UPDATE NO.1 TO THE
INFORMATION DOCUMENT
dated as of 27 May 2013

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

Dated as of 7 October 2013

IMPORTANT PRELIMINARY NOTE

This document (the "**Update No. 1**" or this "**Update**") supplements information included in the Information Document dated 27 May 2013 (the "**2012 Information Document**" and, together with this Update No. 1, the "**Information Document**") and should be read together with the information included or incorporated by reference therein. In the event of any inconsistency between the information contained in this Update and the information contained in the 2012 Information Document, the information contained in this Update shall govern.

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

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

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

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

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

TABLE OF CONTENTS

TERMINOLOGY

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

"**BFCM**" means the Banque Fédérative du Crédit Mutuel.

"**BFCM Group**" means BFCM and its consolidated subsidiaries and associates.

"**CF de CM**" means the Caisse Fédérale de Crédit Mutuel.

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

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

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

"**Group**" means the CM11-CIC Group as from 1 January 2012, the CM10-CIC Group for the period from 1 January 2011 to 31 December 2011 and the CM5-CIC Group for the period from 1 January 2009 to 31 December 2010.

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

FORWARD-LOOKING STATEMENTS

This Update No. 1 contains forward-looking statements. Such statements can be generally identified by the use of terms such as "anticipates", "believes", "could", "expects", "may", "plans", "should", "will" and "would", or by comparable terms and the negatives of such terms. By their nature, forward-looking statements involve risk and uncertainty, and the factors described in the context of such forward-looking statements in this Information Document could cause actual results and developments to differ materially from those expressed in or implied by such forward-looking statements. We have based forward-looking statements on our expectations and projections about future events as of the date such statements were made. These forward-looking statements are subject to risks, uncertainties and assumptions about BFCM or the CM11-CIC Group, including, among other things:

- The risks inherent in banking activities including credit risks, market and liquidity risks, operational risks and insurance risks;
- Risks relating to volatile global market and weak economic conditions, and particularly current economic conditions affecting sovereigns and financial institutions in Europe;
- Risks resulting from recent and proposed legislative and regulatory action affecting financial institutions in France, in Europe and globally.
- The risk to the Group's business and profitability if BFCM were no longer to maintain high credit ratings;
- The risk that the Group's risk management policies may not be effective to prevent losses;
- The impact of competition on the Group's business and operations;
- Lower revenue generated from brokerage and other commission- and fee-based businesses during market downturns;
- The risk to the Group's liquidity if it is unable to sell assets when needed;
- Risks relating to potential changes in interest rates and their impact on profitability;
- The Group's hedging strategies may not prevent losses;
- The Group may not be able to attract and retain qualified employees;
- The Group's provisions are based on assumptions and therefore may prove to be insufficient;
- The effects of the Group's organizational structure and BFCM's position in the Group;
- The fact that local banks outside the Group operate under the Crédit Mutuel name and are part of a mutual liquidity support system to which the Group must contribute if needed; and
- Other factors described in this Update and in the 2012 Information Document under "Management's Discussion and Analysis of Financial Condition and Results of Operations", and described in the 2012 Information Document under "Risk Factors".

INCORPORATION BY REFERENCE

This Update No. 1 should be read and construed in conjunction with the following documents incorporated by reference (the "**Documents Incorporated by Reference**"), which form part of this Update as of the date hereof.

1) the English translation of the unaudited interim condensed consolidated financial statements of the CM11-CIC Group as of and for the six-month period ended 30 June 2013 and the auditors' report thereon available on the Group's website at the address referred to below (the "**CM11-CIC 2013 Half-Year Financial Statements**").

2) the English translation of the unaudited interim condensed consolidated financial statements of the BFCM Group as of and for the six-month period ended 30 June 2013 and the auditors' report thereon available on the Group's website at the address referred to below (the "**BFCM 2013 Half-Year Financial Statements**").

3) the English translation of certain financial information of the Group as of 30 June 2013 based on the recommendations of the Financial Stability Board (the "**FSB Information**").

The CM11-CIC 2013 Half-Year Financial Statements, BFCM 2013 Half-Year Financial Statements and the 2012 Information Document to which this document is an update are available on the website of the BFCM Group at the following addresses:

FSB Information	http://www.bfcm.creditmutuel.fr/en/bfcm/pdf/FSBCM11CIC_june_2013.pdf
CM11-CIC 2013 Half-Year Financial Statements	http://www.bfcm.creditmutuel.fr/en/bfcm/pdf/CM11CIC_RFS_ENG_2013.pdf
BFCM 2013 Half-Year Financial Statements	http://www.bfcm.creditmutuel.fr/en/bfcm/pdf/BFCM_RFS2013_VA.pdf
2012 Information Document	http://www.bfcm.creditmutuel.fr/fr/bfcm/pdf/BFCM_INFORMATION_DOCUMENT_MAI2013.pdf

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

SUMMARY FINANCIAL DATA FOR THE GROUP

Investors should read the following summary consolidated financial data together with the historical consolidated financial statements of the Group, the related notes thereto and the other financial information included in the Information Document. The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards, as adopted in the European Union. The unaudited interim condensed consolidated financial statements as at and for the six-month period ended 30 June 2013 have been subject to limited review by Ernst & Young et Autres and KPMG Audit.

Summary Consolidated Balance Sheet Data of the Group

(in millions of euros)	**At 31 December 2012 (CM11-CIC)**	**At 30 June 2013 (CM11-CIC)**
Assets		*(unaudited)*
Financial assets at fair value through profit or loss	44,329	46,979
Available-for-sale financial assets	72,064	75,217
Loans and receivables due from credit institutions	53,924	44,839
Loans and receivables due from customers	269,411	272,688
Held-to-maturity financial assets	13,718	12,103
Other assets	45,781	42,633
Total Assets	**499,227**	**494,459**
Liabilities and Shareholders' Equity		
Financial liabilities at fair value through profit or loss	31,539	33,798
Hedging Derivative Instruments	2,789	2,209
Due to credit institutions	28,885	19,735
Due to central banks	343	358
Due to customers	216,503	217,739
Debt securities	93,919	94,661
Technical reserves of insurance companies	72,712	74,372
Provisions	2,002	2,023
Remeasurement adjustment on interest rate risk-hedged portfolios	(3,451)	(2,598)
Current tax liabilities	674	609
Deferred tax liabilities	885	854
Accruals and other liabilities	16,284	13,838
Subordinated debt	6,375	6,310
Minority interests	2,441	2,384
Shareholders' equity - group share	**27,326**	**28,170**
Total Liabilities and Shareholders' Equity	**499,227**	**494,459**

Summary Income Statement Data of the Group

(in millions of euros)	**Six-month period ended 30 June 2012[(1)] (CM11-CIC) (restated)**	**2013 (CM11-CIC)**
	(unaudited)	*(unaudited)*
Net banking income	**5,831**	**6,062**
Gross operating income/(loss)	**2,119**	**2,191**
Cost of risk	(568)	(551)
Operating income/(loss)	**1,551**	**1,640**
Share of income/(loss) of associates	(58)	(23)
Net income attributable to the Group	**857**	**911**

(1) Restated for the application of IAS 19R. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Restatement of the Half-Year 2012 Consolidated Financial Information" below.

SUMMARY FINANCIAL DATA FOR THE BFCM GROUP

Investors should read the following summary consolidated financial data together with the historical consolidated financial statements of the BFCM Group, the related notes thereto and the other financial information included in the Information Document. The consolidated financial statements of the BFCM Group have been prepared in accordance with International Financial Reporting Standards, as adopted in the European Union. The unaudited interim condensed consolidated financial statements as at and for the six-month period ended 30 June 2013 have been subject to limited review by Ernst & Young et Autres and KPMG Audit.

Summary Consolidated Balance Sheet Data of the BFCM Group

(in millions of euros)	**At 31 December 2012**	**At 30 June 2013**
Assets		
Financial assets at fair value through profit or loss	43,091	45,937
Available-for-sale financial assets	63,570	66,492
Loans and receivables due from credit institutions	70,703	59,252
Loans and receivables due from customers	165,775	168,248
Held-to-maturity financial assets	11,593	10,226
Other assets	42,473	39,170
Total Assets	**397,205**	**389,325**
Liabilities and Shareholders' Equity		
Financial liabilities at fair value through profit or loss	30,970	33,363
Hedging Derivative Instruments	2,763	2,179
Due to credit institutions	34,477	23,281
Due to central banks	343	358
Due to customers	134,864	134,585
Debt securities	93,543	94,258
Technical reserves of insurance companies	62,115	63,802
Provisions	1,512	1,546
Remeasurement adjustment on interest rate risk-hedged portfolios	(1,947)	(1,422)
Current tax liabilities	446	335
Deferred tax liabilities	805	777
Accruals and other liabilities	13,430	11,818
Subordinated debt	7,836	7,784
Minority interests	3,338	3,388
Shareholders' equity - group share	**12,709**	**13,274**
Total Liabilities and Shareholders' Equity	**397,205**	**389,325**

Summary Income Statement Data of the BFCM Group

	Six-month period ended 30 June	
(in millions of euros)	**2012[(1)] (restated)**	**2013**
Net banking income	**4,215**	**4,280**
Gross operating income	**1,611**	**1,576**
Cost of risk	(506)	(486)
Operating income/(loss)	**1,105**	**1,089**
Share in income/(loss) of associates	(53)	(15)
Net income attributable to the Group	**538**	**529**

(1) Restated for the application of IAS 19R. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Restatement of the Half-Year 2012 Consolidated Financial Information" below.

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

The following discussion and analysis should be read in conjunction with the consolidated financial statements of the Group and the BFCM Group, in each case together with the related notes thereto, incorporated by reference in this Update No. 1. Such consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

Presentation of Information in this Section

This section contains an analysis of the results of operations of both the Group and the BFCM Group.

- The Group is a mutual banking group that includes the Crédit Mutuel Local Banks that are members of the federations included in the Group, as well as the entities that are directly or indirectly owned by those Local Banks (mainly BFCM and its subsidiaries). Consolidated financial statements are prepared for the Group in accordance with IAS 27, based on the community of interests of the members. See Note 1.2 to the CM-CIC 2012 Financial Statements (as defined in the 2012 Information Document) for more details.

