings system for the whole of Crédit Mutuel Group

The ratings algorithms as well as the expert models have been developed to improve the Group's credit risk assessment and to comply with the regulatory requirements relative to internal ratings approaches.

The definition of the ratings methodologies used is produced under the responsibility of the Confédération Nationale du Crédit Mutuel for all portfolios. Nevertheless, the regional entities are directly involved in the implementation and validation of working group projects on specific topics, as well as on work relating to the quality of data and receipt of applications. In total, the counterparty ratings system used for Crédit Mutuel group is the same for the whole of the Group.

Group counterparties eligible for internal approaches are rated by a single system based on:

- Statistical algorithms or "mass ratings", based on one or more models, taken from a selection of representative and predictive risk variables for the following segments:
  - Private individual,
  - Legal entities Retail,
  - SCI,
  - Individual professional businesspeople,
  - Farmers,
  - Non-profit organisations,
  - Corporates,
  - Business acquisition finance.

- Ratings grids developed by experts for the following segments:
  - Banks and Covered Bonds,
  - Major Accounts,
  - Acquisition finance Major Accounts,
  - Property,
  - Insurance.

The discrimination and proper qualification of the risk are provided by these models (algorithms or grids). The values scale reflects the manner in which the risk progresses and is broken down into twelve positions, nine of which are healthy (A+, A-, B+, B-, C+, C-, D+, D-, E+) and three for defaults (E- for doubtful, E= for compromised doubtful and F for contentious).

One unified default definition in line with Basle and accounting requirements

A unified default definition has been implemented for the whole of Crédit Mutuel Group. Based on the alignment of the prudential with the accounting (CRC 2002-03), this definition is translated by the correspondence between the Basle notion of default debt and the accounting notion of doubtful and contentious debt. IT tools take contagion into account, making it possible to extend the downgrading to related outstanding funds. The audits conducted both by the internal Inspectorate and by the company auditors ensure the reliability of the mechanism used for making an inventory of the defaults used for calculating equity capital requirements.

A formalised monitoring mechanism for the internal ratings system

Monitoring the quality of the internal ratings system is the subject of national procedures that detail the themes explored, the alert thresholds and the responsibilities of the parties taking action. These documents are updated by the risk department of the Confédération Nationale du Crédit Mutuel as required, based on the decisions approved.

The reporting system for monitoring the mass ratings model is based along three main lines. These are the study of stability, performance and various supplementary analyses. This reporting is conducted on each mass ratings model on a quarterly basis and is supplemented by follow-up work and half-yearly audits where the level of detail is greater.

With regard to the expert grids, the mechanism includes a comprehensive annual monitoring process based on conducting performance tests (analysis of rating concentrations, transition and concordance matrices with the external ratings system), supplemented for major accounts and similar by interim monitoring carried out on a half-yearly basis.

The parameters used to calculate the weighted risks are national and apply to all Group entities. The annual monitoring of PD is carried out prior to any new estimate of the regulatory parameters. Depending on the portfolios, this is supplemented by interim monitoring conducted on a half-yearly basis. The monitoring mechanisms for LGD and CCF are annual and their main aim is to validate, at the level of each segment, the values taken by these parameters. Regarding loss in the event of default, this validation is carried out in particular by verifying the robustness of the methods used for calculating prudential margins and confronting the LGD estimators with the latest data and work carried out. For CCF, validation is done by confronting the estimators with the latest CCF observed.

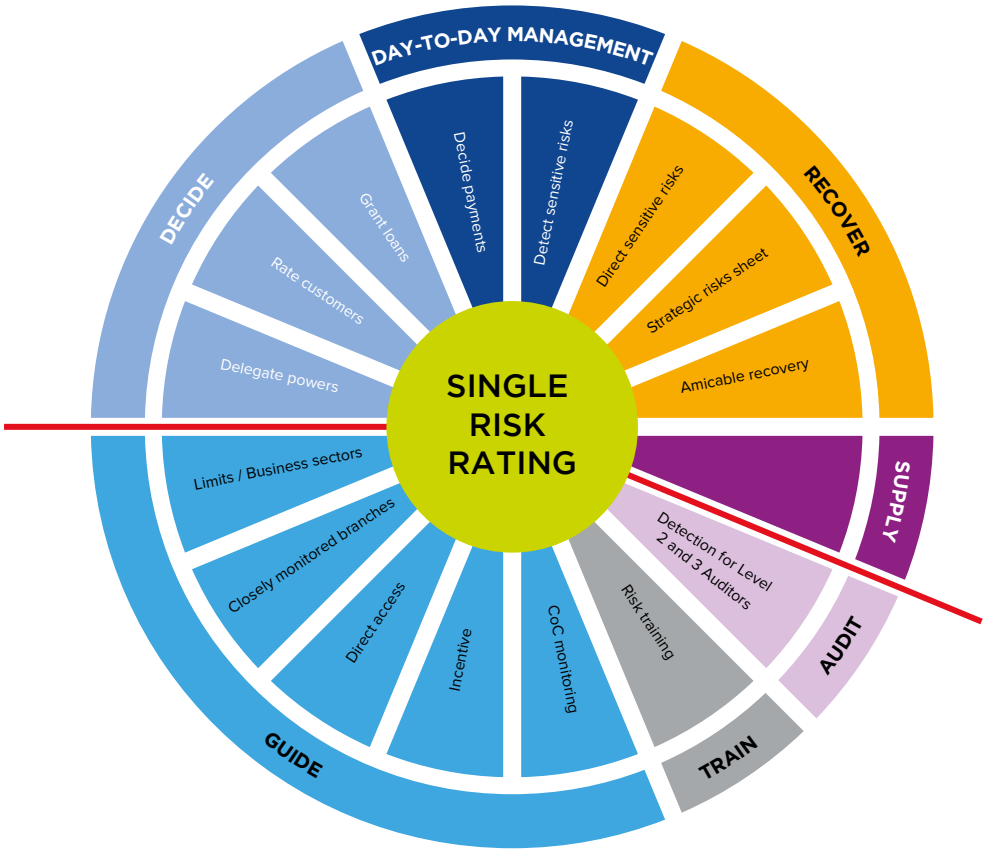
The internal ratings system comes into the scope of ongoing audits and periodic audits

Crédit Mutuel Group's ongoing audit plan relative to the Basle accords is on two levels. On a national scale, the ongoing audit function acts on validating new models and the significant adjustments made to existing models, on the one hand, and on the permanent monitoring of the internal ratings system (and particularly its parameters), on the other. On a regional scale, it verifies the overall appropriateness of the internal audit system, the operating aspects associated with the production and calculation of the ratings, the credit risk management procedures linked to the internal ratings system and the quality of data.

With regard to periodic auditing, Crédit Mutuel's inspection body conducts an annual review of the internal ratings system. A framework procedure defines the typology of the audit assignments to be carried out in ongoing mode on the Basle mechanism, as well as the breakdown of responsibilities between regional and national inspections.

Operational integration of the internal ratings system

The regional groups implement the national Basle mechanism in line with their own procedures (composition of committees, risk management procedures, etc.). In accordance with the regulations, implementation of the Basle mechanism in the various Crédit Mutuel Group entities takes place at all levels of the credit management business, as is shown in the diagram below relative to use of the rating:



Overall consistency of the mechanism is ensured by:

- National governance of the internal ratings system;
- Distribution of national procedures by the Confédération Nationale du Crédit Mutuel;
- Practical exchanges between entities (during plenary meetings or bilateral exchanges between CNCM and groups or between groups);
- Having virtually all entities part of two IT systems structuring the way the Crédit Mutuel group is organised (same logic as the national plan, settings possible on a federal basis);
- National reporting tools;
- Assignments by the ongoing audit and confederal inspection departments.

These tools and assignments are designed to ensure compliance with regulatory requirements and a high level of convergence in the appropriateness practices of the internal ratings system. Methodological directions, the status of the mechanism and the main consequences of reforms are regularly presented to all Federations of Crédit Mutuel, CIC banks and subsidiaries.

SECURITIES EXPOSED TO RISK HANDLED USING THE ADVANCED INTERNAL RATINGS APPROACH BY CATEGORY AND BY INTERNAL RATING (EXCLUDING DEFAULT EXPOSURE)

In the tables below, level 1 represents the best level of credit quality, whereas level 9 corresponds to the least good.

In millions of euros

ESTABLISHMENTS AND BUSINESSES at 31/12/16	Level of credit quality	Gross exposure	of which Off-Balance Sheet	EAD	RWA	RW %	EL
Establishments	1	-	-	-	-		-
	2	1 002	30	999	19	2 %	-
	3	950	52	937	218	23 %	-
	4	502	-	502	201	40 %	-
	5	201	-	201	125	62 %	-
	6	70	-	70	60	85 %	-
	7	10	-	10	12	120 %	-
	8	-	-	-	-		-
	9	-	-	-	-		-
TOTAL		**2 735**	**82**	**2 719**	**635**	**23 %**	**0**
Businesses – Major Accounts	1	-	-	-	-		0
	2	1	-	1	0	18 %	0
	3	49	-	49	13	25 %	0
	4	33	1	32	11	33 %	0
	5	130	6	128	74	58 %	0
	6	96	28	83	74	89 %	0
	7	44	5	42	47	112 %	0
	8	22	1	22	31	144 %	0
	9	5	-	5	11	232 %	0
TOTAL		**380**	**41**	**361**	**259**	**72 %**	**0**
Businesses – Excluding major accounts	1	140	13	131	42	32 %	0
	2	607	70	570	172	30 %	0
	3	180	24	165	95	58 %	1
	4	221	29	204	147	72 %	1
	5	498	296	250	185	74 %	2
	6	192	33	180	148	82 %	2
	7	99	9	96	93	97 %	2
	8	44	4	43	50	117 %	2
	9	25	2	24	32	135 %	2
TOTAL		**2 007**	**480**	**1 664**	**965**	**51 %**	**11**

In millions of euros

RETAIL PERSONAL at 31/12/16	Level of credit quality	Gross exposure	of which Off-Balance Sheet	EAD	RWA	RW %	EL
Exposure guaranteed by a property surety	1	1 260	43	1 236	15	1 %	0
	2	1 537	38	1 515	35	2 %	0
	3	766	15	758	34	4 %	0
	4	613	10	607	45	7 %	0
	5	403	4	401	52	13 %	0
	6	162	2	161	37	23 %	0
	7	156	4	154	52	34 %	1
	8	126	2	125	60	48 %	1
	9	78	0	78	56	73 %	2
TOTAL		**5 102**	**118**	**5 034**	**386**	**8 %**	**5**
Renewable	1	141	121	44	0	1 %	0
	2	332	221	155	3	2 %	0
	3	163	100	84	3	3 %	0
	4	176	98	98	6	7 %	0
	5	100	49	61	8	13 %	0
	6	74	33	47	10	22 %	0
	7	40	16	27	9	34 %	0
	8	28	9	21	11	53 %	0
	9	17	4	14	13	88 %	1
TOTAL		**1 071**	**651**	**551**	**63**	**11 %**	**2**
Other	1	281	59	256	5	2 %	0
	2	522	86	487	19	4 %	0
	3	237	48	218	16	7 %	0
	4	192	39	179	23	13 %	0
	5	125	20	118	24	20 %	0
	6	76	12	73	22	31 %	0
	7	54	28	40	10	26 %	0
	8	39	5	38	14	36 %	1
	9	29	2	29	15	54 %	1
TOTAL		**1 556**	**300**	**1 437**	**149**	**10 %**	**3**

In millions of euros

RETAIL OTHER at 31/12/16	Level of credit quality	Gross exposure	of which Off-Balance Sheet	EAD	RWA	RW %	EL
Exposure guaranteed by a property surety	1	396	9	391	22	6 %	0
	2	334	7	330	36	11 %	0
	3	104	2	103	19	18 %	0
	4	109	2	108	27	25 %	0
	5	76	2	75	25	33 %	0
	6	55	1	55	26	47 %	0
	7	46	0	46	26	57 %	1
	8	30	0	30	21	70 %	1
	9	38	0	38	31	81 %	2
TOTAL		**1 189**	**24**	**1 175**	**232**	**20 %**	**5**
Renewable	1	8	5	4	0	3 %	0
	2	3	2	2	0	8 %	0
	3	1	1	1	0	15 %	0
	4	1	0	1	0	21 %	0
	5	1	1	0	0	28 %	0
	6	1	0	0	0	39 %	0
	7	1	0	0	0	53 %	0
	8	0	0	0	0	75 %	0
	9	0	0	0	0	99 %	0
TOTAL		**17**	**10**	**9**	**1**	**17 %**	**0**
SME	1	482	54	449	32	7 %	0
	2	300	33	280	36	13 %	0
	3	135	12	128	24	19 %	0
	4	172	19	161	36	22 %	1
	5	162	12	155	38	25 %	1
	6	149	11	142	38	27 %	2
	7	90	9	85	24	28 %	2
	8	45	4	43	14	34 %	1
	9	33	3	32	12	39 %	2
TOTAL		**1 568**	**158**	**1 476**	**256**	**17 %**	**10**
Other	1	121	11	114	8	7 %	0
	2	57	3	56	7	12 %	0
	3	31	3	30	5	17 %	0
	4	17	3	15	3	20 %	0
	5	12	1	11	3	23 %	0
	6	9	1	9	2	27 %	0
	7	7	1	6	2	30 %	0
	8	4	0	3	1	38 %	0
	9	6	1	6	3	46 %	0
TOTAL		**263**	**24**	**250**	**33**	**13 %**	**1**

TECHNIQUES FOR REDUCING CREDIT RISK

CLEARING AND COLLATERALISATION OF PENSIONS AND OTC DERIVATIVES

When a framework contract is signed with a counterparty, the signing entity clears the latter's exposure.
With counterparties that are credit establishments and in compliance with the risk management set out under EMIR (European Market and Infrastructure Regulation), CMNE Group declares its OTC derivative contracts to a central point of reference responsible for gathering and writing the details about these contracts.

In relation to this reporting obligation, there is a central clearing obligation in relation to vanilla derivative contracts on interest rates in euros. CMNE has selected LCH CLEARNET GROUP LTD as its clearinghouse, presenting it with any new contract that meets these criteria.

As a result of regular margin calls and a harmonised legal framework aux, the net residual credit risk on OTC derivatives and pensions is significantly reduced.

DESCRIPTION OF THE MAIN CATEGORIES OF SURETIES TAKEN INTO ACCOUNT BY CMNE

CMNE Group uses guarantees in calculating differentiated weighted risks, depending on the type of borrower, the method of calculation used for the exposure hedged and the type of guarantee. CMNE Group draws on the expertise available and work carried out within Crédit Mutuel Group.

For mass customer contracts dealt with using the Advanced IRB method, the guarantees are used as a way of segmenting the loss in the event of default calculated statistically on the whole of the Group's doubtful and disputed debt.

For "Sovereign", "Establishment" contracts in the Basle portfolios and, partly, in the "Corporate" portfolio, personal and financial guarantees are used as techniques for reducing risks, as defined by the regulations.

- Personal guarantees correspond to the commitment made by a third party to act as substitute to the primary debtor should the latter default. By extension, credit derivatives (purchase protection) belong in this category;
- Financial guarantees are defined by the Group as a right by the establishment to liquidate, retain or obtain the transfer or ownership of certain amounts or assets such as deposits of collateral in cash, debt securities, shares or convertible bonds, gold, OPCVM shares, life insurance policies and instruments of all kinds issued by a third party and repayable on demand.

Use of the guarantee is only effective if it complies with the legal and operational criteria provided under the regulations. Operational procedures describe the characteristics of the guarantees used, the conditions for eligibility, the operating method and the resolution of any alerts that may be triggered in the event of non-compliance. Downstream treatments for calculating weighted risks taking account of risk reduction techniques are extensively automated.

The whole of the catalogue of guarantees used by CMNE Group (contracts library) complies with Basle recommendations.
The document database used by CMNE Group is the same as for Crédit Mutuel Group, whose legal services have conducted an analysis of the characteristics of guarantees and the documents that put them into effect.

CMNE Group applies a risk reduction policy when granting loans that is based on the borrower's intrinsic ability to repay, which is the main criterion, as well as on taking adequate guarantees.

Hence, at 31/12/16, 93 % of housing loans granted by network France were covered by just such a guarantee, specifically 85.5 % for level 1 mortgages or housing loan guarantees.

PROCEDURES APPLIED FOR VALUATION AND FOR MANAGING INSTRUMENTS CONSTITUTING PHYSICAL COLLATERAL

The procedures used for valuing guarantees vary according to the nature of the instrument constituting the physical collateral. Generally speaking, the studies conducted by Crédit Mutuel Nord Europe Group are based on statistical estimation methodologies incorporated directly into the tools, using external indices to which discounts can be applied, depending on the type of asset taken as guarantee. By way of exception, specific procedures provide for expert valuations, particularly in cases where the finance provided is not local or for a property transaction involving a significant proportion of work.

The procedures are established on a national scale. Operating management, valuation monitoring and the implementation of guarantees then come under CMNE Group.

In this regard, the methods for taking and managing guarantees are the subject of detailed documentation that is available to network staff and to the federal departments involved in the CMNE Group intranet.

The tool providing the direction and monitoring of guarantees has been developed to guide the guarantee and enable it to be taken.

As such, as part of the credit instruction tools, a link has been incorporated with the tool making it possible to access the full catalogue of guarantees and record them accordingly. In the event of any doubt, a quick link with the intranet documentation is possible.

The procedures used to make loans in effect within CMNE Group have been determined in such a way as to leave it to the Local Branches to allow the staff responsible for taking the guarantees to deal with them. This means that simple guarantees come under the responsibility of the Local Branches. The branches are assisted in the federal services and in particular by the loans production function attached to the Loans department in the form of 2 dedicated teams. One team manages classic loans with a complex guarantee, while the other focuses on regulated loans for the properly and farming markets.

The guarantee management tool makes it possible to be sure of the operational application of the eligibility guarantees by the way in which they are monitored, renewed, reach the end of their validity and are valued, as well as any alerts designed to detect anomalies.

THE MAIN CATEGORIES OF PROTECTION PROVIDERS

Outside intra-group guarantees, the main categories of protection providers taken into account are the mutual Housing Loan mutual guarantee schemes.

SECURITISATION

AIMS

As part of its market activities, Crédit Mutuel Nord Europe Group is able to operate on the securitisation market by taking investment positions with the triple aim of obtaining a yield, taking risks and diversification. The risks involved are essentially the credit risk on the underlying assets and the liquidity risk, particularly with the variations in the eligibility criteria of the Central European Bank.

Whatever the sphere of activity, Crédit Mutuel Nord Europe Group is not the originator and is only marginally the sponsor. CMNE does not invest in securitisations.

PROCEDURES FOR MONITORING AND AUDITING MARKET ACTIVITIES

The monitoring of market risks on securitisation positions is carried out by each regional group for its respective area. Implementing an audit mechanism and the associated procedures comes under their responsibility.

HEDGING POLICIES FOR THE CREDIT RISK

Traditionally, market activities buy securities. Nevertheless purchase protection through Credit Default Swaps may be authorised and, if they are, they are governed by the procedures relative to supervising market activities.

PRUDENTIAL APPROACHES AND METHODS

The entities that come under the ratification of the approach on internal ratings of credit risk apply the method based on ratings. Where this is not the case, the standard approach is used.

ACCOUNTING PRINCIPLES AND METHODS

Securitisation securities are accounted for in the same way as other debt securities, i.e. based on their accounting classification. The accounting principles and methods are presented in the annexes to the financial statements for the CMNE Group.

ASSETS ISSUED

CMNE Group's participation in market vehicles enables it to securitise its debts. Also, based on a similar system, CMNE Group has implemented a vehicle enabling it to constitute securities eligible for the ECB from the portfolio of outstanding housing loans granted by the Local Branches. This operation enables CMNE Group to benefit from additional liquidity should the need arise. Another aim is to have securities that can be disposed of to internal investors looking for secure investments. The portfolio of underlying debts brought in as guarantees by the Local Branches is made up of housing loans to personal customers and to the SCI funds of personal customers aimed at acquiring a residential property in France and/or the renovation/improvement of a residential property. These debts all benefit from guarantees (level 1 mortgages or collateral for an eligible guarantee entity). On this point, the terms for taking and managing guarantees are the subject of detailed documentation that is available to network staff and to the federal departments involved in the CMNE Group intranet.

SECURITISATION

ASSETS HELD

In terms of the assets held by CMNE, the securitisation portfolio is made up of just 2 positions. The securitisation portfolio of the Belgian subsidiaries was disposed of in full during the 2016 financial year.

EXPOSURE BY TYPE OF SECURITISATION

In millions of euros

SECURITISATION BY TYPE at 31/12/16				
EAD	Banking portfolio		Trading portfolio	Correlation portfolio
	standard approach	internal ratings approach	internal ratings approach	internal ratings approach
Investor				
• Classic securitisation		10.7		
• Synthetic securitisation				
• Classic resecuritisation				
• Synthetic resecuritisation				
Sponsor				
TOTAL		**10.7**		

In millions of euros

DETAIL OF OUTSTANDING FUNDS BY LEVEL OF CREDIT QUALITY at 31/12/16				
EAD	Banking portfolio		Trading portfolio	Correlation portfolio
Levels of credit quality	standard approach	internal ratings approach	internal ratings approach	internal ratings approach
E1				
E2				
E3				
E4				
E5				
E6				
E7				
E8				
E9				
E10				
E11				
Positions weighted at 1 250 %		10.7		
TOTAL		**10.7**		

In millions of euros

EQUITY CAPITAL REQUIREMENTS at 31/12/16				
Equity capital requirements	Banking portfolio		Trading portfolio	Correlation portfolio
	standard approach	internal ratings approach	internal ratings approach	internal ratings approach
TOTAL		**6.4**		

EQUITIES

In millions of euros

Securities exposed to risk at 31/12/16	
EQUITIES	**1 871**
Internal ratings approach	1 818
Investment capital (190 %)	14
Major holdings of the financial sector (weighting 250 %)	159
Exposure to listed equities (290 %)	105
Other exposure to equities (370 %)	1 539
Standard approach	53
of which Investment Capital (150 %)	
HOLDINGS DEDUCTED FROM FP	
TOTAL LATENT GAINS AND LOSSES INCLUDED IN EQUITY CAPITAL	**113**
of which latent gains included in category 2 equity capital	

DEALING ROOM COUNTERPARTY RISK

CMNE Group's counterparty risk is also dealt with in the annual report. Regulatory equity capital requirements regarding dealing room counterparty risk and market risk are measured using the standard method at 31/12/16.

Medium and long-term refinancing operations are analysed by the finance committees of each Group entity.

Structural balance sheet operations are placed under the tight control of the Group Finance Committee and are the subject of individual reports.

The limits per counterparty are agreed by the Group Finance Committee. The methodology used for defining limits is based on the internal rating of major counterparties, as defined by the Confédération Nationale du Crédit Mutuel in the context of Basle ratification.

OPERATING RISK

The elements relative to the structure and organisation of the function responsible for management of the operating risk are set out in the management report of the CNCM Board of Directors – section on equity capital and exposure to risks – operating risks.

This report also meets the publication requirements regarding the policies and mechanisms put in place (see Principal Objectives), as well as the nature of the systems for reporting and measuring risks (see Reporting and General Guidance).

The aim of the management of operating risks at Crédit Mutuel Nord Europe is to prevent a major disaster or series of disasters jeopardising the Group's financial results and hence its future development.

In this context, CMNE has implemented within its scope the mechanism for managing operating risks developed by the Crédit Mutuel group. This mechanism meets the requirements set by the Basle regulations.

DESCRIPTION OF THE AMA METHOD

In the context of the implementation of the advanced operating risk method (AMA) for assessing equity capital requirements in relation to operating risks, an independent dedicated function is designated to manage this risk.
The mechanism for measuring and controlling operating risks is based on the risk mapping produced by business line and by type of risk, in close relation with the operating departments and mechanisms for the day-to-day management of risks. This mapping implements a standardised framework for the analysis of claims levels leading to modelling assessed by experts dealing with scenario-based probability estimates.

For its models, the Group bases itself mainly on the national database of internal claims. This tool is fed in line with a national data-gathering procedure that defines a uniform threshold of 1 000 euros beyond which every claim has to be recorded. It also reconciles the claims database and the accounting information.

Crédit Mutuel Group also subscribes to an external database the use of which is subject to procedures, as well as the methodologies used to incorporate this data into the system for measuring and analysing the operating risk.

The Group's reporting and general guidance system incorporates the requirements of the decree issued on 3rd November 2014. Exposure to operating risk and losses is reported on a regular basis and at least once a year to the executive body.

The Group's procedures on governance, gathering claims, the systems for managing and measuring risks enable it to take the appropriate corrective measures. The procedures are the subject of regular audits.

RATIFICATION SCOPE USING THE AMA METHOD

CMNE Group, in the same way as Crédit Mutuel Group, is authorised to use its advanced measurement approach to calculate regulatory equity capital requirements in relation to operating risk, with the exception of the deduction of expected losses from its equity capital requirements. This authorisation came into effect on 1st January 2010 for the consolidated scope excluding foreign subsidiaries.

POLICY ON THE HEADING AND REDUCTION OF OPERATING RISKS

The general directions taken to reduce operating risks include:

- The preventative actions identified through the mapping and direct implementation by operational staff;
- The protective actions focused as a priority on the generalisation of the emergency and business continuity plans (PUPA).

The emergency and business continuity plans are based around three phases:

- The emergency plan: immediate and made up of actions designed to deal with emergencies and implement the downgraded treatment solution;
- The continuity plan: corresponds with resumption of business in a downgraded environment, in line with the methods used before the crisis occurred;
- The return-to-normal plan.

A national continuity procedure deals with the methodology used to develop a business continuity plan. This methodology takes the form of a reference document accessible to all of the teams concerned by the business continuity plans. It is applied by all of the regional groups.

USE OF INSURANCE TECHNIQUES

The Prudential Control and Resolution Authority has authorised Crédit Mutuel Group to take account of the deduction of insurance cover as a factor for reducing equity capital requirements as part of the operating risk using the advanced measurement approach, with effect application for the closure on 30th June 2012.

The principles applied to financing Crédit Mutuel Group's operating risks depend on the frequency and seriousness of each potential risk. They consist of:

- Insuring or financing with collateral minor frequency risks (EL) on the operating account;
- Insuring serious and major risks that are insurable;
- Developing self-insurance below the excesses of insurers;
- Allocating reserves of prudential equity capital or provisions financed by underlying assets for uninsurable serious risks.

The insurance programmes of Crédit Mutuel Group (including those of CMNE Group) comply with the provisions stated in article 323 of regulation (EU) n° 575/2013 of the European Parliament and the Council dated 26th June 2013 concerning the deduction of insurance using the AMA method.

The insurance cover used in the deduction process covers damage to possessions and property (multi-risk), fraud (overall bank) and civil and professional liability.

RATE RISK: BANKING BOOK

Information relative to the interest rate risk for banking book operations is dealt with in the management report of the CNCM Board of Directors, as well as in the CMNE annual report.

UNENCUMBERED ASSETS

INFORMATION ABOUT ENCUMBERED AND UNENCUMBERED ASSETS

Since 31/12/14 and pursuant to article 100 of the CRR regulations, Crédit Mutuel declares to the relevant authorities the number of unencumbered assets at its disposal and the main features of those assets. These assets can be used as security to obtain other finance on secondary markets or by the central bank and constitute sources of additional liquidity.

An asset is considered "encumbered" if it is used as a guarantee, or if it is used in a contract as security, collateral or to increase a transaction from which it cannot be separated. By contrast, an "unencumbered" asset is exempt from all restrictions of a judicial, regulatory, contractual or other, from the possibility of liquidation, sale, assignment or disposal.

By way of example, the following types of contract come under the definition of encumbered assets:
- Secured financial transactions, including repurchase contracts, security loans and other forms of loans;
- Collateralisation agreements;
- Collateralised financial guarantees;
- Collateral placed in clearing systems, clearinghouses or other establishments as a condition for accessing the service. This includes initial margins and funds against the risk of insolvency;
- Facilities given to central banks. Assets already positioned do not need to be considered as encumbered, except if the central bank does not authorise the withdrawal of these assets without prior approval;
- Underlying assets of securitisation entities when these assets have not been derecognised on the entity. The assets underlying the securities retained are not considered as encumbered, except where these securities are used as collateral or to guarantee a transaction in some way;
- Baskets of sureties constituted for the issue of covered bonds. These assets come into encumbered assets, except in certain situations where the entity holds these covered bonds (bonds issued on oneself).

Assets placed in unused finance mechanisms and which can be withdrawn easily are not considered as encumbered.

At 31/12/16, the level and characteristics of encumbered and unencumbered assets for CMNE Group were as follows:

ENCUMBERED AND UNENCUMBERED ASSETS IN BOOK VALUE AND FAIR VALUE BY ASSET CATEGORY

In millions of euros

		Book value of encumbered assets	Fair value of encumbered assets	Book value of unencumbered assets	Fair value of unencumbered assets
		010	040	060	090
010	**Assets of the reporting establishment**	**3 173**		**23 446**	
030	Capital instruments	0	0	1 114	1 114
040	Debt securities	1 010	1 010	2 347	2 349
120	Other assets	191		2 351	

COLLATERAL RECEIVED BY THE ESTABLISHMENT BY PRODUCT CATEGORY

In millions of euros

		Fair value of the encumbered guarantee received or of own encumbered debt securities issued	Fair value of the guarantee received or own debt securities issued available to be encumbered
		010	040
130	Guarantees received by the institution in question	60	0
150	Capital instruments	0	0
160	Debt securities	0	0
230	Other guarantees received	60	0
240	Own debt securities issued other than own guarantee bonds or own asset-backed securities	0	0

BOOK VALUE OF ENCUMBERED ASSETS/COLLATERAL RECEIVED AND MATCH LIABILITIES

In millions of euros

		Corresponding liabilities, any liabilities or securities loaned	Assets, guarantees received and own debt securities issued, other than covered bonds and securities matched to encumbered assets
		010	030
010	Book value of financial liabilities selected	2 644	3 208

INFORMATION ABOUT THE EXTENT OF CHARGES ON ASSETS

At 31st December 2016, the sources of encumbered assets were mainly related to TLTRO operations with the European Central Bank guaranteed by Group assets and by borrowing from other financial institutions guaranteed by Group housing loans.

CORPORATE SOCIAL RESPONSIBILITY

EMPLOYMENT-RELATED INFORMATION

GROUP HEADCOUNT STRUCTURE

BREAKDOWN BY BUSINESS

		31/12/15			31/12/16		
		OEC	FTC	Total	OEC	FTC	Total
Banking	France (CFCMNE)	2 565	121	2 686	2 579	129	2 708
	Belgium (Beobank)	1 080	14	1 094	1 042	12	1 054
	Business Finance (BCMNE, BA, NEL)	183	3	186	180	6	186
TOTAL Banking		**3 828**	**138**	**3 966**	**3 801**	**147**	**3 948**
Insurance	Acmn Vie, NELL, NELB	228	20	248	225	16	241
Asset Management	Groupe La Française	503	25	528	524	35	559
Miscellaneous Services and Businesses	CMN Tel	7	0	7			
TOTAL REGISTERED GROUP HEADCOUNT		**4 566**	**183**	**4 749**	**4 550**	**198**	**4 748**

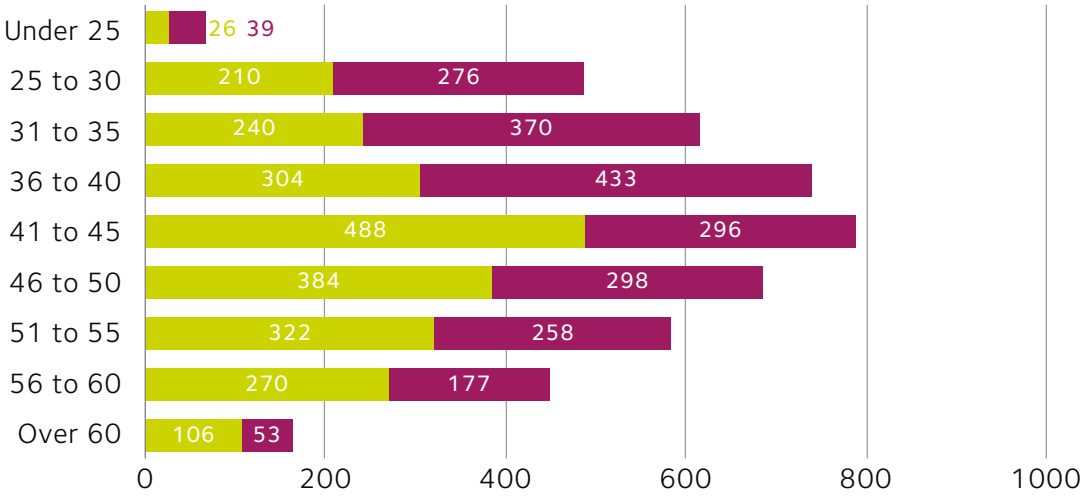
At 31/12/16, the Group had 4 748 staff (of whom 198 were on fixed-term contracts).
Banking represented 83.2 % of total headcount (of whom 57 % worked for Banking France, 22.2 % for Belgium and nearly 4 % for Business Finance), Asset Management 11.8 % and Insurance 5.1 %.

BREAKDOWN OF STAFF ON OPEN-ENDED CONTRACTS, BY GENDER AND STATUS

	31/12/15			31/12/16			Changes
	Men	Women	Total	Men	Women	Total	2016/2015
Managers	1 394	777	2 171	1 412	802	2 214	2.0 %
Bank officers/supervisors	662	686	1 348	629	672	1 301	-3.5 %
Employees	315	732	1 047	309	726	1 035	-1.1 %
TOTAL OPEN-ENDED CONTRACTS	**2 371**	**2 195**	**4 566**	**2 350**	**2 200**	**4 550**	**-0.4 %**

Women with open-ended contracts represented 48.4 % of headcount.
Managers represented 48.7 % of headcount with open-ended contracts within the Group, with Bank Officers/Supervisors representing 28.6 % and Employees 22.7 %.

BREAKDOWN OF STAFF ON OPEN-ENDED CONTRACTS AT 31/12/16, BY AGE BRACKET



The average age of employees with open-ended contracts at the end of 2016 was 43.1 years.
12.1 % of employees with open-ended contracts were aged under 31, 29.6 % were between 31 and 40, 45 % were between 41 and 55, while the over-55s represented 13.3 %.

BREAKDOWN BY YEARS OF SERVICE FOR EMPLOYEES IN THE GROUP ON OPEN-ENDED CONTRACTS AT 31/12/16

The average number of years of service for employees on open-ended contracts at the end of 2016 was 12 years.

WORKING HOURS

Part-time

	31/12/15			31/12/16		
	Men	Women	Total	Men	Women	Total
Managers	31	148	179	31	138	169
Bank Officers/Supervisors	7	177	184	7	184	191
Employees/Non-Managers	12	201	213	11	194	205
Staff on fixed-term contracts	1	7	8	1	4	5
NUMBER OF PART-TIME EMPLOYEES	**51**	**533**	**584**	**50**	**520**	**570**

The main reasons for working part-time were parental educational leave and leave for personal convenience.
The number of part-time workers in 2016 was down slightly by 2.4 % (570 employees, 91.2 % of whom were women).
Part-time salaried staff represented 12 % of total Group headcount.

EMPLOYMENT MANAGEMENT

Staff recruited on open-ended contracts

	2015			2016		
	Men	Women	Total	Men	Women	Total
Managers	51	44	95	71	49	120
Bank Officers/Supervisors	12	11	23	14	24	38
Employees/Non-Managers	24	52	76	32	65	97
NUMBER OF RECRUITMENTS ON OPEN-ENDED CONTRACTS	**87**	**107**	**194**	**117**	**138**	**255**

In 2016, 47 % of new employees hired were for management positions.
The rate of women recruited was 54 % in 2016.

DEPARTURES OF STAFF ON OPEN-ENDED CONTRACTS

	2015				2016			
	Managers	Officers	Employees	Total	Managers	Officers	Employees	Total
Contract severance	15	1	8	24	12	0	14	26
Resignations	69	15	18	102	66	13	24	103
Redundancies for economic reasons	0	1	0	1	4	0	0	4
Redundancies for other causes	23	9	12	44	15	6	4	25
Departures during trial period	4	0	0	4	7	0	9	16
Departures to retirement or forced retirement	31	28	19	78	31	36	13	80
Group transfers	0	1	0	1	4	4	2	10
Death	1	2	2	5	2	0	1	3
Disability	0	0	1	1	0	0	0	0
NUMBER OF DEPARTURES FOR STAFF ON OPEN-ENDED CONTRACTS	**143**	**57**	**60**	**260**	**141**	**59**	**67**	**267**

PROMOTIONS

	2016		
	Men	Women	Total
Employees to Bank Officers/Supervisors	18	39	57
Bank Officers/Supervisors to Managers	30	15	45
Employees to Managers	1	8	9
NUMBER OF STATUTORY PROMOTIONS	**49**	**62**	**111**

INDIVIDUAL AND COLLECTIVE REMUNERATION

INDIVIDUAL REMUNERATION

In euros

2016	Banking France			All businesses
	Men	Women	Average	
Managers	61 691	55 898	60 477	
Bank Officers/Supervisors	40 990	39 035	40 149	
Employees	30 792	29 360	29 799	
AVERAGE	**49 619**	**39 355**	**45 549**	**53 150**

COLLECTIVE REMUNERATION

In euros

2016	Amount	Average amount
Shareholding	6 172 767	1 731
Incentive	23 185 830	6 702
Employer contribution to saving scheme	5 599 402	1 578

ABSENTEEISM

In calendar days

	2016								
	Men				Women				Total
	Managers	Officers	Employees	Total	Managers	Officers	Employees	Total	
Illness	13 726	9 111	8 141	**30 978**	15 119	12 084	19 331	**46 534**	**77 512**
Accident at work or travelling to/from work	66	222	186	**474**	302	225	794	**1 321**	**1 795**
Maternity/nursing/paternity	469	203	186	**858**	4 192	4 851	7 495	**16 538**	**17 396**
Unpaid leave (*)	1 800	1	352	**2 152**	2 458	2 005	3 605	**8 068**	**10 220**
Other absences (**)	2 140	414	1 122	**3 676**	2 519	528	3 403	**6 449**	**10 125**
TOTAL DAYS	**18 202**	**9 951**	**9 986**	**38 139**	**24 590**	**19 693**	**34 628**	**78 910**	**117 049**

(*) Unpaid leave is understood to mean parental leave, sabbaticals, business creation, etc.
(**) Other absences, paid or unpaid: birth, marriage, sick child, house move, or any other family event provided for under the Collective Agreement.

Absence on account of illness represented 66.2 % of days of absence, with maternity/paternity 14.9 %, unpaid leave 8.7 % as were other absences (contractual).
The Group's rate of absence for illness in 2016 was 4.5 %.

TRAINING

Number of individuals who attended at least one training course during the year:

	2016		
	Men	Women	Total
Managers	1 288	736	2 024
Bank Officers/Supervisors	614	640	1 254
Employees	389	825	1 214
TOTAL	**2 291**	**2 201**	**4 492**

The average percentage of the wages bill spent on ongoing training was 4.33 % in 2016, an increase of +0.06 points compared with 2015.

ENTERPRISE AGREEMENTS OR AMENDMENTS SIGNED IN 2016

Banking

- 8 agreements or amendments signed for CFCMNE:
  - **08/03/16:** Amendment to article 33 of the collective agreement (work medal bonus)
  - **08/03/16:** Amendment to 'PERCO' agreement (collective retirement savings plan) dated 01/04/12 on one-off PERCO lump sum
  - **08/03/16:** Amendment to the CFCMNE incentive agreement dated 26/06/15
  - **06/04/16:** Amendment to additional incentive for the 2015 financial year
  - **08/06/16:** Amendment to CMNE's prudential and health agreement
  - **19/10/16:** Agreement on electronic voting
  - **16/12/16:** Pre-electoral protocol agreement
  - **16/12/16:** Agreement relative to the CMNE generation contract

- 5 agreements or amendments signed for Beobank:
  - **04/04/16:** CCT Harmonisation of Employment Conditions
  - **04/04/16:** CCT Mobility
  - **04/04/16:** CCT End-of-Career Arrangements
  - **04/04/16:** CCT Guidance measures
  - **04/04/16:** Policy on Teleworking at Beobank

- 4 agreements signed for BCMNE:
  - **08/03/16:** Amendment to the BCMNE incentive agreement dated 26/06/15
  - **27/06/16:** Incentive agreement for the Business Finance network
  - **08/07/16:** Amendment to the Prudential and Health agreement for BCMNE
  - **20/09/16:** Agreement on the operation of IRPs (staff representation bodies) for the Business Finance network
- 4 agreements or amendments signed for Bail Actéa:
  - **21/01/16:** Amendment N° 2 to the incentive agreement dated 18/06/13
  - **21/01/16:** Amendment N° 5 to the Shareholding agreement dated 20/12/04
  - **23/02/16:** Amendment N° 6 to the PERCO agreement
  - **08/03/16:** Agreement relative to the generation contract
- 1 agreement signed for NEL:
  - **25/05/16:** Time Savings Account agreement

Insurance

- 2 agreements or amendments signed for ACMN Vie:
  - **19/05/16:** Amendment to the incentive agreement (criteria)
  - **25/05/16:** Calendar of ordinary meetings of the Works Council Rebsamen Act
- No agreements or amendments signed for NELL and NELB

Asset Management

- 6 agreements or amendments signed for Française AM:
  - **15/02/16:** Agreement protocol relative to the Annual Mandatory Negotiation
  - **31/05/16:** Teleworking Agreement La Française Group, aimed at defining regular and ad hoc teleworking and the way it is organised
  - **30/06/16:** Incentive agreement
  - **30/06/16:** Shareholding agreement
  - **30/09/16:** Agreement protocol - Constitution of Economic and Social Unity
  - **30/09/16:** Group General Contract agreement La Française, aimed at guaranteeing and maintaining access to jobs for all workers and also aimed at ensuring male/female professional equality targets are met
- No agreements or amendments signed for Française AM PRIVATE BANK and AM INTERNATIONAL.

THE COMPANY'S CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility (CSR) is all about the way companies incorporate social, environmental and economic concerns into their activities, while meeting the legal obligations that apply and then going beyond. Companies are examined and assessed on these criteria by ratings agencies, as well as on their financial performance. In France, CSR has a statutory basis, underpinned particularly by the NRE (New Business Regulations) Act and the Grenelle II Act, which significantly reinforce the duties of companies and their publication requirements on social and environmental issues.

INTRODUCTION

As a cooperative and mutual bank, the aim of Crédit Mutuel Nord Europe (CMNE) each day is to enhance the quality of the relationship and the service that it provides to its shareholders and customers. CMNE's values of accountability, solidarity and social commitment are just as strategic as the quality of its services. It is these values that continue to guide CMNE's day-to-day operations and its aspirations for the future.

CMNE works on a daily basis to reconcile its business and CSR performance along 4 main lines:

- **Governance**: maintaining a responsible and sustainable development process, ensuring ongoing dialogue with all of the Group's stakeholders;
- **Social**: promoting equal opportunities, access to training, mobility and encouraging staff in their civic undertakings;
- **Environmental**: aiming to change habits and assess its own practices to make a practical reduction to its impact on the environment;
- **Societal**: being a supportive and committed bank, guiding the key players in the territories, promoting mutual aid, as well as economic and social integration.

Through its responsible programme, CMNE works each day to translate its values into actions in these four areas concerned by the Company's Corporate Social Responsibility. These actions are guided by indicators focusing on key issues such as finance and investment policies, lending, the HR policy and a structured environmental approach.

At La Française, the Asset Management subsidiary of the CMNE Group, CSR and Sustainable Development are incorporated into the Group's strategic development. In its publication « ***Strategy and Sustainability*** », La Française explains its commitment to responsible finance, setting out details of its main CSR programmes: sustainable investments on the markets for securities and real estate, a shareholding commitment through its voting policy at general meetings of shareholders, its support for various initiatives, such as Green Cross, Agence du Don en Nature and the Palladio Foundation.

GOVERNANCE

COOPERATIVE AND DEMOCRATIC GOVERNANCE

Corporate social responsibility at CMNE is influenced to a large extent by the nature of its cooperative organisation, but CSR is also expressed across all of its subsidiaries. The basic tenet of the Group's cooperative structure is that every customer is invited to become a shareholder. The shareholders own the capital of the Local Branches in the form of company shares and each year they appoint their representatives.

To do that, the shareholders are summoned to the **General Meeting** of Shareholders, which is one of the busiest times of the year in the life of the Local Branches. The meeting is held every year to examine the accounts for the period just past and to vote on the amount of interest allocated to the company shares. At the meeting, the shareholders elect their directors (based on the principle of one person, one vote – regardless of the amount of capital subscribed to). The meeting is an important occasion for information and direct dialogue between the shareholders and the people who run the bank. It is also an opportunity to meet other shareholders, salaried staff and directors, to enter into debate and listen. In 2016, at the various general meetings of shareholders, 592 404 shareholders were called on to elect their representatives, appointing 1 525 directors. Membership of this important 'club' has never been more topical: it meets a need for proximity, for locally established roots. Each year, CMNE increases the interactivity of these general meetings ("Open Door" system, peak times, etc.) to boost the participation of shareholders in the democratic life of the company. However, the effective level of involvement varies, depending on the location of the Local Branch (rural or urban area, years of service, surrounding associative dynamism, etc.). The attendance rate at general meetings has been virtually unchanged over the past five years and is around the 4 % mark.