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

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

- The entire BFCM Group is included in the Group.

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

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

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

Restatement of the Half-Year 2012 Consolidated Financial Information

The financial information for the Group and the BFCM Group for the six-month period ended 30 June 2012, presented in the unaudited consolidated financial statements of the BFCM Group and the Group as of and for the six-month periods ended 30 June 2013, has been restated to account for the application of IAS 19R. See Note 1b in the Group's unaudited consolidated financial statements for the six-month period as at and ended 30 June 2013 and Note 1b in the BFCM Group's unaudited consolidated financial statements for the six-month period as at and ended 30 June 2013.

Results of Operations

Six-month period ended 30 June 2013 compared with six-month period ended 30 June 2012

Economic Environment

The decisive action taken by central banks around the world helped put an end to the downward spiral of 2012. Despite large-scale monetary easing, however, economic growth remains anemic. Only the United States appears to have truly exited the crisis. Europe’s economic deterioration is easing, but the recession continues and is expected to last through the end of 2013. Meanwhile, the emerging countries, which have fared well to this point in the economic crisis, are struggling to maintain growth. Their growth rates continue to fall, weighed down by declining demand from the developed countries.

The United States is setting the pace for exiting the crisis. Despite considerable austerity measures at the beginning of the year, economic activity remained sustained. Tax increases were absorbed by households, which did not hesitate to dip into their savings, a sign of their renewed confidence in the future. This economic improvement is supported by a real estate sector in full recovery. Rising real estate prices are accompanied by increased unit sales, leading to inventory depletion and, ultimately, an increase in new construction. This acceleration in growth is expected to continue in the second half, prompting the US Federal Reserve to adjust its strategy. It is now considering tapering the volume of monthly securities purchases (currently $85 billion) before year-end. The impact of this adjustment was an increase in U.S. sovereign debt yields, which drove up yields in the rest of the world as substantial capital outflows from emerging markets were recorded. This upward trend is expected to continue slowly, along with a rise in the dollar against all currencies.

In Europe, the ECB’s positioning as the lender of last resort enabled continued easing in financial markets and helped to slow the deterioration in the economic environment. Although earlier fears that the single currency might disappear have subsided, the European economic outlook remains uncertain. Italy faced a major political impasse in the first half of 2013, which resulted in a fragile governing coalition that in turn prompted fears of weaker resolve to clean up public-sector finances. The banking crisis that enveloped Cyprus forced the government to seek assistance from international financial institutions. This assistance was granted only reluctantly and on the condition of a total restructuring of the country’s financial system. Contributions from private-sector creditors of Cyprus’ banks were required for the public-sector capital injections. Discussions regarding the creation of a European banking union have prompted governments to agree to a single European oversight authority, the ECB, and the European standardization of national rules to manage bank failures. These discussions have nonetheless not yet led to definitive measures and banking risk remains linked to sovereign risk for the time being.

In Europe, the first half of 2013 was marked by the European Commission’s policy changes on the appropriate degree of austerity. GDP contractions erased many of the gains achieved through painstaking efforts by countries in distress, stoking fears of an extended recession as a result of repeated budgetary cutbacks. Governments are now being encouraged to continue their structural reforms but have been granted more time to satisfy their public-sector deficit reduction targets. Given that quantitative easing continues and company restructurings have yielded their first beneficial results, this adjustment has enabled the European economy to enter a stabilization phase. Growth rates are still negative, but the declines are less severe and growth is now expected to return in 2014.

In France, the balance between austerity and growth remains difficult to achieve. The two additional years granted by the European Commission to achieve the 3% public-sector deficit target could enable the country to avoid falling into a recession by limiting the scope of budgetary cutbacks and tax increases. The French government still needs to continue to implement structural reforms in order to ensure the credibility of its credit rating and avoid a spike in sovereign debt yields. That being said, business confidence and order books have begun to improve in the past several months, supported by global demand, which suggests that the recession has bottomed out. The prospects for a rebound are nevertheless limited and it will be very difficult to achieve positive economic growth in 2013.

In Japan, the central bank (BoJ) implemented an electroshock strategy in early April 2013 in an attempt to stimulate the country’s economy and combat deflation. With a sovereign bond purchase program unprecedented in scope, the BoJ has shown its willingness to act. This monetary initiative came on the heels of budgetary stimulus and was followed by a structural reform plan, which is expected to be implemented starting in the fall of 2013.

In the emerging countries, the economic environment deteriorated during the first half of 2013. Weak demand from developed countries penalized exports and domestic demand was not sufficiently robust in the emerging markets to compensate. Also, countries with economies are based on commodities have been affected by the slowing growth in China, which is currently pushing through reforms to accelerate the deregulation of its economy. Despite budgetary and monetary support measures adopted in all emerging countries, economic weakness could continue, especially in the event of massive capital outflows induced by the decision of the US Federal Reserve to end quantitative easing. The perspective of less abundant liquidity worldwide could drive up the cost of credit, thereby curtailing potential increases in investment that has supported growth in recent years. Emerging countries' GDP growth rates are therefore expected to stagnate in the coming months before gradually recovering by year-end, helped by Europe's rebound and U.S. economic health.

Group Activity Overview

Activity levels in the six-month period ended 30 June 2013 were moderate overall, reflecting the complex market environment. The Group recorded increases in customers, loans and deposits on a comparable basis. In particular:

- The number of clients of the CM11-CIC Group increased by approximately 180,000 to approximately 23.8 million at the end of the twelve-month period ended 30 June 2013.

- Customer loans outstanding increased by €3.9 billion compared to 30 June 2013 to €273 billion at 30 June 2013. The 30 June 2013 figure reflected growth of 4.1% in investment loans (equipment loans) on a comparable basis as compared to 31 December 2012 and 1.7% growth in home loans, on a comparable basis, as compared to 31 December 2012.

- Customer deposits grew by 5.2% compared to 31 December 2012, reflecting growth in regulated deposits (such as *Livret A* and *Livret Bleu*), up 20.5% on a comparable basis over 31 December 2012, and average savings account balances, up 10.0% on a comparable basis over 31 December 2012. Such customer deposits stood at €215 billion as at 30 June 2013.

- The Group added, on a net basis, more than 1.3 million new insurance contracts in the six-months ended 30 June 2013, raising the total portfolio to 25.7 million policies.

As compared to 31 December 2012, the net banking income of the CM11-CIC retail banking network increased by 6.4% to €4,645 million, on a constant basis. This can be traced to increases in net interest income and fee and commission income on loans and insurance products. The outstanding customer loans of the CM11-CIC retail banking networks increased 1.4% on a comparable basis over 31 December 2012 to €272.7 billion at 30 June 2013. Deposits of the CM11-CIC retail banking networks increased by 5.4% on a comparable basis over 31 December 2012, to €510.5 billion as at 30 June 2013.

In the insurance segment, the overall number of contracts written reached 25.7 million, for a gross increase of 5.4%, and consolidated gross revenue increased by 29.9% to €5.3 billion due to sustained collections in life insurance and the consolidation of the Spanish company Agrupacio AMCI, which represented €82 million of revenues in the first half of 2013.

In the financing and markets segment, net banking income decreased by 19.9%, due in part to contraction in CM-CIC Marchés in France, despite growth at the New York branch and at Cigogne Management, an alternative asset manager based in Luxembourg.

Group Results of Operations

The Group's results of operations in the six-month period ended 30 June 2013 reflected a complicated economic environment with positive trends in the retail banking sector and strong growth in life insurance sales. Continuing uncertainty particularly affected financial and market activities, but also weighed on net banking income from the Group's private banking, private equity and logistics segments. Gains in overall net banking income were tempered by higher operating expenses, primarily due to new social security charges and taxes, which was offset by a lower cost of risk from ongoing banking activities.

The following table sets forth the evolution of the Group's key income statement items in the six-month periods ended 30 June 2013 and 2012.

(in millions of euros)	**Six-month period ended 30 June,** **2012 (Restated)**	**2013 (Actual)**	**Change 1H 2013/1H 2012 (Actual)**	**Change 1H 2013/1H 2012 (At constant scope)**
Net banking income	**5,831**	**6,062**	**4.0%**	**3.2%**
Operating expenses and Depreciation, amortization and provisions for non-current assets	(3,712)	**(3,872)**	**4.3%**	**3.2%**
Gross operating income	**2,119**	**2,191**	**3.4%**	**3.3%**
Cost of risk	(568)	**(551)**	**(3.0)%**	**(3.0)%**
Operating income	**1,551**	**1,640**	**5.7%**	**5.6%**
Share of income / (loss) of affiliates	(58)	**(23)**	**n/s**	**n/s**
Gains / (losses) on other assets	12	**2**	**n/s**	**n/s**
Change in value of goodwill	0	**(15)**	**n/s**	**n/s**
Net income before tax	1,505	**1,603**	**6.5%**	**6.3%**
Income tax	(546)	**(593)**	**8.6%**	**8.4%**
Net income	**959**	**1,010**	**5.3%**	**5.1%**
Net income attributable to minority interests	102	**99**	**(2.9)%**	**--**
Net income – Group share	**857**	**911**	**6.3%**	**--**

Net Banking Income

Net banking income of the CM11-CIC Group was €6,062 million for the six-month period ended 30 June 2013, for an increase of 4.0%, on an actual basis, compared to the six-month period ended 30 June 2012. The key components of the changes in the Group's net banking income from the six-month period ended 30 June 2013 included the following:

- An increase of 30.4% in net interest income, from €2,310 million in the six-month period ended 30 June 2012 to €3,012 million in the same period in 2013, as result of improvements in interest income margins due to growth in average account balance on regulated accounts, including a large increase in *Livret Bleu* and *Livret A* regulated accounts, following a 2012 increase in the regulatory ceiling on the amount individuals may deposit in such accounts. Average interest spreads also increased in the first half of 2013.

- Net commission income increased by 5.8% from €1,344 million in the six-month period ended 30 June 2012 to €1,422 million in the same period in 2013. Gross commission income increased due to increased commissions on loan origination and insurance products.

- Financial instruments at fair value showed a significant decline from income of €798 million in the six-month period ended 30 June 2012 to a loss of €37 million in the six-month period ended 30 June 2013, reflecting primarily fluctuations in the value of proprietary trading activities.

Retail banking and insurance together represented approximately 89.3% of net banking income in the six-month period ended 30 June 2013 and 85.7% in the six-month period ended 30 June 2012. The following table presents a breakdown of net banking income by business segment. See "—Results of Operations by Segment" for an analysis of net banking income and other income statement items by business segment.

(in millions of euros)	Six-month period ended 30 June, 2012	2013	Change (1H 2013/1H 2012) (Actual)	Change 1H 2013/1H 2012 (At constant scope)
Retail banking	4,356	4,645	6.6%	6.4%
Insurance	639	770	20.5%	15.7%
Financing and market activities	562	452	(19.7)%	(19.7)%
Private banking	248	247	(0.5)%	(0.5)%
Private equity	72	65	(10.1)%	(10.1)%
Logistics and holding	243	166	(31.8)%	(31.8)%
Inter-segment	(289)	(282)	(2.5)%	n/s
Total	**5,831**	**6,062**	4.0%	3.2%

The geographical breakdown of the Group's net banking income reflects its focus on local banking and insurance in its home market of France, which represented approximately 82.6% of net banking income for the six-month period ended 30 June 2013, a slightly smaller share than for the six-month period ended 30 June 2012, due significantly increased activity outside of Europe. The following table provides a breakdown of the Group's net banking income by region in the six-month periods ended 30 June 2013 and 2012.

(in millions of euros)	Six-month period ended 30 June, 2012	2013	Change (1H 2013/1H 2012)
France	4,839	5,007	3.5%
Europe excluding France	914	963	5.4%
Other countries	78	92	18.0%
Total	**5,831**	**6,062**	4.0%

Gross operating income

Gross operating income was €2,191 million in the six-month period ended 30 June 2013, compared to €2,119 million for the six-month period ended 30 June 2012, for an increase of 3.4%, on an actual basis. This reflected the increase in net banking income described above, partially offset by a slight increase in operating expenses due to new taxes, such as the systemic risk tax, which had a net impact of €21.9 million in 2013, and new social security measures.

The cost-to-income ratio remained flat at 63.9% for the six-month period ended 30 June 2013.

Operating expenses and depreciation, amortization and provisions for non-current assets totaled €3,872 million in the six-month period ended 30 June 2013, up 4.3%, on an actual basis, reflecting the consolidation of Agrupacio ACMI, as well as the following:

- Payroll costs increased by 4.2%, from €2,222 million in the six-month period ended 30 June 2012 to €2,316 million for the first half of 2013, despite a decrease in the average number of employees from 62,202 in the six-month period ended 30 June 2012 to 61,525 in the same period in 2013, primarily as a result of an increase in accruals for taxes on employee profit-sharing expenses and social security charges. The average number of employees in France decreased by 2.3%, while the average number of employees outside of France increased by 5.1%.

- Other operating expenses (including depreciation and amortization) increased by 4.3%, totaling €1,555 million in the six-month period ended 30 June 2013, compared to €1,490 million in the six-month period ended 30 June 2012. External services, which includes many general overhead charges as well as professional services such as advertising, account for the largest share of these expenses, and were €1,055 million in six months ended 30 June 2012 and €1,082 million in 2013, for an increase of 2.6%.

Cost of Risk

The Group's cost of risk decreased to €551 million in the six-month period ended 30 June 2013, representing a decrease of 3.0% compared to €568 million recorded in the same period in 2012. The first half 2012 figure includes a €30 million impairment charge relating to Greek sovereign debt obligations. Excluding the Greek sovereign debt charge, the cost of risk increased by 2.5% in the first half of 2013. Specific provisions relating to client activity increased by €31 million, which reflects the difficult economic climate. The cost of risk remained at 0.38% of outstanding customer loans at 30 June 2013 as it had been at 30 June 2012. See "—Analysis of Cost of Risk and Doubtful Loans" for more detail.

Operating income

Operating income was €1,640 million in the six-month period ended 30 June 2013, representing a increase of 5.7%, on a actual basis, compared to operating income €1,551 million for the six-month period ended 30 June 2012. The increase in operating income was primarily the result of the increase in net banking income, as described above, and the decrease in cost of risk, offset in part by increased operating expenses.

Other income statement items

Share of income/(loss) of associates. The Group's share of losses of associates (i.e., companies accounted for under the equity method) decreased from €58 million in the six-month period ended 30 June 2012 to €23 million in the same period in 2013. The variation reflects €25 million in net income from the Group's interest in *Banco Popular Español* and €22 million in income from *Banque Marocaine du Commerce Extérieur*, offset by a goodwill impairment charge of €32 million taken on the Group's interest in *Banco Popolare di Milano*, in addition to the €18 million loss that the Group recorded as its share of the net loss of this entity.

Gains (losses) on other assets. The Group's net gains on other assets declined from €12 million in the six-month period ended 30 June 2012 to €2 million in the same period in 2013, reflecting primarily a negative base effect, due to a decrease in proceeds from the sale of assets, which declined from €16 million the six-month period ended 30 June 2012 to €8 million in the first half of 2013.

Income tax. The Group recorded corporate income tax expense for the six-month period ended 30 June 2013 of €593 million, up 8.6%, on an actual basis, compared to €546 million for the same period in 2012, reflecting the increased operating income and increases in deferred income expense and unfavorable adjustments to tax accruals of prior periods.

Net income

Net income, group share, was €911 million for the six-month period ended 30 June 2013, an increase of 6.3% compared to €857 million for the same period in 2012. The increase resulted from the factors described above, primarily increased operating income.

Results of Operations by Segment

Retail Banking

Retail banking is by far the Group's largest segment. In the six-month period ended 30 June 2013, 76.6% of the Group's net banking income came from the retail banking segment. The following table sets forth information relating to the results of operations of the retail banking segment in the six-month periods ended 30 June 2012 and 2013.

(in millions of euros)	**Six-month Period Ended 30 June** 2012	2013	**Change (1H 2013/1H 2012) (Actual)**	**Change (1H 2013/1H 2012) (At constant Scope)**
Net banking income	4,356	4,645	6.6%	6.4%
Operating expenses	(2,901)	(2,968)	2.3%	1.9%
Gross operating income	1,455	1,677	15.2%	15.2%
Cost of risk	(455)	(519)	14.0%	14.0%
Net gain (loss) on disposal of other assets	6	22	n/s	n/s
Net income before tax	1006	1180	17.3%	17.3%
Income tax	(350)	(402)	15.0%	15.0%
Net income	656	777	18.6%	18.6%

Retail banking activity showed some dynamism in the six-month period ended 30 June 2013, despite the difficult market environment:

- At 30 June 2013, net banking income from the retail banking segment increased by 6.4%, on a constant basis and 6.6% on an actual basis, to €4,645 million as a result of growth in average balances in regulated accounts such as the *Livret Bleu* and the *Livret A*, for which deposits grew by 16.4%, primarily as a result of the increase in the regulatory ceiling in 2012 on the amount that could be held in such accounts. Average spreads on new loan production also increased. In addition net banking income benefited from increases in net commissions from loan origination and sales of insurance products.

- Customer deposits of the retail banking networks increased from €176.8 billion at 30 June 2012 to €184.8 billion at 30 June 2013, representing an increase of 4.5% on a comparable basis. The CM11 network accounted for 46.2% of the increase in deposits, while CIC and Targobank Germany accounted for 36.2% and 10.0% respectively.

- Customer loans of the retail banking networks grew from €224.1 billion at 30 June 2012 to €227.6 billion at 30 June 2013, an increase of 1.5% on a constant basis. The CIC network accounted for approximately 44.4% of these loans, while CM11, Targobank Germany, and BECM accounted for 45.9%, 4.6%, and 4.5%, respectively.

As a result of the increase in customer deposits and loans, net banking income from the retail banking segment increased by 6.4%, on a constant basis, in the six-month period ended 30 June 2013, compared to the six-month period ended 30 June 2012. The increase was due to wider interest margins as well as an increase in fee and commission income for loan origination and insurance sales, which reflects general economic trends, as well as a recovery in the real estate sector, especially outside of Paris.

Net banking income from the CM11 and CIC retail banking networks increased by 6.8%, on an actual basis, from €3,645 million to €3,895 million in the six-month periods ended 30 June 2012 and 2013, respectively, as a result of increases in average deposits in *Livret* Bleu and *Livret A* savings accounts, as well as 19 new points of sale in the CIC network and the addition of 185,000 new customers in the two networks combined.

Net banking income from Targobank Germany increased by 4.5%, to €679 million in the six-month period ended 30 June 2013, reflecting the increase of 2.7% in loan origination and the opening of 12 new branches over the prior 12 months, as well as the introduction of automobile loan products and asset management services targeted at German retail clients.

Net banking income from Cofidis increased to €551 million, corresponding to growth of 2.8%, in the six-month period ended 30 June 2013, reflecting a 7% increase in consumer loans compared to 2012, despite a generally declining trend consumer credit markets overall. These figures do not include net banking income and financings of Sofemo, a consumer finance subsidiary of BFCM that was contributed to Cofidis in April 2013.

In the context of economic contraction in the banking sector, Banque Casino experienced significant growth, with an 18% increase in loan origination and a 63% increase in debit/credit card holders. In 2013, the average loan balance outstanding for this business increased 8% to €552 million.

Net commission income from retail banking represented 23.5% of net banking income. Approximately €547 million of commissions were paid by the insurance segment for the distribution of insurance products by the retail networks in the first half of 2013.

Gross operating income of the retail banking segment increased from €1,455 million in the six-month period ended 30 June 2012 to €1,677 million for the same period in 2013, representing an increase of 15.2% on a constant basis. Operating expenses increased by 1.9% in the first six months of 2013, at constant scope. The cost-to-income ratio of the retail banking segment improved to 63.9% for the six-month period ended 30 June 2013 from 66.6% for the same period in 2012, reflecting increased net banking income despite an increase in social security charges and taxes.

The cost of risk in the retail banking segment increased by 14.0%, on a constant basis, in the first half of 2013 compared to the same period in 2012, essentially as a result of a worsening economic climate, which primarily affected professional and business clients of the segment.