In addition to the general meetings, there were two other busy periods for the network of Local Branch chairmen during the last quarter of 2016: the sector meetings and the meeting of all the chairmen. The aim of these meetings, which are attended by the senior managers, is to associate the elected officers with the results and decisions taken by the company. Each Local Branch chairman has the opportunity to take part in the work and to present wishes and opinions. At these meetings, there was a zoom presentation of ECB[1] directives and the rules of governance, reiterating the audit and monitoring role played by the elected representatives. Other topics including the issue of recruitment and the challenge of encouraging younger people to join boards of directors and experience the mutualistic adventure by demonstrating that mutualism is a modern-day tool that works on behalf of civic finance.

At La Française, a think tank was put in place: the **foresight committee**. This committee is made up of people from the worlds of business, industry and finance, politics and universities. The work sessions are devoted to economic and financial issues, as well as likely developments in the areas of geostrategy, climate and technology. The interdisciplinarity that guarantees the diversity of its members is reinforced by the support of specialist external parties on the topics covered. The ultimate objective meets the need to base any sustainable development strategy on a solidly supported medium and long-term vision. This philosophy comes into its own with the SAI[2] approach that La Française offers to its clients. During the year, four meetings were held on the topics of immigration, the digital economy, Brexit and the challenges of urbanisation in the 21st century.

ELECTED DIRECTORS WHO ARE FULLY TRAINED

Across all seven of CMNE's departments in France, the directors invest their time voluntarily on behalf of the Local Branches: 33 % are women, the average age is 59 and 2/3 of them are still actively employed. Also this year, CMNE welcomed 75 new directors, which is a renewal rate of 5 %. Success in integrating new directors into a Local Branch depends on the seriousness with which the process is conducted. The representativeness, motivation and involvement of the candidates are all details that need to be considered so that mutualistic principles and compliance with ethics can be assured. It is a proactive process that requires serious thought, as a team, about the contribution a particular candidate can make to a board of directors. The same rigour is applied when it comes to verifying someone who is applying to renew their mandate – ensuring that the person still fulfils the mandatory criteria for taking on the role in full. To this end, from 2017 onwards, every elected officer whose mandate is up for renewal at the next general meeting of shareholders must sign a statement confirming that they still fulfil the eligibility criteria.

To help guide directors in exercising their role, training is an excellent way of enabling them to develop their personal skills, enhance their knowledge of banking, promote exchanges and create a bond between fellow bank officers. This training programme provided some 2 132 hours of training and focused on 18 topics grouped along three main lines: understanding how banks work and the directions taken by CMNE; promoting mutualism and carrying out their role as an elected officer in full; and understanding today's world. As part of this plan, a directors' lecture is held each year.

1 European Central Bank (ECB)
2 Advanced Investment Strategy

In 2016, the theme of the **lecture debate** moderated by Luc Ferry was *The security of data online: the world will change more in the next 40 years than it has in the past 4000: from big data*[3], and connected objects to artificial intelligence. The debate provided the audience with a highly personal insight into these subjects, despite the fact they are given huge coverage in the media. 270 directors attended this presentation.

Again with the aim of improving skills, a dedicated training programme for **federal directors** was launched in January 2016, offering 10 sessions in all. By way of illustration, some of the topics covered included globalised results and management forecasts; the consolidated company results (IFRS); the risks, roles and responsibilities of the various players; compliance and its main aims; asset management; a description of the insurance business and the principles of Solvency II.

Local Branch chairmen can also incorporate one of the three *institutional life* committees that are in place:

- **General meetings:** the aim of this committee is to strengthen communication to shareholders and involve staff and elected officers in general meetings. Its specific feature is that it is composed of pairs made up of chairmen/managers;
- **The director training committee** develops the training plan aimed at elected officers;
- **Institutional programmes** this deals with the aspects inherent to the Group's institutional life. For example, 2016 saw the launch of the new Sitelus intranet **site dedicated to directors**. This was the result of a collaborative effort between the members of the institutional committee, the Intranets and multimedia department and the Elected Officer centre. It publishes valuable information required to exercise the role of a director and to communicate information associated with the life of the Group.

Another tool available to chairmen is the *Anim'Conseil* interface, created back in 2010 to facilitate the work of manager-chairman pairs within the organisation and the way their board meetings are run. This medium enables elected officers to perform their monitoring role through a shared information tool made available to them. This tool was revamped in 2016, with the periodic reports now supplemented by information providing a clearer view of the Crédit risks carried by the Local Branch. The tool also enables reports to be automated.

A COMMERCIAL ETHIC: CUSTOMER SATISFACTION AS AN ABSOLUTE PRIORITY

In a tense and highly competitive international economic environment, the Crédit Mutuel Group continues to strengthen its fundamentals, in particular through the quality of the closeness in its service to shareholders, but also through the quality of the work carried out by each of its subsidiaries. By developing responses tailored for all of its customer groups and to benefit the regional economies, the Crédit Mutuel Group was voted favourite French bank for the 11th consecutive time[4].

Crédit Mutuel also won the customer relationship prize for the 9th time, awarded by Bearing Point and TNS Sofres. This accolade highlights the relationship of trust that exists between Crédit Mutuel and its customers and shareholders. This year, for the award's 12th edition, the focus was on the theme of Customer experience: the shock of simplification. This is a real strategic issue for companies that need to offer products that are simple to understand and use. The Crédit Mutuel Group has made this simplification process a priority and a new factor in setting itself apart from its rivals. The move has generated high levels of customer satisfaction.

Dedicated to transparency in the relationship with its customers and shareholders, CMNE underlines its desire to make information and practical advice available to everyone. "Clarity" information sheets and **agreements on the charges for transactions and services** are published regularly. It should also be noted that in 2014, CMNE took the decision to highlight the main elements that make it stand out from its competitors by making **5 commitments**, in the areas of: advice, efficiency, quality, transparency & clarity, accountability. They provide a practical illustration of the services offered to our customers-shareholders and the Group's values. In the same vein, CMNE is working on customer complaints. The aim is to strengthen links with customers and shareholders – as well as to make them more loyal through this process and hence increase customer satisfaction.

As part of improving its **quality of service,** CMNE also conducts regular customers' satisfaction surveys. When a customer makes a comment or gives a negative score on any of the questions in the survey, that person is systematically contacted by the Customer Relations to identify any path that can be taken to improve the Group's processes.
With the aim of achieving 'full quality' – i.e. the highest level of service quality on the market – Nord Europe Assurance (NEA) conducted a survey into the quality of service that generated a response rate of 62 %. Following a quality diagnosis phase, an 18-month action plan was developed jointly by NEA and CMNE, based on the major transformation points identified.

3 Big data: This data is gathered for the purpose of targeting the advertising messages sent to consumers.
4 According to the Posternak Ifop Barometer November 2016

FAIR PRACTICES

Open to all, the CMNE is committed to building a personalised relationship with its shareholders and customers based on listening, trust and transparency, while at the same time paying attention to the needs and situation of each individual. The **code of ethics** brings together CMNE's commitments in terms of conduct, moral and ethical issues, as well as the general rules that apply to good conduct and the individual duties of CMNE staff. The code of the **rights and duties** of elected officers reiterates that they are the representatives of their Local Branch's shareholders and that they must safeguard their interests. Working without remuneration, they are bound by banking secrecy.

Because of its business and the location of its sites, the Group is not directly exposed to the issues of the elimination of forced labour and the effective abolition of child labour. Nonetheless, CMNE is aware of the undertakings made in the context of the Global Compact (of which it has been a member since April 2003) and it promotes **compliance with ILO** (International Labour Organisation) conventions, which include freedom of association, the right to collective bargaining and the elimination of discrimination in the area of employment and profession.

In addition to the various codes and charters implemented within Group companies, an effective process to **combat money-laundering and the financing of terrorism** in compliance with regulatory requirements has been put in place. This process is based in particular on the money-laundering correspondents employed in each entity in France and abroad. The application of audits (periodic, ongoing and compliance) is aimed at ensuring that risks are covered and that there is consistency in the procedures put in place.

Crédit Mutuel manages and guarantees the security of many financial transactions and is aware of its responsibility as a bank. To this end, major efforts have been made to improve customer awareness. In particular it has introduced **more stronger security measures to protect customer transactions online**. To combat phishing, Euro Information (the Crédit Mutuel Group's IT subsidiary) has developed a specific module, the Crédit Mutuel confidence bar, which is installed in the browser to secure the connection. For sensitive transactions (payments, transfers, etc.), a new functionality was introduced to the mobile app at the end of 2015. Called **mobile confirmation**, the new feature is aimed at users of the Crédit Mutuel mobile app who make purchases and transfers online.

With regard to the **protection of customer data online** – and beyond the reporting obligation to the National Commission for Information Technology and Civil Liberties (CNIL) – new European regulations in 2018 will require greater stringency, while sanctions will become more severe. At Crédit Mutuel from 2017 – and hence well ahead of the legislation – a number of other measures will be introduced, such as the obligation to have the consent of the online user. A learning space will be created and dedicated to information about the confidentiality of data: the way data is used will be explained, while simple explanations will be given to terms such as cookie, marker, statutory obligations, security and so on.

At La Française, a number of international agreements were signed. Highly committed to SRI since 2009, with the launch of the first SRI OPCI product, La Française put CSR at the heart of its philosophy in 2010 by signing the **PRI** (Principles for Responsible Investment). It also became a signatory of the Carbon Disclosure Project and the Japan Stewardship Code in February 2015. La Française is a signatory of the **Transparency Code**, designed and approved by the Association Française de la Gestion Financière (AFG), the Forum pour l'Investissement Responsable (FIR) and the European Sustainable Investment Forum (EUROSIF). This code sets out the policy for taking account of Environmental, Social/Societal and Governance (ESG) criteria in the management of funds in the range of Socially Responsible Investing (SRI).

EMPLOYMENT ISSUES

A TOP-RANK EMPLOYER

CAREERS

CMNE firmly believes that the men and women in the Group represent its main asset for development. With positions in all business lines at the bank, in the insurance company and asset management, CMNE offers career prospects that are rich and varied between Lille, Paris and Brussels. The Group offers steady, long-term employment (more than 95.7 % of salaried staff at CMNE Group are employed on open-ended contracts). Thought about the bank's business lines in the future has led to a mobility policy made possible by the development of skills gained through training.
At La Française, men and women place their skills and expertise at the disposal of the Group. 56 % of salaried staff are voluntary shareholders. It is also worth noting that 19 different nationalities are represented among employees.

STAFF TRUST

There is an intuitive rapport, verified by numerous studies, between staff satisfaction and customer satisfaction. Employees who feel comfortable at work are the most effective. With this firmly in mind, CMNE Group entities send out questionnaires internally. An internal barometer and other processes to **measure the satisfaction of staff** are implemented every two years in the French network. The 5th edition of these surveys was conducted at the beginning of 2016, aimed at better understanding the way employees perceive the company. Four themes were covered: performance and vision of the future, hierarchical relations and management style, organisation, methods and procedures, HR policy. There was a 71 % participation rate, with 67 % positive opinions (average across the whole of the questionnaire). 88 % of respondents said they were proud to work for CMNE.
At La Française, the Great Place to Work institute was chosen to conduct a survey measuring the level of employee confidence in management, pride in their work and conviviality in relations between colleagues. Two years afterwards, the 2nd edition of the survey questioned staff to gauge the path taken and to identify points for improvement. 91 % of employees responded to the questionnaire. This survey helps us to have the tools required to progress and define action plans. The results showed a 7-point improvement in the Trust Index compared with 2014. This placed La Française close to the leading bunch of best companies with +500 employees.

TRAINING, MOBILITY, WELLBEING AT WORK

TRAINING PLAN

Faced with the challenges posed by new technologies, competition and changes in customer behaviour, staff training can make all the difference. With this in mind, in 2016, the CMNE Group invested 4.3 % of its payroll to ongoing professional training. 4 492 employees attended at least one training course during the year, which is almost 100 % (in fact 94.6 %) of the Group's employees.

Training plans are structured differently within the companies of the CMNE Group. For the network in France, the plan is built in collaboration with all of the federal department heads and Network management. The priorities presented at the works council meeting at the end of 2015 have been complied with. For the insurance business, the work carried out during the year was also in line with annual guidelines. As a result of the merger between Beobank and BKCP, the number of training courses was particularly high in Belgium this year. The aim of this was to familiarise staff at both organisations with the systems and products of the respective banks. At La Française, training is developed based on the needs defined by the managers with regard to the overall training direction memo, taking account of the recommendations made by the dedicated provider, whether they be individual or group training courses.

RELATIONS WITH SCHOOLS

Numerous links have been established with schools and universities with virtually all of the companies in the CMNE Group. This is to make it easier for young people to integrate with the bank (meeting sessions, partnerships, sandwich courses, learning...). CMNE has continued its partnerships with various local universities (Lille 2, La Catho, Arras, Valenciennes, Amiens and others) and with the major engineering (ISA, La Salle Beauvais, HEI...) and commercial schools (Lille, Reims).
More than 60 students also began sandwich courses to learn about CMNE's banking business lines. One new feature was the greater acceptance of students in asset management. Three-quarters of students on sandwich courses will attend master's courses to prepare them for the various business lines (network, federal departments). Monitored by a tutor, they benefit from a specific training pathway.

La Française has established contacts with educational establishments such as Paris Dauphine and EDHEC as part of a partnership programme that enables it to recruit young graduates into specific positions within the company, as well as to enhance its image as an employer, take part in enterprise forums and so on. La Française also reverts part of its non-quota to engineering and commerce schools, universities and establishments for disadvantaged or handicapped young people. 21 establishments benefit in this way.

SOCIAL DIALOGUE

Social dialogue at Crédit Mutuel can be seen from the complementarity of negotiating levels, both regionally and nationally. National accords provide a shared platform for agreement that can be applied by all of the regional Federations. Following on from these national accords, cycles of discussions can take certain specific regional features into account.
To ensure an equal level of communication and to comply with the legislation on job security, CMNE previously implemented a Social and Economic Database (SEDB) after sharing and presenting the issues with the representation bodies of the staff concerned. This **database** covers all of the documents submitted on a recurrent basic to the Works Council. After CMNE and La Française, ACMN Vie has now implemented its own. In addition to signing agreements with the social partners of the CMNE Group's various entities[5], action plans followed and the results presented to the various bodies.

By way of illustration, there was the agreement on the prevention of **stress and psychosocial risks**, extended to the **improvement of Quality of Life in the Workplace** (QLW) at CMNE. An interim report was presented at a follow-up committee meeting, featuring the main actions implemented and some of the key figures (the commitment was taken before any introduction of a new organisation/new tool, with tests or studies systematically undertaken; 18 workstation adjustments were made, preceded by a detailed study with an ergonomist; employees wishing to do so can benefit from social guidance through the social assistant (170 contacts on personal or business-related topics) and with the specialist practice, PSYA[6]).

As part of the merger between Beobank and BKCP, the **Mobility Commission** provided specific measures should any jobs be lost as a result of this merger. A specific retraining procedure, accompanied by relevant courses where necessary, was applied to avoid job losses. Since the merger, ten or so staff whose jobs had disappeared, have been reassigned within the entity.

SERVICES TO SALARIED STAFF

A number of services improve the quality of life in the workplace, contributing to a better work/life balance, boosting the attractiveness of the company and generally increasing staff loyalty. These services include the concierge and inter-company crèche services.
CMNE's **concierge** service has been providing convenience and peace of mind for two years. Staff benefit from services via a physical on-duty presence, at the head office in Lille or by telephone in the Network. Deliveries are also handled to sales outlets and telephone assistance is available. The number of orders has increased since the service was introduced, demonstrating its success among staff. The services in greatest demand are domestic help, dry-cleaning and ironing, as well as gardening and DIY services. Employees who enjoyed healthy, balanced meals love the seasonal baskets and high-quality bread.
La Française and the Works Council have implemented a partnership with the Babilou-1001 network of **intercompany crèches**. This allows the parents of young children to enjoy the benefits of a place in a crèche. Employees on open-ended contracts who have 1 year of service are able to access this network, with the option of choosing a childcare place either close to home or close to work. Introduced in September 2013, this partnership provides access to 20 centres a year to care for a child under the age of 3 until they start school. This access is much appreciated given the difficulty obtaining a place in a crèche in the Paris region.

EQUAL OPPORTUNITY

An **equal opportunity agreement between men and women** has been in effect since 2007. A new open-ended agreement was reached at the end of 2013 and a the-year interim report presented to the unions. CMNE is a stakeholder in this programme designed to help nurture women with potential. This desire to ensure professional equality between women and men is reaffirmed in the MTP. The proportion of women managers and directors is now 33.5 %, with women accounting for nearly 42.2 % of promotions to manager (In the CMNE Group France). As part of the agreement to promote professional equality, La Française has implemented a partnership with Responsage, a service to employees assisting an elderly relative.

In the agreement on the **employment of handicapped staff**, renewed for 3 years in 2014, CMNE undertook to develop a range of different programmes. The main objectives have been achieved: awareness of various parties within the company; strengthening of actions promoting the recognition of handicaps; development of partnerships with the sheltered or associative sector and with schools/universities. This year, CMNE aimed more specifically to make managers aware of handicaps: their role is essential in the recruitment and guidance of a handicapped employee within a team. Three Videos of humorous short sketches produced by professional actors from the *Théâtre à la carte jouée* were presented to overcome the taboos about recruitment, integration and workstation alterations.

To help **make employees more aware of handicaps**, La Française works with ADAPT and AGEFIPH at least once a year as part of its awareness programmes. La Française has also funded a partnership with the *Tremplin* association[7] aimed at helping businesses to move on from an intention to have an integration policy in favour of the handicapped, to the reality of accepting, training and integrating them.

La Française meets *Tremplin* every two months at an event held with partner companies. It also deals regularly with ESATs (helping through work organisations) in handicap awareness programmes and as part of its contribution to the integration of handicapped workers into employment.

5 The list of agreements signed by CMNE Group entities is attached to this section
6 Anonymous psychological support by telephone
7 La Française renewed its partnership with the Tremplin association, which supports young handicapped students to continue their studies

Another example is in social housing. In addition to its "open" services, La Française offers employees other existing services (loans to facilitate works and access to housing and social rented accommodation). Particular attention is focused on the young, who find it difficult to access housing. "Mobili-jeune" aid and access to temporary accommodation through *Action Logement* are systematically offered by the HR department to students working on sandwich courses or on work experience programmes lasting at least 6 months when they join the Group.

ENCOURAGING STAFF COMMITMENT

In a world increasingly dominated by things digital, CMNE is able to demonstrate its own innovative and creative abilities: two business line innovation Labs were launched in 2016 focusing on the following issues: a Business Line Lab for Loans or "*how to exploit mobile app to create a new user experience in managing loans*" and a Business Line Lab for Human Resources on "*how to find a new way of identifying and recruiting the talents of tomorrow*". The Labs enable staff to play an active part from the inside in the transformation of their company.

Aware of its employees' commitments to projects in everyday life, CMNE also offers staff willing to volunteer the opportunity:

- To apply for a **solidarity leave project** to take their skills into the field (school support, training adults or protecting nature) as part of a partnership signed in 2010 with the NGO, Planète Urgence[8]. With the annual renewal of this commitment, the partnership has been extended to all CMNE Group employees: network France, Beobank, business finance network, NEA and La Française;
- To help guide an association in establishing itself by **sponsoring applications** (staff track the development of the project and draw up the results) or by **providing their skills**, time and knowledge in bringing an associative project to fruition. For example as part of a partnership between the CMNE Foundation and the *Étincelle* network, where a "The Bank and me" module is run by trainers and managers from Local Branches. This type of training is geared specifically to an audience of young people distanced from the employment market, often socially disadvantaged and looking for direction in their search for work. La Française also provides skills support with the association, SOS Sahel;
- To take on and individually guide a young higher education graduate struggling to find a job through a **Dynamic Recruitment Group** run by Réseau Alliances. Having worked with this network for seven years, nearly 80 % of the young people helped and guided by CMNE have found a job.

Beobank also encourages the commitment of employees to help the community. For example, every employee is able to do one day of voluntary work taken out of his or her normal working hours. These days are organised individually, in groups or by department. In 2016, two collections were also organised (one for clothes, the other for toys) to benefit the "*Les Salanganes*" refuge. This refuge is a live-in facility that takes in children and adolescents aged 3 to 18, offering them family and individual therapy to enable them to go back to their families. There are also various sports support programmes aimed at raising money for United Fund for Belgium, as well as in-house sales of chocolate to benefit the Belgian Multiple Sclerosis League and Escalpade, a non-profit ASBL[9] that builds projects for children, adolescents and adults affected by physical disabilities.

Another form of solidarity is the ***fun et solidaire*** evening event for La Française's Solinight cause: the spotlight is shone on 8 associations put forward by employees. Each one comes to present its values and areas of action in advance to all staff. During the course of the evening, employees working in teams take on 16 challenges to help their preferred association. The aim to engage and become aware while having fun at the same time. In 2016, the winners were SOS Sahel and *Le Carillon*, which came equal first.

8 Since 2010, CMNE has run a solidarity leave project partnership with Planète Urgence. Assignments take place over a period of 2 weeks in a variety of countries around the world. The employee pays for the cost of the plane ticket and any vaccinations needs, and takes these days out of his or her paid leave entitlement. A tax deduction can be requested so that only 30 % of the remaining costs need to be paid for by the employee. For the remainder (accommodation, food, etc.), the CMNE Group takes care of the cost with Planète Urgence

9 ASBL: Association à But non Lucratif = Non-profit organisation

ENVIRONMENTAL

Due to the fact it is a service business, CMNE has only a limited impact on the environment. Nevertheless, we have identified areas of progress in the way it operates and numerous programmes have been put in place following the completion of a greenhouse gases assessment, energy audit or when defining waste management processes, etc. Other steps are underway or scheduled for 2017, particularly in the area of business travel or the rollout of teleworking.

STRUCTURED ENVIRONMENTAL PROCESS

For CMNE, finding a response to today's environmental challenges is another in which it can express its responsibility. To this end, the Group has embarked on a structuring process aimed at reducing its environmental footprint. The first **Greenhouse Gas Emissions Report** (BEGES) for the France network was conducted in 2012. The overall target to reduce greenhouse gas emissions by 8.5 % has been reached and exceeded. The second BEGES report, published at the end of December 2015 focused on three topics aimed at continuing to reduce emissions in important internal operating areas within the entity. These were: energy (-264.35 tCO_2e, a reduction de 10 %), the business use of vehicles (-125.50 tCO_2e, a reduction of 9 %) and paper consumption (12.07 tCO_2e, a reduction of 9 %). The total emissions reduction target for the next three years is -9.9 %, or **-401.92 tCO_2e**.

Corporate social responsibility has also been implemented with the introduction of a **purchasing policy** that goes in part through the centres for the business suppliers of Crédit Mutuel, such as Euro Information SOFEDIS, CM–CIC Services. This latter organisation, which is responsible for logistics, incorporates the aspects of CSR in its calls for tenders for general resource suppliers, with particular emphasis on hidden work and at each account review (minimum annually, but preferably every six months) with the service-providers, which is carried out there in terms of CSR.
Within Euro information, which manages equipment purchases (terminals, electronic banking, self-service banking, video and telephony), the lifecycle of equipment is tracked circuit from purchasing through to recycling, including the destruction and recovery of waste.
A purchasing policy is currently being written for Crédit Mutuel. It will be implemented in 2017 and will make CSR practices more transparent in terms of purchasing.

The **supplier process** is part of the ISO 9001-certified Quality process monitored and audited by AFAQ[10]. The process is written down and published, making it possible to show the various stages of establishing a contact, drawing up a contract and managing the supplier relationship. The purchasing department asks for the supplier's CSR report so that it can examine its policy on CSR.
The selection of external service-providers and suppliers by CMNE departments is governed by regulations. However, it should be noted that as part of this selection process, the France network has included in the generic selection criteria grid (compliance with the social, image and reputation rules of the provider, geographic proximity, etc.) a criterion relating to the way they deal with CSR.

Without showing any particular vulnerability to the downside of climate change, CMNE has begun assessing the way in which its consumption of energy is controlled. Aware of the issues, it is considering the application of law n° 2013-619 dated 16th July 2013 making Various Provisions to Adapt to European Union Law on sustainable development (the DDADUE Act) introducing the obligation for large companies to produce an initial **energy audit** by December 2015.
This audit was conducted for la CFCMNE based on a representative sample of the Group's properties. These were 5 central sites and 15 Local Branches from the commercial network, representing a total floor area surveyed of 23 345 m^2. The forms of energy used most were electricity, with 1 731 MWh, and natural gas, with 1 419 MWh, representing 71 % and 29 % of energy costs respectively and accounting for overall surveyed consumption of 3 149 MWh. The majority of usage was for heating (66 %), office technology (20 %), lighting (8 %) and ventilation (3 %). The main recommendations related to heating (optimisation of adjustments and the replacement of some boilers), buildings (insulating walls and changing windows), ventilation (programming the timer for the VMC[11]) and lighting (replacing some fixtures with LEDs). These actions should reduce emissions by 71 tCO_2. They are part of the work scheduled for 2017 as priorities linked to our eco-responsible commitments.

There is also the study of new versions of equipment conducted by Euro Information (PCs, printers, scanners, copiers), which since 2013 has included a CSR approach on energy consumption, the rollout of increasingly energy-saving equipment (by way of example, the new Tiny desktop in 2016 has a minimum consumption of 1.2 kWh and a maximum of 35 kWh, compared with the 2015 model Lenovo M93t, which consumes between 11 and 35 kWh). As Crédit Mutuel upgrades about 1/5 of its equipment annually, this process is part of the power consumption reduction programme.

The European Directive on energy efficiency has been transposed into Belgian law. Beobank will conduct an energy audit on its two headquarters buildings during 2017. It should be noted that like CMNE, Beobank was already engaged in a programme to improve the energy efficiency performance of its buildings and conducted a voluntary audit at one of its sites in 2008.

10 Latest monitoring audit: June 2016. The next renewal audit will be conducted in June 2017
11 VMC: Controlled Mechanical Ventilation

REDUCING THE CONSUMPTION OF RESOURCES

The linear system of our economy – extract, manufacture, consume, throw away – has reached its sell-by date. A government decree sets obligations about sorting paper, metal, plastic, glass and wood in businesses (Decree n° 2016-288 dated 10th March 2016 making various provisions on adaptation and simplification in waste prevention and management).

CMNE encourages the introduction of responsible habits in terms of the consumption of energy or paper. **The dematerialisation** of account statements, the distribution of documents via the Internet, the development of electronic document management (EDM), the electronic signing of documents (ESD), the printing of in-house communication material on recycled paper, the increased use of online and smartphone solutions are all examples of habits that are more environmentally friendly.

To promote habits that protect the environment within CMNE and to present the company's commitments and those of its staff, a **Sustainable Development portal** has been proposed as part of the staff and directors' Intranet for network France, publishing details of news items and programmes conducted, as well as an eco-gestures space.

Waste management is at the heart of the energy transition challenge and development of the circular economy. Good sorting is the first step in the process of reducing and treating waste. CMNE has been a partner of Elise[12] since 2007. Elise is a benchmark in the collection and **recycling of paper** and in 2015, to ensure better management, it became CMNE's only supplier in this area.
At the beginning of 2015, **waste treatment** was the subject of some significant decisions, modifying the way it is dealt with and encouraging recycling. This included the introduction of separate sacks for paper and DIB[13], sorting drinking cups and disused batteries. A quality inspection at each site provides assurance that the sorting is being carried out both by staff and the cleaning company (quality sheer per site). Monthly meetings to monitor the quantities of waste are scheduled and new selective collecting procedures have been introduced. Early results indicate a reduction of 65 % in DIB waste in 2015, compared with 2014. Staff awareness in the France network has also borne fruit: an increase in paper sorting to 135 887 kg (131 891 kg in 2015) and cartons to 29 962 kg (19 401 kg in 2015).

At NEA, a number measures were introduced in partnership with *Cedre*, a waste recycling company in Île-de-France. *Cedre* handles the collection, sorting and treatment of waste. A recycling programme was signed in June in partnership with *Cedre*, which employs handicapped staff re-joining the workforce (recycling of paper, plastic drinking cups and bottles, cans, etc.). A special programme was implemented on the **cleaning day** prior to the reorganisation of premises in the wake of the new organisation: containers were provided into which all staff could deposit paper documents not being kept so that they could be recycled.

Elsewhere, since CMNE's business is conducted solely within Europe, the Group is not affected by water supply constraints. Nevertheless and to reduce the **consumption of water**, various programmes have been implemented at our entities: at Beobank, water consumption is monitored monthly, both at head office and for the branches. Since 2015, CMNE has measured its water usage quarterly, rather than annually, to ensure that consumption is monitored more closely.

Measures to promote the fight against **food waste** do not have a direct impact on CMNE's business. However, when organising major events (conventions, staff receptions, etc.), the Group is careful about the caterers it chooses:

- For the past 4 years, one of its caterers has been Qualitraiteur-certified by the Veritas office. As part of its CSR programme, it has signed an agreement against waste with a regional food bank: '*Restos du Coeur de Lille*'. Under the agreement, it undertakes to donate any leftovers from receptions so that they can be redistributed to the disadvantaged. One of our providers is also certified as an 'ecodynamique'[14] company, with one of its features being that the crockery it uses is made from sugar cane residue (plates and cutlery);
- At Beobank, Sodexo which manages the company restaurant located at the head office in La Plaine, has developed an action plan for its 200 restaurants, including the one at Beobank. This enables them to reduce food waste for 600 tons a year. This programme was introduced at Beobank in 2014. Another noteworthy agreement is the one with Foodlovers which, in partnership with the Maison'elle association, handles the redistribution of meals not eaten at events.

Under the obligations set by decree 2016-288 of 10th March 2016, the management of **electrical and electronic waste** is handled by EIS, a subsidiary of the Crédit Mutuel Group. EIS works on behalf of Euro Information to monitor the installation and maintenance of computer equipment. The Broke business continues to develop make it increasingly important and avoid the destruction of equipment as much as possible. When it comes to buying new equipment, ecolabels are now given priority.

12 ELISE : Entreprise Locale d'Initiatives au Service de l'Environnement = Enterprise for Local Initiatives Serving the Environment
13 DIB : Déchet Industriel Banal = ordinary industrial waste
14 Ecodynamic label: http://chefchezsoi.be/eco.php

OPTIMISING TRAVEL

Concerned for the future of the country and the planet, the CMNE Group runs highly practical programmes among staff to optimise the way they travel. For instance, staff have a range of solutions available for organising and taking part in meetings off-site: Skype telephone conferences, live meetings with the option of roundtable, videoconferencing, etc.

As part of the action plan to reduce greenhouse gas emissions, CMNE's **vehicle fleets** have been reviewed to include increasingly restrictive criteria, particularly in terms of reducing the level of CO_2, vehicles (smaller engine sizes and hybrid vehicles), which has fallen by 27 g CO_2 per km in three years. Other programmes are also aimed at reducing greenhouse gases, such as the company travel plan and teleworking.

At CMNE, the **Company Travel Plan** (CTP) is in two stages. The scope includes the Federal Services in the main, but most of the programme is accessible to all staff. The reason for choosing this two-phase rollout relates to the major changes implemented in Lille in 2016, with the Urban Travel Plan. Some actions have already been introduced in the light of indicators relating to the vehicle fleet. The questionnaire and the geolocation of employees' homes will be brought in at the beginning of 2017 so that the action plan can be fine-tuned. Promoting public transport will be part of the plan, including the Test the TER free of charge promotion in 2017.

At Beobank, the CTP works on a 3-year cycle. The next one is scheduled for 2017. The current plan contains the result for 2014, as well as actions based mainly on suggestions made by head office staff. In 2015, the bank signed a Third Party Pays agreement with SNCB[15] promoting the use of an annual rail season ticket for travel to and from work.
When it comes to choosing company vehicles, Ecoscore is taken into account to reduce the image that using vehicles has on the environment. In 2016, as part of the project to relocate head office, special attention was paid to finding a location close to railway stations and other public transport services. Working in consultation with the social partners, a teleworking procedure was developed, the advantages of which benefit staff (wellbeing), the bank (lower travel costs/ productivity gains) and the environment (fewer journeys, less pollution).

At La Française, **teleworking** was introduced and after a test phase in 2015, it was decided that working from home not only brought balance and wellbeing to staff, but also generated efficiency and productivity for the company. For this reason, La Française has decided to include regular teleworking in its policy for developing human resources. The agreement signed details the organisation of regular teleworking for one day a week for those business lines that want it, while maintaining the ability to work from home on an exceptional basis.
At CMNE, some thirty staff are also experimenting with working from home one day a week. The aim is to measure the benefits of teleworking, both for the company and for employees, but also to identify any limits and constraints. In addition to the interest that teleworking may offer in terms of quality of life at work, this experiment will also make it possible to allocate and distribute new technologies more easily within the company (videoconferencing, Skype™, etc.). It will also give managers the opportunity to be innovative in their managerial practices by adjusting to this new form of working relationship.

During **European Mobility Week**, WayzUp, the home-work-home car-sharing app, was showcased at La Française in order to offer a more economical and environmentally friendly solution for daily travel. This new company had already presented its services to Group employees back in the spring: 7 000 people are registered in Île-de-France, offering their home-work-home journey on the app. By doing so, they are helping to relieve congestion on the region's roads by reducing their emissions of CO_2.

At NEA, due mainly to the location of the company and its partners, employee home-work-home travel and business-related journeys are undertaken mainly by public transport. Also, video and telephone conferences for meetings between Brussels, Paris, Lille and Strasbourg are preferred in order to restrict travelling too frequently.

15 SNCB : Société Nationale des Chemins de fer Belges = Belgian National Railways

TAKING ACCOUNT OF CLIMATE CHANGE

At the end of the financial year ending on 31st December 2016 and in line with article 173 IV of the Energy Transition Act[16], La Française and NEA, within the deadlines set, will notify policyholders and in their annual report about the way in which ESG (Environment, Social and good Governance) will be taken into account in their investment policy, particularly in the context of "Environment", regarding the greenhouse emissions of the assets in the portfolio. The companies will also explain the terms of the voting rights attached to the financial instruments.
CMNE has already implemented a number of provisions:

- Environmental concerns are taken into account when funding investment projects (particularly sector-specific policies);
- In the retail banking business – and more specifically for housing loans – specific products apart from eco-loans at zero rates are available, such as short-term and long-term energy-saving loans;
- The effects of climate change are incorporated into the operating risk analyses (accident, major natural or accidental event, major logistics failure); in particular these risks can result in an increase in the occurrence and/or seriousness of the risk of flooding (impact on operating risk mapping);
- La Française Real Estate Managers is continuing its real estate acquisitions while remaining attentive to the existence of certifications and labels and by basing itself on the due diligence audits conducted by third parties using the environmental and social evaluation tool developed in-house by La Française: DIAGTECH. Using the innovative methodology, certifications and labels of course take up a major part of the investment decision, but in the same way as other criteria, whether environmental or social. La Française, funded the first positive energy and self-consumption service building in France on behalf of its LFP Immo SR OPCI investment fund product;
- On a national level, Risk Management will produce a consolidated quarterly report (from the period ending 31/12/16) on exposure to polluting sectors (general mining, coal and lignite extraction, coal, coal retailing trade). Also, to optimise this process, a map of operating risks on the climate risk is being developed. The aim is to determine the impact of the climate risk on the business and to identify protective measures.

In terms of sector-**specific policies**, CMNE is part of an overall process of the Crédit Mutuel Group and takes account of the alerts issued by the Group's Risk Management department about certain sectors or counterparties. It also monitors its partner investments and counterparties carefully. The aim of these sector-specific policies is to detail the general principles and rules intervention regarding finance and investments is the sectors in question, in line with the CSR policy – i.e. coal-fired power stations, defence, civilian nuclear energy and mining. These principles may be reviewed each time the Group deems it necessary.

In terms of asset management, La Française does not invest in companies involved with antipersonnel mines or cluster weapons. The list of companies is updated regularly by Sustainalytics. As part of its advanced investment strategy, La Française attaches great importance to governance in the companies it invests in.

La Française has conducted a number of projects designed to meet the requirements of article 173, which aims to strengthen the existing procedures on the CSR of institutional investors[17] in France. La Française also has tools in-house that enable it to calculate the carbon footprint of **all its share portfolios and almost one-third of its real estate assets under management**. By way of illustration there has been the constitution a Zero Carbon investors' club, one year after the creation of the Zero Carbon fund; entry in a competition for **the best non-financial reporting**, organised by the Investing initiative multi-party think tank, making it possible to test various approaches for assessing the positioning of a portfolio with regard to indicators such as carbon footprint, or the scenarios developed by IEA (International Energy Agency).

In the area of investments, ACMN Vie supported the **Tera Neva** initiative aimed at encouraging French institutionals to support the fight against climate warming at the COP21 event in Paris. ACMN Vie took part in this project by the European Investment Bank, demonstrating its willingness to reduce the impact of its portfolio on climate change and its commitment to promoting energy transition. ACMN Vie has invested in a structured product listed on the SOLCARE index (Ethical Europe Climate Care Index), maturing in 2029.

16 This is Act n° 2015-992 of 17th August 2015 relative to the transition to green energy due to come into effect on 31st December 2016, supplemented by application decree n° 2015-1850 of 29th December 2015
17 With regard to the Crédit Mutuel Group, the parties affected by article 173 of the TEE Act are mainly insurance and reinsurance companies governed by the Insurance Code and open-ended investment companies

SOCIETAL

CMNE is a mutualistic bank and mutualism is defined by three specific features: a different method of management, local establishment and societal commitment. The latter two in particular lead to involve in local life. These fundamental values make CMNE a player that is "concerned" by what is happening around, keen to influence its environment where it can and in its own way, while still remaining in its role. It is not a question of taking the place of the public authorities, but instead of being complementary in the general interest. Involvement in local life is also a CSR commitment that the company has embraced with both hands.
In particular, this means promoting social inclusion by making it easier to borrow money, being a microcredit provider, offering savings products that support our customers and supporting projects through our enterprise foundations.

A LOCAL BANK WORKING ON BEHALF OF THE REAL ECONOMY

As a local bank, CMNE's **territorial network** of branches remains diversified and is becoming stronger. The network provides its products and proposes services at 543 contact points in France and Belgium, as well as at business centres and 'pro centres' dedicated to companies.

Although mainly present in outlying urban areas, CMNE still covers all residential areas. For example, in 2016, 25.2 % of CMNE locations were in rural areas (including localities with fewer than 5 000 inhabitants[18]) while a quarter of **open urban zones** were serviced by a Crédit Mutuel outlet.

CMNE's local base, clear retail banking strategy, cautious cooperative management and financial strength have enabled the bank to develop **loans to businesses** with outstanding loans amounting to 1.9 billion euros for the France network (investment and operating loans). By providing genuine support to the local economic fabric, CMNE plays an active part in local life and employment catchment areas. It should also be noted that in 2016, the France network and Business Finance represented approximately 64 % of loans outstanding to Group customers.

Crédit Mutuel, the second-largest bank for farmers in France, guides and assists 110 000 operators at every stage of their operating lifecycle, from set-up to passing on the business to the next owner. As a **major partner to agriculture** in the Hauts-de-France region and the départements of Marne and Ardennes for the Région Grand Est, CMNE has a market share of 41 % of the regional farming business and in 2016 presented an assistance plan for its farming customers. The first of these support measures is the introduction of a working capital loan, designed to support cashflow: 30 million EUR at a rate of 0.5 % was brought into play. The second concerns the start-up of 2017 seasonal loans, which must take place under the best possible conditions: seasonal loans benefit from exceptional terms: 1.50 % with joint implementation with cooperatives and regional traders.

At the initiative of institutional clients and in partnership with ACOFI, a year ago La Française Inflection Point launched an innovative initiative based on the promotion of sustainable employment. In the form of a dedicated fund, **LFIP *Actions France Emploi Durable***, the project at the heart of the creation of this fund, is based on the belief that social and financial performance, far from being polar opposites, are in fact inextricably linked in the long term for companies, regardless of their sector of business. The underlying issues of profitability, innovation and adaptation are all the more imperative at a pivotal moment when the departure of the baby-boomer generation, the shift to a service-based economy and the explosion of technologies all combine to force businesses to rethink the way they operate. For this reason, the fund invests in all business sectors, whether within a dynamic to create jobs (application of new technologies, health, personal services, etc.) or as part of the attrition of human capital requirements. The fund selects those companies most likely to create employment, or at least those that are able to demonstrate their ability to maintain jobs or evolve and generate a quality of employment as a token of its durability and adaptability.

CMNE is launching a dedicated Private Equity fund that will operate on a co-investment basis, mainly with 2 Siparex funds. The first is focused on the **societal and environmental impact**, while the second concentrates on the **digital**. The specific feature of the CMNE fund is to limit holdings in companies located on our territory, including Belgium.

The **Initiative France** network, the first associative funding network of business creators and buyers, oversees the establishment of around 40 new businesses every day. Keen to play a part in local economic development, CMNE has always been a partner, issuing the Initiative Network with subsidies for granting unsecured loans to the creators and acquirers of businesses. In addition to this financial aid, the staff at CMNE's Professional Advice Spaces (PAS) are also involved on the various Initiative platforms. They take part in various approval committees that examine applications and decide whether or not to support and fund a business creator. In doing so, the business customer advisers contribute their expertise on loans, their knowledge of the local economic fabric and their professional and personal experience.

18 Mapping database implemented by Datar in October 2012

OUR RANGE OF RESPONSIBLE PRODUCTS

Whether customers are looking to support an association, renovate their house or make solidarity-based savings, all of the subsidiaries of the CMNE Group help and guide them in their choice of the right solution for their aim, to save and invest differently.

- **Saving for others**, two products: the Saving for Others Passbook, a social solidarity passbook account that enables customers to allocate all or part of the interest they earn to a humanitarian association. Customers can choose to support one or more associations: Ludopital, Secours Populaire, Association Petits Princes, Secours Catholique, Habitat Humanisme and so on. The Saving for Other Associations Passbook is run on the same principle, for the benefit of associations that are customers of CMNE;
- **Shareholder Passbook**, a savings solution reserved exclusively for CMNE shareholders to reward their loyalty, as well as a Shareholder OBNL Passbook, reserved for the shareholders of non-profit organisations (OBNL);
- **Energy-saving and Éco PTZ loans** are specific products for financing environmental projects. In 2016, there were 7 million euros in outstanding loans for CREDINERGIE and 20.4 million euros for ECOPTZ;
- **Eco Crédit** (with no interest bonus), a loan product offered by Beobank, has a low rate for customers wishing to invest in projects designed to limit energy consumption (hot water production using solar energy, photovoltaic panels, heat pumps, etc.). A little over 180 loans were granted this year at an average 7 600 euros each.

Les Assurances du Credit Mutuel is a founder member of the ***Optique Solidaire association***[19], with partners who are ophthalmologists, opticians, manufacturers of lenses and frames and other supplementary health insurers; CMNE is involved in this project that enables people aged over 45, on low incomes and who hold supplementary health Insurance cover, to benefit from high-quality optical equipment made in France, with no residual fee to pay.

As a CSR player that takes a long-term approach, La Française takes the challenges of tomorrow to emphasise its beliefs today. These beliefs are part of its management philosophy. Firmly believing that sustainability is a source of performance, it applies this principle to various areas of expertise. In Real Estate, La Française is a leading player is sustainable and responsible property. It is a founder member of the Sustainable Property Observatory (OID) and is a signatory of the charter for the energy efficiency of public and private service buildings. On the investment side, through its strategic partnership with IPCM, the principle IAS[20] management is applied to different classes of assets. In addition to a simple SRI[21] analysis, this approach also takes account of the suitability of the strategies of companies with the world's major trends, measuring their adaptability and ability to innovate. In Business Finance, La Française offers investments in the main that meet the need for energy transition.

NewAlpha, a subsidiary of Française, focuses on business incubation and taking shareholdings aimed at boosting **entrepreneurial innovation** in the financing and management of assets. At the end of 2015 it launched the first French Venture Capital fund dedicated to Fintech. In investing 2.5 million euros in Unilend, a collaborative borrowing-lending platform, the fund made its third investment in a very productive sector, giving the company the means to embark on a new phase in its development.

During Responsible Finance week, La Française organised various events linked to the main theme, boosting awareness among its staff and other partners: thematic breakfast sessions based on Zero Carbon run by the specialists at La Française for institutional partners, a conference aimed at the general public on the theme of Responsible Financing, Differently and an article dedicated to responsible bequests in the letter sent to private client individuals.

The 9th edition of **Social Solidarity Economy** month (ESS) provided an opportunity to go back over the principles and values of this innovative economy, which brings together business and social usefulness. The Regional Chambers of the Social Solidarity Economy (CRESS) and the National Council of CRESS's (CNCRESS) organise Social Solidarity Economy month each year to publicise to as wide an audience as possible the innovative initiatives of ESS. As one of the prime movers in this event, CMNE organised a breakfast conference on the theme of Virtual Reality: the evolution of technology and outlooks for the future.

19 For more information about the association: www.optiquesolidaire.fr
20 AIS: Advanced Investment Strategy
21 SRI: Socially Responsible Investing

SOLIDARITY, PATRONAGE AND THE DEVELOPMENT OF TERRITORY

In addition to the traditional bank offering, CMNE is also involved in creating businesses and employment financed by **business microcredits** provided through the France Active and Initiative France networks, as well as funding through the *Nacre* programme. The overall figures quoted are provided by the main partners for the whole of the Crédit Mutuel Group. They are published in the Credit Mutuel Group annual report.
A system that blends business development, banking inclusion and professional and social integration, solidarity microcredits were established by the Borloo Act in 2005. Microcredits arrived in the North that same year, driven by CMNE. It is now eleven years that CMNE has been investing in more social aspects of its activities and a partnership has been set up with the Caisse des Dépôts et Consignations. It is here that CMNE solidarity fund was created, which deals exclusively with supervised **personal microcredits**. 80 % of applications are about mobility, buying a car or taking the driving test; a further 10 % and 5 % are for housing, furniture and domestic appliances, and 5 % is for training and integration. Over the course of a year, 750 to 800 applications from the seven départements are analysed, with 50 to 60 % being accepted.

As a local provider, the CMNE Group plays a genuine role within its territories and is there to encourage the people who make things happen. It supports innovative and structural general interest projects to support local development.

The Crédit Mutuel Nord Europe business Foundation[22] was created from the company's desire to structure the cultural and solidarity programmes that it has always run. The Foundation aims to work across the whole of its territory and seeks to stay loyal to the values it embodies. Each year, it helps and guides some sixty projects that provide direction to the community. The Foundation's mission is divided along three main lines: culture and training formation; the fight against exclusion; and the entrepreneurial spirit. The Foundation's main programmes in 2016 were:

- Lead sponsor for the Modigliani exhibition at LaM[23]. On this particular occasion, the Foundation organised guided tours for staff and a preview for CMNE employees and their children;
- Support for the Lille PEI Political Science programme, to encourage young people from modest backgrounds to advance to higher education;
- Support for the QUANTA association for integrating individuals with mental handicaps into the workplace;
- Support for the EPA Nord-Pas-de-Calais et Picardie association to encourage entrepreneurial spirit among young people;
- Introduction of a vote in favour of the solidarity projects supported by the Foundation. The highlight was the "Staff Favourite" award presented to *Les Clowns de l'Espoir* and a public prize awarded to Les Blouses Roses association.

In the **BGE Hauts-de-France talent** contest, CMNE sponsored a young entrepreneur in the category for Social Solidarity Economy Prize: *Le Buffet Engage*. Far from just being somewhere to eat, *Le Buffet Engage* is a company involved in local development, job creation, promoting culture and the development of social links, etc. "*Talents*" is part of the regional programme for creating and passing on businesses (PRCTE) initiated by the Hauts-de-France region and aimed at providing access for all to the initiative.

All over France, the **Crédit Mutuel Foundation for Reading** encourages thousands of schoolchildren and students to read and write through the *Lire la Ville* programme. Each year in the Nord-Pas-de-Calais region, dozens of classes receive support from the Foundation. This means that the children schooled in these establishments classified as enhanced priority education network are able to "get outside" to do an original that might combine reading, writing, theatre and so on. The selection committee for the Nord-Pas-de-Calais approved ten or so projects, enabling 1 500 pupils to benefit from the programme. Also, for the past 10 years, the Foundation has supported the *Prix des Incorruptibles*, which is designed to get youngsters reading as part of a programme that is both fun and educational. In this context, CMNE encourages membership of the Incorruptibles to a dozen extracurricular structures in sensitive areas, donating book kits aimed at Year One children.

The **cultural patronage programmes** at ACMN VIE support young artists, helping them to become known.
Numerous works are exhibited at ACMN VIE's offices, some of which have been acquired by the company or by staff members on a personal basis. These include, in particular, works by the sculptor Boldi and the painter Marc Ash. In 2016, ACMN VIE exhibited works by the photographer Leila Garfield.

Through the **sharing fund**, La Française supports ICM (Institute of the Brain and Spinal Cord) and AIDES. ICM received a cheque for more than 35 000 euros as part of the programme. "Understanding and treating illnesses and trauma to the nervous system is a major issue on a worldwide scale for the 21st century. Today, medicine can give relief... Tomorrow, it needs to prevent, cure and repair". This is the task the ICM has set itself. As an international research centre, ICM brings together patients, doctors and researchers to the same site at the heart of La Pitié-Salpêtrière hospital in Paris. In this way, CMNE and La Française are supporting medical research through the health-based *Pierval Santé* investment trust. As such, CMNE donates to ICM 0.50 % of the annual receipts from Pierval Santé generated by its network. La Française adds 0.20 % from the same receipts. As a result, the cheque presented to ICM covers the receipts from *Pierval Santé* in the CMNE network in 2014 and 2015.

22 The annual report of the CMNE Foundation is available from http://fondation.cmne.fr
23 Lille Metropolitan Museum of Modern Art, Contemporary Art and Raw Art (LaM)

DIALOGUE WITH STAKEHOLDERS

Crédit Mutuel listens, not only to its shareholders and customers, but also to numerous stakeholders, which include the regulators and the professional bodies to which it belongs, as well as auditors and other control bodies, whether internal or external, mandatory or requested.

INTERNAL STAKEHOLDERS
- Shareholders - Customers/directors
- Regional federations
- Employees
- Directors & management
- Subsidiaries and joint-ventures

COMMERCIAL STAKEHOLDERS
- Customers
- Suppliers
- Subcontractors
- Trading partners
- Competitors

SECTOR-BASED STAKEHOLDERS
- Public affairs
- Public authorities
- Audit/regulatory bodies
- Ratings agencies

SOCIETAL STAKEHOLDERS
- Cooperative institutions
- Associations/NGOs
- Media
- The community/parliament

Beyond these stakeholders, in a non-centralised group, other parties may appear, depending on the strategies and partnerships of each of the Group's entities. To better identify these stakeholders, the Group initiated a census in 2017.

Each year, preparing, drafting and illustrating this report requires the assistance and commitment of numerous people within the Crédit Mutuel Nord Europe Group. It's a team effort, because each person in our business and at our level is able to contribute and improve the impact that our business has on the world around us.

The Crédit Mutuel Group views corporate social responsibility (CSR) as a way of reaffirming its identity and strengthening its distinctive cooperative approach. Aware of the issues facing society, the Group became involved at a very early stage in producing CSR indicators aimed at better identifying the conduct and contributions of our establishments to the community and reporting on it. Each cooperative entity or subsidiary has of course, depending on it history, location and partners, been able to define its own directions on strategic CSR.

The methodology used for measuring and reporting that covers the whole of the Group's bancassurance business is updated regularly by a national working group on CSR, which brings together the various regional Federations of Crédit Mutuel and the Group's main subsidiaries, including Crédit Mutuel Nord Europe. The national group meets a minimum six times a year and enables the various entities in the Crédit Mutuel Group to share internal initiatives and good practices and to think about the proper implementation of CSR in the companies. In this context, exchanges with the stakeholders and other cooperative banks have enabled a shared base of indicators to be established.

NOTE ABOUT OUR METHODOLOGY

The reporting methodology used, the result of group work, sets out the rules for gathering, calculating and consolidating indicators, their scope and the checks carried out. It is aimed at the contributors of CMNE and its subsidiaries that participate in the reporting process and may call on various business line experts. The methodology also formalises the audit trail for internal and external verifications. In the end, it is a data collection tool shared by the whole of CMNE that is implemented annually. In total, the collection process encompasses more than 260 regularly reviewed items that enable us to provide the details for 42 sets of information required by article 225 of the Grenelle II Act. There are also numerous additional indicators providing insight into the Group's cooperative and democratic life.

Within CMNE itself, some fifty contributors are involved and put to work by CSR, more especially by the programmes implemented in the various business lines, but also for reporting tasks. It is difficult to put a precise figure on the resources deployed, because CSR is a transversal responsibility and may concern numerous members of staff partially or temporarily. Actually mobilising the various levels of contribution within CMNE has been facilitated by the implementation of reporting tools, the organisation of specific meetings with the occasional presence of ITBs[24], and the introduction of a dedicated "Sustainable Development" portal in the employee and directors' intranet. Representing the 1 003 578 customers-shareholders who are the principal beneficiaries of CMNE's commitments, our 1 525 directors are also the main spokespeople who put the expectations of the community into words. Well aware of this asset, CMNE seeks to develop its vitality, diversity and active participation.

The information published reflects CMNE's desire to obtain better knowledge and greater transparency. The qualitative data enables the action or commitments made in full or in part by CMNE to be described or illustrated. This information also reflects the Group's ongoing commitment on CSR. The quantitative indicators enable us to understand any changes to the information provided. In 2012, a number of indicators were certified and verified for their reliability by the company auditors in order to confirm their presence and compliance with regulatory obligations. In total, 30 quantitative indicators and ten or so indicators qualitative are the subject of a review of the publication, an audit of the data (on-site or remotely) based on an analytical review, substantial sample testing, comparison with sector-specific performance ratios, conversations and an assurance report including confirmation of the presence and opinion on sincerity by the company auditors selected to act as ITB, in this case Mazars.

The data-gathering programme for 2016 was announced from the autumn so that all of the departments concerned could start working on the data, as well as organise levels of feedback and checks on consistency. This data-gathering process was the subject of a meeting held to open the procedure, attended by a representative from Mazars, who presented the conclusions from the 2016 verification report, the main reliability lines used for the non-financial work for 2016 and an update on the regulatory changes to come. The data gathered was broken down into the search for qualitative and then quantitative information. Compared with the previous reporting period, the new information gathered was aimed in particular at emphasising the implementation of the provisions contained in article 173 of the Energy Transition and Green Growth Act in relation with the insurance and asset management subsidiaries, taking obligations into account with regard to the fight against food waste and reporting on the circular economy.

24 ITB: Independent Third-Party Body

In the end, the CSR indicators used take account of the various reference systems and are based in particular on:

- Article 225 of the Grenelle 2 Act;
- The provisions of the Energy Transition and Green Growth Act;
- The production of audits for greenhouse gas emissions (decree 2011-829 issued on 11th July 2011);
- The ILO (recommendation 193 relative to cooperatives);
- The OECD (leading principles);
- The Global Reporting initiative (version 4);
- The regular exchanges with stakeholders (general meetings of shareholders, NGOs, non-financial ratings agencies, etc.);
- Collective thinking on CSR practices in European cooperative banks (EACB, etc.) and other cooperative sectors.

The indicators are also based on the commitments made by the Group at a national and/or Federal level:

- The principles of the International Cooperative Alliance (ICA);
- The CoopFR charter on cooperative identity adopted in 2010[25];
- The Global Compact (member since April 2003);
- The principles for responsible investing (PRI);
- The transparency code of the French Financial Management Association-Forum for Responsible Investment (AFG-FIR);
- The manifesto of responsible enterprise from the world forum for a responsible economy;
- The label of the Inter-Union Salary Savings Committee (CIES);
- The Novethic label for socially responsible investing (SRI);
- The Finansol label for socially responsible products;
- The sustainable property observatory.

GOVERNANCE INDICATORS
Part of the indicators and comments is devoted to governance. Participation and democracy form the foundation for the cooperative functioning of Crédit Mutuel. This specific cooperative feature also embeds Crédit Mutuel in its territories and is the reason for the non-centralisation of the Group's governance in compliance with the independence of its members and the subsidiarity between the various cooperative entities.

SOCIAL INDICATORS
With regard to headcount, these are salaried employees registered at 31st December, excluding work experience placements, temporary staff and external service providers. For the employment-related data, the total number of days of absence includes all of the following absences for employees on open-ended contracts, fixed-term contracts or on sandwich courses: paid sick leave, unpaid sick leave, sick leave without medical certificate, occupational accidents and accidents on the way to and from work, special leave, leave for child sickness, unpaid extended leave (longer than one month), sabbaticals, parental leave and disability leave. Those absences not counted are paid leave or contractually agreed days of leave (working hours reduction, long-service, wedding, etc.) and maternity and paternity leave. Finally, the proportion of the wages bill dedicated to training does not include Fongecif grants and sandwich courses.

SOCIETAL INDICATORS
The information relative to microcredits is data supplied by the Group's main partners, i.e. Adie, France Active, Initiative France, which provide combined figures for Crédit Mutuel (the national progression coefficient can be applied at a regional level). The overall figures for the period just ended are published in the Crédit Mutuel Group's annual report.

ENVIRONMENTAL INDICATORS
Given the nature of CMNE's activities, noise nuisance, soil pollution and other forms of pollution at the location premises are not a significant factor. Nor does CMNE have any major impact on biodiversity, although these issues have been newly incorporated in the overall CSR considerations without being including in this report. CMNE has made no provision or guarantee in terms of its environmental compatibility.

In total, the overall scope examined includes all of the businesses of CMNE Group (Banking, Insurance, Asset Management) or 99.5 % of the whole headcount total across the 10 employer entities in the consolidated accounting scope. They are: CFCMNE, Beobank, BCMNE, Bail Actea, Nord Europe Lease, ACMN Vie, Nord Europe Life Belgium, Nord Europe Life Luxembourg, La Française AM, La Française AM Private Bank and AM International. It should be noted that two entities joined the La Française group during the second half of 2016 (23 employees). These entities will be included in the non-financial reporting from the financial year ending on 31st December 2017. In addition, Beobank and BKCP bank have merged.

Area	Measurement indicators	Level of cover	Exclusions from scope
GOVERNANCE	Number of shareholders	100 %	No exclusion: the whole of the cooperative core is included in the scope
SOCIAL	Number of FTE salaried staff	99.5 %	The whole CMNE Group
SOCIETAL		100 %	The whole CMNE Group France
ENVIRONMENTAL		100 %	The whole CMNE Group

Anxious to ensure the reliability of its national CSR reporting system, the Confederation's General Inspectorate launched a mission on this topic in 2016. This resulted in a number of investigations, including within the CMNE Group. The conclusions of the assignment were presented to the CMNE Group executive board.

25 CoopFr is the French organisation grouping all cooperative movements. There are 7 founding principles of the ICA: democracy, solidarity, responsibility, continuity, transparency, proximity and services

REPORTING TABLES

CSR REPORTING 2016/GOVERNANCE			
CSR indicator references	INDICATORS	CMNE 2016	CMNE 2015
	Subsidiaries – outside cooperative core – board members		
GOUV01	Number of directors, members of executive board and/or supervisory board	55	70
Age pyramid			
GOUV09-02	Number of members < 40 ans	0	0
GOUV09-03	Number of members < 40/49 ans	5	10
GOUV09-04	Number of members < 50/59 ans	26	24
GOUV09-05	Number of members > 60 ans	24	36
	Cooperative core		
Cooperatives			
GOUV03	Number of Local Branches	154	154
	Directors		
GOUV04	Number of directors - Local Branches	1 525	1 552
GOUV05	*of whom directors* - Federation	15	16
Participation			
GOUV09	Participation rate at Board meetings of Local Branches	80 %	80 %
GOUV13	Participation rate at Board meetings of the Federation	90 %	90 %
Renewal			
GOUV14	Number of new directors - Local Branches	75	68
GOUV15	*of whom women*	39	31
GOUV27	Renewal rate of directors of Local Branches	4.90 %	4.38 %
GOUV22	Average age of directors - Local Branches	59	58
Representativeness and equality			
GOUV33	% of women directors (Local Branches and Federation combined)	33 %	31 %
GOUV34	% of women among new directors	52.0 %	45.6 %
GOUV35	% of women among new Chairmen	21 %	19 %
Training			
GOUV56	Total number of training hours given	2 132	2 348
GOUV58	% of directors trained	n/a	n/a
GOUV59	Length of training for each director trained	n/a	n/a
	Shareholders-customers		
GOUV61	Number of customers of Local Branches[1]	1 003 578	1 020 001
GOUV62	*of which are adult personal customers and legal entities (adult customers)*	*865 429*	*871 560*
GOUV63	Number of shareholders (year n)	590 564	592 404
GOUV64	Change in shareholder numbers over the year	-0.3 %	-0.2 %
GOUV65	% of shareholders among personal customers	65 %	65 %
Participation at General Meetings (local)			
GOUV63 BIS	A Number of shareholders summoned (year n-1)	592 404	593 664
GOUV68	Number of shareholders present and represented	23 815	24 821
GOUV70	% participation at General Meetings	4.02 %	4.18 %

[1] To which must be added 607 063 customers of the Beobank network and business customers 14 657, making 1 625 298 customers.

Indicators	Indicator highlighted when the subject of verification by the Independent Third-Party Body.

CSR REPORTING 2016/EMPLOYMENT-RELATED INFORMATION			
CSR indicator references	INDICATORS	CMNE 2016	CMNE 2015
	Employment [1]		
Headcount			
SOC01	Total headcount in FTE	4 620	4 602
SOC01_bis	Headcount registered M/F (Natural persons) Fixed + Open-ended contracts	4 748	4 749
SOC02	*of which France*	*3 621*	*3 583*
SOC05	*of which non-managers* [1]	*2 116*	*2 154*
SOC07	*of which women*	*2 313*	*2 304*
SOC12	% of employees with open-ended contracts	95.7 %	96.1 %
Recruitment and departures			
SOC13	Total number of recruitments	908	816
SOC15	*of which women*	*529*	*510*
SOC16	*of which employees with open-ended contracts*	*255*	*194*
SOC19	Number of employees on open-ended contracts who left the organisation	267	260
SOC20	*of which dismissals*	*29*	*45*
SOC22	Plans in place to reduce headcount and save jobs?	no	no
	Organisation, working times and absenteeism		
Organisation of working time (headcount on open-ended contracts CDI – M/F) [1]			
SOC29	Number of full-time staff	3 263	3 224
SOC30	Number of part-time staff	358	359
SOC31	% of full-time staff	90 %	90 %
Absenteeism and reasons [1]			
SOC38	Total number of days of absence (in working days)	50 924	45 629
SOC39	*of which for illness*	*34 891*	*30 682*
SOC40	*of which for accidents at work*	*1 145*	*532*
SOC43	Number of occupational illnesses reported	0	1
Conditions of hygiene and security [1]			
SOC44	Number of accidents at work reported causing a work stoppage	22	18
Training and professional integration			
SOC46	Amount of the wages bill invested in training (in euros)	10 974 437	10 672 456
SOC47	% of the wages bill dedicated to training	4.33 %	4.27 %
SOC48	Number of employees attending at least one training course	4 492	4 220
SOC49	% of employees receiving training	94.60 %	88.90 %
SOC50	Total number of hours spend training employees [1]	88 350	97 386
	Equal opportunity		
Professional equality Men-Women [1]			
SOC60	% of women among managers	33.50 %	32.87 %
SOC63	% of women among promotions to manager	42.20 %	31.80 %
Employment and integration of handicapped workers [1]			
SOC68	Number of handicapped workers	106	105
SOC71	% of handicapped workers in total headcount	2.90 %	2.90 %

CSR REPORTING 2016/EMPLOYMENT-RELATED INFORMATION			
CSR indicator references	INDICATORS	CMNE 2016	CMNE 2015
	Social dialogue		
Promotion and compliance with the stipulations of the fundamental agreements of the International Labour Organisation[1]			
SOC67	Number of convictions for offences	0	1
SOC78	Number of meetings with staff representatives (CE, CHSCT, DPE, DS, etc.)	170	147
SOC79	Number of consultations with staff representatives (CE, CHSCT, DPE)	171	82
Remuneration and changes			
SOC73	Gross payroll (in euros)	253 518 640	249 839 041
SOC107	Total annual gross remuneration (in euros) for employees on open-ended contracts	247 876 054	241 023 607
SOC108	Total annual gross remuneration (in euros) for non-management employees on open-ended contracts	86 006 007	85 846 000
SOC109	Total annual gross remuneration (in euros) for management employees on open-ended contracts	161 870 048	155 177 607
Employment-related charges			
SOC80	Total amount of social charges paid (in euros)	119 612 600	121 262 388
Professional relations and collective agreements			
SOC83	What agreements were signed during the year? State date of signing and subject of the agreements.	See wording in the report	See wording in the report

[1] For France

ECO-CALCULATOR

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This report was printed on FSC® Cocoon Silk mixed paper (40%)/Recycled (60%) with vegetable based inks.

Using this paper rather than non-recycled coated paper, reduces our environmental impact by:

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10 881 litres of water

1 000 kWh of energy

753 kg of wood

THE WWF SUPPORT ARJOWIGGINS GRAPHICS IN THE FIGHT AGAINST CLIMATE CHANGE AND THE PROMOTION OF RESPONSIBLE PAPER

Sources: The carbon footprint was assessed by Labelia Conseil in accordance with the Bilan Carbone® methodology. The calculations stem from a comparison between the recycled paper considered and a virgin fibre paper according to the latest data available from the European BREF (for virgin-fibre paper). The results obtained stem from technical information and are subject to change.

CSR REPORTING 2016/SOCIETAL INFORMATION			
CSR indicator references	INDICATORS	CMNE 2016	CMNE 2015
	Territorial, economic and societal impact		
Territorial impact			
SOT01A	Number of Credit Mutuel sales outlets (including periodic sales outlets)	281	258
	Number of business centres	19	18
SOT01B	Other sales outlets (Belgium network)	243	283
SOT07	% of sales outlets in rural areas	25 %	25 %
SOT08	% of urban areas covered by sales outlets	24 %	24 %
Market for associations			
SOT40	Number of OBNL customer (associations, unions, works councils, etc.)	31 254	31 503
SOT40A	Number of ASBL (Non-Profit Associations) in the Belgium network	403	302
Patronage and sponsorship			
SOT52	Overall budget dedicated to patronage and sponsorship (in euros)	5 632 690	5 521 128
	Microcredits		
Supervised personal microcredits			
SOT10	Number of microcredits granted during the year	417	428
SOT13	Total microcredits financed over the year (in euros)	795 391	794 462
SOT11	Average amount of microcredits financed (in euros)	1 907	1 856
Intermediated business microcredits [1]			
	Socially responsible investing		
SRI and ESG [2]			
SOT28 BASE	Outstanding funds managed by the management company (in millions of euros)	59 949	52 642
SOT28	Outstanding SRI (in millions of euros)	1 618	1 432
Voting policy			
SOT29	Approval rate of resolutions	78 %	77 %
SOT29-R	Number of resolutions proposed	0	-
SOT29-RA	Number of resolutions approved	4 680	-
SOT30	Number of general meetings attended by the management company	451	251
	Products and services of a social nature		
SOT71	Outstanding regulated social loans (PLS, PSLA) (not sold at CMNE)	-	-
	Solidarity products		
Solidarity savings			
SOT33	Outstanding funds ex-capitalisation Savings Passbooks for Others (LEA) (in euros)	1 738 025	1 506 527
Solidarity salary savings			
SOT37	Outstanding funds in solidarity savings funds (in euros)	11 172 841	9 968 672
	Funding projects of an environmental nature		
Zero-rated Eco-loans			
SOT63	Number of zero-rated Eco-loans granted	130	166
SOT64	Average amount of zero-rated loans granted (in euros)	16 422	17 891
SOT65	Total amount of zero-rated Eco-loans (in euros)	2 134 841	2 969 930
Loans for renewable energy and energy efficiency			
SOT69	Number of projects financed (business and farming)	3	6

CSR REPORTING 2016/SOCIETAL INFORMATION			
CSR indicator references	INDICATORS	CMNE 2016	CMNE 2015
	Quality of service		
Bank mediation [3]			
SOT75	Number of eligible applications	52	250
SOT77	Number of decisions in favour of the customer and applied systematically	10	95
SOT78	Percentage of decisions in favour of the customer and applied systematically	25.6 %	38.0 %
	Economic impact indicators		
SOT83	Outstanding loans to customers (in euros)	14 762 093 000	14 495 823 000
SOT84	Housing loans (in euros)	8 085 270 000	7 931 876 000
SOT85	Consumer loans (in euros)	2 803 744 000	2 529 530 000
SOT86	Equipment loans (TPE) (in euros)	2 148 710 000	1 835 632 000

[1] The overall figures are supplied by the principal partners for the whole of the Crédit Mutuel Group. They are published in the Crédit Mutuel Group annual report.
[2] Outstanding SRI - Outstanding ESG.
[3] At 1st January 2016, consumer mediation, the transposition of the European ADR directive (alternative consumer dispute resolution) came into effect. It resulted in an in-depth change to the way mediation works at Crédit Mutuel. The mediator, whose resources have been increased, has a dedicated team and its own website, which enables requests for mediation to be lodged online. On the other hand, disputes cannot be entered until all internal avenues have been exhausted. Hence, while the number of submissions fell by 18 %, compared with 2015, to 250, the number of admissible cases represents only 20.8 % of the total (52 in all). This explains the reduction in favourable outcomes for the customer, partially or totally, which fell from 38 % to 25.6 %. Most of the other cases have been sent to the banks for handling.

CSR REPORTING 2016/ENVIRONMENTAL INFORMATION			
CSR indicator references	INDICATORS	CMNE 2016	CMNE 2015
Consumption of resources			
Water (m³)			
ENV04	Consumption of water	42 845	40 009
Energy (kWh)			
ENV06	Total consumption of electricity	22 753 275.09	21 238 986.62
ENV07	Total consumption of gas	10 223 556.76	10 177 282.37
ENV08	Total consumption of heating oil	522 341.53	829 784.74
ENV05_1	Consumption of urban steam networks	654 000.00	-
ENV05	Total consumption of energy	34 153 173.38	32 246 053.73
Paper (tons)			
ENV10	Internal consumption of paper	243.21	262.01
ENV11	External consumption of paper	546.51	551.84
ENV09	Consumption of paper (internal and external usage)	789.72	813.85
Programmes to reduce environmental impact and emissions of greenhouse gases			
Programmes to reduce emissions			
ENV31	Number of videoconferencing devices	40	39
ENV32	Number of videoconferences [1]	2 620	651
Waste prevent and management			
ENV39	What programmes have been implemented to reduce the consumption of resources, paper, waste, etc.? State the targets and results, where appropriate.	See wording in the report	See wording in the report
Awareness campaigns			
ENV43	Campaigns implemented to inform and train staff about protecting the environment	See wording in the report	See wording in the report
ENV44	Human resources allocated to CSR	1.94	1.30

[1] The volume of videos and running times increased significantly: calculation made in 2016 based on Lync/Skype™ connections counting all audio/video connections lasting for more than 10 minutes with 3 members of staff.

CRÉDIT MUTUEL NORD EUROPE GROUP

4 Place Richebé
59000 Lille - France

Cooperative Public Limited Credit Company with variable capital

Report from the Independent Third-Party Body (OTI), regarding the consolidated employment-related, environmental and societal information featured in the management report

Period ending 31st December 2016

MAZARS SAS
61 rue Henri Regnault
92 075 Paris – La Défense Cedex - France

Simplified joint stock company
Capital of 37 000 EUROS - RCS NANTERRE 377 505 565

REPORT FROM THE INDEPENDENT THIRD-PARTY BODY

To the Shareholders,

In our capacity as an independent third-party body, member of the Mazars network and company auditors for the Crédit Mutuel Nord Europe Group, accredited by COFRAC under number 3-1058[1], we hereby present our report into the consolidated employment-related, environmental and societal information relative to the period ending on 31st December 2016, presented in the management report (referred to below as "CSR information"), pursuant to the provisions of article L.225-102-1 of the Commercial Code.

RESPONSIBILITY OF THE COMPANY

It is the responsibility of the Board of Directors to draw up a management report that includes the consolidated CSR information provided for in article R. 225-105-1 of the Commercial Code, prepared in accordance with the procedures used by the company (referred to below as "Reference"), a summary of which is featured in the management report and is available on request from the Communication department.

INDEPENDENCE AND QUALITY CONTROL

Our independence is defined by the regulatory texts and code of ethics for the profession, as well as by the provisions of article L. 822-11 of the Commercial Code. We have also implemented a quality control system that includes documented policies and procedures aimed at ensuring compliance with ethical rules and professional standards, as well as the applicable statutory and regulatory texts.

RESPONSIBILITY OF THE INDEPENDENT THIRD-PARTY BODY

It is our responsibility, based on our work:

- To certify that the CSR Information required is contained in the management report or, in the event of omission, is the subject of clarification pursuant to paragraph three of article R. 225-105 of the Commercial Code (Certificate of presence of CSR Information);
- To express a conclusion of assurance based on the fact that the CSR Information, taken as a whole, is presented in all of its significant aspects, in a sincere manner, in accordance with the Reference (Reasoned opinion of the sincerity of the CSR Information).

Our work was carried out by the team of 4 individuals between February and April 2017 over a period of approximately 3 weeks.

We carried out the work set out below in accordance with the professional standards that apply in France and which also comply with the decree of 13th May 2013 establishing the terms under which the independent third-party body conducts its assignment and, with regard to the reasoned certification of sincerity, to international standard ISAE 3000[2].

[1] The scope of which is available from www.cofrac.fr
[2] ISAE 3000 - Assurance engagements other than audits or reviews of historical financial information

1. STATEMENT AS TO THE PRESENCE OF CSR INFORMATION

Based on conversations with the managers of the departments concerned, we have examined the presentations regarding the directions taken on sustainable development as a function of the social and environmental consequences linked to the company's business and societal commitments and, where appropriate, any resulting actions or programmes.

We have compared the CSR Information presented in the management report with the list provided for by article R.225-105-1 of the Commercial Code.

Where certain consolidated information is missing, we checked that explanations were supplied according to the provisions of Article R.225-105, section 3 of the Commerce Code.

We have verified that the CSR Information covered the consolidated scope, i.e. the company and its subsidiaries in the sense of article L.233-1 and the companies that it controls in the sense of L.233-3 of the Commercial Code, with the limits stated in the note on methodology detailed in the paragraph presented in section 5 of the management report

Based on this work and taking account of the limits mentioned above, we hereby certify the presence of the required CSR information in the management report.

2. OPINION, STATING REASONS, OF THE SINCERITY OF THE CSR INFORMATION

NATURE AND EXTENT OF THE WORK

We conducted fifteen or so interviews with the individuals responsible for preparing the CSR Information in the departments in charge of the process of gathering information and, where appropriate, the people responsible for the internal audit and risk management procedures in order to:

- Assess the appropriate nature of the Reference material in terms of its relevance, completeness, reliability, impartiality and comprehensible nature, taking good practices for the sectors into consideration;
- Check the implementation of a process to gather, compile, process and verify data, aimed at checking the exhaustiveness and consistency of the CSR Information and examining the internal audit and risk management procedures relative to the development of the CSR Information.

We have determined the nature and extent of our tests and checks based on the nature and importance of the CSR Information with regard to the characteristics of the company, the employment-related and environmental issues involved with its business, direction taken on sustainable development and good practices for the sector.

For the items of CSR Information that we consider to be the most important[3], we have, in the various departments in the Group[4]:

- Consulted the documentary sources and conducted interviews to corroborate the qualitative information provided (organisation, policies, actions), implemented analytical procedures for the quantitative information and verified, based on samples taken, the calculation and consolidation of the data given. We have also checked their consistency and correlation with the other information featured in the management report;
- Conducted interviews to verify the proper application of the procedures and carried out detailed tests, based on samples taken, consisting of verifying the calculations carried out. We have also matched the data with the supporting documents and evidence.

[3] **Employment-related information:** total headcount, total number of recruitments, number of employees with open-ended contracts leaving the organisation, including redundancies, total number of days of absence and days worked, percentage of payroll allocated to training, total number of hours allocated to training staff, percentage of women managers, average gross annual remuneration (in euros) of employees with open-ended contracts, both non-managers and managers

Environmental information: total consumption of energy, overall consumption of paper (internal and external)

Societal information: number of supervised personal microcredits granted during the year, average amount of supervised personal microcredits financed, number of applications handled – ADIE, amount of credit lines made available – ADIE, number of new microcredits financed - France Active, guaranteed amounts - France Active, number of Nacre loans paid out with an additional loan from the Group - France Active, amounts lent - France Active (Nacre), number of additional bank loans granted – Initiative France, amount of additional bank loans granted – Initiative France, outstanding SRI, outstanding solidarity salary savings, number of OBNL customers, total budget dedicated to patronage and sponsorship

Information relative to Governance: number of Local Branches, number of new directors – Local Branches, number of female new directors – Local Branches, total number of hours' training given to directors, percentage of participation at general meetings

[4] Communication Department (CFCMNE), Network Department (CFCMNE), Legal Affairs Department (CFCMNE), Human Resources Department (CFCMNE), La Française AM, Bancassurance Commercial Department (CFCMNE), CMNE Solidarity Fund, Markets Department (CFCMNE), General Management (CFCMNE), Property and General Resources Department (CFCMNE)

The samples selected represent 61 % of the FTE headcount, between 21 % and 78 % of the quantitative environmental information.

For the other items of consolidated CSR Information, we have assessed their consistency in relation to our knowledge of the company.

Finally, we have assessed the relevance of the explanation given, where appropriate, for the partial or total lack of certain items of information.

We believe that the sampling methods and the size of the samples that we have taken in exercising our professional judgment enable us to formulate a reasonable assurance as to our conclusion. Gaining a greater level of assurance would have entailed more extensive verification works. Because we have used sampling techniques, as well as other limitations inherent to the functioning of any information and internal auditing system, the risk of not detecting a significant anomaly in the CSR Information cannot be totally ruled out.

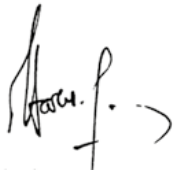
CONCLUSION

Based on our work, we did not uncover any significant anomaly that may call into question the CSR Information taken overall, which is presented in a sincere manner, in accordance with the Frame of Reference.

Drawn up at Paris - La Défense (France), 12th April 2017

The Independent Third-Party Body

MAZARS SAS



Michel Barbet-Massin
Associate

Edwige REY
Associate CSR
and Sustainable Development

TABLE OF CONCORDANCE CSR(ART.225-GRENELLE II)

Subject to the provisions of paragraph three of article R. 225-105, the Board of Directors or Executive Board of the company which complies with the terms set out in paragraph one of article R. 225-104 is required state in its report, pursuant to the provisions of article L. 225-102-1, the following information:	
1° Employment-related information	**The indicators concerned**
a) Employment	
Total headcount and breakdown of salaried staff, by gender, age and geographical area	SOC 01 to SOC 12
Recruitments and dismissals/redundancies	SOC 13 to SOC 22
Remuneration and changes in remuneration	SOC 73 - SOC 107 to 109
b) Organisation of work	
Organisation of working time	SOC 29 to SOC 31
Absenteeism	SOC 38 to SOC 43
c) Employment relations	
Organisation of social dialogue, particularly the procedures for providing information and for staff consultation and negotiations with staff	SOC 67 - SOC 78 - SOC 79
Summary of collective agreements	SOC 83
d) Health and safety	
Health and safety conditions in the workplace (stress, health, wellbeing)	SOC 38 to SOC 44
Summary of agreements signed with union organisations or staff representatives on matters of health and safety in the workplace	See wording in the report
Accidents at work, specifically their frequency and severity	SOC 40 to SOC 44
e) Training (development of skills)	
The policies implemented in the area of training	SOC 46 to SOC 50
The total number of training hours	SOC 50
f) Equality of treatment	
Measures taken to promote equality between men and women	SOC 60 - SOC 63
Measures taken to encourage the employment and integration of handicapped workers	SOC 68 - SOC 71
The policy for fighting discrimination	See wording in the report
g) Promotion of and compliance with the stipulations of the fundamental conventions of the International Labour Organisation relate to	
Respect for the freedom of association and the right to collective bargaining	SOC 67 - SOC 78 - SOC 79
The elimination of discrimination in employment and profession	SOC 60 - SOC 63
The elimination of forced or mandatory labour	See wording in the report
The effective abolition of child labour	See wording in the report
2° Environmental information	**The indicators concerned**
a) General policy on environmental matters	
The company's organisation for taking account of environmental issues and, where appropriate, the processes applied for assessment or certification on environmental issues	See wording in the report
Training and information programmes for staff, conducted to protect the environment	ENV 43
Measures devoted to the prevention of environmental risks and pollution	See wording in the report
The amount of provisions and guarantees for environmental risks, on condition that this information is not of a nature to cause a serious prejudice to the company in a dispute still pending	No provision
b) Pollution	
Measures for the prevention, reduction or remedying of emissions into the air, water and ground seriously affecting the environment	not significant
Taking account of noise pollution and any other form of pollution specific to a particular activity	not significant

c) Circular economy	
Prevention and management of waste	
Measures for the prevention, recycling, reuse, other forms of downgrading and elimination of waste	See wording in the report
Programmes to fight against food waste	See wording in the report
Sustainable use of resources	
The consumption and supply of water based on local constraints	ENV 04
The consumption of raw materials and the measures taken to improve efficiency in their use	not significant
The consumption of energy, measures taken to improve energy efficiency and use of renewable energy	ENV 05 to ENV 08
Use of soil	not significant
d) Climate change	
The main items for emissions of greenhouse gases generated as a result of the company's activities, particularly by the use of the goods and service it produces	See wording in the report
Adjustment to the consequences of climate change	See wording in the report
e) Measures taken to preserve or develop biodiversity	
The measures taken to preserve or develop biodiversity	not significant
3° Information relatives to societal commitments in favour of sustainable development	**The indicators concerned**
a) Territorial, economic and social impact of the company's activities	
In the area of employment and regional development	SOT 01 to SOT 08. SOT 10 to SOT 23
On resident or local populations	SOT 07 to SOT 08
b) Relations maintained between individuals and organisations with an interest in the company's activities	
The terms for dialogue with these individuals or organisations	GOUV 70 - SOT 40
Partnership or patronage programmes	SOT 52
c) Subcontracting and suppliers	
Taking account of social and environmental issues in the purchasing policy	See wording in the report
The importance of subcontracting and taking into account their corporate social and environmental responsibility in relations with suppliers and subcontractors	See wording in the report
d) Fair practices	
Programmes undertaken to prevent corruption	See wording in the report
Measures taken to promote the health and safety of consumers	See wording in the report
e) Other programmes undertaken in favour of Human Rights	

FINANCIAL REPORT

BALANCE SHEET: ASSETS AS AT 31/12/16

In thousands of euros

	Note	31/12/16	31/12/15	Change	
Cash, central banks – Assets	**1**	**971 641**	**286 774**	**684 867**	**238.82 %**
Financial assets at fair value by result	**2, 4, 6**	**12 953 647**	**12 212 024**	**741 623**	**6.07 %**
- Government stocks and similar securities – Trading		-	-	-	-
- Government stocks and similar securities - JVO		346 624	331 478	15 146	4.57 %
- Bonds and other fixed-revenue securities - Trading		-	-	-	-
- Bonds and other fixed revenue securities - JVO		2 974 930	3 352 150	(377 220)	(11.25) %
- Stocks and other variable-revenue securities - Trading		198 395	212 333	(13 938)	(6.56) %
- Stocks and other variable-revenue securities - JVO		9 268 109	8 156 542	1 111 567	13.63 %
- Loans and debts on CE - JVO		425	530	(105)	(19.81) %
- Loans and debts on customers - JVO		-	-	-	-
- Derivatives and other financial assets - Trading		165 164	158 991	6 173	3.88 %
Derivative hedging instruments – Assets	**3, 4, 6**	**33 026**	**46 085**	**(13 059)**	**(28.34) %**
Financial assets available for sale	**5, 6, 10**	**6 856 172**	**7 001 327**	**(145 155)**	**(2.07) %**
- Government stocks and similar securities - DALV		1 579 451	453 353	1 126 098	248.39 %
- Bonds and other fixed-revenue securities - DALV		4 384 168	5 786 005	(1 401 837)	(24.23) %
- Shares, TAP and other variable-revenue securities - DALV		669 733	559 158	110 575	19.78 %
- Holdings and ATDLT - DALV		49 585	40 241	9 344	23.22 %
- Shares in affiliated companies - DALV		173 235	162 570	10 665	6.56 %
Loans and debts on credit establishments	**1**	**3 219 890**	**3 786 641**	**(566 751)**	**(14.97) %**
- Loans on credit establishments		3 219 890	3 786 641	(566 751)	(14.97) %
- Bonds and ATRF NC/assets market - EC		-	-	-	-
Loans and debts on customers	**8 & 10**	**16 170 871**	**15 876 108**	**294 763**	**1.86 %**
- Loans on customers		14 762 093	14 495 823	266 270	1.84 %
- Bonds and ATRF NC/assets market - CL		-	-	-	-
- Finance leases – Lease transactions		1 111 089	1 085 736	25 353	2.34 %
- Finance leases – LS transactions		297 689	294 549	3 140	1.07 %
Adjustment on revaluation of portfolios hedges for interest rate risk	**3**	**49 813**	**38 416**	**11 397**	**29.67 %**
Assets held to maturity	**9 & 10**	**208 382**	**379 852**	**(171 470)**	**(45.14) %**
- Government stocks and similar securities - DJM		14 426	14 055	371	2.64 %
- Government stocks and other fixed-revenue securities		193 956	365 797	(171 841)	(46.98) %
Current tax assets	**13**	**67 409**	**75 975**	**(8 566)**	**(11.27) %**
Deferred tax assets	**13**	**66 936**	**72 015**	**(5 079)**	**(7.05) %**
Accruals and miscellaneous assets	**14**	**578 838**	**566 313**	**12 525**	**2.21 %**
- Other assets		445 811	442 488	3 323	0.75 %
- Accruals - assets		100 569	97 849	2 720	2.78 %
- Other insurance assets		32 458	25 976	6 482	24.95 %
Non-current assets to be disposed of		**139**	**7**	**132**	**N.S.**
Deferred participation in profits	**19**	**-**	**-**	**-**	**-**
Holdings in equity companies	**15**	**160 980**	**171 709**	**(10 729)**	**(6.25) %**
Investment property	**16**	**48 513**	**43 327**	**5 186**	**11.97 %**
Tangible fixed assets and lessee FL	**17**	**199 313**	**344 819**	**(145 506)**	**(42.20) %**
- Tangible fixed assets		199 313	344 819	(145 506)	(42.20) %
- Lessee finance lease		-	-	-	-
Intangible fixed assets	**17**	**33 964**	**40 572**	**(6 608)**	**(16.29) %**
Goodwill	**18**	**203 271**	**201 751**	**1 520**	**0.75 %**
TOTAL ASSETS		41 822 805	41 143 715	679 090	1.65 %

BALANCE SHEET: LIABILITIES AS AT 31/12/16

In thousands of euros

	Note	31/12/16	31/12/15	Change	
Central banks – Liabilities	**1**	-	-	-	-
Financial liabilities at fair value by result	**2, 4, 6**	**234 825**	**229 873**	**4 952**	**2.15 %**
- Debts to CE		-	-	-	-
- Debts to customers - JVO		-	-	-	-
- Debts represented by a security - JVO		116 345	123 139	(6 794)	(5.52) %
- Subordinated debts - JVO		-	-	-	-
- Derivatives and other financial liabilities - Trading		118 480	106 734	11 746	11.00 %
Derivative hedging instruments – Liabilities	**3, 4, 6**	**126 488**	**131 006**	**(4 518)**	**(3.45) %**
Debts to credit establishments	**1**	**1 523 622**	**2 359 389**	**(835 767)**	**(35.42) %**
Debts to customers	**8**	**16 377 857**	**15 977 967**	**399 890**	**2.50 %**
- Credit accounts customers - CERS – At call		9 579 589	9 570 261	9 328	0.10 %
- Credit accounts customers - CERS – Term		2 093 112	1 835 254	257 858	14.05 %
- Credit accounts customers - Other – At call		4 300 327	3 884 196	416 131	10.71 %
- Credit accounts customers - Other – Term		404 829	688 256	(283 427)	(41.18) %
Debts represented by a security	**12**	**3 611 130**	**3 759 108**	**(147 978)**	**(3.94) %**
- Debts represented by a security- Cash voucher		58 412	79 802	(21 390)	(26.80) %
- Debts represented by a security- M. interb. & TCN		2 013 551	2 217 772	(204 221)	(9.21) %
- Debts represented by a security- Bond loans		1 469 873	1 355 298	114 575	8.45 %
- Debts represented by a security- Other		69 294	106 236	(36 942)	(34.77) %
Adjustment on revaluation of portfolios hedged for interest rate risk	**3**	**2 542**	**2 758**	**(216)**	**(7.83) %**
Current tax liabilities	**13**	**52 780**	**91 310**	**(38 530)**	**(42.20) %**
Deferred tax liabilities	**13**	**61 055**	**68 185**	**(7 130)**	**(10.46) %**
Accruals and miscellaneous liabilities	**14**	**3 042 056**	**2 403 651**	**638 405**	**26.56 %**
- Other liabilities		2 809 314	2 206 110	603 204	27.34 %
- Accruals – Liabilities		232 742	197 541	35 201	17.82 %
- Other insurance liabilities		-	-	-	-
Debts linked to assets to be disposed of		-	-	-	-
Technical provisions – insurance policies	**19**	**12 732 293**	**12 587 681**	**144 612**	**1.15 %**
Provisions	**20**	**166 788**	**146 730**	**20 058**	**13.67 %**
Subordinated debts	**21**	**967 903**	**667 554**	**300 349**	**44.99 %**
Equity capital		**2 923 466**	**2 718 503**	**204 963**	**7.54 %**
Equity capital – Share of Group	**22**	**2 845 593**	**2 665 075**	**180 518**	**6.77 %**
- Capital subscribed		1 276 771	1 266 263	10 508	0.83 %
- Issue premiums		2 750	2 750	-	-
- Consolidated results		1 209 260	1 013 975	195 285	19.26 %
- Result – Group		204 543	211 591	(7 048)	(3.33) %
- Latent profits or losses - Group		152 269	170 496	(18 227)	(10.69) %
Equity capital – Minority interests		**77 873**	**53 428**	**24 445**	**45.75 %**
- Consolidated reserves – Minority interests		60 405	39 831	20 574	51.65 %
- Consolidated result – Minority interests		14 682	12 400	2 282	18.40 %
- Latent profits or losses – Minority interests		2 786	1 197	1 589	132.75 %
TOTAL LIABILITIES		**41 822 805**	**41 143 715**	**679 090**	**1.65 %**