As a result of the above factors, net income from retail banking totaled €777 million for the six-month period ended 30 June 2013, up 18.6%, on a constant basis, compared to €656 million for the same period in 2012.

Insurance

In the six-month period ended 30 June 2013, 12.7% of the Group's net banking income, came from the insurance segment. The following table sets forth information relating to the results of operations of the insurance segment in the six-month period ended 30 June 2012 and 2013, as presented in the Group's consolidated financial statements.

	Six-month Period Ended 30 June		**Change (1H 2013/1H 2012) (Actual)**	**Change (1H 2013/1H 2012) (At constant scope)**
(in millions of euros)	**2012**	**2013**		
Net banking income	639	770	20.5%	15.7%
Operating expenses	(183)	(217)	18.5%	3.0%
Gross operating income	456	553	21.4%	20.8%
Cost of risk	0	0	n/s	n/s
Other net income / (loss)(1)	5	(44)	n/s	n/s
Net income before tax	460	509	10.5%	10.0%
Income tax	(168)	(196)	16.5%	15.9%
Net income	292	312	7.1%	6.6%

(1) Includes net gain (loss) on disposal of assets, share of net income (loss) of associates and goodwill impairment charges.

Net banking income from insurance activities increased by 15.7%, on a constant basis, to €770 million in the six-month period ended 30 June 2013, excluding the integration of the new Spanish insurance subsidiary, Agrupacio AMCI (held at 77.4%), which accounted for €30.7 million in net banking income.

- Insurance premiums increased by 28% to €5.3 billion in the six-month period ended 30 June 2013. The revenue for life insurance lines increased significantly, with €3.4 billion in funds collected in the first half of 2013, a 45% increase compared to the same period in 2012. Net collections were €1.3 billion in the first half of 2013.

- Property-casualty insurance accounted for €722 million of revenue, up 7% for the first half of 2013, of which personal injury and health insurance accounted for €1.2 billion in premiums, up 4% during this period.

- Positive underwriting and claims experience allowed the insurance segment to record net banking income of €770 million, up 15.7%. The segment paid €547 million in sales commissions during the six-month period ended 30 June 2013 to the various network members marketing insurance products, up 4.2% compared to the first half of 2012.

Operating expenses increased to €217 million in the six-month period ended 30 June 2013 from €183 million for the same period in 2012, for an increase of 18.5% on an actual basis largely as a result of a change in scope (integration of the new Spanish insurance subsidiary, Agrupacio AMCI). At constant scope, operating expenses in the insurance segment increased by 3.0% between 2012 and 2013.

The results of the insurance segment also reflected other net losses of €44 million in the six-month period ended 30 June 2013, compared to other net income of €5 million in the six-month period ended 30 June 2012.

Income tax charges increased in the six-month period ended 30 June 2013 as a result of improved operating income.

For the reasons described above, net income from the insurance segment totaled €312 million in the six-month period ended 30 June 2013, up 6.6%, on a constant basis, compared to €292 million for the same period in 2012.

Financing and Market

In the six-month period ended 30 June 2013, 7.4% of the Group's net banking income came from the financing and market segment. The following table sets forth information relating to the results of operations of the financing and market segment in the six-month period ended 30 June 2012 and 2013.

	Six-month Period Ended 30 June		**Change (1H 2013/1H 2012)**
(in millions of euros)	**2012**	**2013**	
Net banking income	562	452	(19.7)%
Operating expenses	(151)	(150)	(0.5)%
Gross operating income	411	301	(26.7)%
Cost of risk	(49)	(11)	(76.8)%
Net gain (loss) on disposal of other assets	0	0	n/s
Net income before tax	362	290	(19.9)%
Income tax	(137)	(105)	(23.7)%
Net income	225	185	(17.6)%

Financing

Net banking income from financing activities decreased from €178 million in the six-month period ended 30 June 2012 to €151 million in the same period in 2013, for a decrease of 14.9%, on an actual and constant basis. The decrease reflected primarily narrowing net interest margins in a difficult economic context. Outstanding loans and financing commitments were €14.7 billion as of 30 June 2013, while deposits in this business line were €4.5 billion as of the same date.

Gross operating income decreased from €133 million in the six-month period ended 30 June 2012 to €102 million in the same period in 2013. While net banking income decreased, operating expenses increased by

9.1% from €45 million in the six-month period ended 30 June 2012 to €49 million in the six-month period ended 30 June 2013 as a result of the imposition of the systemic risk tax.

The cost of risk decreased by 63.2% to €11 million in the six-month period ended 30 June 2013, compared to €31 million in the same period in 2012, as a result of a decrease in general loss allowances of €25.9 million that compensated for an increase of €6.6 million in identified risks.

Income taxes decreased from €34 million in the six-month period ended 30 June 2012 to €30 million in the same period in 2013, due to the decrease in operating income.

As a result of the foregoing, net income from financing activities decreased to €61 million, compared to €68 million in the six-month period ended 30 June 2012.

Market activities

Net banking income from market activities totaled €300 million in the six-month period ended 30 June 2013, compared to €385 million in the same period in 2012, on an actual and constant basis. CM-CIC Marchés in France recorded a decline of 22% in net banking income in the first half of 2013, as other market activities remained virtually flat with the exception of the net banking income of the New York branch and Cigogne Management, which increased respectively, compared to 30 June 2012.

Gross operating income was €199 million in the six-month period ended 30 June 2013, representing a decline of 28.5% compared to gross operating income of €278 million in the same period in 2012. The decrease in gross operating income essentially reflected the 21.9% decline in net banking income, while operating expenses decreased 4.5%, to €101 million in the first half of 2013, compared to €106 million in the same period in 2012.

The cost of risk from market activities decreased from €19 million in the six-month period ended 30 June 2012 to zero for the same period in 2013.

As a result, net income before tax from market activities decreased to €199 million in the six-month period ended 30 June 2013, compared to €260 million in the same period in 2012. After tax, net income was €125 million in the six-month period ended 30 June 2013 compared to €157 million in the same period in 2012.

Private Banking

In the six-month period ended 30 June 2013, 3.9% of the Group's net banking income came from the private banking segment. The following table sets forth information relating to the results of operations of the private banking segment in the six-month period ended 30 June 2012 and 2013.

	Six-month Period Ended 30 June		**Change (1H 2013/1H 2012)**
(in millions of euros)	**2012**	**2013**	
Net banking income	248	247	(0.5)%
Operating expenses	(167)	(173)	3.7%
Gross operating income	82	74	(9.1)%
Cost of risk	0	(3)	n/s
Net gain (loss) on disposal of other assets	7	0	n/s
Net income before tax	88	71	(19.0)%
Income tax	(21)	(21)	0.0%
Net income	67	51	(24.6)%

Net banking income from private banking totaled €247 million in the six-month period ended 30 June 2013, which was virtually unchanged compared to €248 million in the same period in 2012, reflecting a decline of €8 million in net banking income from *Banque de Luxembourg* where the interest income decline was only partially compensated by an increase in commission income. The decline was compensated by a €10 million increase in revenues at *CIC Suisse* and *Banque Transatlantique*.

The following table provides information regarding the level of activity of the private banking segment in the six-month period ended 30 June 2012 and 2013.

(in billions of euros)	**31 December 2012**	**30 June 2013**	**Change (1H 2012/1H 2013)**
Deposits	15.7	16.3	3.8%
Loans	7.5	8.3	13.0%
Savings managed	81.7	81.5	(0.3)%

Operating expenses increased by 3.7% to €173 million in the six-month period ended 30 June 2013, compared to €167 million in the same period in 2012, primarily as a result of the accrual of provisions for retirement commitments.

Given the decrease in net banking income and the slight increase in operating expenses, gross operating income decreased 9.1%, from €82 million in the six-month period ended 30 June 2012 to €74 million in the same period in 2013.

The cost of risk increased from zero for the six-month period ended 30 June 2012 to €3 million in the same period in 2013, reflecting the slight increase in specific risks.

As a result of the above factors, net income from private banking decreased to €51 million for the six-month period ended 30 June 2013, compared to €67 million for the same period in 2012.

Private Equity

In the six-month period ended 30 June 2013, 1.0% of the Group's net banking income came from the private equity segment. The following table sets forth information relating to the results of operations of the private equity segment in the six-month period ended 30 June 2012 and 2013.

	Six-month Period Ended 30 June		**Change (1H 2013/1H 2012)**
(in millions of euros)	**2012**	**2013**	
Net banking income	72	65	(10.1)%
Operating expenses	(17)	(15)	(7.9)%
Gross operating income	55	49	(10.7)%
Cost of risk	0	(0)	n/s
Net gain (loss) on disposal of other assets	0	0	n/s
Income tax	1	(1)	n/s
Net income	56	48	(14.0)%

The private equity segment continued to experience difficult conditions in the six-month period ended 30 June 2013, with net banking income of €65 million, compared to €72 million in the same period in 2012. The decrease reflects the difficult market environment, with a decrease in the value of and capital gains realized on the portfolio.

The following table provides a breakdown of investments and amounts managed by the segment at 30 June 2013.

(in millions of euros)	**As at 30 June 2013**
Total investments by the Group made in the six-month period	50
Cumulative amount invested by the Group(1)	1,649
Value of Group portfolio excluding amounts managed for third parties	1,818
Amounts managed for third parties(2)	663

(1) Of which 83% invested in unlisted companies and the remainder in listed companies and funds.
(2) Including investment commitment.

Operating expenses decreased by 7.9%, on an actual and constant basis, in the six-month period ended 30 June 2013 compared to the same period in 2012, and net income from private equity totaled €48 million in the six-month period ended 30 June 2013, compared to €56 million in the same period in 2012, as a result of the above factors.