RESULT AS AT 31/12/16

In thousands of euros

	Note	31/12/16	31/12/15	Change	
Revenue from interest and similar	**24**	**1 086 640**	**1 156 920**	**(70 280)**	**(6.07) %**
- Int. & sim. rev. – Trans. with CE		31 739	43 137	(11 398)	(26.42) %
- Int. & sim. rev. – Trans. with customers		586 717	636 342	(49 625)	(7.80) %
- Int. & sim. rev. – Fin. assets DALV		40 389	53 769	(13 380)	(24.88) %
- Int. & sim. rev. – Fin. assets DJM		5 865	7 737	(1 872)	(24.20) %
- Revenue from lease transactions and similar		315 055	300 843	14 212	4.72 %
- Revenue from LS transactions LS		101 816	102 373	(557)	(0.54) %
- Hedging derivatives – Revenue		5 059	12 719	(7 660)	(60.22) %
Charges from interest and similar	**24**	**(632 519)**	**(650 476)**	**17 957**	**(2.76) %**
- Int. & sim. charges – Transactions with CE		(13 732)	(24 372)	10 640	(43.66) %
- Int. & sim. charges – Transactions with customers		(124 990)	(150 930)	25 940	(17.19) %
- Int. & sim. charges – Debts rep. by a security		(64 605)	(71 475)	6 870	(9.61) %
- Int. & sim. charges – Subordinated debts		(8 916)	(2 515)	(6 401)	254.51 %
- Charges on lease transactions and similar		(284 226)	(266 798)	(17 428)	6.53 %
- Charges on LS transactions		(96 319)	(94 122)	(2 197)	2.33 %
- Hedging derivatives - Charges		(39 731)	(40 264)	533	(1.32) %
Commissions (Revenue)	**25**	**190 668**	**206 846**	**(16 178)**	**(7.82) %**
Commissions (Charges)	**25**	**(52 102)**	**(58 375)**	**6 273**	**(10.75) %**
Net profits or losses on JV portfolio by result	**26**	**47 702**	**24 213**	**23 489**	**97.01 %**
- Net balance on trans./ transaction T.		(704)	7 395	(8 099)	(109.52) %
- Net balance of foreign exchange transactions		1 291	2 417	(1 126)	(46.59) %
- Net balance of trading derivatives		40 546	19 785	20 761	104.93 %
- Net balance – Ineffectiveness of hedging derivatives		1 995	(6 513)	8 508	(130.63) %
- Net balance of financial assets JVO		(563)	(14 597)	14 034	(96.14) %
- Net balance of financial liabilities JVO		(2 283)	4 680	(6 963)	(148.78) %
- Int. & rev. Ins. – Financial assets JVO		11 620	17 528	(5 908)	(33.71) %
- Int. & sim. charges – Financial liabilities JVO		(4 200)	(6 482)	2 282	(35.21) %
Net profits or losses on financial assets DALV	**27**	**43 340**	**22 901**	**20 439**	**89.25 %**
- Earnings from variable-revenue securities		25 947	14 821	11 126	75.07 %
- Bonds and other fixed-revenue securities (including EP)		15 206	1 022	14 184	n.s.
- Shares, TAP and other VRS		2 852	4 781	(1 929)	(40.35) %
- Shareholdings, ATDLT, PEL		(558)	2 281	(2 839)	(124.46) %
- Other profits and losses/financial assets		(107)	(4)	(103)	n.s.
Revenue from other activities	**28**	**1 705 029**	**1 975 612**	**(270 583)**	**(13.70) %**
Charges from other activities	**28**	**(1 259 649)**	**(1 504 172)**	**244 523**	**(16.26) %**
NET BANKING INCOME		**1 129 109**	**1 173 469**	**(44 360)**	**(3.78) %**
General overheads	**29**	**(825 432)**	**(819 319)**	**(6 113)**	**0.75 %**
- Staffing overheads		(450 075)	(451 971)	1 896	(0.42) %
- General operating overheads		(335 817)	(324 526)	(11 291)	3.48 %
- All./write backs on dep. and prov. op. property		(39 540)	(42 822)	3 282	(7.66) %
GROSS OPERATING PROFIT IFRS		**303 677**	**354 150**	**(50 473)**	**(14.25) %**
Cost of risk	**30**	**(20 992)**	**(18 455)**	**(2 537)**	**13.75 %**
OPERATING PROFIT IFRS		**282 685**	**335 695**	**(53 010)**	**(15.79) %**
Share of profits from equity companies	**15**	**10 385**	**9 714**	**671**	**6.91 %**
Net profits or losses on other assets	**31**	**33 503**	**(331)**	**33 834**	**N.S.**
- Net balance - Corr. val. tangible/intangible fixed assets		236	(331)	567	(171.30) %
- Results on consolidated entities (disposal, etc.)		33 267	-	33 267	n.s.
Changes in value on goodwill	**32**	-	-	-	-
PROFIT BEFORE TAXES IFRS		**326 573**	**345 078**	**(18 505)**	**(5.36) %**
Tax on profit	**33**	**(107 348)**	**(121 087)**	**13 739**	**(11.35) %**
Net profits & losses from taxes/aband. bus.		-	-	-	-
TOTAL NET PROFIT IFRS		**219 225**	**223 991**	**(4 766)**	**(2.13) %**
Consolidated profit – Minority interests		**14 682**	**12 400**	**2 282**	**18.40 %**
NET PROFIT		**204 543**	**211 591**	**(7 048)**	**(3.33) %**

STATEMENT OF NET INCOME AND PROFITS AND LOSSES ACCOUNTED FOR DIRECTLY IN EQUITY CAPITAL AS AT 31/12/16

In thousands of euros

	Note	31/12/16	31/12/15	Change	
NET PROFIT		**219 225**	**223 991**	**(4 766)**	**(2.13) %**
• Conversion differentials		(3 094)	1 047	(4 141)	(395.51) %
• Revaluation of financial assets available for sale		(7 527)	4 530	(12 057)	(266.16) %
• Revaluation of derivative hedging instruments		2 775	3 597	(822)	(22.85) %
• Share of latent or deferred profits or losses on equity companies		2 977	945	2 032	215.03 %
TOTAL PROFITS AND LOSSES ACCOUNTED FOR DIRECTLY IN EQUITY CAPITAL	**34,35**	**(4 869)**	**10 119**	**(14 988)**	**(148.12) %**
• Revaluation on fixed assets		-	-	-	-
• Actuarial differentials on defined benefit plans		(11 761)	1 463	(13 224)	n.s.
• Share of latent profits or losses or deferred on equity companies		(8)	1	(9)	n.s.
TOTAL NON-RECYCLABLE PROFITS AND LOSSES ACCOUNTED FOR DIRECTLY IN EQUITY CAPITAL	**34,35**	**(11 769)**	**1 464**	**(13 233)**	**N.S.**
NET RESULT AND PROFITS AND LOSSES ACCOUNTED FOR DIRECTLY IN EQUITY CAPITAL		**202 587**	**235 574**	**(32 987)**	**(14.00) %**
of which share of Group		*186 316*	*223 702*	*(37 386)*	*(16.71) %*
of which share of minority interests		*16 271*	*11 872*	*4 399*	*37.05 %*

NET CASH FLOW AS AT 31/12/16

In millions of euros

	IFRS 2015.12	IFRS 2016.12
Net result	224	219
Tax	121	107
Profit before taxes	**345**	**326**
+/- Net allocations to depreciations of tangible and intangible fixed assets	44	39
- Depreciation of goodwill and other fixed assets	0	-2
+/- Net allocation to provisions and depreciations	-42	10
+/- Share of profit linked to equity companies	-10	-10
+/- Net loss/profit from investment activities	-3	2
+/- Revenue/charges from finance activities	0	0
+/- Other movements	-52	-165
= Total non-monetary elements included in the net profit before tax and other adjustments	**-63**	**-126**
+/- Flows linked to operations with credit establishments (a)	378	-58
+/- Flows linked to operations with customers (b)	244	139
+/- Flows linked to other operations affecting financial assets or liabilities (c)	-482	-638
+/- Flows linked to other operations affecting non-financial assets or liabilities	-55	627
- Tax paid	-111	-134
= Net reduction/increase in assets and liabilities from operational activities	**-26**	**-64**
TOTAL NET CASH FLOW GENERATED BY OPERATING ACTIVITIES (A)	**256**	**136**
+/- Flows linked to financial assets and shareholdings (d)	104	243
+/- Flows linked to investment property (e)	1	-8
+/- Flows linked to tangible and intangible fixed assets (f)	-40	107
TOTAL NET CASH FLOW LINKED TO INVESTMENT ACTIVITIES (B)	**65**	**342**
+/- Cash flow from or to shareholders (g)	-51	-10
+/- Other net cash flows from finance activities (h)	-326	404
TOTAL NET CASH FLOW LINKED TO FINANCE OPERATIONS (C)	**-377**	**394**
EFFECT OF THE CHANGE IN EXCHANGE RATES ON CASH FLOW AND CASH FLOW EQUIVALENT (D)	**0**	**0**
Net increase/reduction in cash flow and cash flow equivalents (A + B+ C + D)	**-56**	**872**
Net cash flow generated by operating activities (A)	256	136
Net cash flow linked to investment operations (B)	65	342
Net cash flow linked to finance operations (C)	-377	394
Effect of the change of exchange rates on cash flow and cash flow equivalents (D)	0	0
Cash flow and cash flow equivalents at opening	**480**	**424**
Cash, central banks (assets & liabilities)	256	287
Accounts (assets & liabilities) and at-call loans borrowings with credit establishments	224	137
Cash flow and cash flow equivalents at closing	**424**	**1 296**
Cash, central banks (assets & liabilities)	287	971
Accounts (assets & liabilities) and at-call loans borrowings with credit establishments	137	325
CHANGE IN NET CASH FLOW	**-56**	**872**

In millions of euros

	IFRS 2015.12	IFRS 2016.12
(a) The flows linked to operations with credit establishments were broken down as follows:		
+/- Receipts and disbursements linked to debts on credit establishments (excluding elements included in cash flow), excluding receivables	229	737
+/- Receipts and disbursements linked to debts to credit establishments, excluding receivables	149	-795
(b) The flows linked to operations with customers were broken down as follows:		
+/- Receipts and disbursements linked to debts on customers, excluding receivables	-45	-285
+/- Receipts and disbursements linked to debts to customers, excluding receivables	289	424
(c) The flows linked to other operations affecting financial assets and liabilities were broken down as follows:		
+/- Receipts and disbursements linked to financial assets at fair value by result	172	-647
+/- Receipts and disbursements linked to financial liabilities at fair value by result	8	-7
- Disbursements linked to acquisitions of financial assets at FR available for sale	-270	0
+ Receipts linked to disposals of financial assets at FR available for sale	0	277
+/- Receipts and disbursements linked to derivative hedging instruments	0	0
+/- Receipts and disbursements linked to debts represented by a security	-392	-261
(d) The flows linked to financial assets and shareholdings were broken down as follows:		
- Disbursements linked to acquisitions of subsidiaries, net of the cash flow acquired	0	0
+ Receipts linked to disposals of subsidiaries, net of the disposed cash flow	0	0
- Disbursements linked to acquisitions of securities in equity companies	0	-10
+ Receipts linked to disposals of securities in equity companies	0	15
+ Receipts linked to dividends received	0	0
- Disbursements linked to acquisitions of financial assets held to maturity	-2 390	-1 530
+ Receipts linked to disposals of financial assets held to maturity	2 491	1 701
- Disbursements linked to acquisitions of financial assets at VR available for sale	-1	-2
+ Receipts linked to disposals of financial assets at VR available for sale	4	69
+/- Other flows linked to investment operations	0	0
+ Receipts linked to interest received, excluding accrued interest not due	0	0
(e) The flows linked to investment properties were broken down as follows:		
- Disbursements linked to acquisitions of investment property	-1	-9
+ Receipts linked to disposals of investment property	1	1
(f) The flows linked to tangible and intangible fixed assets were broken down as follows:		
- Disbursements linked to acquisitions of tangible and intangible fixed assets	-48	-22
+ Receipts linked to disposals of tangible and intangible fixed assets	7	129
(g) The cash flows from or to shareholders were broken down as follows:		
+ Receipts linked to issues of capital instruments	-29	11
+ Receipts linked to disposals of capital instruments	0	0
- Disbursements linked to dividends paid	-22	-21
- Disbursements linked to other remunerations	0	0
(h) Other net cash flows from finance activities were broken down as follows:		
+ Receipts linked to revenue from issues of loans and debts represented by a security	355	528
- Disbursements linked to repayments of loans and debts represented by a security	-826	-424
+ Receipts linked to revenue from issues of subordinated debts	145	300
- Disbursements linked to repayments of subordinated debts	0	0

N.B. : Note that the changes of technical provisions from life insurance policies are neutralised in the reprocessing of net allocations to provisions and are shown in the disbursements linked to acquisitions of financial assets.

VARIATION OF EQUITY CAPITAL

In thousands of euros

	Capital and linked reserves		Consolidated reserves	Latent or deferred profits/losses (net of CT)							
						Variations in value of financial instruments					
	Capital	Reserves linked to capital [1]	Consolidated reserves	Linked to the exchange differentials	Linked to the revaluation	Variations in fair equity capital value of assets available for sale	Variations in fair value of derivative hedging instruments	Net profit share of Group	Equity capital share of Group	Equity capital share of minority interests	Total consolidated
Equity capital as at 31 December 2014	**1 295 202**	**2 750**	**815 396**	**768**	**-7 560**	**189 262**	**-24 085**	**226 029**	**2 497 762**	**57 332**	**2 555 094**
Change in capital	-28 939		297						-28 642		-28 642
Elimination of self-held securities									-		-
Elimination of preference shares									-		-
Equity capital component of hybrid instruments									-		-
Equity capital component of plans for which payment is based on shares									-		-
Allocation of profit 2014			203 691					-203 691	-		-
Distribution in 2015 of the profit for 2014								-22 338	-22 338		-22 338
SUBTOTAL OF MOVEMENTS LINKED TO RELATIONS WITH SHAREHOLDERS	**-28 939**	**-**	**203 988**	**-**	**-**	**-**	**-**	**-226 029**	**-50 980**	**-**	**-50 980**
Changes in profits and losses accounted for directly in equity capital [2] [3]				1 091	1 464	5 039	3 597		11 191	-528	10 663
Result as at 31th December 2015								211 591	211 591	12 400	223 991
SUBTOTAL	**-**	**-**	**-**	**1 091**	**1 464**	**5 039**	**3 597**	**211 591**	**222 782**	**11 872**	**234 654**
Effect of acquisitions and disposals on minority interest			-8 056			-24			-8 080	-32 016	-40 096
Change of accounting methods			2 729						2 729		2 729
Share in changes of equity capital of affiliated companies and equity joint ventures			-3 710			944			-2 766		-2 766
Changes in conversion rates			-						-	-	-
Other changes			3 628		-		-		3 628	16 240	19 868
Equity capital as at 31th December 2015	**1 266 263**	**2 750**	**1 013 975**	**1 859**	**-6 096**	**195 221**	**-20 488**	**211 591**	**2 665 075**	**53 428**	**2 718 503**
Change in capital	10 508		-162						10 346		10 346
Elimination of self-held shares									-		-
Issue of preference shares									-		-
Equity capital component of hybrid instruments									-		-
Equity capital component of plans for which payment is based on shares									-		-
Allocation of profit 2015			191 049					-191 049	-		-
Distribution in 2016 of profit for 2015								-20 542	-20 542		-20 542
SUBTOTAL OF MOVEMENTS LINKED TO RELATIONS WITH SHAREHOLDERS	**10 508**	**-**	**190 887**	**-**	**-**	**-**	**-**	**-211 591**	**-10 196**	**-**	**-10 196**
Changes in profits and losses accounted for directly in equity capital [2] [3]				-3 105	-11 760	-9 537	2 775		-21 627	1 589	-20 038
Result as at 31th December 2016								204 543	204 543	14 682	219 225
SUBTOTAL	**-**	**-**	**-**	**-3 105**	**-11 760**	**-9 537**	**2 775**	**204 543**	**182 916**	**16 271**	**199 187**
Effect of acquisitions and disposals on minority interests			-4 247			419			-3 828	-4 725	-8 553
Change in accounting methods			-						-		-
Share in changes of equity capital of affiliated companies and equity joint ventures			10 455		-8	2 989			13 436		13 436
Changes in conversion rates			-						-	-	-
Other changes			-1 810		-		-		-1 810	12 899	11 089
Equity capital on 31th December 2016	**1 276 771**	**2 750**	**1 209 260**	**-1 246**	**-17 864**	**189 092**	**-17 713**	**204 543**	**2 845 593**	**77 873**	**2 923 466**

The other changes in consolidated reserves correspond to the differential between the theoretical calculation of dividends and their actual collection (differential due to the changes in scope and method of treatment in IFRS of the sale options of minority interests).

[1] Includes in particular issue premiums and the statutory reserve of the parent company, the equity capital component of the hybrid instruments of the parent company and plans for which payment is based on shares in the parent company

[2] Includes in particular the changes in fair value of the derivative financial instruments used to hedge cash flow and net investments in foreign currency, as well as the changes in fair value of assets available for sale and changes in the value of actuarial differentials on the provision for retirement benefits

[3] Transfer to the profit-and-loss account of the changes in fair value of the derivative hedging instruments, financial assets available for sale when disposed of or depreciated, revaluation of fixed assets when disposed of

FINANCIAL REPORT

ANNEX TO THE CONSOLIDATED ACCOUNTS

(Drawn up in accordance with the IFRS accounting standards adopted by the European Union)

ENDING 31TH DECEMBER 2016

THIS ANNEX IS DIVIDED INTO SIX SECTIONS:

I GENERAL INFORMATION

II METHODS AND CONSOLIDATION PRINCIPLES, SCOPE

III ACCOUNTING PRINCIPLES

IV NOTES ON THE ITEMS IN THE FINANCIAL STATEMENTS

V SECTOR-BASED INFORMATION

VI OTHER INFORMATION

I GENERAL INFORMATION

Crédit Mutuel is a cooperative bank governed by the Act of 10th September 1947. It is wholly owned by its shareholders, who hold A shares in the company, enabling them to vote on a "one person, one vote" principle and in particular to elect the directors.

The three levels of this non-centralised organisation – local, regional and national – operate in accordance with the principle of subsidiarity: on the level closest to the shareholder, the Local Branch conducts the main functions of a banking system, with the other echelons carrying out tasks that the Local Branch is unable to assume on its own.

Translating the Group's capitalistic originality into consolidation is based on determining a consolidating entity that represents the community of shareholders who are bound by shared financial links of solidarity and governance.

The consolidating entity of the Crédit Mutuel Nord Europe Group is therefore made up of all of the Local Branches of the Caisse Fédérale of Crédit Mutuel Nord Europe and the Federation of Crédit Mutuel Nord Europe. The Federation of Crédit Mutuel Nord Europe is affiliated with the National Confederation of Crédit Mutuel. The Local Branches of Crédit Mutuel Nord Europe are owned entirely by their shareholders. The Crédit Mutuel Nord Europe Foundation is also incorporated within the consolidating entity.

CMNE's business, which extends across the north of France, Belgium and Luxembourg, consists of the development, management and distribution of banking, insurance and IARD products, as well as transferable and property securities.

The financial statements are presented in accordance with the format recommended in recommendation n° 2013-04 issued by the National Accountancy Council relative to IFRS summary statements. They comply with the International Financial Reporting Standards adopted by the European Union.

The Group has applied different amendments adopted by the European Union since 1st January 2016 without any significant impact on the Group's accounts. They pertain in particular to:

- **IAS 1:** Presentation of financial statements: highlight of the relative importance, presentation on two lines, in the statement of net results and profits and losses accounted for directly in equity, of the share of equity accounted entities (distinction between "recyclable" and "non-recyclable");
- **IFRS 2:** Share-based payment. The change concerns the notion of "conditions of acquisitions of rights" which is henceforth defined either as a "performance condition" or as a "service condition";
- **IFRS 3:** Business combinations: any counterparty of a grouping as a liability or equity instrument, results from the application of IAS 32. The price adjustment causes which are not equity instruments must be valued at the fair value on each closing date, and the changes in clear value, must be booked in earnings;
- **IFRS 7:** Financial instruments: information to be provided regarding the management mandate constitutes a continuous involvement in a Transferred asset;
- **IFRS 8:** Operating segments: information to be provided in case of grouping of segments;
- **IAS 24:** Information relating to affiliated parties: extension of the definition (managers made available) and additional information appended;
- **IAS28/IFRS10, IFRS12:** Option that makes it possible to value affiliated companies and joint ventures at fair value by the result; can be carried out on an entity-by-entity basis.

Pursuant to the IFRS 7-B6 standard, information relating to the risk management in the Group's management report.

Use of estimates

Preparing the Group's Financial Statements requires the managers of the business lines and functions to make hypotheses and produce estimates that translate into the determination of the revenue and charges in the profit-and-loss account, as well as the valuation of the assets and liabilities in the balance sheet and into the production of the attached notes relating to them. This exercise requires the managers to apply their judgment and use the information available when the Financial Statements are drawn up to make the required estimates. The subsequent final results of the operations for which the managers have used estimates may differ significantly from those estimates, depending on varying market conditions and thus may have a significant effect on the Financial Statements.

This is particularly the case for:

- Depreciations applied to cover the credit risks inherent to banking intermediation activities;
- Calculating the market value of unlisted financial instruments classified under "Assets available for sale" or "Financial assets at market value by result" in the assets or liabilities, and more generally when calculating the market value of financial instruments for which this information needs to be stated in the notes attached to the Financial Statements;
- Depreciations of financial assets with variable revenue classified in the category for "available for sale";
- Depreciation tests conducted on intangible fixed assets;
- The relevance of the qualification of certain result hedges by derivative financial instruments and when measuring the effectiveness of hedging strategies;
- Estimating the residual value of assets that are the subject of finance leasing or simple lease transactions and, more generally, depreciated assets minus their estimated residual value;
- Determination of provisions intended to hedge risks of losses and charges.

HIGHLIGHTS IN 2016

On 1st May, the two Belgian banking subsidiaries merged in a single structure which retained the name of Beobank.

The Raspail property complex was disposed of and the Management Division for Third Parties now occupies it as a tenant.

II CONSOLIDATION METHODS AND PRINCIPLES, SCOPE

1. PRINCIPLES OF INCLUSION IN THE SCOPE

The general principles for including an entity in the scope are defined by IFRS 10, IFRS 11 and IAS28R. The scope of consolidation is made up of:

- Entities audited exclusively: the audit is deemed to be exclusive when the Group holds power over the entity, is exposed to or has the right to variable yields on account of its links with the entity and its ability to exercise its power over the entity in a way that will influence the yields its achieves;

- Entities audited jointly: a joint audit is the contractually agreed sharing of the audit conducted on an entity that only exists where the decisions relating to the entity's key activities require the unanimous consent of the parties that share control over the entity. Two or more parties that exercise joint control constitute a partnership, which is either a shared enterprise or a joint enterprise:
  - A shared enterprise is a partnership in which the parties exercising joint control have rights over the assets and obligations as to the liabilities relating to the entity: this involves accounting for the assets, liabilities, revenue and overheads relating to the interests held in the entity,
  - A joint venture is a partnership in which the parties exercising joint control have rights over the net assets of the entity: the accounts of a joint enterprise are recorded using the equity method.

- Entities under significant influence: these are entities that are not controlled by the consolidating entity, but over which there is a power of participation in their financial and operating policies.

2. CONSOLIDATION METHODS

The consolidation method used differs depending on whether the consolidating entity exercises exclusive or joint control, or notable influence on the company held.

Thus, depending on the type of control, the consolidation method may be:

- Full consolidation: This method consists of substituting each of the assets and liabilities of each subsidiary for the value of securities, and isolating the share of the minority interests in the equity capital and in the result. It is applied for all entities under exclusive control, including those with a different account structure, whether the activity is in extension of that of the consolidating entity;

- The minority interests correspond to stakes that do not give control as defined in the IFRS 10 standard and integrating the instruments which are shares of current interests and entitle a share in the net assets in the event of liquidation, and the other equity instruments issued by the subsidiary and not held by the Group.
  The UCITSs and SCPIs, in particular those representative of contracts (notably unit-linked for insurance entities), are booked at fair value by result. The amounts corresponding to the minority interests are entered under "other liabilities";

- Equity method: This method consists of replacing the value of the securities with the Group's share in the equity capital and the result of the entities concerned. It is applied for all the entities under joint control, qualified as co-enterprises and for all entitles under notable influence.

CONSOLIDATION METHODS AND PRINCIPLES, SCOPE

3. SCOPE

The CMNE Group's consolidation scope at 31th December 2016 is detailed in the following tables, which indicate the contribution of each entity to the Group's result.

Scope of consolidation	Country	Closing date	Percentage		Contribution to the result (thousands of euros)	Method of integration [1]	Closing date	Percentage		Contribution to the result (thousands of euros)	Method of integration [1]
			control	interest				control	interest		
1. Financial companies											
1.1 Credit establishments											
> Branches of Credit Mutuel + Federal Branch of CMNE + Federation of CMNE	France	12/15	100	100	51 510	Parent company	12/16	100	100	54 340	Parent company
> BCMNE (consolidated base) - 4 Place Richebe 59000 Lille	France	12/15	100	100	18 040	FC	12/16	100	100	13 779	FC
> CMNE Belgium (consolidated base) - Boulevard de Waterloo, 16 - 1000 Brussels	Belgium	12/15	100	100	31 277	FC	12/16	100	100	32 960	FC
1.2 Credit institutions other than 1.1											
> FCP Richebé Gestion - 128 Boulevard Raspail - 75006 Paris	France	12/15	100	100	5 640	FC	12/16	100	100	-2 300	FC
> CMNE Home Loans FCT - 4 Place Richebé 59000 Lille	France	12/15	100	100	0	FC	12/16	100	100	0	FC
1.3 Other financial companies											
2. Non-financial companies											
2.1 Insurance											
> Nord Europe Assurances (consolidated base) - 9 Boulevard Gouvion-St-Cyr - 75017 Paris	France	12/15	100	100	71 322	FC	12/16	100	100	69 610	FC
2.2 Services											
> Actéa Environnement - 5/7 Rue Frédéric Degeorge - 62000 Arras	France	12/15	100	100	-215	FC	12/16	100	100	1 016	FC
> CMNE CAP Seniors - 4 Place Richebé - 59000 Lille	France	12/15	100	100	0	FC	12/16	0	0	0	NC
> CMNE Environnement - 4 Place Richebé - 59000 Lille	France	12/15	100	100	-26	FC	12/16	0	0	0	NC
> Euro-Information - 34 Rue du Wacken - 67000 Strasbourg	France	12/15	10.15	10.15	8 588	EM	12/16	10.15	10.15	9 297	EM
> Financière Nord Europe - 4 Place Richebé - 59000 Lille	France	12/15	100	100	209	FC	12/16	100	100	160	FC
> GIE CMN Prestations - 4 Place Richebé - 59000 Lille	France	12/15	100	100	0	FC	12/16	100	100	0	FC
> L'Immobilière du CMN (consolidated base) - 4 Place Richebé - 59000 Lille	France	12/15	100	100	2 546	FC	12/16	100	100	1 849	FC
> Sicorfé Maintenance - Rue Bourgelat - 62223 St Laurent Blangy	France	12/15	34.00	34.00	108	EM	12/16	34.00	34.00	120	EM
> THEIA Viager - 455 Promenade des Anglais - 06299 Nice	France	12/15	80.00	80.00	-199	FC	12/16	80.00	80.00	-988	FC
> Transactimmo - 1 Rue Arnould de Vuez - 59000 Lille	France	12/15	100	100	-38	FC	12/16	100	100	-33	FC
2.3 Industry											
2.4 Non-financial Holding											
> Groupe La Française (consolidated base) - 173 Boulevard Haussmann - 75008 Paris	France	12/15	98.18	98.18	19 897	FC	12/16	97.84	97.83	22 654	FC
> Nord Europe Participations et Investissements (consolidated base) - 4 Place Richebé - 59000 Lille	France	12/15	100	100	2 932	FC	12/16	100	100	2 079	FC
TOTAL					**211 591**					**204 543**	

Banque Commerciale du Marché Nord Europe - 4 Place Richebé 59000 LILLE (France)

Consolidation scope serving as a basis for elements contained in the publishable consolidation	Country	Closing date	Percentage		Contribution to the result (thousands of euros)	Method of integration [1]	Closing date	Percentage		Contribution to the result (thousands of euros)	Method of integration [1]
			control	interest				control	interest		
Banque Commerciale du Marché Nord Europe	France	12/15	100	100	7 150	FC	12/16	100	100	4 569	FC
> Bail Actéa - 19 Avenue le Corbusier - 59800 Lille	France	12/15	100	100	7 482	FC	12/16	100	100	6 715	FC
> Nord Europe Lease - 19 Avenue le Corbusier - 59800 Lille	France	12/15	100	100	3 768	FC	12/16	100	100	2 350	FC
> Nord Europe Partenariat - 2 Rue Andréï Sakharov - BP148 - 76135 Mont-Saint-Aignan	France	12/15	99.65	99.65	-360	FC	12/16	99.65	99.65	145	FC
TOTAL					**18 040**					**13 779**	

[1] Consolidation method: EM: Equity Method; FC: Full Consolidation

FINANCIAL REPORT

CONSOLIDATION METHODS AND PRINCIPLES, SCOPE

CMNE Belgium - Boulevard de Waterloo, 16 - 1000 BRUXELLES (Belgium)

Consolidation scope serving as a basis for elements contained in the publishable consolidation	Country	Closing date	Percentage		Contribution to the result (thousands of euros)	Method of integration [1]	Closing date	Percentage		Contribution to the result (thousands of euros)	Method of integration [1]
			control	interest				control	interest		
CMNE Belgium	Belgium	12/15	100	100	-1 374	FC	12/16	100	100	-663	FC
> BKCP Immo IT SCRL - Boulevard de Waterloo, 16 - 1000 Bruxelles	Belgium	12/15	95.92	95.92	-4 440	FC	12/16	95.96	95.96	-957	FC
> Beobank Belgique - Boulevard Général Jacques, 263G - 1050 Bruxelles	Belgium	12/15	100	100	31 181	FC	12/16	100	100	28 531	FC
> BKCP Securities SA - Avenue Louise 390 - 1050 Bruxelles	Belgium	12/15	100	100	-22	FC	12/16	100	100	-23	FC
> BKCP Banque SA - Boulevard de Waterloo, 16 - 1000 Bruxelles	Belgium	12/15	100	100	4 201	FC	12/16	0	0	0	NC
> Immo W16 - Boulevard de Waterloo, 16 - 1000 Bruxelles	Belgium	12/15	100	100	420	FC	12/16	100	100	744	FC
> Mobilease - Boulevard de Waterloo, 16 - 1000 Bruxelles	Belgium	12/15	100	100	-12	FC	12/16	100	100	-11	FC
> OBK SCRL - Graaf Van Vlaanderenplein, 19 - 9000 Gand	Belgium	12/15	100	99.99	1 323	FC	12/16	100	99.99	5 339	FC
TOTAL					**31 277**					**32 960**	

Nord Europe Participations et Investissements - 4 Place Richebé - 59000 LILLE (France)

Consolidation scope serving as a basis for elements contained in the publishable consolidation	Country	Closing date	Percentage		Contribution to the result (thousands of euros)	Method of integration [1]	Closing date	Percentage		Contribution to the result (thousands of euros)	Method of integration [1]
			control	interest				control	interest		
Nord Europe Participations et Investissements	France	12/15	100	100	-985	FC	12/16	100	100	-712	FC
> SCI Centre Gare	France	12/15	100	100	3 920	FC	12/16	100	100	2 761	FC
> Fininmad (Property trader)	France	12/15	100	100	11	FC	12/16	100	100	30	FC
> Sofimmo 3	France	12/15	100	100	-5	FC	12/16	0	0	0	NC
> Sofimpar	Belgium	12/15	100	100	-9	FC	12/16	0	0	0	NC
TOTAL					**2 932**					**2 079**	

Immobilière du CMN - 4 Place Richebé 59000 LILLE (France)

Consolidation scope serving as a basis for elements contained in the publishable consolidation	Country	Closing date	Percentage		Method of integration [1]	Closing date	Percentage		Method of integration [1]
			control	interest			control	interest	
> SCI CMN	France	12/15	100	100	FC	12/16	100	100	FC
> SCI CMN 1	France	12/15	100	100	FC	12/16	100	100	FC
> SCI CMN 2	France	12/15	100	100	FC	12/16	100	100	FC
> SCI CMN 3	France	12/15	100	100	FC	12/16	100	100	FC
> SCI CMN Location	France	12/15	100	100	FC	12/16	100	100	FC
> SCI CMN Location 2	France	12/15	100	100	FC	12/16	0	0	NC
> SCI RICHEBE INKERMAN	France	12/15	100	100	FC	12/16	100	100	FC

Nord Europe Assurances - 9 Boulevard Gouvion-St- Cyr - 75017 PARIS (France)

Consolidation scope serving as a basis for elements contained in the publishable consolidation	Country	Closing date	Percentage		Contribution to the result (thousands of euros)	Method of integration [1]	Closing date	Percentage		Contribution to the result (thousands of euros)	Method of integration [1]
			control	interest				control	interest		
Nord Europe Assurances	France	12/15	100	100	-2 655	FC	12/16	100	100	-3 364	FC
> ACMN IARD - 4 Place Richebé - 59000 Lille	France	12/15	51.00	51.00	10 020	FC	12/16	51.00	51.00	7 368	FC
> ACMN-VIE - 9 Boulevard Gouvion-St- Cyr - 75017 Paris	France	12/15	100	100	56 004	FC	12/16	100	100	59 103	FC
> Courtage Crédit Mutuel Nord Europe - 4 Place Richebé - 59000 Lille	France	12/15	100	100	280	FC	12/16	100	100	111	FC
> CP-BK Reinsurance SA - Avenue de la gare, 65 - 1611 Luxembourg	Luxembourg	12/15	100	100	3 646	FC	12/16	100	100	1 038	FC
> Nord Europe Life LUXEMBOURG - Rue Charles Martel 62 - 2134 Luxembourg	Luxembourg	12/15	100	100	2 399	FC	12/16	100	100	2 419	FC
> Nord Europe Retraite - 4 Place Richebé - 59000 Lille	France	12/15	100	100	1	FC	12/16	100	100	68	FC
> North Europe Life Belgium - 11 Boulevard de la Plaine - 1050 Bruxelles	Belgium	12/15	100	100	1 627	FC	12/16	51.00	51.00	2 933	FC
> SA Partners Assurances - Avenue Gustave Demey, 66 - 1160 Auderghem	Belgium	-	0	0	0	NC	12/16	49.00	49.00	-66	EM
> SPV Jarna - 9B Boulevard Prince Henri - 1724 Luxembourg	Luxembourg	12/15	100	98.18	0	FC	12/16	100	97.83	0	FC
TOTAL					**71 322**					**69 610**	

[1] Consolidation method: EM: Equity Method; FC: Full Consolidation

FINANCIAL REPORT

CONSOLIDATION METHODS AND PRINCIPLES, SCOPE

Groupe La Française - 128 Boulevard Raspail - 75006 PARIS (France)

Consolidation scope serving as a basis for elements contained in the publishable consolidation	Country	Closing date	Percentage		Contribution to the result (thousands of euros)	Method of integration [1]	Closing date	Percentage		Contribution to the result (thousands of euros)	Method of integration [1]
			control	interest				control	interest		
Groupe La Française	France	12/15	98.18	98.18	-9 381	FC	12/16	97.84	97.83	-4 702	FC
> 2A - 5 Boulevard de la Madeleine - 75008 Paris	France	12/15	20.00	19.63	-645	EM	12/16	20.00	19.57	-130	EM
> Alger Management Ltd - 50 Broadway - London	United Kingdom	12/15	50.00	49.09	-191	EM	12/16	50.00	48.91	123	EM
> CD Partenaires - 16 Place de la Madeleine - 75008 Paris	France	12/15	74.87	73.50	118	FC	12/16	74.87	73.24	73	FC
> Convictions Asset-Management - 15 bis Rue de Marignan - 75008 Paris	France	12/15	30.00	29.45	-184	EM	12/16	0	0	0	NC
> FCT LFP Créances Immobilières - 173 Boulevard Haussmann - 75008 Paris	France	12/15	58.37	58.37	-416	FC	12/16	58.37	58.37	25	FC
> Forum Holding BV - Fred. Roeskestraat 123, 1076 EE - AMSTERDAM	Netherlands	12/15	24.64	24.19	-414	EM	12/16	0	0	0	NC
> Forum Partners Investment Management Limited - 1700 E Putnam Ave, Old Greenwich, CT 06870 1366, Deleware - USA	United States	12/15	24.64	24.19	173	EM	12/16	0	0	0	NC
> SNC Groupe La Française - 128 Boulevard Raspail - 75006 Paris	France	12/15	100	98.18	0	FC	12/16	99.90	97.73	-10	FC
> Groupe Cholet-Dupont - 16 Place de la Madeleine - 75008 Paris	France	12/15	33.73	33.12	976	EM	12/16	33.73	33.00	1 627	EM
> Inflection Point Capital Management Ltd - 125 Old Broad Street - London	United Kingdom	12/15	49.00	51.35	-429	EM	12/16	49.00	51.17	-1 731	EM
> JKC Capital Management Ltd - 34-37 Connaught Road Central - Hong-kong SAR	Hong-kong	12/15	50.00	49.09	-19	EM	12/16	50.00	48.91	-172	EM
> La Française AM - 128 Boulevard Raspail - 75006 Paris	France	12/15	100	98.17	6 488	FC	12/16	100	97.83	6 562	FC
> La Française AM Finance Services - 128 Boulevard Raspail - 75006 Paris	France	12/15	100	98.18	3 830	FC	12/16	100	97.83	1 627	FC
> La Française AM GP - 128 Boulevard Raspail - 75006 Paris	France	12/15	100	98.17	998	FC	12/16	0	0	599	NC
> La Française AM Iberia - C/ Joaquin Costa 26 - 28002 Madrid	Spain	12/15	66.00	64.80	66	FC	12/16	66.00	64.57	103	FC
> La Française AM International - 4A Rue Henri Schnadt - 2530 Luxembourg	Luxembourg	12/15	100	98.18	161	FC	12/16	100	97.83	-166	FC
> La Française Bank - 4A Rue Henri Schnadt - 2530 Luxembourg	Luxembourg	12/15	100	98.91	816	FC	12/16	100	98.70	-1 596	FC
> La Française Forum Securities Limited - 1700 E Putnam Ave, Old Greenwich, CT 06870 - 1366, Deleware - USA	United States	-	0	0	0	NC	12/16	80.00	78.26	-996	FC
> La Française Global Real Estate Investment Management Limited - 12 Berkeley Street - London	United Kingdom	12/15	100	98.18	-1 309	FC	12/16	100	97.83	32	FC
> La Française Inflection Point - 128 Boulevard Raspail - 75006 Paris	France	12/15	51.00	75.23	1 175	FC	12/16	51.00	74.97	438	FC
> La Française Investment Solutions - 128 Boulevard Raspail - 75006 Paris	France	12/15	65.00	63.81	3 557	FC	12/16	56.04	46.54	4 116	FC
> La Française Real Estate Managers - 128 Boulevard Raspail - 75006 Paris	France	12/15	95.96	94.21	4 814	FC	12/16	95.96	93.87	9 838	FC
> La Française Real Estate Partners - 128 Boulevard Raspail - 75006 Paris	France	12/15	65.00	61.23	553	FC	12/16	65.00	61.02	1 524	FC
> LFF Real Estate Partners Limited - 16 Berkeley Street - London	United Kingdom	12/15	56.67	60.24	-117	FC	12/16	85.00	79.79	917	FC
> LFP Nexity Services Immobiliers - 147 Boulevard Haussmann - 75008 Paris	France	12/15	24.64	23.21	207	EM	12/16	0	0	0	NC
> New Alpha Asset-Management - 128 Boulevard Raspail - 75006 Paris	France	12/15	100	98.18	1 855	FC	12/16	100	97.83	2 013	FC
> NEXT Advisor - 128 Boulevard Raspail - 75006 Paris	France	12/15	100	98.18	-5	FC	12/16	0	0	208	NC
> Nouvelles EXpertises et Talents AM - 128 Boulevard Raspail - 75006 Paris	France	12/15	100	98.18	4 302	FC	12/16	100	97.83	1 439	FC
> OPCI Raspail - 128 Boulevard Raspail - 75006 Paris	France	12/15	100	99.68	1 038	FC	12/16	0	0	0	NC
> SCI Raspail Vavin Invest - 128 Boulevard Raspail - 75006 Paris	France	12/15	100	99.67	406	FC	12/16	0	0	0	NC
> Siparex Proximité Innovation - 128 Boulevard Raspail - 75006 Paris	France	12/15	46.46	45.61	283	EM	12/16	26.50	25.93	319	EM
> UFG PM - 128 Boulevard Raspail - 75006 Paris	France	12/15	100	94.21	-15	FC	12/16	100	93.87	-293	FC
> Tages Capital LLP - 39 St James' Street - London	United Kingdom	12/15	40.00	39.27	1 206	EM	12/16	40.00	39.13	867	EM
TOTAL					**19 897**					**22 654**	

[1] Consolidation method: EM: Equity Method; FC: Full Consolidation

FINANCIAL REPORT

▷ Changes made to the scope of consolidated companies during the period

Entries	Company name
Acquisition	La Française Forum Securities Limited
	SA Partners Assurances

Exits	
Transfer	LFP Nexity Services Immobiliers
	OPCI Raspail
	SCI Raspail Vavin
	CMNE CAP Seniors
Dissolution	SCI CMN Location 2
	Sofimpar
	CMNE Environnement
Deconsolidation	Convictions Asset Management
	Forum Holding BV
	Forum Partners Investment Management
Transfer of all assets or merger	BKCP Bank
	Sofimmo 3
	NEXT Advisor
	La Française AM GP

Change of name		
GIE Groupe La Française	becomes	SNC Groupe La Française
La Française Real Estate Partners ltd	becomes	La Française Real Estate Partners International

▷ Entities consolidated by simplified consolidation pursuant to the IFRS 10 standard

In thousands of euros

	Country	31/12/15		31/12/16	
		% interest	Minority interest noted	% interest	Minority interest noted
ALTERAM ARBITRAGES	France	65.45 %	58 608	0.15 %	0
ALTERAM GLOB, ALTE II	France	98.10 %	680		0
ALTERAM GLOB, ALTERN	France	99.80 %	45		0
BEOBANK FUNDS BEOBANK DYNAMIC FUND	Luxembourg		0	55.74 %	4 318
CONVICTIONS CLASS B	France	59.39 %	10 649		0
CONVICTIONS MULTIFAC	France	-	0	45.63 %	37 518
CROWN MULTIFUND SEL	France		0	75.55 %	7 824
DELFF EXPANSION 2022	France	45.45 %	11 055		0
DIADEME GLOBAL SELEC	France	56.20 %	35 086	89.89 %	8 100
ELIXIME JANVIER	France	99.80 %	40		0
EUROPIMMO MARKET	France		0	37.65 %	34 127
FCPR Nord Europe 1	France	52.25 %	1 432		0
FCT LFP CREANCES IMM	France		0	53.76 %	118 700
INVESTCORE 2021	France		0	83.95 %	982
JKC FUND LA FRANÇAISE JKC ASIA EQUITY	Luxembourg		0	41.17 %	18 976
LA FRANÇAISE ABSOLUTE EMERGING DEBT - PART I	France		0	76.21 %	3 311
LA FRANÇAISE ACTIONS EURO COUVERTES	France	100.00 %	0	95.37 %	4 707
LA FRANÇAISE ACTIONS MONDE	France	55.07 %	14 301	55.66 %	14 249
LA FRANÇAISE ALLOCATION - PART I	France		0	57.04 %	104 947
LA FRANÇAISE EURO INFLATION - PART I	France	76.16 %	29 133	50.23 %	97 582
LA FRANÇAISE EURO SOUVERAINS	France		0	35.36 %	19 986
LA FRANÇAISE INDEX VARIABLE - PART C	France		0	47.09 %	119 433
LA FRANÇAISE INFLECTION POINT MULTI TRENDS	France	42.67 %	13 364	41.45 %	13 321
LA FRANÇAISE LUX - ABSOLUTE EMERGING DEBT	Luxembourg		0	48.18 %	54 263
LA FRANÇAISE LUX - FORUM GLOBAL REAL ESTATE SECURITIES	Luxembourg		0	43.63 %	55 169
LA FRANÇAISE LUX - INFLECTION POINT EUROPEAN EQUITY	Luxembourg	13.27 %	0	70.82 %	27 268
LA FRANÇAISE LUX - INFLECTION POINT GLOBAL EQUITY	Luxembourg		0	63.34 %	10 165
LA FRANÇAISE LUX - INFLECTION POINT LEADERS EMERGENTS	Luxembourg	2.45 %	0	99.25 %	101
LA FRANÇAISE LUX - INFLECTION POINT ZERO CARBON	Luxembourg		0	81.00 %	23 916
LA FRANÇAISE LUX - JKC ASIA BOND	Luxembourg		0	99.67 %	170
LA FRANÇAISE LUX MULTI-ASSET INCOME	Luxembourg	37.46 %	24 933	99.82 %	76
LA FRANÇAISE MULTISTRATÉGIES OBLIGATAIRES - PART I	France		0	41.22 %	67 216
LA FRANÇAISE PATRIMOINE FLEXIBLE PART R	France		0	68.12 %	80 271
LA FRANÇAISE PROFIL PERFORMANCE	France		0	74.76 %	15 229
LA FRANÇAISE RENDEMENT 4X4	France		0	45.67 %	5 324

In thousands of euros

	Country	31/12/15		31/12/16	
		% interest	Minority interest noted	% interest	Minority interest noted
LA FRANÇAISE SÉRÉNI FLEX	France		0	60.76 %	103 997
LA FRANÇAISE TAGES EVENT	France	73.50 %	31 367	99.99 %	3
LA FRANÇAISE TAGES STRATÉGIE ACTIONS	France		0	89.95 %	5 677
LF AM LFPFSGIRE ID	Luxembourg	89.27 %	96		0
LF GRANDS VIGNOBLES DE FRANCE	France	62.95 %	8 094	57.72 %	9 994
LF INDEX VARIABLE S	France	42.75 %	122 090		0
LF OPSIS PATRIMOINE	France		0	41.99 %	61 488
LF RÉSIDENCES SENIORS	France			48.20 %	35 512
LFIS PERSPECTIVE FCP - I	France		0	100.00 %	3
LFIS VISION - Crédit OPPORTUNITIES	Luxembourg	51.60 %	113 984	65.58 %	73 633
LFIS VISION - PREMIA OPPORTUNITIES	Luxembourg		0	60.03 %	93 608
LFIS VISION ABSOLUTE	Luxembourg	97.84 %	2 996		0
LFIS VISION UCITS - CREDIT	Luxembourg		0	90.73 %	3 075
LFIS VISION UCITS - EQUITY DEFENDER	Luxembourg	100.00 %	0	99.33 %	644
LFIS VISION UCITS RISK PREMIA	Luxembourg	81.30 %	11 959		0
LFP ALLOC CLASSI EUR	Luxembourg	60.08 %	17 470	22.88 %	0
LFP COUSSIN OPPORTUNITES	France	99.94 %	11	99.82 %	26
LFP EUROPEAN FUND OF FUNDS	France	91.49 %	2 101	91.49 %	1 830
LFP FD MULTI STRA OB	Luxembourg	43.02 %	175 233	30.55 %	0
LFP FONCIERES EURO	France	52.51 %	2 932		0
LFP INFLATION PLUS	France	41.26 %	11 520		0
LFP OP DELFF E H R	Luxembourg	35.12 %	21 742	26.38 %	0
LFP PATRIMOINE FLEX	France	76.50 %	104 727		0
LFP PIERRE	France	44.98 %	374 899	46.83 %	481 888
LFP PREMIUM EM R	France	44.40 %	12 537		0
LFP PROFIL PERFORM	France	74.18 %	16 858		0
LFP PROFIL REGULAR	France	56.35 %	100 155		0
LFP R2P I HEDGE	Luxembourg		0	61.11 %	39 903
LFP R2P I HEDGE	Luxembourg	63.30 %	18 469		0
LFP RENDEMENT EMER	France	42.41 %	11 693		0
LFP S&P CAPITAL IQ FUND LFP R2P GLOBAL HIGH YIELD	Luxembourg		0	70.70 %	22 547
NEWALPHA FINTECH	France	60.61 %	260	60.03 %	4 183
PREDIREC IMMO IV	France	89.66 %	10 911		0
TAGES ANAVON GB EQ	Luxembourg		0	35.19 %	41 049
TAGES INT FUNDS UC	Luxembourg		0	63.03 %	20 828
UFG ALT, MUL, ARB, PLUS	France	94.48 %	4 522	0.00 %	0
UFG IC FUND	Luxembourg	47.81 %	17 819		22 216
UFG OPSIS PATRIMOINE	France	50.08 %	20 016		0
UFG PIXEL 1	France		0	80.86 %	2 422
UFG PIXEL 1	France	57.14 %	13 081		0
TOTAL CONSOLIDATION SIMPLIFIÉE			**1 426 868**		**1 971 776**

4. CONSOLIDATION PRINCIPLES

Significant reciprocal operations are eliminated between entities consolidated by total or proportional integration. Amounts considered as significant are those greater than 200 thousand euros in charges and revenue and 1 000 thousand euros in terms of balance sheet and commitments. It should be emphasised that when securities issued by a consolidated entity are held by the Group's insurance companies as investments representing contracts drawn up in account units, they are not eliminated. This makes it possible to materialise the assets/liabilities endorsement of this type of life insurance policy.