Logistics and Holdings

	Six-month period ended 30 June		Change (1H 2013/1H 2012)
(*in millions of euros*)	**2012**	**2013**	
Net banking income	243	166	(31.8)%
Operating expenses	(583)	(629)	8.0%
Gross operating income	(340)	(464)	36.5%
Cost of risk	(63)	(17)	(72.5)%
Gains or losses on other assets	(63)	(15)	(76.1)%
Net income before tax	(466)	(496)	6.5%
Income tax	129	132	2.0%
Net income	(336)	(364)	(8.2)%

The logistics and holding segment generated net banking income of €166 million in the six-month period ended 30 June 2013, compared to net banking income of €243 million in the same period in 2012. These figures reflect the following for the two principal components of this segment:

- The "logistics and other" business of the Group produced net banking income of €644 million in the six-month period ended 30 June 2013, compared to €632 million in the same period in 2012, an increase of 1.8%. This reflects primarily growth at EI Telecom, which contributed €10 million to the net banking income for this segment, due to net income growth of 76% compared to 2012. Euro Protection Surveillance also contributed €8 million to the net banking income of the logistics segment, although its growth was limited to 3% in 2013. These two factors compensated for an €18 million loss in the Group's press activity in the first six months of 2013.

- The "holding company" activities of the Group generated negative net banking income of €478 million in the six-month period ended 30 June 2013, compared to negative net banking income of €389 million in the same period in 2012. The difference reflects lower margins on refinancing activities of BFCM and CIC, and the absence in 2013 of significant revenues recorded in the first half of 2012 from sales of listed equity securities. The 2013 figure includes the cost of refinancing of TARGOBANK Germany, the cost of providing for the working capital requirements certain Group entities, as well as amortization of purchase accounting entries relating to Targobank Germany, and start-up costs relating to CM11 Local Banks and CIC branches.

Operating expenses increased by 8.1%, from €583 million in the six-month period ended 30 June 2012 to €629 million in the same period in 2013, reflecting expenses incurred in preparation for the conversion of the entire group to a scalable common computing platform.

The cost of risk in this segment was €17 million for the six-month period ended 30 June 2013, compared to €63 million in the six-month period ended 30 June 2012, which included the impact of the depreciation of Greek bonds (€34 million in the six-month period ended 30 June 2012).

As a result of the foregoing, the logistics and holding segment showed a net loss of €364 million in the six-month period ended 30 June 2013, compared to net loss of €336 million in the same period in 2012.

Analysis of Cost of Risk and Doubtful Loans

The cost of risk decreased 3.0%, on an actual basis, to €551 million in the six-month period ended 30 June 2013, compared to the 2012 figure for the same period of €568 million. Cost of risk for the 2012 period included a €31 million charge related to the sale of securities received as consideration for the Group's exchange of Greek sovereign debt eligible for the Private Sector Involvement plan adopted 21 February 2012, which was not repeated in 2013. Excluding the Greek sovereign debt charge, cost of risk increased by 2.5% in the first half of 2013, due to an increase in specific provisions, partially offset by lower general provisions.

The Group's cost of risk from ordinary activities is relatively limited as a result of the nature of its retail banking oriented business model, and its conservative approach to risk taking and strong risk management and monitoring. In the first half of 2013, the cost of risk from customer activities represented 0.38% of outstanding customer loans, the same percentage as that recorded in the first half of 2012. The cost of risk was recorded mainly in the retail banking segment, which is the Group's largest segment. The following table shows the cost of risk for the principal activities of the retail banking segment as a percentage of loans to customers in the six-month period ended 30 June 2013 and 2012.

	For the 12-month period ended	
Cost of Risk (% of loans to customers)	**30 June 2012**	**30 June 2013**
Retail banking (excluding TARGOBANK Germany, Cofidis)	(0.14)%	(0.17)%
Individuals	(0.06)%	(0.06)%
Home loans	(0.04)%	(0.03)%
Retailers and artisans	(0.25)%	(0.24)%
Small and medium-sized enterprises	(0.26)%	(0.51)%
TARGOBANK Germany	(1.87)%	(1.81)%
Cofidis	(4.17)%	(4.40)%

In the six-month period ended 30 June 2013, the Group also saw an increase in the proportion of doubtful loans in its overall portfolio. The following table provides information on the Group's doubtful loans and provisions for possible loan losses in the six-month period ended 30 June 2012 and 2013 (certain figures in the table do not add due to rounding):

(in billions of euros)	**31 December 2012**	**30 June 2013**
Gross customer loans outstanding	276.8	280.1
Non-performing loans	11.4	11.8
Loans loss reserves	7.4	7.4
Of which specific reserves	6.8	6.8
Of which reserves for country, sector and other general risks	0.6	0.6
Doubtful loan ratio (doubtful loans / gross customer loans)	4.13%	4.20%
Coverage ratio of provisions to doubtful loans	64.66%	63.08%

BFCM Group Results of Operations

The results of operations of the BFCM Group in the six-month period ended 30 June 2013 were driven by the same factors that influenced the results of operations of the CM11-CIC Group, including the difficult economic context. The following table sets forth key figures for the BFCM Group in the six-month periods ended 30 June 2012 and 2013.

(in millions of euros)	**Six-month period ended 30 June**		**Change (1H 2013/1H 2012) (Actual)**	**Change (1H 2013/1H 2012) (At constant scope)**
	2012 (restated	**2013**		
Net banking income	**4,215**	**4,280**	**1.5%**	**0.8%**
Operating expenses and Depreciation, amortization and provisions for non-current assets	(2,604)	(2,704)	**3.8%**	**2.7%**
Gross operating income	**1,611**	**1,576**	**(2.2)%**	**(2.3)%**
Cost of risk	(506)	(486)	**(3.8)%**	**(3.8)%**
Operating income	**1,105**	**1,089**	**(1.4)%**	**(1.7)%**
Share of income/(loss) of affiliates	(53)	(15)	**(71.7)%**	**(71.7)%**
Gains or losses on other assets	10	1	**(90.0)%**	**(90.0)%**
Changes in value of Goodwill	0	(15)	**n/s**	**n/s**
Net income before tax	1,063	1,061	**(0.2)%**	**(0.4)%**
Income tax	(389)	(400)	**2.9%**	**2.6%**
Net income	**674**	**661**	**1.9%**	**(2.1)%**
Net income attributable to minority interests	136	132	**(2.9)%**	**(2.9)%**
Net income – Group share	**538**	**529**	**(1.7)%**	**(1.7)%**

Net Banking Income

BFCM Group net banking income increased from €4,215 million in the six-month period ended 30 June 2012 to €4,280 million in the same period in 2013, representing an increase of 1.5%, on an actual basis. The key components of the change in net banking income of the BFCM Group from the six-month period ended 30 June 2012 to 2013 included the following, all of which reflect the same factors applicable to the Group:

- A 43.5% increase in net interest income, from €1,426 million in the six-month period ended 30 June 2012 to €2,047 million in the six-month period ended 30 June 2013. Given that the structure of deposits is not identical for the two networks, as a result of differing client bases, the cost of capital declined more rapidly for CIC than for the CM11 network, generating a greater increase in interest margins.

- A 6.1% increase in net commission income, from €984 million in the six-month period ended 30 June 2012 to €1,044 million in the six-month period ended 30 June 2013, reflecting primarily an increase in commissions received on loan origination and insurance contract sales.

- A decrease in the gain on financial instruments at fair value, from income of €795 million in the six-month period ended 30 June 2012 to a loss of €27 million in the six-month period ended 30 June 2013, reflecting the fluctuations in the value of proprietary trading activities.

- An increase in the gain on sales of financial instruments available for sale, from €122 million in the six-month period ended 30 June 2012 to €183 million in the six-month period ended 30 June 2013, reflecting an increase in revenues from sales of sovereign instruments and an absence of impairment charges in 2013; and

- A 16.1% increase in other net banking income (net of other net banking charges), from €889 million in the six-month period ended 30 June 2012 to €1,032 million in the six-month period ended 30 June 2013, reflecting an increase in sales of insurance products.

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

(in millions of euros)	**Six-month period ended 30 June** **2012**	**2013**	**Change (1H 2013/1H 2012)**
Retail banking	2,918	3,086	5.5%
Insurance	605	723	19.4%
Financing and market activities	562	452	(19.7)%
Private banking	248	247	(0.5)%
Private equity	72	65	(10.1)%
Logistics and holding	(164)	(265)	(61.7)%
Inter-segment	(26)	(28)	(6.5)%
Total	**4,215**	**4,280**	**1.5%**

Net banking income of the BFCM Group grew by 1.5%, on an actual basis, for the first half of 2013 compared to the same period in 2012, primarily as a result of growth of 5.5% in retail banking, which represented 72.1% of the BFCM Group's revenues in the first half of 2013. Growth in the BFCM Group's net banking income was also due to large gains in the insurance sector, which grew by 14.3% on a constant basis and 19.4% on an actual basis. Including the integration of Agrupacio AMCI in Spain, the insurance segment accounted for 16.9% of the BFCM Group's revenues in 2013.

Net banking income from the other segments of the BFCM Group generally decreased primarily due to downturns in financing and market activities and in private equity activities. These reversals reflect the same factors described above in the analysis of the results of the CM11-CIC Group.

France represented approximately 75.3% of net banking income of the BFCM Group in the six-month period ended 2013 compared to 76.5% in the same period in 2012. The following table provides a breakdown of the BFCM Group's net banking income by region in the six-month periods ended 2012 and 2013.

(in millions of euros)	**Six-month period ended 30 June** **2012**	**2013**	**Change (1H 2013/1H 2012)**
France	3,223	3,224	0.0%
Europe excluding France	914	963	5.4%
Other countries	78	92	17.9%
Total	**4,215**	**4,280**	**1.5%**

Gross operating income

Gross operating income of the BFCM Group decreased by 2.3%, at constant scope, from €1,611 million in the six-month period ended 2012 to €1,576 million in the same period in 2013. Operating expenses increased by 4.2% from €2,464 million in the six-month period ended 2012 to €2,568 million in the same period in 2013, mainly due to new tax measures, such as the systemic risk tax, while depreciation and amortization charges were relatively stable at €141 million and €135 million for the periods ended 30 June 2012 and 2013, respectively. The BFCM Group's cost-to-income ratio increased to 62.9% in the six-month period ended 30 June 2013 from 62.7% in the same period in 2012.

Retail banking gross operating income was €1,144 million in the six-month period ended 2013, a 13.2% increase at constant scope, compared to €1,011 million of gross operating income recorded in the same period in 2012. The cost-to-income ratio of the retail banking segment improved to 62.9% in the six-month period ended 30 June 2013 from 65.4% in the same period in 2012, reflecting the same trends as are discussed above for the retail banking segment of the CM11-CIC Group.