The results of internal disposals are also the subject of eliminations.

Generally speaking, the Group's accounting principles are applied across all of the consolidated entities.

▶ Conversion of accounts in foreign currencies

The consolidated accounts of the CMNE Group are established in euros. All the elements of assets or liabilities, monetary and non-monetary, are converted at the exchange rate in force on the closing date of the period. The difference on the capital, reserves and carrying forward is entered in the "Conversion reserves" account. The revenue and changes are converted at the average rate for the period. The resulting conversion differences are entered directly in the "Conversion reserves" account.

▶ Groups of companies and valuation of goodwill

Under the terms of IFRS 3R, on the date control is taken of a new entity, the assets and liabilities, as well as any identifiable liabilities of the acquired entity that meet the accounting criteria for IFRS standards are valued at their fair value on the date of acquisition, with the exception of non-current assets classified as assets held for sale, which are recorded at the lowest amount between the fair value net of selling costs and their net book value.

The cost of acquisition is equal to the fair value on the exchange date of the assets sold, the liabilities incurred or assumed and the equity capital instruments issued in exchange for control of the company acquired. The costs directly relating to the transaction are entered in the accounts in the result for the period.

The goodwill or unrecorded book value represents the difference between the acquisition cost and the share of the acquirer's interest in the fair value of the assets and liabilities, and any liabilities identifiable on the acquisition date. IFRS 3R allows for the total or partial goodwill to be entered in the accounts, with the choice made for each grouping.

For the former, minority interests are valued at their fair value (total goodwill method); in the latter case, they are based on their share in the values allocated to the assets and liabilities (partial goodwill). If the goodwill is positive, it is entered in the assets, while if it is negative, it is recorded immediately in the results under "Changes in goodwill value".

Additional prices are included in the acquisition cost at their fair value on the date of taking control, even if they represent a possible characteristic. This entry is made as counterparty to equity capital or debts (depending on the method of settlement). Subsequent revisions of these differentials are recorded in the results under financial debt pursuant to the IAS 39 standard and in accordance with the appropriate standards for debts not under IAS 39. For equity capital instruments, these revisions are not recorded until they are settled.

Where there is a change in the Group's percentage interest in an entity that is already controlled, the differential between the cost of acquisition or disposal of securities and the share of the consolidated equity capital that these securities represent on the date of their acquisition or disposal is accounted for in the equity capital.

Positive goodwill is the subject of depreciation tests to ensure that it does not undergo any long-term depreciation. These changes in value are assessed in terms of the Cash Generating Units (CGU) that correspond with the Group's businesses. The recoverable value of the CGU, which is determined as part of these tests, is defined as being its market value. The market value corresponds with the amount likely to be obtained from the disposal of the CGU in the market conditions prevailing on the valuation date. References to the market consist essentially of the fair value of the entities making up the CGU, assessed in terms of shareholder pacts or the prices observed during recent transactions in comparable entities, or established in relation to multiples. Where appropriate, the recoverable value can also be based on the utility value. This value is based on an estimate of the future flows generated by the CGU, resulting from the forecast plans drawn up each year by the managers of these CGUs and approved by the Group's general management, as well as analyses of the long-term developments of the position relative to the activities in question on their market. These flows are updated at a rate that reflects the level of yield expected by an investor from this type of activity and in the geographical area in question.

▶ Deferred taxes

Under IAS 12, deferred taxes are seen in the temporary differences between the book values of the assets and liabilities on the balance sheet and their tax values. Any adjustments associated with the application of IFRS standards will also be the subject of deferred tax calculations.

The deferred taxes on assets and liabilities are calculated using the method of variable deferment by referring to the known rate of tax on the companies at the end of the financial year and applicable during subsequent financial years.

Deferred tax assets are only held when they are likely to be recovered as the result of the existence of an expected taxable benefit.

Payable deferred taxes are entered in the accounts as an item of revenue or a tax charge in the profit-and-loss account, with the exception of those that relate to latent profits or losses on assets available for sale or to the changes in the value of derivative instruments designated to hedge future results for which the corresponding deferred taxes are charged to equity capital. Deferred taxes on assets and liabilities are offset when they originate from the same entity or fiscal group, under the same tax authority and when there is a legal entitlement to offset.

Deferred taxes are not updated.

5. ESTABLISHING THE CASH FLOW TABLE

In this case, the presentation uses the indirect method. To determine the net cash flow from operating businesses, the result is adjusted to take account of the items without a cash flow effect and those items for which the cash flow consists of investment or financing cash flow.

Cash flow or cash flow equivalents are defined according to their intrinsic characteristics, which are subjet to their immediate availability or very short-term conversion into a known amount of liquidities, the value of which is not likely to change significantly. Cash flow includes funds available, as well as deposits and borrowings from the Central Bank. Cash flow equivalents are made up of at-call or daily loans and borrowings taken out with credit establishments.

The various types of cash flow relating to a financial period are classified, based on their purpose, into operational, investment and financing activities, knowing that a single operation may include cash flows classified in various businesses. Operational cash flow stems from operating businesses that contribute to the formation of the main part of the result, including market activities on own behalf.

Included in this area among operational activities are cash flows linked to securities at fair value by result, as well as variable-revenue securities consisting of short-term investments or investments relative to portfolio activities, and fixed-revenue securities available for sale.

Cash flows linked to other operations affecting financial assets and liabilities include changes in financial assets and liabilities at fair value by result for the change of their fair value. By default, cash flows that do not meet the definitions of investment or financing are classified under this activity.

Investment activities are defined as the acquisition and exit of long-term assets and other investments that are not included in the cash flow equivalents or in the operational activities. These include, in particular, equity securities and other variable revenue securities held in the long term, which are not linked to portfolio activities, as well as fixed-revenue securities held to maturity.

Cash flows linked to financing activities include movements on capital and movements associated with issues or reimbursements of borrowings or subordinated debts. Optionally, interbank market securities and negotiable debt securities are classified with the operational activities.

Not constituting resources allocated to the activities that generate it, revenue (interest and dividends) generated by investment activities, as well as interest linked to financing activities, is attached to operational activities. The proceeds of disposals remain attached to the activity to which they refer for their amount before tax.

III ACCOUNTING PRINCIPLES

▶ Loans and debts

Loans and debts are financial assets with a fixed or determinable revenue, not listed on an active market, that are not designed to be sold as soon as they are acquired or granted. They include loans granted directly or the relevant share in the context of syndicated loans, loans acquired and unlisted debt securities. They are placed in the accounts at their market value (or equivalent) when they are entered in the balance sheet, which is usually the amount disbursed at the outset.
The rates applied to loans granted are presumed to be market rates in as much as the scales are constantly adjusted according in particular to the rates of the large majority of competing institutions.

These outstanding amounts are valued at an amortised cost using the effective interest rate method.

Commissions linked directly to the mounting of the loan, received or paid, tantamount to interest, are spread over the term of the loan according to the effective interest rate method and are entered in the income statement under interest.
Commissions linked to commercial renegotiations of loans are spread out. The renegotiation entails a change or derecognition of the old loan.

The restructuring of a loan following financial difficulties on the part of the debtor entails the novation of the contract. Pursuant to the definition of this notion by the European Banking Authority, the Group has introduced it in the information systems in order to harmonise the accounting and prudential definitions.

The figures are indicated in the management report. The fair value of loans and debts is communicated in the annex on each closing date. It corresponds to the update of future flows estimated from a coupon zero rate curve which includes the inherent cost of signing for the debtor.

▷ Depreciation and individual provision on loans and debts

A depreciation is recorded when there is an objective proof of depreciation resulting from one or more events that occur after the loan, or group of loans, is put in place and is likely to generate a loss. An analysis is conducted at each statement date, contract by contract. The depreciation is equal to the difference between the book value and the updated value at the original interest rate of the loan for estimated future flows, taking the effect of the guarantees into account. Where the rate is variable, the last contractual rate known is used.

The existence of amounts due and unpaid for more than 3 months or for more than 3 months for delinquent current accounts represents objective proof of a loss.

In the same way, when it is probable that the debtor will be unable to repay all of the monies owed or when there is a default or in the event of liquidation through the courts, an objective indication of a loss is also identified. Allocations to depreciations and provisions are entered under cost of risk. Write backs for depreciations and provisions are recorded in the costs of risk for the part relating to the change of the risk and interest margin for the part relative to the passage of time. The depreciation is deducted from the assets for loans and debts and the provision is entered in the liabilities among provisions for financing and guarantee commitments. Irrecoverable debts are entered under losses, while corresponding provisions are the subject of a writeback.

▷ Collective depreciation on loans and debts

Loans to customers that are not depreciated on an individual basis are grouped by homogeneous portfolios. Sensitive outstanding funds are the subject of depreciation based on losses in the case of default and likely default until maturity observed internally or externally and applied to the outstanding funds. The depreciation is entered in the accounts, minus the outstanding funds corresponding to the assets, and the changes for the period are entered under "Cost of risk" in the profit-and-loss account.

▶ Interest paid by the State on some loans

As part of the aid measures for the farming and rural sector, as well as for the acquisition of housing, some of the Group's entities grant loans at reduced rates, set by the State.
As a result, these entities receive a rebate from the State equal to the rate differential that exists between the rate given to customers and a predefined reference rate. Consequently, there is no discount on the loans that benefit from these rebates.

The terms of this compensation mechanism are reviewed periodically by the State.

The rebates received from the State are entered under the heading "Interest and similar revenue" and spread across the life of the corresponding loans, in line with IAS 20.

▶ Financial guarantees and finance commitments

Financial guarantees are related to an insurance policy when they cover specific payments to be made to reimburse their holder for a loss incurred on account of the default of a specified debtor for a due payment by virtue of a debt instrument.

In line with IFRS 4, these financial guarantees remain value based on French standards, i.e. off-balance sheet, while awaiting additional standards designed to round out the current system. As a result, these guarantees are the subject of a provision in the liabilities in the event of a probable outflow of resources.

By contrast, financial guarantee contracts that provide for payments in response to changes in a financial variable (price, rating or credit index, etc.) or a non-financial variable, on condition that if this is the case the variable is not specific to one of the parties to the contract, fall under the scope of IAS 39. These guarantees are then dealt with like derivative instruments.

Financing commitments, which are not viewed as derivative instruments in the sense of standard IAS 39, do not feature on the balance sheet. However, they are the subject of provisions, in line with the requirements of IAS 37.

▶ Cash flow and cash flow equivalent

Cash flow and cash flow equivalents include cash accounts, at-call deposits and loans and borrowing from central banks and credit establishments.

In the context of the cash flow table, OPCVM products are classified as an "operational" activity and hence are not the subject of reclassification in cash flow.

▶ Operations in foreign currencies

Financial assets and liabilities stated in a currency other than the local currency are converted at the exchange rate on the closing date.

▷ Monetary financial assets and liabilities

Exchange profits and losses resulting from these conversions are entered in the profit-and-loss account under the heading for "Net profits or losses on portfolio at fair value by result".

▷ Non-monetary assets and liabilities

Exchange profits and losses resulting from these conversions are entered in the profit-and-loss account under the heading for "Net profits or losses on portfolio at fair value by result" if the item is classified at fair value by result or among the "Latent or deferred gains or losses" when it relates to financial assets available for sale.

▶ Lease transactions

▷ Transactions in which CMNE is the lessor

Contracts are classified as finance leases when, in terms of substance, they result in the transfer to the lessee of virtually all of the risks and benefits inherent to ownership of the asset being leased. The current value of the payments due under the contract, plus the residual value where appropriate, is entered as a debt. Payments received are spread across the term of the finance lease contract, allocating them as depreciation of the capital and interest in such a way that the net revenue represents a constant rate of return on the outstanding residual amount. The rate used is the implicit interest rate.

Simple lease contracts are contracts for which the majority of the risks and benefits of the asset leased are not transferred to the lessee. The asset is entered in the lessor's assets as a fixed asset and written down linearly over the term of the lease.

▷ Operations in which CMNE is the lessee

Operating fixed assets funded by finance leases are entered in the assets on the balance sheet as tangible fixed assets for an amount equal to the fair value or, if it is less, at the updated value of the minimum payments to be made on the lease. The counterparty is entered in the liabilities on the balance sheet. These fixed assets are written down across the scheduled terms for assets in the same category.

▶ Securities acquired

▷ Determination of the fair value of financial instruments

The fair value is the amount for which an asset could be sold or a liability transferred between consenting, well-informed parties acting under normal conditions of competition. When an instrument is first entered in the accounts, the fair value is usually the transaction price.

When subsequent valuations are made, this fair value must be determined. The method used to determine the fair value varies depending on whether the instrument is negotiated on a market that is considered to be active or not.

Instruments negotiated on an active market

When instruments are negotiated on an active market, the fair value is determined based on the prices listed, because they then represent the best possible estimate of the fair value. A financial instrument is considered to be listed on an active market if the prices are easily and regularly available (from a stock exchange, broker, intermediary or price-quotation system) and if these prices represent real transactions that take place regularly on the market under normal conditions of competition.

Instruments negotiated on a non-active market

The observable data on a market should be retained provided it reflects the reality of a transaction under normal conditions and there is no need to make too large an adjustment of this model. In other cases, the Group uses non-observable, "mark-to-model" data.

When there are no observable data or when adjustments to market prices mean that the entity has to base itself on non-observable data, it can use internal hypotheses relative to future cash flows and updated rates, including adjustments linked to the risks that the market would entail. These valuation adjustments make it possible, in particular, to include risks that would not otherwise be encompassed by the model, as well as the liquidity risks associated with the instrument or the parameter in question, specific risk premiums designed to compensate certain surcharges incurred by the dynamic management strategy associated with the model in certain market conditions. When adjustments to value are being established, each risk factor is considered individually and no diversification effects between risks, parameters or models of a different nature are taken into account.

A portfolio approach is the one used most often for a given risk factor.

In any event, any adjustments are made by the Group in a reasonable and appropriate manner, using sound judgment.

▷ Classification of securities

Securities can be classified in one of the following categories:
- Financial assets at fair value by result;
- Financial assets available for sale;
- Financial assets held to maturity;
- Loans and debts.

Classification in one or another of these categories demonstrates the Group's management intention and sets the accounting rules for instruments.

▷ Financial assets and liabilities at fair value by result

Classification criterion and Transfer rules

The category for "Financial instruments valued at fair value by result":

Financial instruments held for transaction purposes

In the main, these are instruments that have been bought to be sold on or redeemed in the short term or that are part of a portfolio of financial instruments managed as a whole for which there is an effective recent timetable for short-term profit taking, or that constitute a non-qualified derivative hedging instrument.

Market conditions may cause the Crédit Mutuel Group to review its investment strategy and the management intention for these securities. Therefore, if it appears inappropriate to dispose of securities acquired initially for the purpose of short-term disposal, these securities may be reclassified in line with the specific provisions dealt with by the IAS 39 amendment of October 2008. Transfers to the categories for "Financial assets available for sale" or "Financial assets held to maturity" are allowed in exceptional situations. Transfers to the category for "Loans and debts" are permitted on condition the Group intends and has the ability to hold these securities for the foreseeable future or until they mature and in line with the criteria inherent to the definition of the accounting category "Loans and debts" (i.e. not listed on an active market). The aim of these transfers of portfolio is to translate the new management intention for these instruments in the best possible way and to reflect their impact on the Group's results more accurately.

Financial instruments classified irrevocably by choice from the outset at fair value by result

This classification may apply in the following cases:
- Financial instruments featuring one or more separable incorporated derivatives;
- Instruments that are inconsistent in terms of accounting in relation to another associated instrument, without applying fair value;
- Instruments belonging to a group of financial assets valued and managed at fair value.

The Group has used this option in particular in the context of account unit contracts for insurance activities for the sake of consistency with the treatment that applies to liabilities.

Valuation base and accounting of charges and revenue

Securities classified as "Assets and liabilities at fair value by result" are recorded when they are entered on the balance sheet at fair value, as well as in subsequent statements until they are disposed of. Any changes in fair value and the revenue received or accrued on fixed-revenue securities classified in this category are entered in the profit-and-loss account under "Net profits or losses on financial instruments at fair value by result".

Purchases and sales of securities valued at fair value by result are recorded in the account on their settlement date. Any changes in fair value between the transaction date and the settlement date are entered in the result. The valuation of the counterparty risk on these securities is taken into account in the fair value.

In the case of transfer to one of the three other categories, the fair value of the financial asset on the date it is reclassified becomes its new cost or amortised cost. No profit or loss entered in the accounts before the transfer date can be included.

▷ Financial assets available for sale

Classification criteria and transfer rules

Financial assets available for sale include financial assets not classified in "Loans and debts" or in "Fair value by result".

Fixed-revenue securities may be reclassified in "Financial assets held to maturity" in the event of a modification to the management intention and subject to meeting the eligibility conditions for this category, or in "Loans and debts" in the event of a modification to the management intention, the ability to hold the security in the foreseeable future (or until it matures), and on condition that they meet the eligibility conditions for this category. The Group has not carried out any reclassification since 2008.

Valuation base and accounting of charges and revenue

These assets are entered in the balance sheet at their fair value at the time they are acquired and in subsequent statements until they are disposed of. Any changes in fair value are recorded in a specific section under equity capital "Latent or deferred profits or losses", excluding accrued revenue. These latent or deferred profits or losses entered in equity capital are only recorded in the profit-and-loss account in the event of disposal or long-term depreciation.

During disposal, these latent profits or losses, previously entered under equity capital are recorded in the profit-and-loss account in the section of "Net profits or losses on financial assets available for sale", as well as the profits or losses from disposal. Purchases and sales of securities are entered in the accounts on their settlement date. In the event of the transfer of the category "Financial assets available for sale" to the categories "Financial assets held to maturity" or "Loans and debts", instruments with a fixed maturity date and in the absence of depreciation, the latent profits or losses previously deferred in equity capital are depreciated over the residual lifetime of the asset. In the case of a transfer of instruments without a fixed maturity date to the category "Loans and debts", any latent profits or losses previously deferred are kept in equity capital until disposal of the securities.

The accrued or acquired revenue from fixed-revenue securities is entered in the result using the effective interest rate method under the section of "Interest and similar revenue". Dividends received on variable-revenue securities are recorded in the profit-and-loss account under "Net profits or losses on financial assets available for sale".

Depreciation and credit risk

Long-term depreciation, specific to shares and other equity capital instruments

Depreciation is recorded on variable-revenue financial assets available for sale in the event of a prolonged and significant fall in the fair value in relation to the cost.

For variable-revenue securities, the CMNE Group considers that the devaluation of a security by at least 40% compared with its acquisition cost, or over a period of more than 24 consecutive months, will result in a depreciation, with the exception of cases where the assessment of the fair value made by the Group does not reflect a probable loss of all or part of the amount invested. The analysis is carried out line by line. This assessment exercise is also applied to securities that do not meet the criteria set out above, but for which Management believes that recovering the amount invested cannot be reasonably expected in the near future. As a result, the loss is recorded in the section for "Net profits or losses on assets available for sale". Any subsequent fall is also entered in the profit-and-loss account.

The long-term depreciation of shares or other equity capital instruments recorded in the results is irreversible once the instrument has been entered in the balance sheet. In the event of a subsequent rise, this will be entered in equity capital in the section for "Latent or deferred profits or losses".

Depreciation for credit risk

Depreciations on fixed-revenue financial assets available for sale (especially bonds) are recorded in the accounts under "Cost of risk". Indeed, only the existence of a credit risk can lead to these fixed-revenue instruments being depreciated. Depreciation in the event of a loss due to a simple increase in rates is not permitted. In the event of depreciation, the whole of the latent losses accumulated in equity capital must be entered in the result. These depreciations are reversible; any subsequent rise associated with an event occurring after the depreciation was recorded is also entered in the profit-and-loss account under "Cost of risk" in the event of the issuer's credit situation improving.

▷ Financial assets held to maturity

Classification criteria and Transfer rules

This category includes fixed or determinable-revenue securities with a fixed maturity date that the CMNE Group has the intention and ability to hold until maturity. Any interest rate risk hedging operations put in place for this category of securities are not eligible for the hedging accounting defined by standard IAS 39.

Also, the possibilities for the disposal or transfer of securities in this portfolio are very limited on account of the provisions of standard IAS 39, subject to the whole of the portfolio being declassified at a Group level and access to this category being denied for two years.

Valuation base and accounting of charges and revenue

Securities classified in this category are initially recorded at their fair value, then at the amortised cost based on the effective interest rate method, which includes the amortisation of premiums and discounts, as well as the acquisition costs if these are significant.

Purchases and sales of securities are recorded on the date of settlement.

Revenue received on these securities is presented in the section for "Similar interest and revenue" in the profit-and-loss account.

Credit risk

Depreciation is recorded when there is an objective indication of depreciation for the asset resulting from events occurring after the initial entry in the accounts that is likely to generate a loss (credit risk established). The analysis is carried out security by security. The amount of depreciation is assessed by comparing the book value and the updated value at the effective interest rate of future flows incorporating guarantees. Any depreciation is recorded in the profit-and-loss account under "Cost of risk".

▶ Hierarchy of fair value

There are three levels of fair value for financial instruments:

- **Level 1:** prices quoted on active markets for identical assets or liabilities; in particular, this concerns debt securities listed by at least four contributors and derivatives quoted on an organised market;
- **Level 2:** data other than the prices quoted on level 1, which can be observed for the asset or liability in question (i.e. prices) or indirectly (i.e. derivative price data). Level 2 includes in particular interest rate swaps whose fair value is generally determined using rate curves based on the market interest rates on the closing date;
- **Level 3:** data relating to the asset or liability, which does not include observable market data (non-observable data). This category includes in particular securities for non-consolidated holdings held or not via risk capital entities, in market activities, debt securities quoted by a single contributor and derivatives using mainly non-observable parameters, etc.

The instrument is classified on the same hierarchy level as the lowest level determined by the most important parameter in the fair value model taken overall. In view of the diversity and volume of the instruments valued at level 3, any sensitivity of fair value to the change in parameters would be of little significance.

▶ Non-recurrent assets intended for disposal

When the Group decides to sell non-current assets and when it is highly probable that this sale will take place within twelve months, these assets are presented separately on the balance sheet under "Non-current assets intended for sale". Any liabilities that may be associated with them are presented separately under "Debts linked to non-current assets intended for disposal".

As soon as they are classified in this category, non-current assets and groups of assets and liabilities are valued at their lowest book value and fair value, minus selling costs.

These assets then cease to be depreciated. In the event of a loss of value noted on an asset or on a group of assets and liabilities, a depreciation is recorded in the results. Losses of value recorded in the accounts in this way are reversible.

▶ Derivatives and hedge accounting

Determining the fair value of derivatives

The majority of OTC derivatives, swaps, future rate agreements, caps, floors and simple options are valued in accordance with commonly used standard models, (method of updating future flows, Black-Scholes model, interpolation techniques), based on observable data in the market (such as rate curves). The valuation of these models is adjusted to take account of the associated liquidity and credit risks for the instrument or parameter in question, specific risk premiums intended to offset certain additional costs incurred by the dynamic management strategy associated with the model under certain market conditions and the counterparty risk (CVA) present in the positive fair value of the over-the-counter derivatives. This latter item includes the own counterparty risk (DVA) present in the negative fair value of the over-the-counter derivatives.

When establishing adjustments in value, each risk factor is considered individually and no diversification effect between risks, parameters or models of a different nature is taken into account. A portfolio approach is used most frequently for a given risk factor.

The derivatives are entered in financial assets when the market value is positive, and in financial liabilities when it is negative.

In terms of the principles used for the part relative to calculating the DVA and CVA, the following are considered:

- Internal Group transactions are not affected by the solidarity rules that apply within the CM–CIC Group;
- The calculations carried out have made it possible to establish that the impact of collateralised transactions (interbank only) has little or no significance, depending on the calculation rules used.

As a result, no DVA/CVA was recorded for the period.

Classification of derivatives and hedge accounting

▷ Derivatives classified in financial assets and liabilities at fair value by result

By default, all non-qualified derivatives for hedge instruments under IFRS standards are classified in the category for "Financial assets or liabilities at fair value by result", even if from an economic point of view they have been underwritten for the purpose of covering one or more risks.

Embedded derivatives

An embedded derivative is a component of a hybrid instrument which, separate from its host contract, meets the definition of a derivative. The main effect is to vary certain cashflows in a way similar to an autonomous derivative.

This derivative is detached from the host contract sheltering it and is accounted for separately as a derivative instrument at fair value by result under the following conditions:

- It meets the definition of a derivative;
- The hybrid instrument sheltering this incorporated derivative is not valued at fair value by result;
- The economic characteristics of the derivative and its associated risks are not considered to be closely linked to the host contract;
- The separate valuation of the incorporated derivative to be separated is sufficiently reliable to provide relevant information.

Accounting

Realised and latent profits and losses are entered in the profit and loss account under the heading of "Net profits or losses on financial instruments at fair value by result".

▷ Hedge accounting

Standard IAS 39 allows for three forms of hedge relationship. The choice of hedge relationship is made based on the nature of the risk covered.
Fair value hedging provides cover for exposure to the changes in the fair value of the financial assets or liabilities.

Cashflow hedging is used to cover exposure to changes in the cashflow of financial assets or liabilities, firm commitments or future transactions. CMNE uses cashflow hedging, in particular for the TSS issued in 2004.

The hedging of net investments in foreign currency is entered in the accounts as cashflow hedging. It is not used by the Group.

Hedging derivatives are required to meet the various criteria set by standard IAS 39 to be qualified in accounting terms as hedging instruments. The hedging instrument and the item covered must both be eligible for hedge accounting.

The relationship between the item hedged and the hedging instrument is documented formally as soon as the hedging relationship is put in place. This documentation specifies the department's risk management objectives, the nature of the risk covered, the underlying strategy, identification of the hedging instrument and the item covered, as well as the methods used for measuring the effectiveness of the hedging.

The effectiveness of this hedging must be demonstrated when putting the hedging relationship in place and then throughout its lifecycle, at least on each statement date. The ratio between the change in value or result of the hedging instrument and the item covered must be between 80 and 125 %. Where appropriate, the hedge accounting ceases to be applied on a prospective basis.

Fair value hedging for identified financial assets or liabilities

In the case of a fair value hedging relationship, the derivatives are revalued at their fair value by counterparty in the profit and loss account under "Net profits or losses on financial instruments at fair value by result" opposite the revaluation of the hedged items in earnings linked to the risk covered. This rule also applies if the item covered is entered in the accounts at the amortised cost or if it is a financial asset classified in "Financial assets available for sale". The fair value changes of the hedging instrument and the risk component covered offset one another partially or totally. The result only shows any possible ineffectiveness of the hedge.

The part corresponding to the rediscount of the derivative financial instrument is entered in the profit-and-loss account under "Interest revenue and charges" opposite the interest revenue or charges relative to the item covered.

If the hedge relationship is interrupted or the effectiveness criteria are not complied with, the hedge accounting ceases to be applied on a prospective basis. The hedge derivatives are transferred to "Financial assets or liabilities at fair value by result" and are entered in accordance with the principles that apply to this category. The balance sheet value of the item covered is no longer adjusted subsequently to reflect changes in fair value. With identified rate instruments initially covered, the revaluation is amortised over its residual life. If the items covered are no longer featured in the balance sheet, on account of early repayment in particular, the combined adjustments are immediately carried forward to the profit-and-loss account.

Macro-hedging derivatives

The Group uses the options provided by the European Commission to account for its macro-hedging operations. In fact, the changes made by the European Union to IAS 39 ("carve-out") enable customer at-call deposits in portfolios of hedged fixed-rate liabilities to be included and not to measure any inefficiency in the event of insufficient hedging. At-call deposits are integrated, based on the runoff rules defined by the balance sheet management.

For every portfolio of financial assets or liabilities at a fixed rate, the schedule of payments for the hedging derivatives is compared with the items hedged to check that there is no under-hedging. The way in which fair value macro-hedging derivative instruments are accounted for is similar to that for fair value hedging derivatives. The changes in the fair value of the portfolios hedged are recorded in the balance sheet under "Revaluation differential of portfolios hedged on rates" by the counterparty of the profit and loss account.

Cash flow hedging

Where there is a cashflow hedging relationship, the derivatives are revalued on the balance sheet at fair value through equity for the effective part. The part considered to be ineffective is recorded in the profit-and-loss account under "Net profits or losses on financial instruments at fair value by result".

The amounts entered in equity capital are included in the result under "Interest revenue and charges" at the same rate as the flows for the element covered affect the result.

The items hedged remain in the books in accordance with the rules specific to their accounting category. If the hedge relationship is interrupted or the effectiveness criteria are not complied with, the hedge accounting ceases to be applied. The combined amounts entered in equity capital for the revaluation of the hedge derivative are kept in equity capital until the hedged transaction itself affects the result or when it is determined that it will not do so; these amounts are then transferred to earnings.

If the item hedged disappears, the combined amounts entered in equity capital are immediately transferred to earnings.

▶ Fixed assets and depreciation

The fixed assets entered in the balance sheet immobilisations include operating tangible and intangible fixed assets, as well as investment property. Operating intangible fixed assets are used for the production of services or for administrative reasons. Investment property is real estate held in order to receive rents and/or to enhance the value of the capital invested. Investment property is recorded in the same way as operating property, based on the historical cost method.

Fixed assets are entered in the accounts at their acquisition cost, plus the expenses directly attributable and necessary for them to operate so that they can be used.

After their initial entry, fixed assets are valued using the historical cost method, i.e. their cost minus combined depreciations and any losses in value.

When a fixed asset is made up of several elements that may be the subject of replacement at regular intervals, that have different uses or that general economic benefits at a different rate, each element is entered separately at the outset and each of the components is depreciated based on its own depreciation plan. As the period of use of fixed assets is usually the same as the economic lifespan of the asset, no residual value is recorded.

The brackets used for depreciation terms are:

Tangible fixed assets	
Constructions – structural works (depending on the type of building)	10 - 30 years
Constructions – amenities	10 - 25 years
Fittings and installations	5 - 15 years
Furniture and office equipment	5 - 10 years
Security equipment	3 - 10 years
Rolling stock/vehicles	3 - 5 years
IT equipment	3 - 5 years
Intangible fixed assets	
Software acquired or created internally	1 - 3 years

Depreciable fixed assets undergo depreciation tests when the closing dates of the loss-of-value indices are identified. Fixed assets that cannot be depreciated (such as lease rights) undergo a depreciation test once a year.

If such a depreciation index exists, the recoverable value of the asset is compared with its net book value. If there is a loss of value, the depreciation is entered in the profit-and-loss account; this modifies the depreciable base of the asset prospectively.

The depreciation is written back if there is a modification in the estimate of the recoverable value or if the depreciation indices disappear. The net book value after a writeback of loss of value cannot be greater than the net book value that would have been calculated had no loss of value been entered in the accounts. Depreciations for operating fixed assets are recorded under "Allocations/depreciation writebacks and provisions for operating fixed assets" in the profit-and-loss account. Depreciations for investment property are recorded under "Charges for other activities" (for allocations) and "Revenue from other activities" (for writebacks) in the profit-and-loss account.

Increases and reductions in value from the disposal of operating fixed assets are entered in the profit-and-loss account under "Net profits or losses on other assets".

Increases and reductions in value from the disposal of investment property are entered in the profit-and-loss account under "Revenue from other activities" or "Charges from other activities".

The fair value of investment property is stated in the annexe on each statement date: it is based on a valuation of these properties by reference to the market, conducted by independent valuers.

▶ Non-current assets intended for disposal and abandoned activities

A non-current asset (or group of assets) meets the definition criteria for assets intended for disposal if it is available to be sold and if its sale is highly probable and will take place within twelve months.

Associated assets and liabilities are presented on two separate lines in the balance sheet under "Non-current assets intended for disposal" and "Debts linked to non-current assets intended for disposal". They are entered at their lowest book value and fair value, minus the disposal costs and are not depreciated.

When a loss of value is recorded on this type of assets or liabilities, a depreciation is entered in earnings.

Businesses are considered as abandoned when they are activities intended for disposal, businesses that have ceased and subsidiaries acquired for the sole purpose of being sold on. They are presented on a separate line in the profit-and-loss account under "Net tax profits and losses on abandoned businesses".

▶ Regulated savings contracts

Housing Savings Accounts (CEL) and Housing Savings Plans (PEL) are regulated French products that are accessible to customers (natural persons). These products feature a phase of interest-bearing savings giving entitlement to a housing loan in the second phase. These products generate two types of commitment for the establishment issuing them:

- A commitment to the future remuneration of the savings at a fixed rate (for PEL only; the remuneration rate for CEL is similar to a variable rate that is reviewed periodically based on an indexation formula);
- A commitment to agree to a loan for those customers who apply, on predetermined terms (PEL and CEL).

These commitments are estimated based on the behavioural statistics of customers and market data. A provision is set aside in the liabilities in the balance sheet to cover any future charges associated with the potential unfavourable terms of these products in relation to the interest offered to personal customers for products that are similar but not regulated in terms of remuneration. This approach is conducted by homogeneous generation in terms of the regulated conditions for the PEL and CEL products. The impact on the result is entered as interest paid to customers.

▶ Debts represented by a security

Debts represented by a security (cash vouchers, interbank market securities, bond loans, etc.), not classified at fair value by result on option, are initially entered in the accounts at their issue value, where appropriate minus transaction costs.

These debts are then valued at the amortised cost based on the effective interest rate method.

▶ Insurance activities

The accounting principles and valuation rules that apply to assets and liabilities generated by the issue of insurance policies are established in accordance with standard IFRS 4. This standard also applies to reinsurance policies, issued or taken out, and to finance contracts with a discretionary profit-sharing clause.

The other assets held and liabilities issued by insurance companies consolidated by total integration follow the rules that apply to all of the Group's assets and liabilities.

▷ Assets

Financial assets and investment properties follow the booking methods described elsewhere.

Conversely, financial assets represent the technical provisions pertaining to unit-linked contracts are entered under "Financial assets at fair value by result".

▷ Liabilities

The technical provisions of policies in account units are valued, at their closing date, based on the value of realising the assets used to support these policies. Provisions for non-life insurance policies correspond to the premiums not acquired (part of premiums issued relative to previous financial periods) and to claims to be paid.

Insurance policies benefiting from a discretionary profit-sharing clause are the subject of "shadow accounting". The provision for resulting deferred profit-sharing represents the proportion of increases and decreases in the value of the assets that is returned to policyholders. These provisions for deferred profit-sharing are presented in the liabilities or assets for each legal entity and without offsets between entities within the scope for consolidation. In the assets, they are stated in a separate item and their recoverability is assessed based on an analysis of future cashflows, taking account of rate hypotheses given to customers and revenue that is consistent with the business plan drawn up by the companies.

A sufficiency test for the liabilities recorded on these policies (net of other associated assets or liabilities, such as deferred acquisition costs and acquired portfolio values) is carried out on the closing date: this verifies that the liabilities accounted for are sufficient to cover future cashflows estimated at that date. Any insufficiency in the technical provisions is recorded in the result for the period (and will be written back later, where appropriate).

▷ Profit and loss account

Revenue and charges entered in the accounts for the insurance policies issued by the Group are presented under "Revenue from other activities" and "Charges from other activities".

The revenue and charges relating to activities on the account of the insurance entities are entered under their respective headings.

▶ Provisions

Allocations and writebacks of provisions are classified by type under the corresponding headings for charges and revenue. A provision is set aside when it is probable that an outflow of resources representing economic benefits will be required to fulfil an obligation stemming from an event in the past and when the amount of that obligation can be estimated reliably. The amount of this obligation is updated were appropriate to determine the amount of the provision.

The provisions set aside by the Group cover in the main:

- Operating risks;
- Company-related commitments;
- The execution risks for commitments by signature;
- Litigation and warranties;
- Tax risks;
- The risks associated with housing savings.

▶ Staff benefits

Staff benefits are accounted for in line with the IAS 19R standard applied by the Group. The new provisions relate, for benefits subsequent employment, to allowances defined by:

- The immediate recording of the actuarial differentials in latent or deferred profits or losses accounted for in equity capital and modifications in the system as a result;
- The application in the assets of the system of updating the rate for debt;
- Reinforcement of the information to be presented in the annexe.

Where appropriate, company-related commitments are the subject of a provision entered in the accounts under "Provisions". Any change is entered in the profit-and-loss account under "Staff charges", with the exception of the part resulting from the actuarial differentials, which is recorded under "Latent or deferred profits and losses" in equity capital.

▷ Benefits after employment at defined allowances

These are systems covering retirement, early retirement and supplementary pensions in which the Group retains a formal or implicit obligation to provide the allowances promised to staff. Commitments are calculated using the method of projected credit units, which consists of allocating allowance entitlements to periods of service by applying the contractual formula for calculating allowances under the system, which are then updated based on demographic and financial hypotheses such as:

- The update rate, determined by reference to the issue rate of AA-rated companies based on the length of the commitments;
- The rate of increase of salaries, based on age brackets, manager / non-manager categories;
- The inflation rates, estimated by comparing the rates of the Treasury Bond Rate (OAT) and the OAT inflated for various maturities;
- The mobility rate of salaried staff, determined by age bracket, based on the average ratio over 3 years of the number of resignations and redundancies, compared with the number of staff on open-ended contracts at the end of the period;
- Retirement age: the estimate is established for each individual based on his or her actual or estimated date of starting to work and hypotheses linked to the Retirement Reform Act, with a maximum ceiling of 67 years of age;
- The mortality rate, based on INSEE table TH/TF 00-02.

Actuarial differentials are the differences generated by changes to these hypotheses and the differences between previous hypotheses and what actually happened. When the system has assets, these are valued at their fair value and have an effect on the result for their expected yield. The differential between the actual yield and the expected yield is also an actuarial differential.

▷ Benefits on retirement

The entitlements of salaried staff to retirement benefits are calculated based on the time the person has worked for the company and his or her gross remuneration, in line with the collective agreement that applies to the Group.

The actuarial differentials are accounted for in "Latent or deferred profits or losses," recorded in equity capital, and reductions and liquidations in the system generate a change of the commitment, which is entered in the profit-and-loss account for the period.

▶ Payments based on shares

For payments based on shares in transactions involving shares issued by the group, whether settled by delivery of shares or settled in cash, the amount depends on the development of the value of the shares.

The charge borne by the Group is valued on the basis of the fair value on the date of notification of purchase options or subscription to shares granted by certain subsidiaries. The overall charge of the plan is determined by multiplying the unit value of the option by the estimated number of options which will be issued at the end of the period for the acquisition of rights, taking into account the present conditions of the beneficiaries.

The charge is entered under the staff overheads as of notification and is spread over the period of acquisition of the rights, without waiting, where appropriate, for the conditions necessary for the definitive allocation to be met, nor for the beneficiaries to exercise their options.

In the case of plans dealt with by delivery of shares, the counterpart of the charge is entered under the increase of equity capital.

For plans dealt with in cash, the counterpart is entered under debt. This liability is revalued until it is extinguished, in accordance with the fair value of the share. The value adjustment is carried out also on staff expenses.

▶ Subordinated debts

Subordinated debts, term or open-ended, are separated from the other debts represented by a security, because they can only be reimbursed in the event of the debtor's liquidation after the other creditors have been paid off. These debts are valued at the amortised cost.

▶ Distinction between debts and equity capital

According to interpretation IFRIC 2, the shares belonging to shareholders are equity capital if the entity has an unconditional right to refuse reimbursement, or if there are legal or statutory provisions forbidding or significantly restricting reimbursement. On account of the existing legal and statutory provisions, company shares issued by the structures that make up the consolidating entity of CMNE are entered in the accounts as equity capital.

The other financial instruments issued by the Group are qualified in accounting terms as debt instruments as soon as there is a contractual obligation for the Group to issue cash to holders of securities. This is the case in particular for all subordinated securities issued by the Group.

IV NOTES RELATIVE TO THE ITEMS IN THE FINANCIAL STATEMENTS

(The notes are presented in thousands of euros)

1. NOTES ON THE BALANCE SHEET

Note 1: Cash, Central Banks, Credit institutions

1a. Loans and debts on credit institutions

	31/12/16	31/12/15	Change	
Cash, Central banks				
Central banks	887 595	190 594	697 001	365.70 %
of which bond reserves	*364 347*	*130 804*	*233 543*	*178.54 %*
Cash	84 046	96 180	-12 134	-12.62 %
TOTAL	**971 641**	**286 774**	**684 867**	**238.82 %**
Loans and debts on credit institutions				
Network accounts Credit Mutuel [1]	1 935 524	2 351 853	-416 329	-17.70 %
Other ordinary accounts	266 821	154 467	112 354	72.74 %
Loans	526 563	1 022 963	-496 400	-48.53 %
Other debts	123 152	58 180	64 972	111.67 %
Pensions	351 312	175 000	176 312	100.75 %
Debts depreciated on an individual level	0	0	0	n.s.
Receivables	16 518	24 178	-7 660	-31.68 %
TOTAL	**3 219 890**	**3 786 641**	**-566 751**	**-14.97 %**

[1] Relates mainly to outstanding CDC writebacks (LEP, LDD, Livret blue, Livret A)

1b. Debts to credit institutions

	31/12/16	31/12/15	Change	
Central banks				
Central banks	0	0	0	n.s.
TOTAL	**0**	**0**	**0**	**n.s.**
Debts to credit institutions				
Other ordinary accounts	24 692	49 010	-24 318	-49.62 %
Loans	521 175	1 021 032	-499 857	-48.96 %
Other debts	24 422	210 564	-186 142	-88.40 %
Pensions	951 312	1 075 000	-123 688	-11.51 %
Receivables	2 021	3 783	-1 762	-46.58 %
TOTAL	**1 523 622**	**2 359 389**	**-835 767**	**-35.42 %**

The amount of "borrowings" to credit institutions published in 2015 was € 1 016 277 thousand.
The difference of €4 755 thousand comes from the reclassification of a technical account which was previously under "financial liabilities at fair value on option by result".

Note 2: Financial assets and liability at fair value by result

2a. Financial assets at fair value by result

	31/12/16			31/12/15		
	Transaction	Fair value on option	Total	Transaction	Fair value on option	Total
Securities	**198 395**	**12 589 663**	**12 788 058**	**212 333**	**11 840 170**	**12 052 503**
• Government securities	0	346 624	346 624	0	331 478	331 478
• Bonds and other fixed-revenue securities	0	2 974 930	2 974 930	0	3 352 150	3 352 150
– Listed	0	2 924 213	2 924 213	0	3 297 073	3 297 073
– Unlisted	0	50 717	50 717	0	55 077	55 077
• Shares and other variable revenue securities	198 395	9 268 109	9 466 504	212 333	8 156 542	8 368 875
– Listed	198 395	9 238 124	9 436 519	212 333	8 124 240	8 336 573
– Unlisted	0	29 985	29 985	0	32 302	32 302
Derivatives	**165 164**	**0**	**165 164**	**158 991**	**0**	**158 991**
Other financial assets		**425**	**425**		**530**	**530**
TOTAL	**363 559**	**12 590 088**	**12 953 647**	**371 324**	**11 840 700**	**12 212 024**

2b. Financial liabilities held for transaction purposes

	31/12/16	31/12/15	Change	
Financial liabilities held for transaction purposes	118 480	106 734	11 746	11.00 %
Financial liabilities at fair value on option by result	116 345	123 139	-6 794	-5.52 %
TOTAL	**234 825**	**229 873**	**4 952**	**2.15 %**

The line "Financial liabilities at fair value on option by result" corresponds mainly to the structured bonds issued by CFCMNE until 31st December 2012, classified in this category on account of the derivatives they contain. Since 1st January 2013, the derivatives included in the structured bonds issued have been entered in the accounts separately, at fair value by result, with "vanilla" bonds recorded at their amortised cost.

The amount of "financial liabilities at fair value on option by result" published in 2015 was €127 894 thousand (cf. comment no note 1b).

Financial liabilities at fair value on option by result

	31/12/16			31/12/15		
	Book value	Amount due on maturity	Differential	Book value	Amount due on maturity	Differential
Securities issued	116 345	101 534	14 811	123 139	99 922	23 217
TOTAL	**116 345**	**101 534**	**14 811**	**123 139**	**99 922**	**23 217**

Note 3: Hedging

3a. Hedging derivatives

	31/12/16		31/12/15	
	Assets	Liabilities	Assets	Liabilities
Cash flow hedge	63	30 326	158	35 929
Fair value hedge (change recorded in earnings)	32 963	96 162	45 927	95 077
TOTAL	**33 026**	**126 488**	**46 085**	**131 006**

3b. Revaluation surplus of rate-hedged portfolios

Fair value	31/12/16	31/12/15	Change
Fair value of interest rate risk by portfolio			
Financial assets	49 813	38 416	11 397
Financial liabilities	2 542	2 758	-216

Note 4: Analysis of derivative instruments

	31/12/16			31/12/15		
	Notional	Assets	Liabilities	Notional	Assets	Liabilities
Transaction derivatives						
Rate instruments						
Swaps	6 318 977	142 190	81 632	9 013 265	143 428	82 323
Other form contracts	372 000	0	0	0	0	0
Options and conditional instruments	0	22 974	36 848	0	15 563	24 411
Currency instruments						
Other form contracts	0	0	0	0	0	0
SUBTOTAL	**6 690 977**	**165 164**	**118 480**	**9 013 265**	**158 991**	**106 734**
Hedging derivatives						
Fair Value Hedge						
Swaps	2 961 850	32 963	96 162	3 537 520	45 927	95 077
Other form contracts	490 000	0	0	0	0	0
Cash Flow Hedge						
Swaps	660 700	63	30 326	885 700	158	35 929
SUBTOTAL	**4 112 550**	**33 026**	**126 488**	**4 423 220**	**46 085**	**131 006**
TOTAL	**10 803 527**	**198 190**	**244 968**	**13 436 485**	**205 076**	**237 740**

Note 5: Financial assets available for sale

5a. Financial assets available for sale

	31/12/16	31/12/15	Change	
Government securities	1 558 411	446 680	1 111 731	248.89 %
Bonds and other fixed-revenue securities	4 311 256	5 700 445	-1 389 189	-24.37 %
• Listed	4 037 805	5 170 848	-1 133 043	-21.91 %
• Unlisted	273 451	529 597	-256 146	-48.37 %
Shares and other variable revenue securities	668 959	558 159	110 800	19.85 %
• Listed	23 448	105 501	-82 053	-77.77 %
• Unlisted	645 511	452 658	192 853	42.60 %
Equity securities	222 729	202 811	19 918	9.82 %
• Equity holding securities	32 679	24 800	7 879	31.77 %
• Other securities held long term	16 815	15 441	1 374	8.90 %
• Shares in affiliated companies	173 235	162 570	10 665	6.56 %
Receivables	94 817	93 232	1 585	1.70 %
TOTAL	**6 856 172**	**7 001 327**	**-145 155**	**-2.07 %**
of which latent increases or decreases in value noted in equity capital	*239 138*	*246 238*	*-7 100*	*-2.88 %*
of which depreciated assets	*0*	*0*	*0*	*n.s.*
of which depreciated fixed revenue securities	*1 408*	*3 336*	*-1 928*	*-57.79 %*
of which depreciated	*-9 673*	*-5 995*	*-3 678*	*61.35 %*

With regard to CIC securities, the value is based essentially on the "sum of the parts" method (SOTP). Using this calculation, the value of a bank is equal to the sum of the value of each of its business lines, minus holding costs. Since 1st January 2014, the value determined in this way has been weighted at 80 %, supplemented by 20 % of the market price. This method, approved by the AMF, results in a value of €312 per share.

5b. List of the main non-consolidated holdings

		% holding	Equity capital	Total balance sheet	NBI or turnover	Result
CIC Group	Listed	< 1 %	14 117 225	269 315 563	4 985 045	1 361 051
GACM	Unlisted	< 1 %	9 636 006	112 052 945	1 503 325	744 034
CCCM Paris	Unlisted	13 %	607 992	4 295 430	17 247	7 701

Data as at 31/12/16.

5c. Exposure to sovereign risk

Greek sovereign risk

There is no longer any exposure to the Greek sovereign risk in the Group.

Other sovereign exposure relative to the PIIGS (Portugal, Ireland, Italy, Greece, Spain)

Other country benefiting from a support plan

31/12/16		
Net exposure* in thousand euros - Banking	Portugal	Ireland
Assets at fair value by result		
Assets available for sale		17 399
Assets held to maturity		
TOTAL		**17 399**
GAINS/LOSSES RECORDED IN EQUITY CAPITAL		**2 839**

31/12/15		
Net exposure* in thousand euros - Banking	Portugal	Ireland
Assets at fair value by result		
Assets available for sale	3 099	9 050
Assets held to maturity		
TOTAL	**3 099**	**9 050**
GAINS/LOSSES RECORDED IN EQUITY CAPITAL	**84**	**735**

(*) Net exposure: after accounting for latent gains or losses and deferred share in profits accruing to policyholders for the insurance part.

Other countries (bank exposure only)

No country is exposed to other sovereign risks.

Note 6: Hierarchy of fair value

31/12/16	Level 1	Level 2	Level 3	Total	Transfers* N1 => N2	Transfers* N2 => N1
Other financial assets						
Available for sale	5 795 320	839 536	221 316	6 856 172	0	0
• Government securities and similar securities - DALV	1 579 451	0	0	1 579 451	0	0
• Bonds and other fixed revenue securities - DALV	4 078 852	304 258	1 058	4 384 168	0	0
• Shares and shares - DALV	137 017	532 211	505	669 733	0	0
• Holdings and ATDLT - DALV	0	3 067	46 518	49 585	0	0
• Affiliated company shares - DALV	0	0	173 235	173 235	0	0
Transaction/JVO	10 294 260	2 659 387	0	12 953 647	0	0
• Government securities and similar securities Fair value on option	346 624	0	0	346 624	0	0
• Bonds and other fixed revenue securities Fair value on option	481 132	2 493 798	0	2 974 930	0	0
• Shares and shares - Transaction	198 395	0	0	198 395	0	0
• Shares and shares - Fair value on option	9 268 109	0	0	9 268 109	0	0
• Loans and debts on credit institutions Fair value on option	0	425	0	425	0	0
• Derivatives and other financial assets - Transaction	0	165 164	0	165 164	0	0
Hedging derivatives	0	33 026	0	33 026	0	0
TOTAL	**16 089 580**	**3 531 949**	**221 316**	**19 842 845**	**0**	**0**
Financial liabilities						
Transaction/JVO	0	234 825	0	234 825	0	0
• Debts represented by a security Fair value on option	0	116 345	0	116 345	0	0
• Derivatives and other financial liabilities Transaction	0	118 480	0	118 480	0	0
Hedging derivatives	0	126 488	0	126 488	0	0
TOTAL	**0**	**361 313**	**0**	**361 313**	**0**	**0**

31/12/15	Level 1	Level 2	Level 3	Total	Transfers* N1 => N2	Transfers* N2 => N1
Financial assets						
Available for sale	5 822 154	969 448	209 725	7 001 327	0	0
• Government securities and similar securities - DALV	453 353	0	0	453 353	0	0
• Bonds and other fixed revenue securities - DALV	5 256 400	528 550	1 055	5 786 005	0	0
• Shares and securities - DALV	112 401	440 898	5 859	559 158	0	0
• Holdings and ATDLT - DALV	0	0	40 241	40 241	0	0
• Affiliated company shares - DALV	0	0	162 570	162 570	0	0
Transaction / JVO	9 163 905	3 048 119	0	12 212 024	0	0
• Bonds and other fixed revenue securities Transaction	331 478	0	0	331 478	0	0
• Bonds and other fixed revenue securities Fair value on option	475 245	2 876 905	0	3 352 150	0	0
• Shares and shares Transaction	200 640	11 693	0	212 333	0	0
• Shares and shares Fair value on option	8 156 542	0	0	8 156 542	0	0
• Loans and debts on credit institutions Fair value on option	0	530	0	530	0	0
• Derivatives and other financial assets - Transaction	0	158 991	0	158 991	0	0
Hedging derivatives	0	46 085	0	46 085	0	0
TOTAL	**14 986 059**	**4 063 652**	**209 725**	**19 259 436**	**0**	**0**
Financial liabilities						
Transaction / JVO	0	229 873	0	229 873	0	0
• Debts represented by a security Fair value on option	0	123 139	0	123 139	0	0
• Derivatives and other financial liabilities Transaction	0	106 734	0	106 734	0	0
Hedging derivatives	0	131 006	0	131 006	0	0
TOTAL	**0**	**360 879**	**0**	**360 879**	**0**	**0**

* Only significant transfers are reported, i.e. transfers for an amount in excess of 10 % of the amount of the "Total" line for the category of asset or liability in question.

Level 1: price quoted on an active market.
Level 2: price on active markets for similar instruments and valuation techniques for which all of the main data elements are based on observable market information.
Level 3: valuation based on internal models containing significant non-observable data.

Hierarchy of fair value – Level 3 detail

31/12/16	Opening	Purchases	Sales	Reim-burse-ments	Transfers	Profits and losses in earn-ings	Profits and losses in equity capital	Other move-ments	Closing	Transfers* N1, N2 => N3	Transfers* N3 => N1, N2
Financial assets											
Available for sale	209 725	1 948	-818	-200	3 278	-2 374	9 602	155	221 316	0	0
• Bonds and other fixed revenue securities - DALV	1 055	0	0	0	0	0	0	3	1 058	0	0
• Shares, TAP and other variable revenue securities - DALV	5 859	1	0	0	-5 354	0	0	-1	505	0	0
• Holdings and ATDLT - DALV	40 241	1 628	-808	-200	8 632	-3 220	92	153	46 518	0	0
• Affiliated company shares - DALV	162 570	319	-10	0	0	846	9 510	0	173 235	0	0
Transaction/JVO	0	0	0	0	0	0	0	0	0	0	0
Hedging derivatives	0	0	0	0	0	0	0	0	0	0	0
TOTAL	**209 725**	**1 948**	**-818**	**-200**	**3 278**	**-2 374**	**9 602**	**155**	**221 316**	**0**	**0**
Financial liabilities											
Transaction/JVO	0	0	0	0	0	0	0	0	0	0	0
Hedging derivatives	0	0	0	0	0	0	0	0	0	0	0
TOTAL	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

31/12/15	Opening	Purchases	Sales	Reim-burse-ments	Transfers	Profits and losses in earn-ings	Profits and losses in equity capital	Other move-ments	Closing	Transfers* N1, N2 => N3	Transfers* N3 => N1, N2
Financial assets											
Available for sale	184 107	2 260	-3 352	0	0	1 217	25 242	251	209 725	0	0
• Bonds and other fixed revenue securities - DALV	1 455	0	0	0	0	-400	0	0	1 055	0	0
• Actions, TAP and other variable revenue securities - DALV	444	0	0	0	0	0	5 354	61	5 859	0	0
• Holdings and ATDLT - DALV	41 373	2 260	-3 352	0	0	1 617	-1 839	182	40 241	0	0
• Affiliated company shares - DALV	140 835	0	0	0	0	0	21 727	8	162 570	0	0
Transaction / JVO	0	0	0	0	0	0	0	0	0	0	0
Hedging derivatives	0	0	0	0	0	0	0	0	0	0	0
TOTAL	**184 107**	**2 260**	**-3 352**	**0**	**0**	**1 217**	**25 242**	**251**	**209 725**	**0**	**0**
Financial liabilities											
Transaction / JVO	0	0	0	0	0	0	0	0	0	0	0
Hedging derivatives	0	0	0	0	0	0	0	0	0	0	0
TOTAL	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

* Only significant transfers are reported, i.e. transfers for an amount in excess of 10 % of the amount of the "Total" line for the category of asset or liability in question.

Note 7: Offsetting of financial assets and liabilities

31/12/16	Gross amount of financial assets	Gross amount of financial liabilities offset in the balance sheet	Net amounts shown on the balance sheets	Associated amounts not offset on the balance sheet			Net amount
				Impact on net amount of offset framework agreements	Financial instruments received as guarantees	Cash received (cash collateral)	
Financial assets							
Derivatives	198 190	-	198 190	-109 010	-	-57 682	31 498
Pensions	351 312	-	351 312	-351 242	-	-	70
TOTAL	**549 502**	**-**	**549 502**	**-460 252**	**-**	**-57 682**	**31 568**

31/12/16	Gross amount of financial assets	Gross amount of financial liabilities offset in the balance sheet	Net amounts shown on the balance sheets	Associated amounts not offset on the balance sheet			Net amount
				Impact on net amount of offset framework agreements	Financial instruments received as guarantees	Cash received (cash collateral)	
Financial liabilities							
Derivatives	244 968	-	244 968	-108 842	-	-99 508	36 618
Pensions	951 544	-	951 544	-351 312	-600 000	-	232
TOTAL	**1 196 512**	**-**	**1 196 512**	**-460 154**	**-600 000**	**-99 508**	**36 850**

31/12/15	Gross amount of financial assets	Gross amount of financial liabilities offset in the balance sheet	Net amounts shown on the balance sheets	Associated amounts not offset on the balance sheet			Net amount
				Impact on net amount of offset framework agreements	Financial instruments received as guarantees	Cash received (cash collateral)	
Financial assets							
Derivatives	205 076	-	205 076	-97 618	-	-81 042	26 416
Pensions	175 000	-	175 000	-175 000	-	-	-
TOTAL	**380 076**	**-**	**380 076**	**-272 618**	**-**	**-81 042**	**26 416**

31/12/15	Gross amount of financial assets	Gross amount of financial liabilities offset in the balance sheet	Net amounts shown on the balance sheets	Associated amounts not offset on the balance sheet			Net amount
				Impact on net amount of offset framework agreements	Financial instruments received as guarantees	Cash received (cash collateral)	
Financial liabilities							
Derivatives	237 740	-	237 740	-97 619	-	-50 000	90 121
Pensions	1 076 179	-	1 076 179	-175 000	-900 000	-	1 179
TOTAL	**1 313 919**	**-**	**1 313 919**	**-272 619**	**-900 000**	**-50 000**	**91 300**

NOTE 8: Customers

8a. Loans and debts to customers

	31/12/16	31/12/15	Change	
Healthy debts	14 442 304	14 151 383	290 921	2.06 %
• Trade debts	19 154	18 189	965	5.31 %
• Other support for customers	14 388 073	14 094 775	293 298	2.08 %
– Housing loans	8 069 622	7 918 640	150 982	1.91 %
– Other support and various debts, including pensions	6 318 451	6 176 135	142 316	2.30 %
• Receivables	35 077	38 419	-3 342	-8.70 %
Insurance and reinsurance debts	12 194	15 473	-3 279	-21.19 %
Depreciated debts on an individual basis	924 811	966 024	-41 213	-4.27 %
GROSS DEBTS	**15 379 309**	**15 132 880**	**246 429**	**1.63 %**
Individual depreciation	-594 232	-613 179	18 947	-3.09 %
Collective depreciation	-22 984	-23 878	894	-3.74 %
SUBTOTAL I	**14 762 093**	**14 495 823**	**266 270**	**1.84 %**
Finance leases (net investment)	1 422 196	1 392 069	30 127	2.16 %
• Moveable property	940 055	924 759	15 296	1.65 %
• Immovable property	441 555	458 140	-16 585	-3.62 %
• Gross depreciatied debts on an individual basis	40 586	9 170	31 416	342.60 %
Individual depreciation	-13 418	-11 784	-1 634	13.87 %
SUBTOTAL II	**1 408 778**	**1 380 285**	**28 493**	**2.06 %**
TOTAL	**16 170 871**	**15 876 108**	**294 763**	**1.86 %**
of which equity loans	*0*	*0*	*0*	*n.s.*
of which subordinated loans	*0*	*0*	*0*	*n.s.*

Financial lease operations with customers

	31/12/15	Increase	Decrease	Other	31/12/16
Gross book value	1 392 069	133 815	-103 245	-443	1 422 196
Depreciations of non-recoverable debts	-11 784	-5 898	4 264	0	-13 418
Net book value	1 380 285	127 917	-98 981	-443	1 408 778

8b. Debts to customers

	31/12/16	31/12/15	Change	
Special savings accounts	11 664 141	11 391 403	272 738	2.39 %
• At call	9 575 002	9 560 176	14 826	0.16 %
• Term	2 089 139	1 831 227	257 912	14.08 %
Receivables on savings accounts	8 560	14 112	-5 552	-39.34 %
SUBTOTAL	**11 672 701**	**11 405 515**	**267 186**	**2.34 %**
At-call accounts	4 209 104	3 779 495	429 609	11.37 %
Terms of accounts and loans	401 256	677 678	-276 422	-40.79 %
Receivables	3 755	10 949	-7 194	-65.70 %
Insurance and reinsurance debts	91 041	104 330	-13 289	-12.74 %
SUBTOTAL	**4 705 156**	**4 572 452**	**132 704**	**2.90 %**
TOTAL	**16 377 857**	**15 977 967**	**399 890**	**2.50 %**

Note 9: Financial assets held to maturity

	31/12/16	31/12/15	Variation	
Securities	206 714	378 319	-171 605	-45.36 %
• Government securities	10 004	10 004	0	0.00 %
• Bonds and other fixed revenue securities	196 710	368 315	-171 605	-46.59 %
– Listed	47 509	160 086	-112 577	-70.32 %
– Unlisted	149 201	208 229	-59 028	-28.35 %
Receivables	6 350	6 334	16	0.25 %
GROSS TOTAL	**213 064**	**384 653**	**-171 589**	**-44.61 %**
of which depreciated assets	*4 683*	*4 801*	*-118*	*-2.46 %*
Depreciation	-4 682	-4 801	119	-2.48 %
NET TOTAL	**208 382**	**379 852**	**-171 470**	**-45.14 %**

Note 10: Evaluation in provisions for depreciation

	31/12/15	Allocation	Writeback	Other	31/12/16
Loans and debts on customers	-648 841	-126 561	120 361	24 407	-630 634
Fixed revenue securities in AFS “Available For Sale”	-855	-645	286	0	-1 214
Variable revenue securities in AFS “Available For Sale”	-5 140	-3 371	60	-8	-8 459
Securities in HTM “Held To Maturity”	-4 801	0	122	-3	-4 682
TOTAL	**-659 637**	**-130 577**	**120 829**	**24 396**	**-644 989**

Note 11: Financial instruments – Reclassification

None.
The standard for monitoring reclassified assets to maturity is only applied to securities reallocated to headings as "loans". As it has only carried out reclassifications between categories of securities, the Group does not meet these criteria and only reports on this aspect in those years when it carries out a reclassification.

Note 12: Debts represented by a security

	31/12/16	31/12/15	Change	
Cash vouchers	57 316	77 728	-20 412	-26.26 %
TMI & TCN	2 063 395	2 303 804	-240 409	-10.44 %
Bond loans	1 468 281	1 351 642	116 639	8.63 %
Receivables	22 138	25 934	-3 796	-14.64 %
TOTAL	**3 611 130**	**3 759 108**	**-147 978**	**-3.94 %**

Note 13: Taxation

13a. Current taxes

	31/12/16	31/12/15	Change	
Assets (by result)	67 409	75 975	-8 566	-11.27 %
Liabilities (by result)	52 780	91 310	-38 530	-42.20 %

13b. Deferred taxes

	31/12/16	31/12/15	Change	
Assets (by result)	61 981	68 592	-6 611	-9.64 %
Assets (by equity capital)	4 955	3 423	1 532	44.76 %
Liabilities (by result)	28 388	28 882	-494	-1.71 %
Liabilities (by equity capital)	32 667	39 303	-6 636	-16.88 %

Breakdown of deferred taxes by major categories

	31/12/16		31/12/15	
	Assets	Liabilities	Assets	Liabilities
Tax losses carried forward	**0**	**0**	**0**	**0**
Temporary differences on	**80 554**	**74 673**	**82 529**	**78 699**
• PV/MV deferred on securities available for sale	0	46 285	0	49 817
• Other latent or deferred profits	18 573	0	13 937	0
• Provisions	64 238	4 226	57 448	6 122
• Latent reserve for finance leases	0	5 637	646	6 606
• Other temporary offsets	-2 257	18 525	10 498	16 154
Offsets	**-13 618**	**-13 618**	**-10 514**	**-10 514**
TOTAL ASSETS AND LIABILITIES OF DEFERRED TAXES	**66 936**	**61 055**	**72 015**	**68 185**

Note 14: Accruals and miscellaneous assets and liabilities

14a. Accruals and miscellaneous assets

	31/12/16	31/12/15	Change	
Asset accruals				
Values received on collection	21 525	4 491	17 034	379.29 %
Revenue to be received	25 741	13 208	12 533	94.89 %
Miscellaneous accruals	53 303	80 150	-26 847	-33.50 %
SUBTOTAL	**100 569**	**97 849**	**2 720**	**2.78 %**
Other assets				
Guarantee deposit paid	195 554	203 131	-7 577	-3.73 %
Miscellaneous debtors	248 391	232 504	15 887	6.83 %
Stocks and similar	1 866	2 562	-696	-27.17 %
Other miscellaneous uses	0	4 291	-4 291	-100.00 %
SUBTOTAL	**445 811**	**442 488**	**3 323**	**0.75 %**
Other insurance assets				
Technical provisions – Share of reinsurers	32 458	25 976	6 482	24.95 %
SUBTOTAL	**32 458**	**25 976**	**6 482**	**24.95 %**
TOTAL	**578 838**	**566 313**	**12 525**	**2.21 %**

14b. Accruals and miscellaneous liabilities

	31/12/16	31/12/15	Change	
Liability accruals				
Accounts unavailable on recovery operations	2 775	29	2 746	n.s.
Adjustment accounts on foreign currency	0	11	-11	-100.00 %
Charges to pay	91 430	85 154	6 276	7.37 %
Revenue noted in advance	72 881	69 452	3 429	4.94 %
Miscellaneous accruals	65 656	42 895	22 761	53.06 %
SUBTOTAL	**232 742**	**197 541**	**35 201**	**17.82 %**
Other liabilities				
Settlement accounts on securities operations	0	0	0	n.s.
Payments remaining to be made on securities	402 429	387 956	14 473	3.73 %
Miscellaneous creditors	2 406 885	1 818 154	588 731	32.38 %
SUBTOTAL	**2 809 314**	**2 206 110**	**603 204**	**27.34 %**
Other insurance liabilities				
SUBTOTAL	**0**	**0**	**0**	**N.S.**
TOTAL	**3 042 056**	**2 403 651**	**638 405**	**26.56 %**

Note 15: Holdings in equity companies

Share in the result of equity companies

31/12/16	Country	% Holding	Value of equity	Share in net result	Dividends received [1]	FV of holding (if listed)
Entities under significant influence						
Euro Information	France	10.15	114 265	9 297	315	n.c.
Sicorfé Maintenance	France	34.00	1 618	119	0	n.c.
Siparex Proximité Innovation	France	25.93	2 288	326	265	n.c.
SA PARTNERS ASSURANCES	Belgium	49.00	15 922	-66	0	n.c.
Groupe CHOLET-DUPONT	France	33.00	12 845	1 663	545	n.c.
Inflection Point Capital management Ltd	United Kingdom	51.17	7 290	-1 657	0	n.c.
JKC Capital Management Ltd	Hong-kong	48.91	774	-176	0	n.c.
Tages Capital LLP	United Kingdom	39.13	1 802	886	1 305	n.c.
2A	France	19.57	-51	-133	0	n.c.
ALGER Management Ltd	United Kingdom	48.91	562	126	0	n.c.
La Française AM (goodwill on IPCM UK, Tages and Alger) [2]			585			n.c.
Nord Europe Assurances (goodwill on SA Partners assurances) [2]			1 823			n.c.
Nouvelles Expertises et Talents AM (goodwill on JKC CM Ltd) [2]			1 257			n.c.
TOTAL			**160 980**	**10 385**	**2 430**	

31/12/15	Country	% Holding	Value of equity	Share in net result	Dividends received [1]	FV of holding (if listed)
Entities under significant influence						
Euro Information	France	10.15	104 171	8 588	315	n.c.
Sicorfé Maintenance	France	34.00	1 499	108	0	n.c.
Siparex Proximité Innovation	France	45.61	2 184	288	218	n.c.
Convictions Asset-Management	France	29.45	1 398	-187	0	n.c.
Groupe CHOLET-DUPONT	France	33.12	10 575	994	443	n.c.
LFP Nexity services immobiliers	France	23.21	26 028	220	0	n.c.
Forum Holdings BV	Netherlands	24.19	3 565	-422	0	n.c.
Forum Partners Investment Management Limited	USA	24.19	644	176	296	n.c.
Inflection Point Capital management Ltd	United Kingdom	51.35	9 149	-409	0	n.c.
JKC Capital Management Ltd	Hong-kong	49.09	925	-19	0	n.c.
Tages Capital LLP	United Kingdom	39.27	2 228	1 228	1 285	n.c.
2A	France	19.63	81	-657	0	n.c.
ALGER Management Ltd	United Kingdom	49.09	515	-194	0	n.c.
La Française AM (goodwill on IPCM UK, Tages and Alger) [2]			585			n.c.
Nouvelles Expertises et Talents AM (goodwill on JKC CM Ltd) [2]			1 257			n.c.
La Française Global REIM (goodwill on Forum BV et Forum IM) [2]			6 905			n.c.
TOTAL			**171 709**	**9 714**	**2 557**	

[1] in cash and stock
[2] under IAS 28, goodwill recorded on entities under significant influence is included in the value of securities accounted for using the equity method.

Financial data of the main equity companies

31/12/16	Total balance sheet	NBI/ turnover	GOP	Net result	OCI	Equity capital
Entities under significant influence						
Euro Information	1 249 604	1 022 668	137 056	91 432	89 417	1 083 350
Sicorfé Maintenance	6 716	7 647	480	314	0	4 723
Siparex Proximité Innovation	15 728	13 289	1 841	1 230	-298	8 626
SA PARTNERS ASSURANCES	132 660	1 734	-126	-121	3 650	32 357
Groupe CHOLET-DUPONT	191 428	19 420	6 030	4 929	0	38 083
Inflection Point Capital management Ltd	10 085	1 471	-2 171	-2 171	0	10 024
JKC Capital Management Ltd	19 149	14 984	-3 016	-3 016	0	12 650
Tages Capital LLP	8 175	11 621	2 216	2 216	0	4 506
2A	9 339	8 990	-663	-663	0	-256
ALGER Management Ltd	2 180	4 512	206	206	0	962

31/12/15	Total balance sheet	NBI/ turnover	GOP	Net result	OCI	Equity capital
Entities under significant influence						
Euro Information	1 184 418	973 075	101 966	59 934	77 488	983 276
Sicorfé Maintenance	6 279	7 231	407	317	0	4 409
Siparex Proximité Innovation	7 812	6 351	786	624	-227	4 704
Convictions Asset-Management	7 104	6 622	-525	43	0	5 328
Groupe CHOLET-DUPONT	177 653	22 568	5 555	2 948	0	31 351
LFP Nexity services immobiliers	209 691	72 426	920	893	0	105 635
Forum Holdings BV	36 522	2 942	-1 318	-1 901	0	15 751
Forum Partners Investment Management Limited	34 209	19 938	1 444	792	0	2 845
Inflection Point Capital management Ltd	12 344	1 075	-385	-385	0	12 195
JKC Capital Management Ltd	23 545	17 592	-329	-329	0	15 612
Tages Capital LLP	10 434	13 388	3 470	3 070	0	5 570
2A	9 593	6 065	-3 285	-3 285	0	407
ALGER Management Ltd	1 998	564	-282	-282	0	756

N.B.: These data correspond with the summarised individual data of the entities and are communicated in foreign currency.

Reconciliation between the summarised financial data and the equity value

31/12/16	Equity capital in foreign currency	Equity capital converted in millions of euros	Consolidation adjustments	Goodwill	Equity value
Entities under significant influence					
Euro Information	1 083 350	1 083 350	-969 085	0	114 265
Sicorfé Maintenance	4 723	4 723	-3 105	0	1 618
Siparex Proximité Innovation	8 626	8 626	-6 338	0	2 288
SA PARTNERS ASSURANCES	32 357	32 357	-16 435	0	15 922
Groupe CHOLET-DUPONT	38 083	38 083	-25 238	0	12 845
Inflection Point Capital management Ltd	10 024	11 708	-4 418	0	7 290
JKC Capital Management Ltd	12 650	1 547	-773	0	774
Tages Capital LLP	4 506	4 506	-2 704	0	1 802
2A	-256	-256	205	0	-51
ALGER Management Ltd	962	1 124	-562	0	562
La Française AM (goodwill on IPCM UK, Tages and Alger)				585	585
Nouvelles Expertises et Talents AM (goodwill on JKC CM Ltd)				1 823	1 823
La Française Global REIM (goodwill on Forum BV et Forum IM)				1 257	1 257
TOTAL		**1 185 768**	**-1 028 453**	**3 665**	**160 980**

31/12/15	Equity capital in foreign currency	Equity capital converted in millions of euros	Consolidation adjustments	Goodwill	Equity value
Entities under significant influence					
Euro Information	983 276	983 276	-879 105	0	104 171
Sicorfé Maintenance	4 409	4 409	-2 910	0	1 499
Siparex Proximité Innovation	4 704	4 704	-2 520	0	2 184
Convictions Asset-Management	5 328	5 328	-3 930	0	1 398
Groupe CHOLET-DUPONT	31 351	31 351	-20 776	0	10 575
LFP Nexity services immobiliers	105 635	105 635	-79 607	0	26 028
Forum Holdings BV	15 751	14 468	-10 903	0	3 565
Forum Partners Investment Management Limited	2 845	2 613	-1 969	0	644
Inflection Point Capital management Ltd	12 195	16 616	-7 467	0	9 149
JKC Capital Management Ltd	15 612	1 850	-925	0	925
Tages Capital LLP	5 570	5 570	-3 342	0	2 228
2A	407	407	-326	0	81
ALGER Management Ltd	756	1 030	-515	0	515
La Française AM (goodwill on IPCM UK, Tages and Alger)				585	585
Nouvelles Expertises et Talents AM (goodwill on JKC CM Ltd)				1 257	1 257
La Française Global REIM (goodwill on Forum BV and Forum IM)				6 905	6 905
TOTAL		**1 177 257**	**-1 014 295**	**8 747**	**171 709**

Note 16: Investment properties

	31/12/15	Increase	Decrease	Other	31/12/16
Historical cost	77 991	9 219	-5 832	0	81 378
Writedown and depreciation	-34 664	-2 753	4 552	0	-32 865
NET AMOUNT	**43 327**	**6 466**	**-1 280**	**0**	**48 513**

The fair value of these properties (recorded at cost) was 97 400 thousand euros at 31th December 2016; it was 88 680 thousand euros at 31th December 2015. It is determined by an expert.

Note 17: Tangible and intangible fixed assets

17a. Tangible fixed assets

	31/12/15	Increase	Decrease	Other	31/12/16
Historical cost					
Business sites	66 122	0	-50 430	0	15 692
Business structures	268 990	5 324	-80 834	-145	193 335
Other tangible fixed assets	288 257	12 250	-14 233	239	286 513
TOTAL	**623 369**	**17 574**	**-145 497**	**94**	**495 540**
Writedown and depreciation					
Business structures	-105 852	-9 658	4 805	426	-110 279
Other tangible fixed assets	-172 698	-18 861	6 014	-403	-185 948
TOTAL	**-278 550**	**-28 519**	**10 819**	**23**	**-296 227**
NET AMOUNT	**344 819**	**-10 945**	**-134 678**	**117**	**199 313**

17b. Tangible fixed assets

	31/12/15	Increase	Decrease	Other	31/12/16
Historical cost					
Fixed assets generated internally	74 889	1 493	-582	0	75 800
Fixed assets acquired	75 400	4 174	-2 379	-758	76 437
• Software	34 776	797	-1 937	-731	32 905
• Other	40 624	3 377	-442	-27	43 532
TOTAL	**150 289**	**5 667**	**-2 961**	**-758**	**152 237**
Writedown and depreciation					
Fixed assets generated internally	-58 951	-7 785	582	-260	-66 414
Fixed assets acquired	-50 766	-3 522	1 698	731	-51 859
• Software	-30 785	-2 224	1 633	730	-30 646
• Other	-19 981	-1 298	65	1	-21 213
TOTAL	**-109 717**	**-11 307**	**2 280**	**471**	**-118 273**
NET AMOUNT	**40 572**	**-5 640**	**-681**	**-287**	**33 964**

Note 18: Goodwill

	31/12/15	Increase	Decrease	Other	31/12/16
Gross goodwill*	203 666	1 521	0	-1	205 186
Depreciation	-1 915	0	0	0	-1 915
NET GOODWILL	**201 751**	**1 521**	**0**	**-1**	**203 271**

* Of which 19 255 000 euros corresponding to combined writedowns as at 01/01/05.

Detail of goodwill

Cash Generating Units (CGUs)	Value of goodwill as at 31/12/15	Increase	Decrease	Other	Value of goodwill as at 31/12/16
Belgium	2 343				2 343
Insurance	17 807				17 807
Third-party management	180 876	1 521			182 397
Services and Other	725			-1	724
TOTAL	**201 751**	**1 521**	**0**	**-1**	**203 271**

A multi-method approach was used to conduct goodwill depreciation for Third-Party Management (which represents 90 % of the net total for the item). In this context, and in accordance with the recommendations of the Financial Markets Authority, the fair value, established by an external firm, was determined according to a multi-criterion approach: profitability and own risk items, references to comparable companies whose value is known and valuation formula used in the shareholders' pact. According to the method used, the "Third-Party Management" CGU value is between 567 million euros and 1 180 million euros.

Note 19: Technical provisions for insurance polices

	31/12/16	31/12/15	Change	
Life	10 536 000	10 700 284	-164 284	-1.54 %
Non-life	184 734	170 767	13 967	8.18 %
Account units	2 001 214	1 705 998	295 216	17.30 %
Other	10 345	10 632	-287	-2.70 %
TOTAL	**12 732 293**	**12 587 681**	**144 612**	**1.15 %**
of which passive participation in deferred profits	*1 173 533*	*1 192 346*	*-18 813*	*-1.58 %*
Active participation in deferred profits	0	0	0	n.s.
Share of reinsurers in technical provisions	32 458	25 976	6 482	24.95 %
NET TECHNICAL PROVISIONS	**12 699 835**	**12 561 705**	**138 130**	**1.10 %**

Note 20: Provisions

	31/12/15	Allocations for the period	Writebacks for the period (provision used)	Writebacks for the period (provision not used)	Change in fair value	Other changes	31/12/16
Provisions for risks	9 477	2 443	-64	-1 996	0	-13	9 847
• On commitments by signature	1 455	673	0	-827	0	0	1 301
• On commitments of finance and guarantee	3 006	170	0	0	0	0	3 176
• Provision for taxes	59	0	-59	0	0	0	0
• Provisions for disputes	2 852	916	-3	-549	0	-13	3 203
• Provisions for risks on miscellaneous debts	2 105	684	-2	-620	0	0	2 167
Other provisions	36 633	13 783	-8 809	-2 045	0	-110	39 452
• Provision for housing savings	8 639	3 530	0	0	0	0	12 169
• Provisions for miscellaneous eventualities	26 999	8 234	-8 736	-2 045	0	-110	24 342
• Other provisions	995	2 019	-73	0	0	0	2 941
Provisions for retirement commitments	100 620	14 279	-15 062	-234	17 853	33	117 489
TOTAL	**146 730**	**30 505**	**-23 935**	**-4 275**	**17 853**	**-90**	**166 788**

	31/12/14	Allocations for the period	Writebacks for the period (provision used)	Writebacks for the period (provision not used)	Change in fair value	Other changes	31/12/15
Provisions for risks	10 337	2 334	-1 794	-1 677	0	277	9 477
• On commitments by signature	1 317	737	0	-598	0	-1	1 455
• On commitments of finance and guarantee	3 006	0	0	0	0	0	3 006
• Provision for taxes	59	0	0	0	0	0	59
• Provisions for disputes	3 674	1 011	-1 233	-599	0	-1	2 852
• Provisions for risks on miscellaneous debts	2 281	586	-561	-480	0	279	2 105
Other provisions	34 279	6 558	-2 182	-1 784	0	-238	36 633
• Provision for housing savings	6 106	2 533	0	0	0	0	8 639
• Provisions for miscellaneous eventualities	26 323	3 965	-2 182	-867	0	-240	26 999
• Other provisions	1 850	60	0	-917	0	2	995
Provisions for retirement commitments	94 986	12 890	-221	-4 369	-2 597	-69	100 620
TOTAL	**139 602**	**21 782**	**-4 197**	**-7 830**	**-2 597**	**-30**	**146 730**

The change in fair value is linked to changes in actuarial differentials on Retirement Benefits.

Table of PEL/CEL provisions

	0-4 years	4-10 years	+10 years	Total
Amount of outstanding funds collected for PEL in the savings phase	1 138 889	229 531	396 599	1 765 019
Amount of provisions on PEL	8 339	1 432	686	10 457
Amount of outstanding funds collected for CEL in the savings phase				227 344
Amount of provisions on CEL				1 316
Allocations Provisions EL				(3 530)
Writebacks Provisions EL				0
Amount of outstanding life loans granted on PEL/CEL				26 320
Amount of provisions on PEL/CEL loans				396

Retirement commitments and similar benefits

	31/12/15	Allocations for the period	Writebacks for the period	Change in fair value	Other changes	31/12/16
Retirement commitments and similar, excluding retirement funds						
Retirement benefits	97 207	13 044	-15 296	17 853	33	112 841
Supplementary pension	1 312	223	0	0	0	1 535
Long service bonuses (other long-term benefits)	2 101	1 012	0	0	0	3 113
TOTAL BOOKED	**100 620**	**14 279**	**-15 296**	**17 853**	**33**	**117 489**

	31/12/14	Allocations for the period	Writebacks for the period	Change in fair value	Other changes	31/12/15
Retirement commitments and similar, excluding retirement funds						
Retirement benefits	91 106	12 630	-4 447	-2 597	515	97 207
Supplementary pension	1 639	257	0	0	-584	1 312
Long service bonuses (other long-term benefits)	2 241	3	-143	0	0	2 101
TOTAL BOOKED	**94 986**	**12 890**	**-4 590**	**-2 597**	**-69**	**100 620**

The change in fair value stems from the actuarial differentials (see table of provisions above).

Defined benefits system: Main actuarial hypotheses	31/12/16	31/12/15
Discount rate [1]	1.20	2.00
Expected rate of increase in salaries	1.23	1.06

[1] The discount rate, determined by reference to the long-term lending rate in the private sector, estimated from the IBoxx index.

Retirement benefits

Change in actuarial debt	31/12/15	Revenue/ Interest charges	Cost of services rendered for the period	Contributions to the scheme	Actuarial differentials linked to hypotheses		Payments to beneficiaries	Other (groups of companies, liquidation)	31/12/16
					demog.	financ.			
Commitments	164 160	2 931	9 692		(1 693)	22 309	(10 862)	15 756	202 293
Insurance policy*	66 953	1 644		8 437		2 762	(6 307)	15 963	89 452
PROVISION	**97 207**	**1 287**	**9 692**	**(8 437)**	**(1 693)**	**19 547**	**(4 555)**	**(207)**	**112 841**

Change in actuarial debt	31/12/14	Revenue/ Interest charges	Cost of services rendered for the period	Contributions to the scheme	Actuarial differentials linked to hypotheses		Payments to beneficiaries	Other (groups of companies, liquidation)	31/12/15
					demog.	financ.			
Commitments	158 276	2 203	13 671		11	(1 291)	(9 387)	677	164 160
Insurance policy*	67 170	1 143		2 891		1 316	(5 729)	162	66 953
PROVISION	**91 106**	**1 060**	**13 671**	**(2 891)**	**11**	**(2 607)**	**(3 658)**	**515**	**97 207**

* Excluding group and assets managed externally

A change of ±50 basis points in the discount rate will result in a decrease/increase in the commitment of 9 158 thousand euros as at 31/12/15 et 13 091 thousand euros as at 31/12/16.

Changes in the fair value of assets for the scheme	31/12/15	Discount effect	Yield from assets for the scheme, in addition to interest	Contributions to the scheme	Payment to beneficiaries	Other (groups of companies, liquidation)	31/12/16
Fair value of the assets for the scheme	66 953	2 762	1 644	8 437	(6 307)	15 963	89 452
TOTAL	**66 953**	**2 762**	**1 644**	**8 437**	**(6 307)**	**15 963**	**89 452**

Changes in the fair value of assets for the scheme	31/12/14	Discount effect	Yield from assets for the scheme, in addition to interest	Contributions to the scheme	Payment to beneficiaries	Other (groups of companies, liquidation)	31/12/15
Fair value of the assets for the scheme	67 170	1 316	1 143	2 891	(5 729)	162	66 953
TOTAL	**67 170**	**1 316**	**1 143**	**2 891**	**(5 729)**	**162**	**66 953**

Net position	31/12/16	31/12/15
Actuarial debt	202 293	164 160
Fair value of assets for the scheme	89 452	66 953
NET BALANCE	**112 841**	**97 207**

Details of the fair value of assets for the scheme	31/12/16				
	Debt securities	Equity capital instruments	Property	Other	Total
Assets listed on an active market	46 152	14 276	0	0	60 428
Assets not listed on an active market	0	0	5 365	23 659	29 024
TOTAL	**46 152**	**14 276**	**5 365**	**23 659**	**89 452**

Details of the fair value of assets for the scheme	31/12/15				
	Debt securities	Equity capital instruments	Property	Other	Total
Assets listed on an active market	47 946	12 651	0	0	60 597
Assets not listed on an active market	0	0	5 920	436	6 356
TOTAL	**47 946**	**12 651**	**5 920**	**436**	**66 953**

The "Other" column in the detail of the assets corresponds mainly to the cash available at the statement date.