Cost of Risk

Cost of risk of the BFCM Group decreased by 3.8%, on an actual and constant basis, to €486 million in the six-month period ended 2011 from €506 million in the same period in 2012. The reasons for the improvement are largely the same as those described above for the CM11-CIC Group.

Operating income

Operating income of the BFCM Group decreased by 1.4%, on an actual basis and 1.7% on a constant basis, from €1,105 million in the six-month period ended 2012, to €1,089 million in the same period in 2013. This decrease reflected an increase in general operating expense, in spite of a decrease in the cost of risk, each as described above.

Net income

Net income, group share, of the BFCM Group was relatively stable at €529 million in the six-month period ended 2013, for a decrease of 1.7%, on an actual and a constant basis, compared to €538 million in the same period in 2012.

Transactions with CM11-CIC Group Entities

The BFCM Group recorded €372 million of gross operating income in the six-month period ended 30 June 2013 from transactions with entities in the CM11-CIC Group that are not part of the BFCM Group (primarily the Local Banks and CF de CM, as well as the non-consolidated portion of TARGOBANK Spain and Banque Casino). In the six-month period ended 30 June 2012, gross operating income earned on transactions with entities in the CM10-CIC Group was €457 million. The 18.6% decrease resulted mainly from a decrease in net interest income received from the CM11 network banks.

Net interest income from these transactions was €456 million in the six-month period ended 30 June 2013 and €549 million in the same period in 2012, reflecting a decrease in the cash refinancing rate applied to the CM11 network by the BFCM Group.

Net commissions paid were €88 million in the six-month period ended 2013, and €82 million in the same period in 2012.

Other net banking income from these entities was €22 million in the six-month period ended 2012, compared to €7 million in the same period in 2012.

<u>CM11-CIC Group and CM10-CIC Group Financial Condition</u>

The following discussion analyzes the financial condition of the Group as of 30 June 2013 and 31 December 2012.

The balance sheet of the CM11-CIC Group shrank by 1.0% as of 30 June 2013 compared to year-end 2012, reflecting the factors set forth below.

- ***Assets***

General. The Group's consolidated assets amounted to €494.5 billion at 30 June 2013, down 1.0% compared to €499.2 billion at 31 December 2012.

The 1.0% decrease in total assets from 31 December 2012 to 30 June 2012 reflects: a 16.8%, or €9.1 billion, decrease in loans and receivables due from credit institutions; a 4.4%, or €3.2 billion, increase in available-for-sale financial assets; a 6.0%, or €2.7 billion, increase in financial assets at fair value through profit or loss; a 1.2%, or €3.3 billion, increase in loans and receivables due from customers; and a 11.8%, or €1.6 billion, decrease in held-to-maturity financial assets.

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

Total financial assets at fair value through profit or loss amounted to €47.0 billion at 30 June 2013, up 6.0% from €44.3 billion at 31 December 2012. Financial assets at fair value through profit or loss accounted for 9.5% of the Group's total assets at 30 June 2013.

Loans and receivables due from credit institutions. Loans and receivables due from credit institutions consist of demand accounts, interbank loans, and reverse repurchase agreements. Loans and receivables due from credit institutions amounted to €44.8 billion at 30 June 2013, down 16.8% compared to €53.9 billion at 31 December 2012, reflecting primarily the adverse base effect from the unusually high levels of excess liquidity at the end of 2012 (approximately €15 billion), which was not repeated at 30 June 2013 (when excess liquidity equaled approximately €5 billion).

Loans and receivables due from customers. Loans and receivables due from customers amounted to €272.7 billion at 30 June 2013, up 1.2% from €269.4 billion at 31 December 2012. This growth is due largely to increases in home loans to customers, which increased from €140.7 billion at 31 December 2012 to €142.3 billion at 30 June 2013.

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

Available-for-sale financial assets totaled €75.2 billion at 30 June 2013, for an increase of €3.2 billion compared to €72.1 billion at 31 December 2012, primarily as a result of an increase in the value of listed securities.

Held-to-maturity financial assets. Held-to-maturity financial assets are investments with fixed or determinable payments and a fixed maturity that the Group has the intention and the ability to hold until maturity. They are recognized in the balance sheet at amortized cost using the effective interest method, and are divided into two categories: negotiable certificates of deposit and bonds. Held-to-maturity financial assets totaled €12.1 billion at 30 June 2013, down 11.8% from €13.7 billion at 31 December 2012.

- ***Liabilities (excluding shareholders' equity)***

General. The Group's consolidated liabilities totaled €463.9 billion at 30 June 2013, down 1.2% compared to €469.5 billion at 31 December 2012. These figures include subordinated debt of €6.3 billion at 30 June 2013 and €6.4 billion at 31 December 2012. The decrease in total liabilities in the first half of 2013 mainly reflects a 31.7%, or €9.2 billion, decrease in amounts due to credit institutions; a 15.0%, or €2.4 billion, decrease in accruals and other liabilities; partially offset by a 7.2%, or €2.3 billion, increase in financial liabilities at fair value through profit or loss; a 2.3%, or €1.7 billion, increase in technical reserves of insurance companies; and a 0.6%, or €1.2 billion increase in amounts due to customers (primarily deposits).

Financial liabilities at fair value through profit or loss. Total financial liabilities at fair value through profit or loss increased 7.2% to €33.8 billion at 30 June 2013.

Amounts due to credit institutions. Amounts due to credit institutions decreased 31.7%, or €9.2 billion, to €19.7 billion, after having declined by 20.7% in 2012 to €28.9 billion at 31 December 2012, reflecting a policy to decrease reliance on the interbank funding market.

Amounts due to customers. Amounts due to customers consist primarily of demand deposits, term accounts, regulated savings accounts, and repurchase agreements. Amounts due to customers totaled €217.7 billion at 30 June 2013 compared to €216.5 billion at 31 December 2012. This increase is attributable mainly to an increase in regulated savings accounts following a 2012 regulatory increase in the ceiling on the amounts individuals can deposit in such accounts, as well as an increase in other savings accounts and ordinary current accounts.

Debt securities. Debt securities consist of negotiable certificates of deposit and bond issues. Debt securities decreased 0.8% to €94.7 billion at 30 June 2013. See "—Liquidity and Funding" for a discussion of the Group's debt securities programs.

Technical reserves of insurance companies. Technical reserves of insurance companies increased 2.3% to €74.4 billion at 30 June 2013, compared to €72.7 billion at 31 December 2012.

- ***Consolidated Shareholders' Equity***

Consolidated shareholders' equity attributable to the Group amounted to €28.2 billion at 30 June 2013, compared to €27.3 billion at 31 December 2012.

Variations of the fair value of available-for-sale securities had a positive impact of €90 million on consolidated shareholders' equity attributable to the Group at 30 June 2013, while they had a positive impact of €1,476 million at 31 December 2012.

Minority interests decreased to €2,384 million at 30 June 2013 from €2,441 million at 31 December 2012.

- ***Liquidity and Funding***

The Group had a strong liquidity position at 30 June 2013, reflecting the fact that much of the Group's retail banking activity is funded through deposits. In addition, BFCM regularly issues bonds that are placed domestically with customers through the Group's retail network.

The beginning of 2013 was like 2012, with a tight refinancing market, due to the continuation of the international banking crisis. In the second quarter of 2013, the economic conditions improved, which increased yield in the equities markets as a result of improved investor confidence in the euro zone, but signals by the US Federal Reserve that it would end quantitative easing measures introduced some uncertainty.

As part of its strategy to enhance its liquidity position, the Group has focused on decreasing the ratio of loans to deposits, which in current markets represent a more stable source of short-term funding than market instruments, and which will receive more favorable regulatory treatment in the next few years. As of 30 June 2013, the Group had outstanding loans to customers of €272.7 billion and outstanding customer deposits (excluding SFEF deposits) of €214.9 billion, representing a loan-to-deposit ratio of 1.27x (compared to 1.26x at 31 December 2012).

As of 31 August 2013 the Group had raised approximately €9 billion of medium and long-term resources, representing 75% of its planned funding program for 2013. The total amount raised included €7.5 billion of unsecured issuances of bonds and other negotiable instruments and did not include collateralized issues (including covered bonds) or bonds placed through the retail networks.

European Sovereign Debt Exposure

In 2012, the Group sold its remaining Greek sovereign debt obligations received in connection with the implementation of the Private Sector Initiative plan on 21 February 2012, which resulted in a loss of €30 million (€17 million after tax). The Group has no presence in Greece.

Overall, the Group's sovereign debt exposure is moderate, and the Group has been working to decrease this exposure. The following table presents the Group's exposure to the most sensitive European sovereigns as of 31 December 2012 and 30 June 2013:

	At 31 December	At 30 June
(in millions of euros)	**2012**	**2013**
Portugal	63	69
Ireland	101	101
Total exposure Greece, Portugal and Ireland	***164***	***170***
Italy	3,511	3,471
Spain	258	248
Total exposure Italy and Spain	***3,769***	***3,719***

Capital Adequacy Ratios

The following table sets forth the Group's regulatory capital at 31 December 2011 and 2012 and 30 June 2013.

In billions of euros except %	**31 December 2011 CM10-CIC**	**31 December 2012 CM11-CIC**	**30 June 2013 CM11-CIC**
TOTAL TIER I CAPITAL	**21,541.1**	**21,837.8**	**22,330.9**
Share capital	5,596.2	5,807.7	5,802.4
Eligible reserves	21,015.8	23,053.7	23,730.0
Hybrid Securities	2,103.9	2,103.9	2,103.9
Deductions from Tier 1 Capital (primarily intangible assets)	(7,174.9)	(9,127.6)	(9,305.3)
TOTAL TIER 2 CAPITAL	**0**	**0**	**0**
Subordinate Notes and other Elements of Tier 2 Capital	4085.6	3142.6	3,044.2
Deductions from Tier 2 Capital (incl. insurance reserves)	(4,085.6)	(3,142.6)	(3,044.2)
NET TOTAL REGULATORY CAPITAL	**21,541.1**	**21,837.8**	**22,330.9**
CREDIT RISK CAPITAL REQUIREMENT	**12,098.7**	**10,080.3**	**10,079.1**
Weighted credit risk	151,234.1	126,003.3	125,989.2
Central governments and central banks	89.4	71.9	97.2
Institutions	7,738.3	7,032.8	7,400.6
Corporate customers	77,075.9	54,939.1	54,281.0
Retail customers	40,588.4	40,543.9	42,375.0
Equity	7,522.2	6,974.1	6,980.2
Other assets	18,219.9	16,441.5	14,855.3
MARKET RISK CAPITAL REQUIREMENT	**380.9**	**285.4**	**250.3**
OPERATIONAL RISK CAPITAL REQUIREMENT	**1,265.5**	**1,183.5**	**1,196.0**
FLOOR CAPITAL REQUIREMENT	**1,968.2**	**844.6**	**969.1**
OVERALL SOLVENCY RATIO	**11.0%**	**14.1%**	**14.3%**
Tier 1 ratio	11.0%	14.1%	14.3%

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

GOVERNMENT SUPERVISION AND REGULATION IN FRANCE

The information contained in this section supersedes and replaces the information on government supervision and regulation in France contained in the 2012 Information Document.