Retirement commitments with defined benefits	Average weighted duration
Retirement benefits	13.2

Note 21: Subordinated debts

	31/12/16	31/12/15	Change	
Subordinated debts	811 600	511 600	300 000	58.64 %
Perpetual subordinated debts	149 205	150 654	-1 449	-0.96 %
Receivables	7 098	5 300	1 798	33.92 %
TOTAL	**967 903**	**667 554**	**300 349**	**44.99 %**

Characteristics of principal subordinated debts

Type	Date Issue	Amount Issue	Amount at end of period	Maturity
Securities Open-ended super subordinated securities CFCMNE	2004	150 000	150 000	-
– Detention Groupe CMNE		-18 320	-13 762	
CFCMNE structured RSNs (8 lines)	2014	41 600	41 600	2024
CFCMNE structured RSNs (2 lines)	2014	175 000	175 000	2026
CFCMNE structured RSNs (3 lines)	2015	55 000	55 000	2025
CFCMNE RSNs (1 line)	2015	40 000	40 000	2027
TSR structure CFCMNE (1 line)	2015	50 000	50 000	2030
CFCMNE RSNs (1 line)	2016	300 000	300 000	2026
ACMN-Vie RSNs	2014	150 000	150 000	2024
Other			12 967	
Receivables			7 098	
TOTAL			**967 903**	

Note 22: Equity capital

22a. Equity capital share of Group (excluding result and latent profits and losses)

	31/12/16	31/12/15	Change	
Capital and reserves linked to capital	1 279 521	1 269 013	10 508	0.83 %
• Capital	1 276 771	1 266 263	10 508	0.83 %
• Issue premium, contribution, merger, split, conversion	2 750	2 750	0	0.00 %
Consolidated reserves	1 209 260	1 013 975	195 285	19.26 %
• Other reserves (including securities linked to first application)	1 286 911	1 096 842	190 069	17.33 %
• Balance carried forward	-77 651	-82 867	5 216	-6.29 %
TOTAL	**2 488 781**	**2 282 988**	**205 793**	**9.01 %**

22b. Deferred latent profits and losses Share of the Group

	31/12/16	31/12/15	Change	
Latent or deferred* profits or losses linked to:				
• Assets available for sale	189 093	195 221	-6 128	-3.14 %
• Hedge derivatives (CFH)	-17 713	-20 488	2 775	-13.54 %
• Conversion reserves	-1 246	1 859	-3 105	-167.03 %
• Other	-17 865	-6 096	-11 769	193.06 %
TOTAL	**152 269**	**170 496**	**-18 227**	**-10.69 %**

* Net balance of IS and after shadow accounting.

22c. Fully consolidated entities with significant minority interest

31/12/16	Share of minority interest in the consolidated accounts				Financial information relative to the fully consolidated entity*			
	Holding percentage	Net result accruing to minority holdings	Amount of minority interests in the equity capital	Dividends paid to minority holdings	Total balance sheet	Net result	OCI	PNB
ACMN IARD	49 %	7 079	31 526	9 210	208 009	14 447	2 462	39 646
North Europe Life Belgium	49 %	1 085	18 680	-	385 237	4 019	3 154	12 013

* Amounts before offsetting of reciprocal accounts and transactions.

31/12/15	Share of minority interest in the consolidated accounts				Financial information relative to the fully consolidated entity*			
	Holding percentage	Net result accruing to minority holdings	Amount of minority interests in the equity capital	Dividends paid to minority holdings	Total balance sheet	Net result	OCI	PNB
ACMN IARD	49 %	9 628	31 010	7 301	193 734	19 648	2 262	47 551

* Amounts before offsetting of reciprocal accounts and transactions.

This information is provided for entities whose minority holdings represent at least 10 % of total minority interests.

Note 23: Commitments given and received

Commitments given	31/12/16	31/12/15	Change	
Finance commitments				
Commitments in favour of credit institutions	51 996	51 996	0	0.00 %
Commitments in favour of customers	2 334 967	2 407 440	-72 473	-3.01 %
Guarantee commitments				
Commitments to credit institutions	30 178	67 442	-37 264	-55.25 %
Commitments to customers	437 177	397 960	39 217	9.85 %
Commitments on securities				
Other commitments given	1 010	1 448	-438	-30.25 %

Commitments received	31/12/16	31/12/15	Change	
Finance commitments				
Commitments received from credit institutions	801 120	1 311 836	-510 716	-38.93 %
Commitments received from customers	0	0	0	n.s.
Guarantee commitments				
Commitments received from credit institutions	3 035 529	2 903 338	132 191	4.55 %
Commitments received from customers	5 792 322	5 656 691	135 631	2.40 %
Commitments on securities				
Other commitments received	43 010	1 448	41 562	n.s.

Securities and assets given as pension

Securities and assets given as pension	31/12/16	31/12/15	Change	
Assets given as pension	175 000	351	174 649	n.s.
Associated liabilities	926 890	1 075 000	-148 110	-13.78 %
TOTAL	**1 101 890**	**1 075 351**	**26 539**	**2.47 %**

Assets given as guarantee for liabilities

Other assets given as guarantee for liabilities	31/12/16	31/12/15	Change	
Securities lent	269 777	81 658	188 119	230.37 %
Guarantee deposits on market transactions	195 554	203 131	-7 577	-3.73 %
TOTAL	**465 331**	**284 789**	**180 542**	**63.40 %**

2. NOTES RELATIVE TO THE PROFIT-AND-LOSS ACCOUNT

Note 24: Interest and revenue/assimilated charges

	31/12/16		31/12/15	
	Revenue	Charges	Revenue	Charges
Credit institutions and central banks	31 739	-13 732	43 137	-24 372
Customers	1 003 588	-505 535	1 039 558	-511 850
of which finance leases and simple leases	*416 871*	*-380 545*	*403 216*	*-360 920*
Hedging derivatives	5 059	-39 731	12 719	-40 264
Financial assets available for sale	40 389		53 769	
Financial assets held to maturity	5 865		7 737	
Debts represented by a security		-64 605		-71 475
Subordinated debts		-8 916		-2 515
TOTAL	**1 086 640**	**-632 519**	**1 156 920**	**-650 476**
of which revenue and interest charges calculated at TIE	*1 081 581*	*-592 788*	*1 144 201*	*-610 212*
of which interest on liabilities at the amortised cost		*-592 788*		*-610 212*

Note 25: Commissions

	31/12/16		31/12/15	
	Revenue	Charges	Revenue	Charges
Credit institutions	1 242	-332	3 127	-180
Customers	83 174	-1 580	87 250	-1 440
Securities	22 890	-868	23 768	-4 456
of which activities managed for third parties	*3 104*		*3 519*	
Derivative instruments	2	0	5	0
Change	193	0	193	0
Finance and guarantee commitments	117	-411	135	-219
Services provided	83 050	-48 911	92 368	-52 080
TOTAL	**190 668**	**-52 102**	**206 846**	**-58 375**

Note 26: Profits and losses on financial instruments at fair value by result

	31/12/16	31/12/15	Change	
Transaction instruments	39 842	27 180	12 662	46.59 %
Instruments at fair value on option	4 574	1 129	3 445	305.14 %
Ineffectiveness of hedges	1 995	-6 513	8 508	-130.63 %
• On Fair Value Hedging (FVH)	1 995	-6 513	8 508	-130.63 %
– Changes in fair value of the elements hedged	15 503	-7 479	22 982	-307.29 %
– Changes in fair value of the hedge elements	-13 508	966	-14 474	n.s.
Foreign exchange result	1 291	2 417	-1 126	-46.59 %
TOTAL CHANGES IN FAIR VALUE	**47 702**	**24 213**	**23 489**	**97.01 %**
of which transaction derivatives	*40 546*	*19 785*	*20 761*	*104.93 %*

Note 27: Profits or losses on financial assets available for sales

	31/12/16			
	Dividends	PV/MV realised	Depreciation	Total
Government securities, bonds and other fixed revenue securities		15 206	0	15 206
Shares and other variable revenue securities	17 852	5 782	-2 931	20 703
Investment securities	8 095	-170	-387	7 538
Other	0	-107	0	-107
TOTAL	**25 947**	**20 711**	**-3 318**	**43 340**

	31/12/15			
	Dividends	PV/MV realised	Depreciation	Total
Government securities, bonds and other fixed revenue securities		1 022	0	1 022
Shares and other variable-revenue securities	9 478	2 419	2 362	14 259
Investment securities	5 343	2 199	82	7 624
Other	0	-4	0	-4
TOTAL	**14 821**	**5 636**	**2 444**	**22 901**

Note 28: Revenue and charges from other activities

	31/12/16	31/12/15	Change	
Revenue from other activities				
Insurance policies	1 362 055	1 675 267	-313 212	-18.70 %
Investment properties	2 465	1 370	1 095	79.93 %
• Writebacks of provisions/depreciation	2 000	119	1 881	n.s.
• Gains on disposals	465	1 251	-786	-62.83 %
Charges re-invoiced	15 772	15 135	637	4.21 %
Other revenue	324 737	283 840	40 897	14.41 %
SUBTOTAL	**1 705 029**	**1 975 612**	**-270 583**	**-13.70 %**
Charges from other activities				
Insurance policies	-1 119 791	-1 399 959	280 168	-20.01 %
Investment properties	-5 184	-2 714	-2 470	91.01 %
• Allocations to provisions/writedowns	-2 753	-2 714	-39	1.44 %
• Losses on disposal	-2 431	0	-2 431	n.s.
Other charges	-134 674	-101 499	-33 175	32.69 %
SUBTOTAL	**-1 259 649**	**-1 504 172**	**244 523**	**-16.26 %**
NET TOTAL OF OTHER REVENUE AND CHARGES	**445 380**	**471 440**	**-26 060**	**-5.53 %**

Detail of net revenue from insurance activities

	31/12/16	31/12/15	Change	
Earned premiums	1 011 098	1 209 577	-198 479	-16.41 %
Charges for services	-911 566	-1 704 876	793 310	-46.53 %
Changes in provisions	-181 746	333 966	-515 712	-154.42 %
Other technical and non-technical charges and revenue	-14 450	-16 530	2 080	-12.58 %
Net revenue from investments	338 928	453 171	-114 243	-25.21 %
TOTAL	**242 264**	**275 308**	**-33 044**	**-12.00 %**

Note 29: Overheads

	31/12/16	31/12/15	Change	
Staff overheads	-450 075	-451 971	1 896	-0.42 %
Other charges	-375 357	-367 348	-8 009	2.18 %
TOTAL	**-825 432**	**-819 319**	**-6 113**	**0.75 %**

29a. Staff overheads

	31/12/16	31/12/15	Change	
Salaries and wages	-273 822	-268 050	-5 772	2.15 %
Social securities charges	-123 795	-129 301	5 506	-4.26 %
Incentive bonus and profit sharing for employees	-25 920	-28 769	2 849	-9.90 %
Taxes, levies and similar payments on remunerations	-26 315	-25 595	-720	2.81 %
Other	-223	-256	33	-12.89 %
TOTAL	**-450 075**	**-451 971**	**1 896**	**-0.42 %**

Since 2012, four free share plans were put in place by an entity of the Group. The beneficiaries were chosen according to the nature and technicality of the tasks they perform. The allocation is contingent upon maintaining the beneficiary as an employee. The rights resulting from the free attribution of shares remain in force until the period of acquisition. The minimum period of acquisition is two years (eighteen months for the 2015 plan) and the minimum period of retention at the end of the period of acquisition is likewise two years.

The Caisse Fédérale having undertaken the commitment to acquire these shares, on the bear options, these issues are treated as "cash settled" and the value of the securities is booked as staff overheads on the date of notification, in consideration of a debt the valuation of which upon every closing and until extinction is also noted in personnel costs.

The effects of these free share allocation plans are summarised in the tables below.

31/12/16							
	Allocation date	Number of shares		Redemption value	Acquisition percentage	Charge for the period	Accumulated debt
		Allocated	Acquired				
Plan 2012	14/02/12	20 060	19 740	179.00	100 %	55	3 533
Plan 2013	15/04/13	18 147	18 147	179.00	100 %	51	3 248
Plan 2014	01/04/14	29 400	28 086	179.00	100 %	495	5 027
Plan 2015*	16/09/15	29 710	29 710	179.00	86 %	3 826	4 589
Plan 2016*	16/09/16	30 187	30 187	179.00	12 %	629	629
TOTAL						**5 056**	**17 027**

* Estimated number of shares acquired.

31/12/15							
	Allocation date	Number of shares		Redemption value	Acquisition percentage	Charge for the period	Accumulated debt
		Allocated	Acquired				
Plan 2012	14/02/12	20 060	19 740	176.19	100 %	321	3 478
Plan 2013	15/04/13	18 147	18 147	176.19	100 %	719	3 197
Plan 2014*	01/04/14	29 400	29 400	176.19	88 %	2 770	4 533
Plan 2015*	16/09/15	29 710	29 710	176.19	15 %	763	763
TOTAL						**3 380**	**7 398**

* Estimated number of shares acquired.

Average manpower

	31/12/16	31/12/15	Change	
Bank officers	2 414	2 419	-5	-0.21 %
Managers	2 217	2 180	37	1.70 %
TOTAL	**4 631**	**4 599**	**32**	**0.70 %**

29b. Other operating overheads

	31/12/16	31/12/15	Change	
Taxes and charges	-43 692	-44 408	716	-1.61 %
External services	-212 009	-215 483	3 474	-1.61 %
Other miscellaneous charges	-80 116	-64 635	-15 481	23.95 %
TOTAL	**-335 817**	**-324 526**	**-11 291**	**3.48 %**

29c. Allocations/writebacks on amortisations and depreciation of tangible and intangible fixed assets

	31/12/16	31/12/15	Change	
Writedowns	-39 540	-42 822	3 282	-7.66 %
• Tangible fixed assets	-28 518	-27 833	-685	2.46 %
• Intangible fixed assets	-11 022	-14 989	3 967	-26.47 %
Depreciation	0	0	0	n.s.
TOTAL	**-39 540**	**-42 822**	**3 282**	**-7.66 %**

Note 30: Cost of risk

31/12/16	Allocations	Writebacks	Irrecoverable debts hedged	Irrecoverable debts not hedged	Recovery on discharged debts	TOTAL
Credit institutions	0	0	0	-614	0	-614
Customers	-121 311	114 927	-11 024	-3 201	518	-20 091
• Finance leases	-1 384	1 103	-150	-24	0	-455
• Other – customers	-119 927	113 824	-10 874	-3 177	518	-19 636
SUBTOTAL	**-121 311**	**114 927**	**-11 024**	**-3 815**	**518**	**-20 705**
Financial assets held to maturity	0	122	0	0	0	122
Financial assets available for sale	-645	286	-119	0	1 288	810
Other	-2 714	1 556	0	-61	0	-1 219
TOTAL	**-124 670**	**116 891**	**-11 143**	**-3 876**	**1 806**	**-20 992**

31/12/15	Allocations	Writebacks	Irrecoverable debts hedged	Irrecoverable debts not hedged	Recovery on discharged debts	TOTAL
Credit institutions	0	0	0	-923	0	-923
Customers	-50 537	101 830	-65 943	-2 932	489	-17 093
• Finance leases	-1 376	2 475	-1 571	-25	15	-482
• Other – customers	-49 161	99 355	-64 372	-2 907	474	-16 611
SUBTOTAL	**-50 537**	**101 830**	**-65 943**	**-3 855**	**489**	**-18 016**
Financial assets held to maturity	-7	1 217	0	0	0	1 210
Financial assets available for sale	-427	0	-1 206	0	0	-1 633
Other	-1 687	1 704	-24	-9	0	-16
TOTAL	**-52 658**	**104 751**	**-67 173**	**-3 864**	**489**	**-18 455**

Note 31: Profits and losses on other assets

	31/12/16	31/12/15	Change	
Tangible and intangible fixed assets	236	-331	567	-171.30 %
• Loss on disposal	-470	-1 484	1 014	-68.33 %
• Gain on disposal	706	1 153	-447	-38.77 %
Net profits or losses on consolidated securities	33 267	0	33 267	n.s.
TOTAL	**33 503**	**-331**	**33 834**	**N.S.**

"Net profits or losses on consolidated securities" are reported essentially upon the disposal of the entire Raspail complex.

Note 32: Changes in goodwill value

None

Note 33: Tax on profits

33a. Breakdown of tax charges

	31/12/16	31/12/15	Change	
Tax payable	-102 820	-122 360	19 540	-15.97 %
Tax deferred	-6 025	1 248	-7 273	-582.77 %
Adjustments for previous financial years	1 497	25	1 472	n.s.
TOTAL	**-107 348**	**-121 087**	**13 739**	**-11.35 %**

33b. Reconciliation between effective and theoretical bank charges

	31/12/16		31/12/15	
Theoretical tax rate	112 439	34.43 %	131 129	38.00 %
Impact of the reduced rate on long-term gains in value	-1 869	-0.57 %	-6 418	-1.86 %
Impact of the specific tax rates of foreign entities	-333	-0.10 %	-408	-0.12 %
Impact of carry back	0	0.00 %	0	0.00 %
Permanent deferments	-10 034	-3.07 %	-9 079	-2.63 %
Other	7 145	2.19 %	5 863	1.70 %
EFFECTIVE TAX RATE	**107 348**	**32.87 %**	**121 087**	**35.09 %**
Taxable result	326 573		345 078	
TAX PAYABLE	**107 348**	**32.87 %**	**121 087**	**35.09 %**

3. NOTES RELATIVE TO THE NET RESULT AND THE PROFITS AND LOSSES ENTERED DIRECTLY UNDER EQUITY CAPITAL

Note 34: Recycling profits and losses entered directly under equity capital

Movements	31/12/16	31/12/15
Goodwill		
Reclassification to the result	0	0
Other movements	-3 094	1 047
SUBTOTAL	**-3 094**	**1 047**
Revaluation of financial assets available for sale		
Reclassification to the result	-4 936	-659
Other movements	-2 591	5 189
SUBTOTAL	**-7 527**	**4 530**
Revaluation of derivative hedging instruments		
Reclassification to the result	0	0
Other movements	2 775	3 597
SUBTOTAL	**2 775**	**3 597**
Actuarial differentials on defined benefit plans	**-11 761**	**1 463**
Share of latent or deferred profits or losses on equity companies MEE	**2 969**	**946**
TOTAL	**-16 638**	**11 583**

Note 35: Tax relative to each component of the profits and losses entered directly under equity capital

	31/12/16			31/12/15		
	Gross	Tax	Net	Gross	Tax	Net
Conversion differentials	-3 094	0	**-3 094**	1 047	0	**1 047**
Revaluation of financial assets available for sale	-11 062	3 535	**-7 527**	-8 650	13 180	**4 530**
Revaluation of hedging derivatives	4 232	-1 457	**2 775**	7 634	-4 037	**3 597**
Actuarial differentials on defined benefit plans	-17 855	6 094	**-11 761**	2 597	-1 134	**1 463**
Share of latent or deferred profits or losses on equity companies MEE	3 950	-981	**2 969**	1 046	-100	**946**
TOTAL CHANGES OF PROFITS AND LOSSES ENTERED DIRECTLY UNDER EQUITY CAPITAL	**-23 829**	**7 191**	**-16 638**	**3 674**	**7 909**	**11 583**

V SECTOR INFORMATION

In terms of sector-based information, CMNE communicates on two levels. First, information by business sector; second, by geographical sector.

▶ Sector-based information by business (Level 1)

The CMNE Group is organised into three separate businesses:

- Banking:
  - France network,
  - Belgium network,
  - Business network.
- Insurance;
- Asset management.

As well as various services and activities.

Details of the entities that make up these various businesses are shown in the following tables:

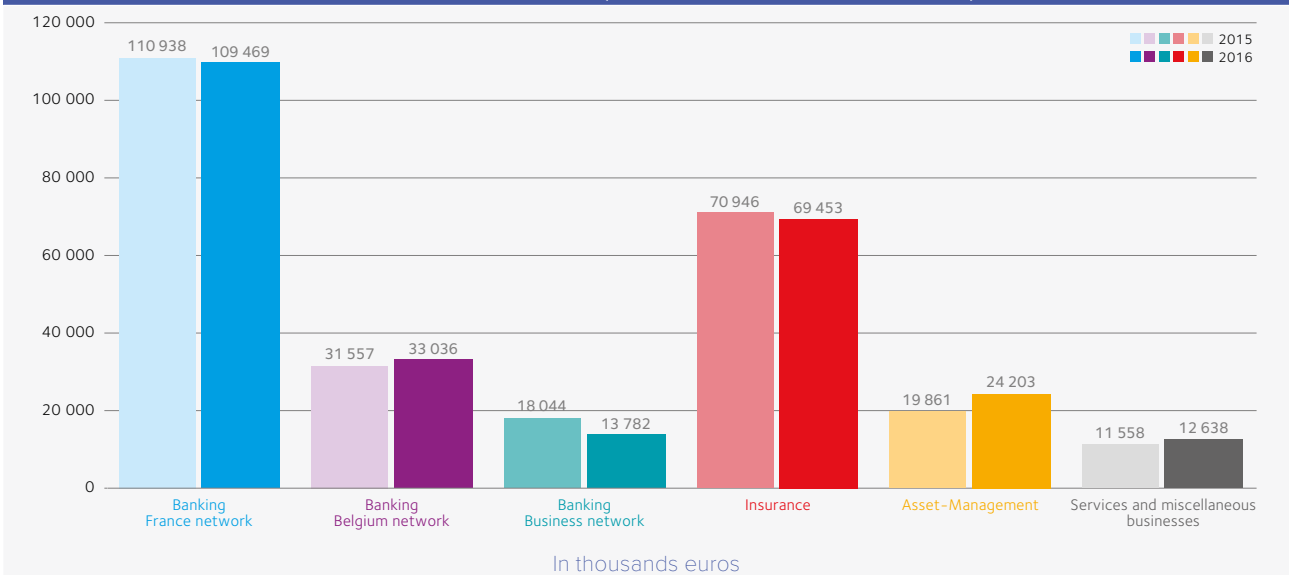
Company	Business	2015			2016		
		% interest	% Control	Method	% interest	% Control	Method
BANKING BUSINESS							
France network							
Crédit Mutuel Nord Europe	Credit institution	100.00	100.00	Parent company	100.00	100.00	Parent company
Cumul SCI	Property	100.00	100.00	FC	100.00	100.00	FC
FCP Richebé Gestion	Ad hoc funds	100.00	100.00	FC	100.00	100.00	FC
CMNE Home Loans FCT	Credit institution	100.00	100.00	FC	100.00	100.00	FC
GIE CMN Prestations	Resources group	100.00	100.00	FC	100.00	100.00	FC
SA Immobilière du CMN	Property	100.00	100.00	FC	100.00	100.00	FC
THEIA	Property	80.00	80.00	FC	80.00	80.00	FC
CMNE CAP SENIORS	Property	100.00	100.00	FC	0.00	0.00	NC
Belgium network							
CMNE Belgium	Financial transactions	100.00	100.00	FC	100.00	100.00	FC
BKCP Immo IT SCRL	Non-trading company	95.92	95.92	FC	95.96	95.96	FC
BKCP Securities	Asset management	100.00	100.00	FC	100.00	100.00	FC
Beobank	Credit institution	100.00	100.00	FC	100.00	100.00	FC
BKCP Banque SA	Credit institution	100.00	100.00	FC	0.00	0.00	NC
Immo W16	Property management	100.00	100.00	FC	100.00	100.00	FC
Mobilease	Leasing mobilier	100.00	100.00	FC	100.00	100.00	FC
OBK SCRL	Financial transactions	99.99	100.00	FC	99.99	100.00	FC

Company	Business	2015			2016		
		% interest	% Control	Method	% interest	% Control	Method
Business network							
BCMNE	Credit institution	100.00	100.00	FC	100.00	100.00	FC
Bail Actéa	Equipment leasing	100.00	100.00	FC	100.00	100.00	FC
Nord Europe Lease	Property leasing	100.00	100.00	FC	100.00	100.00	FC
Nord Europe Partenariat	Capital Development	99.65	99.65	FC	99.65	99.65	FC
INSURANCE BUSINESS							
Nord Europe Assurances	Insurance collection management	100.00	100.00	FC	100.00	100.00	FC
ACMN IARD	Insurance	51.00	51.00	FC	51.00	51.00	FC
ACMN-Vie	Insurance	100.00	100.00	FC	100.00	100.00	FC
CP - BK Reinsurance	Reinsurance	100.00	100.00	FC	100.00	100.00	FC
Courtage CMNE	Insurance broking	100.00	100.00	FC	100.00	100.00	FC
Nord Europe Life Luxembourg	Insurance	100.00	100.00	FC	100.00	100.00	FC
Nord Europe Retraite	PERP management	100.00	100.00	FC	100.00	100.00	FC
SA Partners Assurances	Insurance	0.00	0.00	NC	49.00	49.00	EM
North Europe Life Belgium	Insurance	100.00	100.00	FC	51.00	51.00	FC
SPV JARNA	Asset Management	98.18	100.00	FC	97.83	100.00	FC
ASSET MANAGEMENT BUSINESS							
Groupe La Française	Collective management	98.18	98.18	FC	97.83	97.84	FC
2A	Asset Management	19.63	20.00	EM	19.57	20.00	EM
Alger Management LTD	Asset Management	49.09	50.00	EM	48.91	50.00	EM
CD Partenaires	Asset Management	73.50	74.87	FC	73.24	74.87	FC
Conviction Asset-Management	Collective management	29.45	30.00	EM	0.00	0.00	NC
FCT LFP Créances Immobilières	Asset Management	58.37	58.37	FC	58.37	58.37	FC
Forum Holding BV	Asset Management	24.19	24.64	EM	0.00	0.00	NC
Forum Partners Investment Management LLC	Asset Management	24.19	24.64	EM	0.00	0.00	NC
SNC Groupe La Française	Resources group	98.18	100.00	FC	97.73	99.90	FC
Groupe Cholet-Dupont	Asset Management	33.12	33.73	EM	33.00	33.73	EM
Inflection Point Capital Management UK LD	Asset Management	51.35	49.00	EM	51.17	49.00	EM
JKC Capital Management Limited	Asset Management	49.09	50.00	EM	48.91	50.00	EM
La Française AM	Collective management	98.17	100.00	FC	97.83	100.00	FC
La Française AM Finance Services	Property	98.18	100.00	FC	97.83	100.00	FC
La Française AM GP	Asset Management	98.17	100.00	FC	0.00	0.00	NC
La Française AM IBERIA	Asset Management	64.80	66.00	FC	64.57	66.00	FC
La Française AM International	Asset management	98.18	100.00	FC	97.83	100.00	FC
La Française Bank	Credit institution	98.91	100.00	FC	98.70	100.00	FC
La Française Forum Securities Limited	Asset Management	0.00	0.00	NC	78.26	80.00	FC
La Française Global REIM	Asset Management	98.18	100.00	FC	97.83	100.00	FC
La Française Inflection Point	Asset Management	75.23	51.00	FC	74.97	51.00	FC
La Française Investment Solutions	Asset Management	63.81	65.00	FC	46.54	56.04	FC
La Française Real Estate Managers	Collective management	94.21	95.96	FC	93.87	95.96	FC
La Française Real Estate Partners	Asset Management	61.23	65.00	FC	61.02	65.00	FC
LFF Real Estate Partners Limited	Asset Management	60.24	56.67	FC	79.79	85.00	FC
LFP Nexity Services Immobiliers	Property management	23.21	24.64	EM	0.00	0.00	NC
New Alpha Asset-Management	Asset Management	98.18	100.00	FC	97.83	100.00	FC
NExT Advisor	Asset Management	98.18	100.00	FC	0.00	0.00	NC
Nouvelles Expertises et Talents AM	Capital Development	98.18	100.00	FC	97.83	100.00	FC
OPCI Raspail	Property management	99.68	100.00	FC	0.00	0.00	NC
SCI Raspail Vavin Invest	Property management	99.67	100.00	FC	0.00	0.00	NC
Siparex Proximité Innovation	Collective management	45.61	46.46	EM	25.93	26.50	EM
TAGES Capital LLP	Asset Management	39.27	40.00	EM	39.13	40.00	EM
UFG PM	Property management	94.21	100.00	FC	93.87	100.00	FC
Miscellaneous services and businesses							
Actéa Environnement	Property management	100.00	100.00	FC	100.00	100.00	FC
CMN Environnement	Property management	100.00	100.00	FC	0.00	0.00	NC
Euro Information SAS	IT	10.15	10.15	EM	10.15	10.15	EM
Financière Nord Europe	Collective management	100.00	100.00	FC	100.00	100.00	FC
Fininmad	Property	100.00	100.00	FC	100.00	100.00	FC
NEPI	Financial transactions	100.00	100.00	FC	100.00	100.00	FC
SCI Centre Gare	Property	100.00	100.00	FC	100.00	100.00	FC
Sicorfé Maintenance	Services	34.00	34.00	EM	34.00	34.00	EM
Sofimmo 3	Property	100.00	100.00	FC	0.00	0.00	NC
Sofimpar	Property	100.00	100.00	FC	0.00	0.00	NC
Transactimmo	Property	100.00	100.00	FC	100.00	100.00	FC

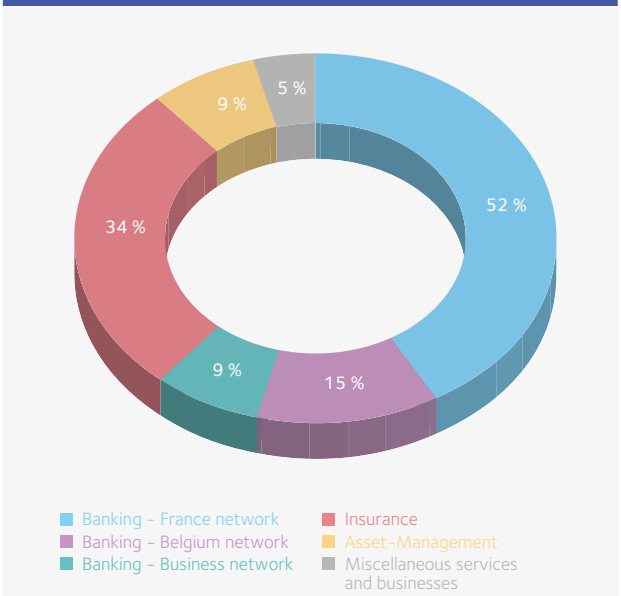
Summary by business

	Contribution to NBI		Contribution to GOP		Contribution to the consolidated result		Contribution to the total consolidated balance sheet	
	2015	2016	2015	2016	2015	2016	2015	2016
Banking - France network	498 564	451 379	173 454	125 497	110 938	109 469	20 333 172	19 935 886
Banking - Belgium network	291 154	304 997	40 394	48 962	31 557	33 036	6 415 265	6 395 972
Banking - Business network	55 109	56 364	26 082	26 279	18 044	13 782	2 303 984	2 346 575
Insurance	205 178	187 052	126 706	117 013	70 946	69 453	15 825 922	16 779 159
Asset-Management	172 075	184 791	36 319	39 435	19 861	24 203	1 203 723	995 526
Services and miscellaneous businesses	5 760	6 527	4 133	4 893	11 558	12 638	164 416	177 616
Offset between businesses	-54 371	-62 001	-52 938	-58 402	-51 313	-58 038	-5 102 767	-4 807 929
TOTAL	**1 173 469**	**1 129 109**	**354 150**	**303 677**	**211 591**	**204 543**	**41 143 715**	**41 822 805**

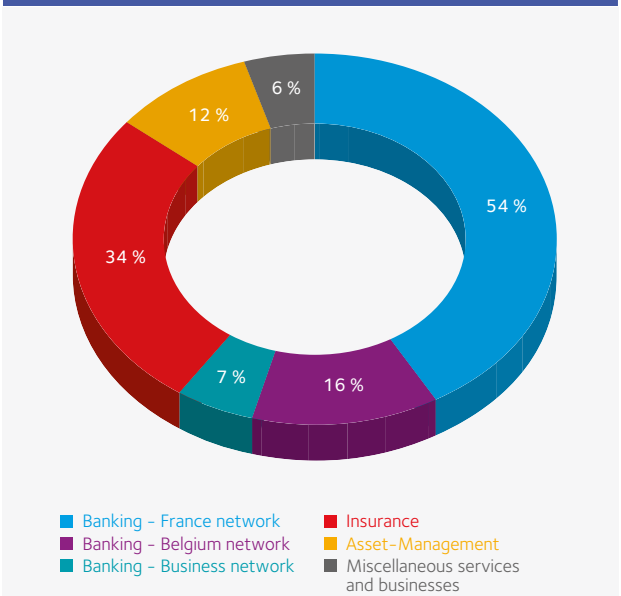
Contribution to the result (before offset between businesses)



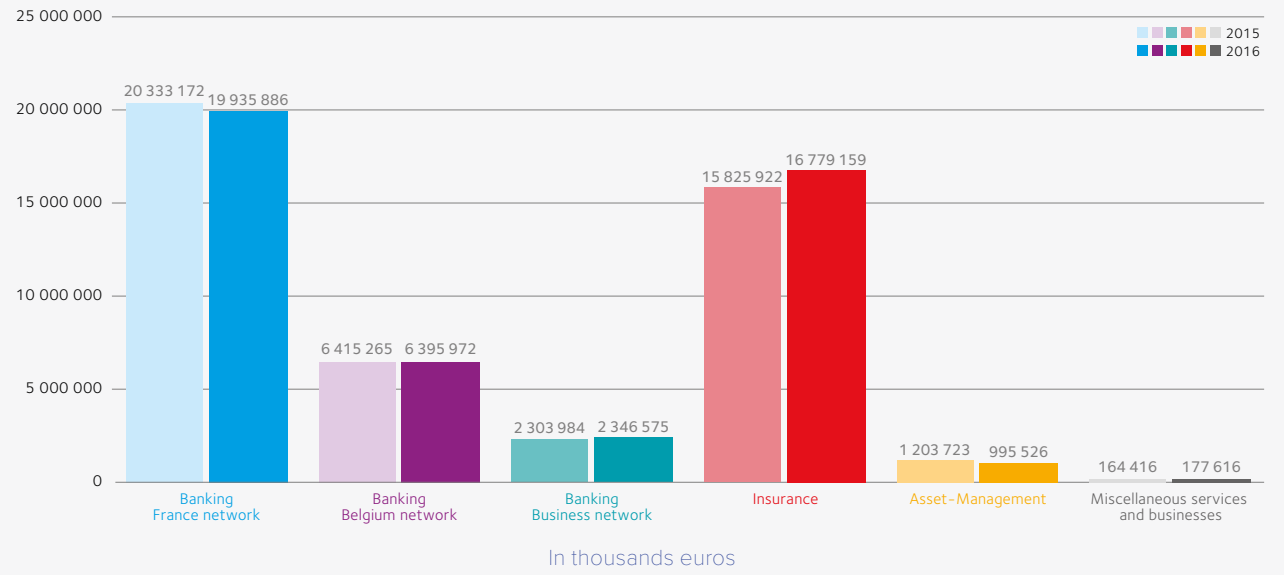
Consolidated result – December 2015



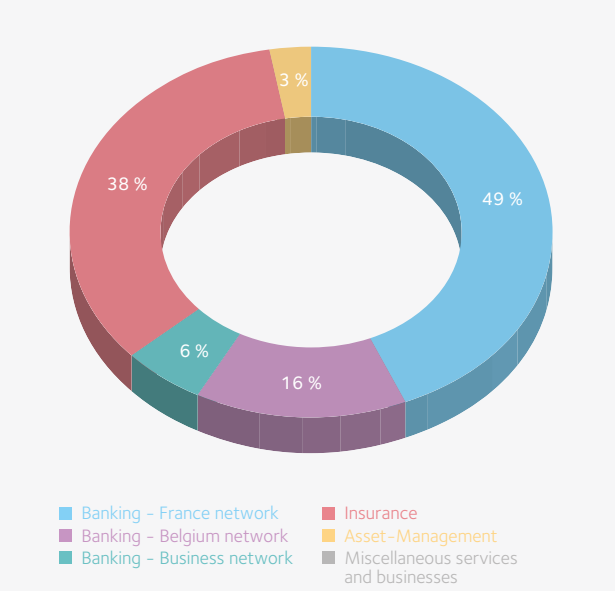
Consolidated result – December 2016



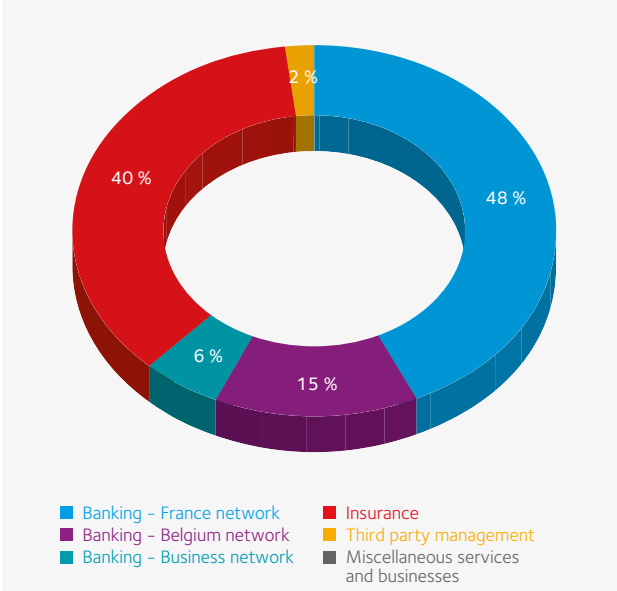
Contribution to the total balance sheet (before offset between businesses)



Consolidated balance sheet - December 2015



Consolidated balance sheet - December 2016



FINANCIAL REPORT

Balance sheet summary and result by business

ASSETS 31/12/15	Banking business France network	Banking business Belgium network	Banking business Business network	Insurance business	Third-party management business	Miscellaneous services and businesses	Specific operations and offsets	Total
Financial assets at fair value by result	425 794	-	-	11 815 480	231 611	-	(260 861)	**12 212 024**
Hedge derivatives	91 715	2 776	50	-	-	-	(48 456)	**46 085**
Financial assets available for sale	3 623 710	1 472 508	8 271	3 673 242	89 445	30 754	(1 896 603)	**7 001 327**
Loans and debts on credit institutions	5 703 554	466 370	115 164	190 428	37 256	3 780	(2 443 137)	**4 073 415**
Loans and debts on customers	9 543 734	4 301 365	2 147 613	52 577	260 754	-	(429 935)	**15 876 108**
Revaluation differential of the portfolios with rate hedging	23 924	11 417	3 075	-	-	-	-	**38 416**
Assets held to maturity	354 868	24 984	-	-	-	-	-	**379 852**
Accruals ad miscellaneous assets	389 050	52 715	28 102	86 986	195 818	2 591	(40 952)	**714 310**
Holdings in equity companies	-	-	-	-	66 039	105 670	-	**171 709**
Tangible and intangible assets	176 823	80 787	1 709	1 569	149 172	20 897	(2 239)	**428 718**
Goodwill	-	2 343	-	5 640	173 628	724	19 416	**201 751**
TOTAL	**20 333 172**	**6 415 265**	**2 303 984**	**15 825 922**	**1 203 723**	**164 416**	**(5 102 767)**	41 143 715

ASSETS 31/12/16	Banking business France network	Banking business Belgium network	Banking business Business network	Insurance business	Third-party management business	Miscellaneous services and businesses	Specific operations and offsets	Total
Financial assets at fair value by result	414 486	-	-	12 570 468	221 885	-	(253 192)	**12 953 647**
Hedge derivatives	79 757	2 300	-	-	-	-	(49 031)	**33 026**
Financial assets available for sale	3 702 976	1 275 956	6 568	3 557 114	89 966	31 968	(1 808 376)	**6 856 172**
Loans and debts on credit institutions	5 274 191	543 757	86 574	476 115	55 367	5 597	(2 250 070)	**4 191 531**
Loans and debts on customers	9 691 613	4 429 240	2 238 893	55 407	172 682	-	(416 964)	**16 170 871**
Revaluation differential of the portfolios with rate hedging	29 510	17 591	2 712	-	-	-	-	**49 813**
Assets held to maturity	193 941	14 441	-	-	-	-	-	**208 382**
Accruals ad miscellaneous assets	382 380	41 432	10 089	95 238	226 786	4 709	(47 312)	**713 322**
Holdings in equity companies	-	-	-	17 745	27 352	115 884	(1)	**160 980**
Tangible and intangible assets	167 032	68 912	1 739	1 432	26 339	18 734	(2 398)	**281 790**
Goodwill	-	2 343	-	5 640	175 149	724	19 415	**203 271**
TOTAL	**19 935 886**	**6 395 972**	**2 346 575**	**16 779 159**	**995 526**	**177 616**	**(4 807 929)**	41 822 805

LIABILITIES 31/12/15	Banking business France network	Banking business Belgium network	Banking business Business network	Insurance business	Third-party management business	Miscellaneous services and businesses	Specific operations and offsets	Total
Financial liabilities at fair value by result	265 355	1 220	-	-	145 403	-	(182 105)	**229 873**
Hedge instruments	126 776	48 854	3 832	-	-	-	(48 456)	**131 006**
Debts to credit institutions	2 749 340	175 125	1 643 479	190 306	229 016	17 858	(2 645 735)	**2 359 389**
Debts to customers	10 201 051	5 361 248	353 446	109 236	659	-	(47 673)	**15 977 967**
Debts represented by a security	3 770 361	37 225	1 541	-	253 891	-	(303 910)	**3 759 108**
Revaluation differential of the portfolios with rate hedging	-	2 758	-	-	-	-	-	**2 758**
Accruals and miscellaneous liabilities	421 846	111 856	97 833	1 747 352	202 686	1 314	(19 741)	**2 563 146**
Technical provisions for insurance policies	-	-	-	12 599 898	-	-	(12 217)	**12 587 681**
Provisions	69 464	61 876	4 383	9 148	1 746	113	-	**146 730**
Subordinated debts	516 775	44 525	-	303 016	-	-	(196 762)	**667 554**
Minority interests	(78)	(1 663)	27	40 640	14 429	-	73	**53 428**
Equity capital excluding result (share of Group)	2 101 344	540 684	181 399	755 380	336 032	133 573	(1 594 928)	**2 453 484**
Result for the period (share of the Group)	110 938	31 557	18 044	70 946	19 861	11 558	(51 313)	**211 591**
TOTAL	**20 333 172**	**6 415 265**	**2 303 984**	**15 825 922**	**1 203 723**	**164 416**	**(5 102 767)**	41 143 715

LIABILITIES 31/12/16	Banking business France network	Banking business Belgium network	Banking business Business network	Insurance business	Third-party management business	Miscellaneous services and businesses	Specific operations and offsets	Total
Financial liabilities at fair value by result	277 117	-	-	-	148 124	-	(190 416)	**234 825**
Hedge instruments	119 427	52 859	3 233	-	-	-	(49 031)	**126 488**
Debts to credit institutions	1 582 429	174 649	1 619 319	361 844	138 369	20 175	(2 373 163)	**1 523 622**
Debts to customers	10 592 764	5 328 927	422 527	95 004	-	-	(61 365)	**16 377 857**
Debts represented by a security	3 627 421	15 988	1 562	-	165 618	-	(199 459)	**3 611 130**
Revaluation differential of the portfolios with rate hedging	-	2 542	-	-	-	-	-	**2 542**
Accruals and miscellaneous liabilities	507 231	132 080	91 625	2 218 811	246 225	1 057	(41 138)	**3 155 891**
Technical provisions for insurance policies	-	-	-	12 742 171	-	-	(9 878)	**12 732 293**
Provisions	79 745	73 522	4 601	6 780	2 029	111	-	**166 788**
Subordinated debts	818 680	43 051	-	353 018	-	-	(246 846)	**967 903**
Minority interests	173	(1 685)	30	58 371	20 929	-	55	**77 873**
Equity capital excluding result (share of Group)	2 221 430	541 003	189 896	873 707	250 029	143 635	(1 578 650)	**2 641 050**
Result for the period (share of the Group)	109 469	33 036	13 782	69 453	24 203	12 638	(58 038)	**204 543**
TOTAL	**19 935 886**	**6 395 972**	**2 346 575**	**16 779 159**	**995 526**	**177 616**	**(4 807 929)**	41 822 805

PROFIT AND LOSS ACCOUNT 31/12/15	Banking business France network	Banking business Belgium network	Banking business Business network	Insurance business	Third-party management business	Miscellaneous services and businesses	Specific operations and offsets	Total
NET BANKING INCOME	**498 564**	**291 154**	**55 109**	**205 178**	**172 075**	**5 760**	**(54 371)**	**1 173 469**
Overheads	(325 110)	(250 760)	(29 027)	(78 472)	(135 756)	(1 627)	1 433	(819 319)
GROSS OPERATING INCOME	173 454	40 394	26 082	126 706	36 319	4 133	(52 938)	354 150
Cost of risk	(13 795)	(4 572)	563	-	(13)	(212)	(426)	(18 455)
OPERATING INCOME	159 659	35 822	26 645	126 706	36 306	3 921	(53 364)	335 695
Share of companies consolidated using the equity method	-	-	-	-	1 018	8 696	-	9 714
Profits or losses on other assets	(292)	340	7	-	(386)	-	-	(331)
Changes in value of goodwill	-	-	-	-	-	-	-	-
OPERATING PROFIT BEFORE TAX	159 367	36 162	26 652	126 706	36 938	12 617	(53 364)	345 078
Tax on profits	(48 479)	(4 794)	(8 609)	(46 132)	(14 126)	(1 059)	2 112	(121 087)
Profits and losses net of tax/ abandoned activities	-	-	-	-	-	-	-	-
TOTAL NET PROFIT	110 888	31 368	18 043	80 574	22 812	11 558	(51 252)	223 991
Minority interests	(50)	(189)	(1)	9 628	2 951	-	61	12 400
NET PROFIT (share of Group)	**110 938**	**31 557**	**18 044**	**70 946**	**19 861**	**11 558**	**(51 313)**	211 591

PROFIT AND LOSS ACCOUNT 31/12/16	Banking business France network	Banking business Belgium network	Banking business Business network	Insurance business	Third-party management business	Miscellaneous services and businesses	Specific operations and offsets	Total
NET BANKING INCOME	**451 379**	**304 997**	**56 364**	**187 052**	**184 791**	**6 527**	**(62 001)**	**1 129 109**
Overheads	(325 882)	(256 035)	(30 085)	(70 039)	(145 356)	(1 634)	3 599	(825 432)
GROSS OPERATING INCOME	125 497	48 962	26 279	117 013	39 435	4 893	(58 402)	303 677
Cost of risk	(10 536)	(4 300)	(5 134)	-	28	(935)	(115)	(20 992)
OPERATING INCOME	114 961	44 662	21 145	117 013	39 463	3 958	(58 517)	282 685
Share of companies consolidated using the equity method	-	-	-	(66)	1 035	9 416	-	10 385
Profits or losses on other assets	26 230	119	22	-	7 131	-	1	33 503
Changes in value of goodwill	-	-	-	-	-	-	-	-
OPERATING PROFIT BEFORE TAX	141 191	44 781	21 167	116 947	47 629	13 374	(58 516)	326 573
Tax on profits	(31 969)	(11 785)	(7 384)	(39 330)	(16 602)	(736)	458	(107 348)
Profits and losses net of tax/ abandoned activities	-	-	-	-	-	-	-	-
TOTAL NET PROFIT	109 222	32 996	13 783	77 617	31 027	12 638	(58 058)	219 225
Minority interests	(247)	(40)	1	8 164	6 824	-	(20)	14 682
NET PROFIT (share of Group)	**109 469**	**33 036**	**13 782**	**69 453**	**24 203**	**12 638**	**(58 038)**	204 543

▶ Sector-based information by geographical zones (Level 2)

At CMNE, this analysis intersects with the information by business. In fact, the Group operates in two main geographical zones, i.e. France and Belgium. The information relating to the second zone is shown separately in the Belgian network.