French banking system

All French credit institutions are required to belong to a professional organization or central body affiliated with the French Credit Institutions and Investment Firms Association (*Association française des établissements de crédit et des entreprises d'investissement*), which represents the interests of credit institutions, payment institutions and investment firms in particular with the public authorities, provides consultative advice, disseminates information, studies questions relating to banking and financial services activities and makes recommendations in connection therewith. Most registered banks, including BFCM, are members of the French Banking Federation (*Fédération bancaire française*).

French supervisory bodies

The French Monetary and Financial Code sets forth the conditions under which credit institutions, including banks, may operate. The French Monetary and Financial Code vests related supervisory and regulatory powers in certain administrative authorities.

The Financial Sector Consultative Committee (*Comité consultatif du secteur financier*) is made up of representatives of credit institutions, banking and payment services brokers, investment firms, insurance companies and insurance brokers and client representatives. This committee is a consultative organization that studies the relations between credit institutions, investment firms and insurance companies and their respective clientele and proposes appropriate measures in this area.

The Consultative Committee on Financial Legislation and Regulations (*Comité Consultatif de la Législation et de la Réglementation Financière*) reviews, at the request of the French Minister of the Economy, any draft bill or regulation, as well as any draft European Regulations relating to the insurance, banking and investment service industry other than those draft regulations issued by the French *Autorité des marchés financiers* (AMF).

The Prudential and Resolution Control Authority (*Autorité de contrôle prudentiel et de résolution* or "ACPR") supervises financial institutions and insurance firms and is in charge of implementing measures for the prevention and resolution of banking crises and ensuring the protection of consumers and the stability of the financial system. The ACPR was created in January 2010 as a result of the merger of the Banking Commission (*Commission bancaire*), the Credit Institutions and Investment Firms Committee (*Comité des établissements de crédit et des entreprises d'investissement*), the Insurance and Pensions Control Authority (*Autorité de contrôle des assurances et des mutuelles*) and the Insurance Firms Committee (*Comité des entreprises d'assurance*) and assumed the functions previously exercised by these authorities. Its powers have been extended to resolution powers by the French banking reform enacted on July 27, 2013 (*Loi de séparation et de régulation des activités bancaires*). The ACPR is chaired by the governor of the *Banque de France*. With respect to the banking sector, the ACPR makes individual decisions, grants banking and investment firm licenses, and grants specific exemptions as provided in applicable banking regulations. It supervises the enforcement of laws and regulations applicable to banks and other credit institutions, as well as investment firms, and controls their financial standing.

Banks are required to submit periodic (either monthly or quarterly) accounting reports to the ACPR concerning the principal areas of their activities. The main reports and information filed by institutions with the ACPR include periodic regulatory reports (collectively referred to as "*états périodiques réglementaires*"). They include, among other things, the institutions' accounting and prudential (regulatory capital) filings, which are usually submitted on a quarterly basis, as well as internal audit reports filed once a year, all the documents examined by the institution's management in its twice-yearly review of the business and operations and the internal audit findings and the key information that relates to the credit institution's risk analysis and monitoring. The ACPR may also request additional information that it deems necessary and may carry out on-site inspections (including with respect to a bank's foreign subsidiaries and branches, subject to international cooperation agreements). These reports and controls allow close monitoring of the condition of each bank and also facilitate computation of the total deposits of all banks and their use.

The ACPR may order financial institutions to comply with applicable regulations and enjoin them from conducting activities that may adversely affect the interests of clients. The ACPR may also require a financial institution to take measures to strengthen or restore its financial situation, improve its management methods and/or adjust its organization and activities to its development goals. When a financial institution's solvency or liquidity, or the interests of its clients are or could be threatened, the ACPR is entitled to take certain provisional measures, including: submitting the institution to special monitoring and restricting or prohibiting the conduct of certain activities (including deposit-taking), the making of certain payments, the disposal of assets, and/or the distribution of dividends to its shareholders.

Where regulations have been violated, the ACPR may act as an administrative court and impose sanctions, which may include warnings, fines, suspension or dismissal of managers and deregistration of the bank, resulting in its winding up. The ACPR also has the power to appoint a temporary administrator to manage provisionally a bank that it deems to be mismanaged. The decisions of the ACPR may be appealed to the French administrative supreme court (*Conseil d'Etat*). Insolvency proceedings may be initiated against banks or other credit institutions, or investment firms only after formal consultation with the ACPR.

Furthermore, the ACPR may implement resolution measures, including but not limited to the Bail-In Tool described below, as provided by the French banking reform enacted on July 27, 2013 (*Loi de séparation et de régulation des activités bancaires*).

Banking regulations

In France, the Issuer must comply with the norms of financial management set by the Minister of the Economy, the purpose of which is to ensure the creditworthiness and liquidity of French credit institutions. These banking regulations are mainly derived from EU directives. New banking regulations implementing the Basel III reforms were adopted on June 26, 2013: Directive 2013/36/EU of the European Parliament and of the Council of June 26, 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (CRD IV) and Regulation (EU) No 575/2012 of the European Parliament and of the Council of June 26, 2013 on prudential requirements for credit institutions and investment firms (CRR). CRR will be directly applicable in all EU member states including France as from January 1, 2014. CRD IV is also expected to become effective as of January 1, 2014 but it is possible that in practice implementation under national laws be delayed until after such date.

The Issuer must comply with minimum capital ratio requirements. In addition to these requirements, the principal regulations applicable to credit institutions such as the Issuer concern risk diversification and liquidity, monetary policy, restrictions on equity investments and reporting requirements. As of the date hereof, in the various countries in which the Issuer or its subsidiaries operate, it complies with the specific regulatory ratio requirements in accordance with procedures established by the relevant supervisory authorities.

French credit institutions are required to maintain minimum capital to cover their credit, market, counterparty and operational risks. Currently, French credit institutions are required to meet a minimum capital ratio, obtained by dividing the institution's eligible regulatory capital by its risk-weighted assets, of 8%. In addition, the Crédit Agricole Group, as well as 3 other French banks, is required to maintain a temporary capital buffer and therefore has been subject to a minimum 9% core Tier 1 ratio since June 30, 2012. As of January 1, 2014, pursuant to CRR, credit institutions will be required to maintain a minimum total capital ratio of 8%, a Tier 1 capital ratio of 6% and a common equity Tier 1 ratio of 4.5%, each to be obtained by dividing the institution's relevant eligible regulatory capital by its risk-weighted assets. In addition, they will have to comply with certain common equity Tier 1 buffer requirements, including a capital conservation buffer of 2.5% that will be applicable to all institutions as well as other common equity Tier 1 buffers to cover countercyclical and systemic risks. These measures will be implemented progressively until 2019.

Each French credit institution is required to calculate, as of the end of each month, the ratio of the weighted total of certain short-term and liquid assets to the weighted total of short-term liabilities. This liquidity ratio (*coefficient de liquidité*) is required to exceed 100% at all times. French credit institutions are entitled to opt for the "advanced" approach with respect to liquidity risk, upon request to the ACPR and under certain conditions. Under the advanced approach, the credit institution is able to use its internal methodologies to determine the liquidity risk and ensure that it has sufficient liquidity at all times to honor its commitments. CRR introduces liquidity requirements from 2015, after an initial observation period. Institutions will be required to hold liquid assets, the total value of which would cover the net liquidity outflows that might be experienced under gravely stressed conditions over a period of 30 days. This liquidity coverage ratio ("LCR") will be phased-in gradually, starting at 60% in 2015 and reaching 100% in 2018. Until the LCR is fully introduced, EU member states may maintain or introduce national liquidity requirements.

French credit institutions must satisfy, on a consolidated basis, certain restrictions relating to concentration of risks (*ratio de contrôle des grands risques*). The aggregate of a French credit institution's loans and a portion of certain other exposure (*risques*) to a single customer (and related entities) may not exceed 25% of the credit institution's regulatory capital as defined by French capital ratio requirements. Individual exposures exceeding 10% (and in some cases 5%) of the credit institution's regulatory capital are subject to specific regulatory requirements.

French credit institutions are required to maintain on deposit with the *Banque de France* a certain percentage of various categories of demand and short-term deposits. Deposits with a maturity of more than two years are not included in calculating the amount required to be deposited. The required reserves are remunerated at a level corresponding to the average interest rate over the maintenance period of the main refinancing operations of the European System of Central Banks.

The CRR will introduce a leverage ratio from January 1, 2018, if implemented by the Council and European Parliament following an initial observation period beginning January 1, 2015, during which institutions will be required to disclose their leverage ratio. The leverage ratio is defined as an institution's tier 1 capital divided by its average total consolidated assets.

The Issuer's commercial banking operations in France are also significantly affected by monetary policies established from time to time by the European Central Bank in coordination with the *Banque de France*. Commercial banking operations, particularly in their fixing of short-term interest rates, are also affected in practice by the rates at which the *Banque de France* intervenes in the French domestic interbank market.

French credit institutions are subject to restrictions on equity investments and, subject to various specified exemptions for certain short-term investments and investments in financial institutions and insurance companies, "qualifying shareholdings" held by credit institutions must comply with the following requirements: (a) no "qualifying shareholding" may exceed 15% of the regulatory capital of the concerned credit institution and (b) the aggregate of such "qualifying shareholdings" may not exceed 60% of the regulatory capital of the concerned credit institution. An equity investment is a "qualifying shareholding" for the purposes of these provisions if (i) it represents more than 10% of the share capital or voting rights of the company in which the investment is made or (ii) it provides, or is acquired with a view to providing, a "significant influence" (influence notable, presumed when the credit institution controls at least 20% of the voting rights) in such company.

French regulations permit only licensed credit institutions to engage in banking activities on a regular basis. Similarly, institutions licensed as banks may not, on a regular basis, engage in activities other than banking, bank-related activities and a limited number of non-banking activities determined pursuant to the regulations issued by the French Minister of the Economy. A regulation issued in November 1986 and amended from time to time sets forth an exhaustive list of such non-banking activities and requires revenues from those activities to be limited in the aggregate to a maximum of 10% of total net revenues.

Examination

Besides the resolution powers set out below, the principal means used by the ACPR to ensure compliance by large deposit banks with applicable regulations is the examination of the detailed periodic (monthly or quarterly) financial statements, *états périodiques réglementaires* and other documents that these banks are required to submit to the ACPR. In the event that any examination were to reveal a material adverse change in the financial condition of a bank, an inquiry would be made, which could be followed by an inspection. The ACPR may also inspect banks (including with respect to a bank's foreign subsidiaries and branches, subject to international cooperation agreements) on an unannounced basis.

Deposit Guarantees

All credit institutions operating in France are required by law to be a member of the deposit and resolution guarantee fund (*Fonds de Garantie des Dépôts et de Résolution*), except branches of European Economic Area banks that are covered by their home country's guarantee system. Domestic customer deposits denominated in euro and currencies of the European Economic Area are covered up to an amount of €100,000 and securities up to an aggregate value of €70,000, per customer and per credit institution, in both cases. The contribution of each credit institution is calculated on the basis of the aggregate deposits and one-third of the gross customer loans held by such credit institution and of the risk exposure of such credit institution.

Additional Funding

The governor of the *Banque de France*, as chairman of the ACPR, can request that the shareholders of a credit institution in financial difficulty fund the institution in an amount that may exceed their initial capital contribution. However, credit institution shareholders have no legal obligation in this respect and, as a practical matter, such a request would likely be made to holders of a significant portion of the institution's share capital.

Internal Control Procedures

French credit institutions are required to establish appropriate internal control systems, including with respect to risk management and the creation of appropriate audit trails. French credit institutions are required to have a system for analyzing and measuring risks in order to assess their exposure to credit, market, global interest rate, intermediation, liquidity and operational risks. Such system must set forth criteria and thresholds allowing the identification of significant incidents revealed by internal control procedures. Any fraud generating a gain or loss of a gross amount superior to 0.5% of the Tier 1 capital is deemed significant provided that such amount is greater than €10,000.

With respect to credit risks, each credit institution must have a credit risk selection procedure and a system for measuring credit risk that permit, inter alia, centralization of the institution's on- and off-balance sheet exposure and for assessing different categories of risk using qualitative and quantitative data. With respect to market risks, each credit institution must have systems for monitoring, among other things, its proprietary transactions that permit the institution to record on at least a day-to-day basis foreign exchange transactions and transactions in the trading book, and to measure on at least a day-to-day basis the risks resulting from trading positions in accordance with the capital adequacy regulations. The institution must prepare an annual report for review by the institution's board of directors and the ACPR regarding the institution's internal procedures and the measurement and monitoring of the institution's exposure.

Compensation Policy

French credit institutions and investment firms are required to ensure that their compensation policy is compatible with sound risk management principles. A significant portion of the compensation of employees whose activities may have a significant impact on the institution's risk exposure must be performance-based, and a significant fraction of this performance-based compensation must be non-cash and deferred. Under CRD IV, the aggregate amount of variable compensation of the above-mentioned employees cannot exceed the aggregate amount of their fixed salary (the shareholders' meeting may, however, decide to increase this ceiling to two times their fixed salary). EU member states will retain discretion to set stricter standards. The implementation in France of CRD IV, which began with the enactment of the French banking reform on July 27, 2013 (*Loi de séparation et de régulation des activités bancaires*), requires further government action to conform to such standards. Subject to the enactment of such measures, the cap of variable compensation will apply to compensation awarded for services or performance as from the year 2014.

Money Laundering

French credit institutions are required to report to a special government agency (TRACFIN) placed under the authority of the French Minister of the Economy all amounts registered in their accounts that they suspect come from drug trafficking or organized crime, from unusual transactions in excess of certain amounts, as well as all amounts and transactions that they suspect to be the result of offence punishable by a minimum sentence of at least one-year imprisonment or that could participate in the financing of terrorism.

French credit institutions are also required to establish "know your customer" procedures allowing identification of the customer (as well as the beneficial owner) in any transaction and to have in place systems for assessing and managing money laundering and terrorism financing risks in accordance with the varying degree of risk attached to the relevant clients and transactions.

French Bail-In Tool and Other Resolution Measures

On July 27, 2013, a French banking law was enacted (*Loi de séparation et de régulation des activités bancaires*) that, among other things, charges the ACPR with implementing measures for the prevention and resolution of banking crises and gives the ACPR very broad powers with respect to "failing banks," i.e., banks that, currently or in the near future (i) no longer comply with regulatory capital requirements, (ii) are not able to make payments that are, or will be imminently, due or (iii) require extraordinary public financial support.

In particular, the ACPR may implement the Bail-In Tool, namely cancel or write-off shareholders' equity and thereafter cancel, write-off or convert into equity subordinated instruments, but not unsubordinated debt, in accordance with their seniority. The ACPR will also be entitled to (i) transfer all or part of the bank's assets and activities, including to a bridge bank, (ii) force a bank to issue new equity, (iii) temporarily suspend payments to creditors and (iv) terminate executives or appoint a temporary administrator (*administrateur provisoire*). Conversion ratios and transfer prices are decided upon by the ACPR on the basis of a "fair and realistic" assessment.

The ACPR must use its powers "in a proportionate manner" to achieve the following objectives: (i) to preserve financial stability, (ii) to ensure the continuity of banking activities, services and transactions of financial institutions, the failure of which would have systemic implications for the French economy, (iii) to protect deposits and (iv) to avoid, or limit to the fullest extent possible, any public bail-out.

European Resolution Directive

On June 28, 2013, the Council of the European Union published a revised draft of the legislative proposal for a directive providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (the "Draft RRD") initially published by the European Commission on June 6, 2012. The stated aim of the Draft RRD is to provide relevant authorities with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimize taxpayers' exposure to losses.

The powers provided to "resolution authorities" in the Draft RRD include write down/conversion powers to ensure that capital instruments (including tier 2 capital instruments) and eligible liabilities fully absorb losses at the point of non-viability of the issuing institution (referred to as the "Bail-In Tool"). Accordingly, the Draft RRD contemplates that resolution authorities may require the write down of such capital instruments and eligible liabilities in full on a permanent basis, or convert them in full into common equity tier 1 instruments ("RRD Non-Viability Loss Absorption"). The Draft RRD provides, inter alia, that resolution authorities shall exercise the write down power in a way that results in (i) common equity tier 1 instruments being written down first in proportion to the relevant losses, (ii) thereafter, the principal amount of other capital instruments (including tier 2 capital instruments) being written down or converted into common equity tier 1 instruments on a permanent basis and (iii) thereafter, eligible liabilities being written off in accordance with a set order of priority.

The point of non-viability under the Draft RRD is the point at which the national authority determines that:

(a) the institution is failing or likely to fail, which includes situations where:

(i) the institution has incurred/will incur in a near future losses depleting all or substantially all its own funds;

(ii) the assets are/will be in a near future less than its liabilities;

(iii) the institution is/will be in a near future unable to pay its obligations; and/or

(iv) the institutions requires public financial support;

(b) there is no reasonable prospect that a private action would prevent the failure; or

(c) a resolution action is necessary in the public interest.

Except for the Bail-In Tool with respect to eligible liabilities, which is expected to apply four years after the entry into force of the Draft RRD (i.e., the twentieth day following its publication in the Official Journal of the European Union), it is currently contemplated that the measures set out in the Draft RRD, including the Bail-In Tool with respect to capital instruments, will apply one year after the entry into force of the directive.

The Draft RRD currently represents the only official proposal at the EU level for the implementation in the European Economic Area of the non-viability requirements set out in the press release dated January 13, 2011 issued by the Basel Committee on Banking Supervision (the "Basel Committee") entitled "Minimum requirements to ensure loss absorbency at the point of non-viability" (the "Basel III Non-Viability Requirements"). The Basel III Non-Viability Requirements form part of the broader Basel III package of new capital and liquidity requirements intended to reinforce capital standards and to establish minimum liquidity standards for credit institutions. The Basel Committee contemplated implementation of the Basel III reforms as of January 1, 2013. However, Directive 2013/36/EU of the European Parliament and of the Council of June 26, 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms ("CRD IV") and Regulation (EU) No 575/2013 of the European Parliament and of the Council of June 26, 2013 on prudential requirements for credit institutions and investment firms ("CRR"), which were published in the Official Journal of the European Union on June 27, 2013, will be implemented on January 1, 2014. CRR contemplates that the Basel III Non-Viability Requirements will be implemented in the European Economic Area by way of the Draft RRD and the RRD Non-Viability Loss Absorption. If such statutory loss absorption at the point of non-viability is not implemented by December 31, 2015 then CRR indicates that the European Commission shall review and report on whether provision for such a requirement should be contained in CRR and, in light of that review, come forward with appropriate legislative proposals.

It is currently unclear whether RRD Non-Viability Loss Absorption, when implemented, will apply to capital instruments that are already in issue at that time or whether certain grandfathering rules will apply.

In addition to RRD Non-Viability Loss Absorption, the Draft RRD provides resolution authorities with broader powers to implement other resolution measures with respect to banks which reach non-viability, which may include (without limitation) the sale of the bank's business, the separation of assets, the replacement or substitution of the bank as obligor in respect of debt instruments, modifications to the terms of debt instruments (including altering the maturity and/or the amount of interest payable and/or imposing a temporary suspension on payments) and discontinuing the listing and admission to trading of financial instruments.