VI OTHER INFORMATION

Standards and interpretations adopted by the European Union not yet applied

IFRS 9: Financial instruments

The IFRS 9 standard, Financial Instruments, published by IASB, is called upon to replace the IAS 39 standard, "Financial instruments: accounting and valuation." It defines new rules on the:

- The classification and valuation of financial instruments (Phase 1);
- Depreciation of the credit risk of financial assets (Phase 2);
- Hedging accounting, exclusive of macro hedging transactions (Phase 3).

It will enter into force mandatorily for the financial years opened as of 1st January 2018. The classification and valuation as well as the new depreciation model of IFRS 9 shall apply retroactively by adjusting the opening balance sheet on the date of the first application, without obligation to reprocess years presented for comparison. The Group will thus present its accounts for 2018 for comparison with 2017 in IFRS 9 format. The explanation of switching portfolios between the two frames of reference and the impact on equity capital shall be entered in the annexes.

The Credit Mutuel Group launched the project in the second quarter of 2015; it groups the various stakeholders (finance, risks, IT, etc.) and is structured around the "national consolidation" steering committee coordinated by the Confederation's Finance Management Department. The project is organised in workgroups, according to the phases and instruments (Credits, Securities and derivatives), the works relating to the depreciation models being the responsibility of the CNCM Risk Management Department. The IT developments and adaptations necessary were commenced in 2016 and will continue in 2017.

This project comprises all the activities concerned by the Group, including insurance. Published in September 2016, the IFRS 4 amendment makes it possible to defer or adjust the first application of IFRS 9 for these entities. But at this stage, the deferred application approach cannot be used for bank insurers. In view of the standards implementation timetable, and although the discussions on this subject continue at the international and European levels, the Group's insurance entities shall also apply IFRS 9 on 1st January 2018.

Information per phase is presented below.

Phase 1 – Classification and valuation

According to IFRS 9, the classification and valuation of financial assets will depend on the management model and contractual characteristics of the instruments, which could lead to a classification and valuation of certain different financial assets of IAS 39.

The loans, debts, or debt securities acquired shall be classified:

- At amortised cost, if the management model consists of holding the instrument to collect the contractual cash flows and if the cash flows consist only of payments relating to the principal and to a remuneration of interest on the principal (analysis carried out via the SPPI test);
- At fair value by equity capital, if the management model is to hold the instrument in order to collect the contractual cash flows and sell the assets according to opportunities and if the cash flows consist only of payments relating to the principal and interest on the principal. In case of disposal of these instruments, the latent gains or losses previously booked under equity capital will be entered in the profit-and-loss account, as is done currently under IAS 39 in case of classification in the portfolio of assets available for sale (DALV);
- At fair value by result, if they are eligible for the two previous categories or if the Group opts to classify them as such, on option, to reduce accounting incoherence.

The equity capital instruments acquired (shares in particular) shall be classified:

- At fair value by result;
- On option, at fair value by equity capital. If these instruments are disposed of, the latent gains or losses previously booked under equity capital will not be recycled in the result, contrary to the current practice in case of classification in the portfolio of assets available for sale (DALV). Only the dividends will be booked under result.

It should be noted that:

- The derivatives incorporated in the financial assets will no longer be bookable separately from the host contract;
- The provisions of the IAS standard relating to the derecognition of financial assets are written back in the IFRS 9 standard without change;
- Like those relating to financial liabilities, except for the booking of changes in fair value resulting from the credit risk for debts designated at fair value by result on option. In fact, they will be entered under latent gains or losses or deferred in the equity capital and no longer in the result. The Group shall be marginally concerned by the problem of the credit risk.

The operational works conducted by the Group during 2016 aimed at:

- Finalising the mapping of instruments, on the rates and the different contractual clauses;
- Defining and starting the SPPI tests for the identified risk rates (averages, de-correlated);
- Launching the documentation project of the different instruments at the national and regional level, on the characteristics of the instruments and the management models.

At this stage, the UTICS and collective real estate investment scheme shares, and certain convertible or structured bonds. The impact of the reclassifications is moderated. The works are being finalised on certain credits and securitisation tranches.

The Credit Mutuel did not wish to issue "Group" principles on:
- The use of the option at fair value by equity capital for the equity capital instruments;
- The classification at amortised cost or fair value by equity capital, debt instruments included in the liquidity portfolio; each group will classify its instruments according to its own management model.

Phase 2 – Depreciation

For its part relating to the depreciation of the credit risk, the IFRS 9 standard meets the criteria raised by the model of the credit losses pursuant to the IAS 39 standard for a very late booking and too low credit losses.

The IFRS 9 standard makes it possible to go from a provisioning of ascertained credit losses to a provisioning of expected credit losses. The depreciations are noted, for the financial assets that that were not subject of objective indications of losses in an individual capacity, from the history of losses observed but also from reasonable and justifiable forecasts of future cash flow.

This approach to the more prospective credit risk is already taken into account when collective provisions are noted on homogeneous portfolios of financial assets in application of the IAS 39 standard.

Thus, the new depreciation model of the IFRS 9 standard shall apply to all debt instruments assessed at amortised cost or at fair value by equity capital, which will be divided into 3 categories:
- **Bucket 1:** provisioning on the base of credit losses expected at 12 months (resulting from the default risk in the 12 months to come), from the entry of financial assets in the balance sheets and for as long as no significant increase of the credit risk was noted since the initial booking;
- **Bucket 2:** Provisioning on the basis of the credit losses expected at maturity (resulting from the default risk on the entire residual life of the instrument) provided that a significant part of the default risk was noted since the initial booking;
- **Bucket 3:** Category grouping the depreciated financial assets for which there is an objective indication of loss of value linked to an event which occurred after the implementation of the loan. This category is equivalent to the scope of the outstanding amounts currently depreciated individually under IAS 39.

The significant increase of the credit risk shall be appreciated by:
- Taking into account all reasonable and justifiable information;
- Comparing the default risk on the financial instrument on the closing date with that on the initial booking date.

For the Group, that is translated by the measurement of the risk at borrower level, the assessment of the change of risk being carried out on a contract by contract basis.

The operational works carried out in the Group in 2016 were geared chiefly to defining the boundary between buckets 1 and 2:
- The Group will rely on the models developed for the prudential needs and on the assessment of the default risk at 12 months (represented by a default rate or rating), as authorised by the standard;
- It will associate to these quantitative data such qualitative criteria as unpaid amounts/delays of more than 30 days, the notion of restructured credits, etc.;
- Less complex methods will be used for entities or small portfolios, classified prudentially by the standard method and not having any rating systems.

The reflections are in progress on taking prospective information in the methodology, in the parameters.

At this stage, the Group considers that the quantitative impact cannot be reasonably assessed, but considers that the depreciation level, under IFRS 9, of buckets 1 and 2, will be substantially higher than the collective provisions constituted currently under IAS 39.

Phase 3 – Hedge accounting

IFRS 9 enables the entities to choose, on the first application, to apply the new provisions in terms of hedge accounting and to keep those of IAS 39.

The Credit Mutuel Group has opted to keep the current provisions. Additional appended information shall conversely be included on risk management and the effect of hedge accounting on the financial statements in accordance with the revised IFRS7.
It should be noted that moreover, the provisions provided under IAS for the value hedging of the interest rate risk of a portfolio of assets or financial liabilities such as adopted by the European Union, shall continue to apply.

▷ IFRS 15: Revenues from contract with customers

This standard will replace several standards and interpretations relating to the booking of revenues (in particular standards IAS 18 "Revenue" and IAS 11 "construction contracts"), but it does not affect the revenues resulting from leases, insurance contracts or financial instruments.

The booking of revenues from contracts must translate the transfer of the control of the goods (or services) to a customer, for the amount at which the seller expects he is entitled.

To that end, the standard develops a five-step model to determine when and for what amount the revenues from ordinary activities have to be booked:

- Identification of the contract concluded with the customer;
- Identification of obligations and performance included in the contract;
- Determination of the transaction price of the contract;
- Allocation of the price of transactions to the different performance obligations;
- Recognition of revenue when a performance obligation is fulfilled.

This standard will enter into force mandatorily for the financial year as of 1st January 2018.

The analysis of the standard and an initial identification of its potential effects were carried out in 2016. These works are carried out in a dedicated confederal group, to which the various CM groups and certain subsidiaries take part, where required. The main lines of business/revenues analysed are the packaged banking offers, asset management (overperformance commissions) and IT activities.
The expected impact should be limited at this stage.

▶ Standards and interpretations not yet adopted by the European Union

▷ IFRS 16: Leases

It replaces the IAS 17 standard and the interpretation relating to the booking of leases. According to IFRS 16, the definition of contracts entails, on the one hand, the identification of an asset, and on the other, the control, by the lessee, of the right to use that asset.

From the lessor's point of view, the expected impact should be limited, as the provisions selected remain essentially unchanged compared with the current IAS 17 standard.

For the lessee, the following must be booked for every simple lease:

- Under fixed assets: an asset representing the right to use the leased property;
- Under liabilities, a representative debt of the obligation to pay rent during the term of the lease;
- In the profit-and-loss account, the charge linked to the linear depreciation of the assets, separately from the actuarially calculated interest charge on the financial debt.

By way of reminder, according to the IAS 7 standard currently in force, no amount is entered in the balance sheet and the cost of the leases are contained in the operating charges. The Group has started to analyse the impact of this standard and has in particular embarked on the inventory of the leases, for moveable and immovable property (IT, car fleet, etc.).

▶ Fair value of financial instruments accounted for at amortised cost

The fair values presented are an estimate based on observable parameters at 31st December 2014. They are produced from a calculation to update future flows estimated from a rate curve that includes costs of signature inherent to the debtor.

The financial instruments presented in this information are loans and borrowings. They do not include non-monetary elements (shares), supplier accounts, accounts for other assets, other liabilities and accruals. Non-financial instruments are not affected by this information.

The fair value of the at-call financial instruments and customer regulated savings policies is the value due to the customer, i.e. its book value.

Some of the Group's entities may also apply hypotheses: the market value is the book value for policies whose terms refer to a variable rate, or for which the residual value is equal to or less than one year.

We would draw your attention to the fact that, excluding financial assets held to maturity, the financial instruments entered at amortised cost may not be disposed of or in practical terms are not intended for disposal before they mature. As a result, any increases or decreases in value will not be recorded.

However, if the financial instruments entered at their amortised cost were to be the subject of a disposal, the price of this disposal could differ significantly from the fair value calculated on the closing date.

31/12/16	Market value	Value on the balance sheet	Latent gains or losses	Hierarchy Level 1	Hierarchy Level 2	Hierarchy Level 3
Assets	25 094 498	19 599 143	5 495 355	61 541	5 438 389	19 594 568
Loans and debts on credit institutions	3 111 504	3 219 890	-108 386	0	3111504	0
• Debt securities - EC	0	0	0	0	0	0
• Loans and advances - EC	3 111 504	3 219 890	-108 386	0	3 111 504	0
Loans and debts to customers	21 774 385	16 170 871	5 603 514	0	2 179 817	19 594 568
• Debt securities - Clientele	0	0	0	0	0	0
• Loans and advances - Clientele	21 774 385	16 170 871	5 603 514	0	2 179 817	19 594 568
Financial assets held to maturity	208 609	208 382	227	61 541	147 068	0
Liabilities	22 390 873	22 480 512	89 639	967 922	9 381 622	12 041 329
Debts to credit institutions	1 497 364	1 523 622	26 258	0	1 492 369	4 995
Debts to customers	16 195 046	16 377 857	182 811	0	4 158 712	12 036 334
Debts represented by a security	3 730 541	3 611 130	-119 411	0	3 730 541	0
Subordinated debts	967 922	967 903	-19	967 922	0	0

31/12/15	Market value	Value on the balance sheet	Latent gains or losses	Hierarchy Level 1	Hierarchy Level 2	Hierarchy Level 3
Assets	21 046 632	20 042 601	1 004 031	174 435	5 791 069	15 081 128
Loans and debts on credit institutions	3 606 592	3 786 641	-180 049	0	3 606 592	0
• Debt securities - EC	0	0	0	0	0	0
• Loans and advances - EC	3 606 592	3 786 641	-180 049	0	3 606 592	0
Loans and debts to customers	17 051 855	15 876 108	1 175 747	0	1 970 727	15 081 128
• Debt securities - Clientele	0	0	0	0	0	0
• Loans and advances - Clientele	17 051 855	15 876 108	1 175 747	0	1 970 727	15 081 128
Financial assets held to maturity	388 185	379 852	8 333	174 435	213 750	0
Liabilities	22 411 217	22 764 018	352 801	667 554	9 823 065	11 920 598
Debts to credit institutions	2 327 985	2 359 389	31 404	0	2 327 899	86
Debts to customers	15 649 749	15 977 967	328 218	0	3 729 237	11 920 512
Debts represented by a security	3 765 929	3 759 108	-6 821	0	3 765 929	0
Subordinated debts	667 554	667 554	0	667 554	0	0

▶ Affiliated parties

In thousands of euros

	31/12/16		31/12/15	
	Fully consolidated entities	Entities consolidated using the equity method	Fully consolidated entities	Entities consolidated using the equity method
Assets				
Loans and debts on credit institutions	848 758	0	1 272 579	0
of which ordinary accounts	*42 001*	*0*	*36 433*	*0*
Loans and debts to customers	8 799	0	0	0
Assets at fair value by result	21 064	0	26 911	0
Assets available for sale	468 139	0	543 825	0
Miscellaneous assets	26 219	0	35 367	0
Liabilities				
Debts to credit institutions	506 853	0	1 237 973	0
of which ordinary accounts	*7 724*	*0*	*38 274*	*0*
Liabilities at fair value by result	23 913	0	31 470	0
Debts to customers	0	0	4 453	0
Debts represented by a security	108 378	0	87 815	0
Subordinated debts	3 275	0	0	0
Interest received	11 026	0	15 499	0
Interest paid	-9 100	0	-13 430	0
Commissions received	359	0	388	0
Commissions paid	-2 404	-688	0	-2 038
Net profits/losses on financial assets DALV and JVR	-289	1 125	-1 375	976
Other revenues and charges	5 873	-1 220	5 363	-920
NBI	5 465	-783	6 445	-1 982
Overheads	-5 196	-38 386	-5 070	-39 181
Financing commitments given	25 723	0	25 723	0
Guarantee commitments given	8 545	0	8 893	0
Guarantee commitments received	0	0	0	0

The "fully consolidated" column includes operations declared by the consolidated entities using this method with the rest of the Crédit Mutuel Group (excluding CMNE). The "equity method" column covers operations internal to CMNE, not offset because of the method of consolidation used for these entities.

▶ Dividends

The consolidating entity planned to pay 19 673 thousand euros, outside the CMNE Group.

Remuneration of directors

In thousands of euros

Nature of the remuneration	Main directors	
Amounts payable	31/12/16	31/12/15
Short-term personnel benefits	1 462	1 527
Post-employment benefits*	-	-
Other long-term benefits	-	-
Retirement benefits	-	-
Payments based on shares	n.a.	n.a.

*Caisse Fédérale CMNE

Defined benefit scheme (Article 39) grants, in return for the relinquishment of 10 days off granted contractually to senior management (under the agreement of 30th June 1999); this scheme grants a supplementary pension equal to 9 % of the gross salary received in the last twelve months prior to departure – exclusive of gratuities and bonuses – on condition of being 65 years old and entitled to a pension. The rights are financed by contributions to a collective fund set up by the Caisse Federale of CMNE, exempted from social security contributions. The estimated amount of annual pension amounts to 64 thousand euros on 31th December 2016; it takes into account the seniority acquired by beneficiaries in their position and is calculated on the basis of the gross annual salary for financial year 2016, irrespective of the conditions for the fulfilment of the commitment.

Beobank

Defined contribution scheme on an individual pension commitment of which the beneficiary may avail himself until the date of departure from the company. On that date, or the designated date for retirement, the affiliate is entitled to the reserves built up by the earned premiums and by the beneficial interest.

Fees of the company auditors

	Members of the Mazars network		Deloitte & Associés		Members of other networks	
	31/12/16	31/12/15	31/12/16	31/12/15	31/12/16	31/12/15
AUDIT						
Ancillary assignments, certification	491	466	1 166	1 231	58	55
Accessory assignments	201	216	1	22	10	13
SUBTOTAL	**692**	**682**	**1 167**	**1 253**	**68**	**68**
OTHER SERVICES						
Legal, fiscal, social	0	0	35	14	89	300
Information technology	0	0	0	0	0	427
Internal audit	0	0	19	0	0	0
Other	0	0	34	37	110	2
SUBTOTAL	**0**	**0**	**88**	**51**	**199**	**729**
TOTAL	**692**	**682**	**1 255**	**1 304**	**267**	**797**

Events subsequent to year-end

There was no event of significance between 31th December 2016 and the date on which the consolidated accounts were submitted. These accounts were submitted at the meeting of the Board of Directors on 27th February 2017.

GROUPE CRÉDIT MUTUEL NORD EUROPE

4 Place Richebé
59000 Lille (France)

Cooperative limited credit company with variable capital € 1 276 771
Lille Trade and Companies Register B 320 342 264

Report from the Company Auditors
(on the consolidated accounts)

Year ending 31th Decembre 2016

Ladies and Gentlemen,

In compliance with the assignment entrusted to us by your General Meeting of Shareholders, we now present to you our report relating to the financial year ending on 31th December 2016, dealing with:

- *The audit of the consolidated accounts of the Crédit Mutuel Nord Europe Group, as attached to this report;*
- *The reasons for our assessments;*
- *The specific verification required under the law.*

The consolidated accounts have been approved by the Board of Directors. It is our task, based on our audit, to express an opinion about these accounts.

1. OPINION ABOUT THE CONSOLIDATED ACCOUNTS

We have conducted our audit in accordance with the professional standards that apply in France; these standards require the implementation of diligent practices enabling us to obtain reasonable assurance that the consolidated accounts do not contain any significant anomalies. An audit consists of carrying out checks by taking samples at random or by other methods of selection, of the elements that justify the amounts and information stated in the consolidated accounts. An audit also consists of assessing the accounting principles adopted, the major estimates used and the overall presentation of the accounts. We believe that the elements that we have gathered are sufficient and appropriate for basing our opinion.

We hereby certify that the consolidated accounts are, with regard to the IFRS frame of reference adopted in the European Union, honest and sincere, providing an accurate reflection of the assets, financial situation and result of the group made up of the persons and entities included in the consolidation.

2. JUSTIFICATION OF OUR ASSESSMENTS

Pursuant to the provisions of article L. 823-9 of the Commercial Code relative to our assessments, we would like to draw your attention to the following items:

- Your Group booked depreciations and provisions to hedge the credit and counterparty risks inherent in its business activities (paragraph III, as well as notes 8a, 10, 20 and 30 of paragraph IV of the annex). We have examined the audit procedure relative to the inventory of areas of exposure, the monitoring of credit risks and counterparty risks, the methodologies used for depreciation, and the cover for reductions in value by individual and portfolio depreciations;
- The accounting principles and valuation methods (paragraph III of the annex), as well as notes 2 to 7, 9 to 12, 22b, 24, 26, 27 and 30 of paragraph IV of the annex, present the accounting principles and methods applied by your Group in relation to its positions on securities and derivative financial instruments, as well as its hedging operations. The auditors have examined the auditing procedures relative to the accounting classification, the determination of the parameters used for valuing these positions and the accounting qualification of the hedging operations;
- As indicated in paragraph III and in notes 19 and 28 of paragraph IV of the annex, your Group accounts for the technical provisions relating to the insurance business. We have examined the hypotheses and parameters used, as well as the compliance of the valuations obtained with the requirements of the regulatory and economic environment;
- Your Group has conducted goodwill depreciation tests (note 4, subsection 3 of paragraph II, as well as notes 18 and 32 of paragraph IV of the annex). We have examined the processes used for conducting these tests and the main hypotheses and parameters used, as well as the estimates that ensue;
- Your Group booked deferred tax assets (note 4 subsection 4 of paragraph II, as well as note 13b of paragraph IV of the Annex). We have examined the main estimates and assumptions that led to the recognition of said deferred taxes.

These assessments form part of our audit procedures for the consolidated accounts, taken as a whole, and hence have contributed to the formation of our opinion expressed in the first part of this report.

3. SPECIFIC VERIFICATION

We have also proceeded, in line with the professional standards that apply in France, to carry out the specific verification required under the law of the information stated in the report in relation to the Group's management. We have no observations to make as to their sincerity and concordance with the consolidated accounts.

Drawn up at Neuilly-Sur-Seine (France) and La Défense (France), on 12th April 2017

The Company Auditors

DELOITTE & ASSOCIÉS	MAZARS	
Sylvie BOURGUIGNON	Michel BARBET-MASSIN	Nicolas DE LUZE

DELOITTE & ASSOCIÉS
185 Avenue Charles de Gaulle - B.P. 136
92 5245 Neuilly-sur-Seine Cedex (France)
Public Limited Company with Board of Directors
Capital: €1 723 040 - NANTERRE Trade and Companies Register B 572 028 041

MAZARS SAS
61 Rue Henri Regnault
92 075 Paris – La Défense Cedex (France)
Simplified joint-stock company
Capital: €37 000 - NANTERRE Trade and Companies Register 377 505 565

LEGAL AND ADMINISTRATIVE INFORMATION

Statement from the person responsible for the publication of the Annual Report

I hereby confirm that to my knowledge, the accounts have been drawn up in accordance with the applicable accounting standards and provide an accurate picture of the assets, financial situation and results of the company and of all of the companies included within the consolidation, and that the attached management report presents an accurate account of the business developments, results and financial situation of the company and of all of the companies included within the consolidation, as well as a description of the main risks and uncertainties with which they are faced.

Lille, 25th April 2017

Éric CHARPENTIER
General Manager

The Caisse Fédérale du Crédit Mutuel Nord Europe is a Limited Cooperative Crédit Company with variable capital, whose registered office is situated at 4 place Richebé, Lille-France. The company is governed by the Act of 24th July 1867 relative to companies with variable capital, the Act of 10th September 1947 on cooperative status, and the Banking Act of 24th January 1984 (incorporated into the Monetary and Finance Code since 1st January 2001).

The term of the Caisse Fédérale is set at 99 years, beginning from the time of its registration in the Company Register. Its company number is RCS Lille B 320 342 264 741 J.

Crédit Mutuel Nord Europe has existed in its current configuration since the consolidation in 1993 and 1994 between three Caisses Fédérales de Crédit Mutuel: Nord, Artois-Picardie and Champagne-Ardenne.

The legal documents relating to Crédit Mutuel Nord Europe may be viewed at the company's registered office, 4 place Richebé, 59000 Lille-France.

ABOUT THE COMPANY

▶ Corporate purpose

The purpose of the Caisse Fédérale is to manage the common interests of its member Branches and their shareholders, as well as to facilitate the technical and financial operation of the member Branches.

More specifically, its purpose is:

- To accept deposits of funds from any private individual or legal entity, particularly from member Branches and to ensure all collections and payments on behalf of its depositors;
- To establish a settlement mechanism between the member Branches;
- To advance funds to the member Branches, with or without specific allocation;
- To reinvest cash or savings;
- To obtain capital by way of borrowing, advances or allowances, the issue of equity securities or bond loans, issues of cooperative investment certificates, priority interest shares with no voting rights subject to the regulations of article 11a of the Act of 10th September 1947 – the monetary benefits being, in such a case, set by a decision by the Board of Directors – as well as by any means authorised under the 1947 Act mentioned above and by the wording of any subsequent texts;
- To take an interest or holding in any transactions related directly or indirectly to the corporate purpose;
- And more generally to carry out, both on its own behalf and for its member Branches, all operations in accordance with its status as a Crédit establishment, all investment services, all broking and intermediation activities within the area of insurance operations.

▶ Statutory distribution of profits

The Caisse Fédérale is subject to the provisions of its cooperative status: "all monies available, after deduction of operating surpluses to the statutory reserves and the payment of interest on the securities constituting the company's share capital, will be placed into reserves or allocated in the form of grants to other cooperatives or to causes of general or business interest".

▶ General meetings

The Ordinary General Meeting is held each year before 31st May. Meetings may be convened on an extraordinary basis whenever the Board of Directors or one-quarter of the shareholders so request. In this latter case, the reasons for convening a meeting must be presented in writing to the Chairman of the Board of Directors.

The General Meeting is convened by the Chairman of the Board of Directors. If the Chairman of the Board of Directors should refuse to convene the General Meeting requested by one-quarter of the shareholders, the shareholders may issue a written mandate to one of their number to proceed with convening the meeting.

The General Meeting is convened at least fifteen days in advance, by individual letter or by publication in a legal gazette.

The summons to the meeting will mention the items on the agenda and, where appropriate, the list of the names of the one-quarter of the shareholders requesting that the General Meeting be convened.

The agenda is approved by the Board of Directors. It may include, in addition to the proposals emanating from the Board of Directors, any questions presented to the Board at least six weeks prior to the General Meeting being convened, with the request being signed by at least one-tenth of the total number of shareholders.

Only those items on the agenda may be presented for deliberation at any General Meeting.

ABOUT THE CAPITAL

▶ Share capital of the Caisse Fédérale

The share capital of the Caisse Fédérale is owned in its entirety by the Local Branches of the Fédération du Crédit Mutuel Nord Europe.

Shareholders of the Caisse Fédérale are deemed to be all Crédit Mutuel Branches that are members of the Federation and which also:

- Have been accredited and registered on the list of Crédit Mutuel Branches. This list is kept by the Confédération Nationale du Crédit Mutuel;
- Have subscribed to at least one share;
- Have accepted all of the obligations imposed on the shareholders by these articles of association and by the rules of the Caisse Fédérale;
- Have joined the guarantee, solidarity or other fund constituted the Branches that are members of the aforementioned Federation.

Shareholders are deemed to be any natural person (i.e. private individual) or legal entity owning at least one company share. To be admitted as a shareholder, approval is required from the Board of Directors. The Board is not required to disclose its reasons for refusing admission.

The capital of the Caisse Fédérale must be owned at least 75 % by the member Branches of the Fédération du Crédit Mutuel Nord Europe.

▶ Amount of capital subscribed, number and categories of securities representing the capital overall

The capital of the Caisse Fédérale is represented by company shares, each with a value of 150 euros. At 31st December 2016, the total capital was 326 million euros. This capital is owned in its entirety by the Local Branches, whose own capital represents the financial strength of the whole of the CMNE Group.

The capital of the Local Branches is owned by shareholders. These shareholders may be natural persons or legal entities who have subscribed to at least fifteen non-transferable shares and who are subject to the approval of the Board of Directors.

The capital of the Local Branches is represented by four types of share. These vary in terms of the negotiability of certain categories of share, in accordance with the status of mutualistic companies with variable capital:

- A shares, non-transferable, with a par value of 1 euro;
- B shares, which may be traded, with a par value of 1 euro;
- C shares, which may be traded giving notice of 5 years, with a par value of 1 euro;
- F shares, which may be traded giving notice of 5 years, with a par value of 500 euros.

A shares do not receive remuneration. B, C and F shares may be remunerated by way of an amount of interest, paid annually and set by the General Meeting of Shareholders of each Local Branch within the limits set by the status of a cooperative and in accordance with the directives laid down by the Federal Board of Directors in the context of the General Operating Regulations, the value of which is identical to the articles of association.

As of 31st December 2016, the company capital was 1 277 million euros.

▶ Variability of the capital

A shares cannot be transferred. Sales of B shares and F shares ceased on 1st June 2011. C shares replaced B shares on 1st June 2011. Like F shares, C shares have a notice period of 5 years that runs from the time at which the shareholder requests reimbursement. This reimbursement is also subject to approval from the Board of Directors of the Local Branch.

Between 31st December 2015 and 31st December 2016, the company share capital varied as follows:

In millions of euros.

Type of share	2015	2016
A shares	61	57
B shares	183	143
C shares	975	1 037
F shares	47	40

▶ Securities not representative of the capital

The Caisse Fédérale regularly issues additional capital securities (Tier 2 and equivalent). In 2016, the Caisse Fédérale issued 300 million euros of securities.

▶ Changes in capital

In millions of euros

31/12/12	31/12/13	31/12/14	31/12/15	31/12/16
1 318	1 298	1 295	1 266	1 277

▶ Annual information document

During 2016, the Caisse Fédérale du Crédit Mutuel Nord Europe published five documents containing financial information: in April 2016, the annual report for the 2015 financial year, in July 2016, the financial presentation dossier required by Banque de France for issuers of short-term and medium-term tradable debt securities (NEU CP), in August 2016, the half-year financial information ending 30th June and in December 2016, the documentation relating to its programme of bond issues (EMTN).

▶ Calendar of financial publications

Agenda subject to modification	
Annual results 2016	28th April 2017
Half-yearly results 2017	August 2017

FEDERATION DU CRÉDIT MUTUEL NORD EUROPE

4 Place Richebé
59000 Lille

Association governed by the Act of 1st July 1901

Mixed General Meeting held on 27th April 2017

RESOLUTIONS

▶ Ordinary resolutions

▷ Resolution One

The General Meeting, having examined the reports from the Board of Directors and Company Auditors, approves the accounts for the 2016 financial year in their form and content, ending with surplus revenue of 1 788.08 euros.

The General Meeting decides to allocate the entire surplus to retained earnings and discharged the Directors for their management.

▷ Resolution Two

The General Meeting notes that in the terms of the special report from the Company Auditors that the auditors were notified of no new convention authorised by the Board during the period ending on 31st December 2016 entering into the scope of the provisions of article L 612-5 of the Commercial Code.

▷ Resolution Three

The General Meeting, having examined the reports from the Board of Directors and Company Auditors, approves the globalised financial statements for the Crédit Mutuel Nord Europe Group, ending on 31st December 2016, as presented to the meeting.

▷ Resolution Four

The General Meeting, having examined the reports from the Board of Directors and Company Auditors, approves the consolidated accounts of the Crédit Mutuel Nord Europe Group, drawn up in accordance with IFRS standards and ending on 31st December 2016, as presented to the meeting.

▷ Resolution Five

The General Meeting approves the budget for the Federation at 3 205 300 euros for 2017. The maximum share of the contributions from each member Branch is set at 0.0155 % of the average amount of the funds managed.

▷ Resolution Six

The General Meeting notes the expiration of the mandates as director of Madame THYBAUT and Messieurs BUR, BRUNEAU, HALIPRE, LIMPENS and QUEVY.

At the proposal of the Appointment Committee, the General Meeting decides to re-elect for a term of three years, i.e. until the General Meeting called to approve the accounts for the period ending 31st December 2019:

- Mr BUR;
- Mr HALIPRE;
- Mr LIMPENS;
- Madame THYBAUT.

Which persons declare they accept their appointments.

▷ Resolution Seven

At the proposal of the Appointment Committee, the General Meeting also decides to appoint as Directors, for a term of three years, i.e. until the General Meeting called to approve the accounts for the period ending 31st December 2019:

- Madame Jocelyne MORLON, Chairman of the Board of Directors of the CHARLEVILLE-MEZIERES branch, residing at Charleville Mézières (08), 87 Avenue Carnot;
- Mr Olivier OGER, residing at Villeneuve d'Ascq (59), 62 Avenue du Vieux Château;
- Mr Alain POISSONNIER, Chairman of the Board of Directors of the SENLIS branch, residing at Fontaine-Chaalis (60), 20 Dessous les Vignettes.

Which persons declare they accept their appointments.

▷ Resolution Eight

All powers are granted to the bearer of a copy of or extract from the minutes of this meeting in order to proceed with all of the publications and formalities require under the law and by the regulations.

▶ Extraordinary resolutions

▷ Resolution Nine

The General Meeting of Shareholders, having deliberated, notes that the proposed modifications to the General Terms of Business enable their provisions to fall into line with the governance principles decreed by the Basle Committee in July 2015.

As a consequence, the General Meeting decides to adopt, article by article, then in its entirety, all of the proposed modifications.

▷ Resolution Ten

All powers are granted to the bearer of a copy of or extract from the minutes of this meeting in order to proceed with all of the publications and formalities require under the law and by the regulations.

CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE

4 Place Richebé
59000 Lille

Limited Cooperative Crédit Company with variable capital

Ordinary General Meeting held on 27th April 2017

RESOLUTIONS

▶ Resolution One

The General Meeting, having examined the reports from the Board of Directors, its Chairman and the Company Auditors, approves the accounts ending on 31st December 2016, as presented to it, as well as the operations shown in these accounts or mentioned in these reports.

As a consequence, the Meeting grants full and unconditional discharge to the directors for the execution of their mandate for said financial year.

▶ Resolution Two

The General Meeting, having examined the special report from the Company Auditors, takes due note there of and approves the conventions stated in article L 225-38 of the Commercial Code.

▶ Resolution Three

The General Meeting, at the proposal of the Board of Directors, decides to allocate the whole of the profit for the financial year ending 31st December 2016, amounting to 71 561 256.34 euros in the following way:

- Statutory reserve: 3 578 062.82 euros;
- Ordinary reserves: 67 983 193.52 euros.

▶ Resolution Four

The General Meeting duly notes that the share capital, which was 316 939 050 euros at the end of the 2015 financial year, was 325 969 950 euros at 31st December 2016.

▶ Resolution Five

The General Meeting, acting under the conditions of quorum and majority required for ordinary general meetings of shareholders, having examined the provisions of the Management Report relating to the remuneration of directors, approves the principles and criteria of determination, distribution and allocation of the fixed, variable and extraordinary elements that make up the total remuneration and fringe benefits presented in the aforementioned report and attributable on account of their mandate to the Chairman, General Manager and Deputy General Manager.

▶ Resolution Six

The General Meeting, having examined the report from the Board of Directors to the Meeting, gives a favourable recommendation as to the overall remuneration envelope for all forms of payment made during the past financial year to the directors, in the sense of article L.511-13, and to the categories of staff, including the risk-takers and those persons exercising an audit, as well as to any salaried employee who, in view of his or her overall earnings, are in the same remuneration bracket and whose professional activities have a significant effect on the risk profile of the company or Group.

▶ Resolution Seven

The General Meeting notes the expiration of the mandates as director of Madame THYBAUT and Messieurs BUR, BRUNEAU, HALIPRE, LIMPENS and QUEVY.

At the proposal of the Appointment Committee, the General Meeting decides to re-elect for a term of three years, i.e. until the General Meeting called to approve the accounts for the period ending 31st December 2019:

- Mr BUR;
- Mr HALIPRE;
- Mr LIMPENS;
- Madame THYBAUT.

Which persons declare that they accept their appointments.

▶ Resolution Eight

At the proposal of the Appointment Committee, the General Meeting also decides to appoint as Directors, for a term of three years, i.e. until the General Meeting called to approve the accounts for the period ending 31st December 2019:

- Madame Jocelyne MORLON, Chairman of the Board of Directors of the CHARLEVILLE-MEZIERES branch, residing at Charleville Mezières (08), 87 Avenue Carnot;
- Mr Olivier OGER, residing at Villeneuve d'Ascq (59), 62 Avenue du Vieux Château;
- Mr Alain POISSONNIER, Chairman of the Board of Directors of the SENLIS branch, residing at Fontaine-Chaalis (60), 20 Dessous les Vignettes.

Which persons declare that they accept their appointments.

▶ Resolution Nine

All powers are granted to the bearer of a copy of or extract from the minutes of this Meeting in order to proceed with all of the publications and formalities require under the law and by the regulations.

TABLE OF CONCORDANCE

This annual and financial report includes all of the management report required by statutory and regulatory provisions;

The table of concordance below presents the elements of the management report from the CMNE Board of Directors to the Federal general meeting of shareholders on 27/04/17.

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SITUATION AT 27TH APRIL 2017

BANKING

FRANCE NETWORK

CAISSE FÉDÉRALE DU CRÉDIT MUTUEL NORD EUROPE (CFCMNE)

4 Place Richebé - 59000 Lille (France)
Tel: +33 3 20 78 38 38
Fax: +33 3 20 30 86 59
Website: www.cmne.fr

- Chairman of the Board of Directors: **André HALIPRÉ**
- General Manager: **Éric CHARPENTIER**
- Deputy General Manager: **Christian NOBILI**

BELGIUM NETWORK

CRÉDIT MUTUEL NORD EUROPE BELGIUM (CMNE BELGIUM)

Boulevard de Waterloo, 16 - 1000 Brussels (Belgium)
Tel: +32 22 89 82 00
Fax: +32 22 89 89 90

- Chairman of the Board of Directors: **André HALIPRÉ**
- Chairman of the Management Board: **Éric CHARPENTIER**

BEOBANK NV/SA

Boulevard Général Jacques, 263 G - 1050 Brussels (Belgium)
Tel: +32 626 51 11
Fax: +32 626 55 84.
Website: www.beobank.be

- Chairman of the Board of Directors: **Éric CHARPENTIER**
- Chairman of the Management Board: **Guy SCHELLINCK**

BUSINESS FINANCE NETWORK

BCMNE

Banque Commerciale du Marché Nord Europe
4 Place Richebé - 59000 Lille (France)
Tel: +33 3 28 02 56 77
Fax: +33 3 28 02 56 95
Website: www.bcmne.fr

- Chairman of the Monitoring Committee: **André HALIPRÉ**
- Chairman of the Executive Board: **Christain NOBILI**

BAIL ACTÉA

4 Place Richebé - 59000 Lille (France)
Tel: +33 3 28 02 57 05
Fax: +33 3 28 02 56 99
Website: www.bail-actea.fr

- Chairman of the Board of Directors: **Christain NOBILI**
- General Manager: **Bernard DUFERMONT**
- Deputy General Manager: **Jean-Charles DHAUSSY**

NORD EUROPE LEASE

4 Place Richebé - 59000 Lille (France)
Tel: +33 3 28 02 56 81
Fax: +33 3 28 02 56 96

- Chairman of the Board of Directors: **Christain NOBILI**
- General Manager: **Valérie-Marie AUBIN-VAILLANT**
- Deputy General Manager: **Bernard DUFERMONT**

NORD EUROPE PARTENARIAT

4 Place Richebé - 59000 Lille (France)
Tel: +33 2 35 59 44 20
Fax: +33 2 35 59 13 82

- Chairman of the Board of Directors: **Christain NOBILI**
- General Manager: **Philippe AMOURIAUX**

PÔLE ASSURANCES

NORD EUROPE ASSURANCES

9 Boulevard Gouvion-Saint-Cyr - 75017 Paris (France)
Tel: +33 1 43 12 90 90
Fax: +33 1 43 12 90 93

- Chairman of the Monitoring Committee: **André HALIPRÉ**
- Chairman of the Executive Board: **Sabine SCHIMEL**

ACMN-VIE

Assurances Crédit Mutuel Nord Vie
9 Boulevard Gouvion-Saint-Cyr - 75017 Paris (France)
Tel: +33 1 43 12 90 90
Fax: +33 1 43 12 90 93
Website: www.acmnvie.fr

- Chairman of the Board of Directors: **Éric CHARPENTIER**
- General Manager: **Sabine SCHIMEL**

ACMN IARD

Assurances Crédit Mutuel Nord Iard
4 Place Richebé - 59000 Lille (France)
Tel: +33 3 20 78 38 38
Fax: +33 3 20 30 86 59

- Chairman of the Board of Directors: **Sabine SCHIMEL**
- General Manager: **Odile EZERZER**

NORD EUROPE LIFE LUXEMBOURG

62 Rue Charles Martel - L-2134 (Luxembourg)
Tel: +352 42 40 20 1
Fax: +352 42 40 20 44
Website: www.nellweb.com

- Chairman of the Board of Directors: **Sabine SCHIMEL**
- Managing Director: **Hervé BERNARD**

CPBK REINSURANCE S.A

74 Rue de Merl - L-2146 (Luxembourg)
Tel: +352 49 69 51 321
Fax: +352 49 69 51 333

- Chairman of the Board of Directors: **Odile EZERZER**

COURTAGE CRÉDIT MUTUEL NORD EUROPE
4 Place Richebé - 59000 Lille (France)
Tel: +33 3 20 78 39 84
Fax: +33 8 20 36 09 00
- President: **Sabine SCHIMEL**
- General Manager: **François CAUMONT**

NORTH EUROPE LIFE BELGIUM
11 Boulevard de la Plaine - 1050 Bruxelles (Belgique)
Tel: +32 789 42 00
Fax: +32 789 42 01
Website: www.nelb.be
- General Manager: **Myriam BILLENS**
- President: **Sabine SCHIMEL**

ASSET MANAGEMENT

GROUPE LA FRANÇAISE
128 Boulevard Raspail - 75006 Paris (France)
Tel: +33 1 73 00 73 00
Fax: +33 1 73 00 73 01
Website: www.lafrancaise-group.com
- Chairman of the Monitoring Committee: **André HALIPRÉ**
- Chairman of the Executive Board: **Xavier LÉPINE**
- General Manager: **Patrick RIVIÈRE**

LA FRANÇAISE ASSET-MANAGEMENT
128 Boulevard Raspail - 75006 Paris (France)
Tel: +33 1 43 12 01 00
Fax: +33 1 43 12 01 20
Website: www.lafrancaise-group.com
- Chairman of the Monitoring Committee: **Patrick RIVIÈRE**
- Chairman of the Executive Board: **Pascale AUCLAIR**

LA FRANÇAISE REAL ESTATE MANAGERS
128 Boulevard Raspail - 75006 Paris (France)
Tel: +33 1 73 00 73 00
Fax: +33 1 73 00 73 01
Website: www.lafrancaise-group.com
- Chairman of the Monitoring Committee: **Patrick RIVIÈRE**
- Chairman of the Executive Board: **Marc BERTRAND**
- General Manager: **Marc-Olivier PENIN**
- General Manager: **Éric ALLARD**

LA FRANÇAISE AM INTERNATIONAL
2 boulevard de la Foire - BP 1556 - L-1015 Luxembourg
Tel: +352 24 83 221
Fax: +352 248 322 242
- Chairman of the Monitoring Committee: **Patrick RIVIÈRE**
- Chairman of the Executive Board: **Philippe LECOMPTE**

LA FRANÇAISE GLOBAL REAL ESTATE INVESTMENT MANAGEMENT LIMITED
78 Brook Street - London W1K5EF (Royaume-Uni)
Website: www.lafrancaise-am-partenaires.com
- General Managers: **Patrick RIVIÈRE**
  Philippe VERDIER

LA FRANÇAISE AM FINANCE SERVICES
128 Boulevard Raspail - 75006 Paris (France)
Tel: +33 1 73 00 73 00
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Website: www.lafrancaise-am-partenaires.com
- Chairman of the Monitoring Committee: **Patrick RIVIÈRE**
- Chairman of the Executive Board: **Philippe LECOMTE**
- General Managers: **Thierry SEVOUMIANS**
  Benoît GIRARDON

LA FRANÇAISE INVESTMENT SOLUTIONS
128 Boulevard Raspail - 75006 Paris (France)
Tel: +33 1 73 00 75 75
Website: www.lafrancaise-gis.com
- Chairman of the Monitoring Committee: **Pierre LASSERRE**
- Chairman of the Executive Board: **Sofiène HAJ TAIEB**
- Deputy General Manager: **Thouraya JARRAY**

NOUVELLES EXPERTISES ET TALENTS AM
125 Boulevard Raspail - 75006 Paris (France)
Tel: +33 1 73 00 73 00
Fax: +33 1 73 00 73 01
Website: www.next-am.com
- Chairman of the Board of Directors: **Patrick RIVIÈRE**
- General Managers: **Lior DERHY**
  Antoine ROLLAND

LA FRANÇAISE GLOBAL INVESTMENTS
128 Boulevard Raspail - 75006 Paris (France)
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- Chairman of the Monitoring Committee: **Pierre LASSERRE**
- Chairman of the Executive Board: **Arnaud SARFATI**
- Deputy General Manager: **Christophe LESIEUR**

Crédit Mutuel
Nord Europe

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OK