



*Société anonyme* (French limited company) with share capital of €220,000,000  
Registered office: 6 Avenue de Provence – 75452 Paris Cedex 9  
Paris Trade and Companies Register 480 618 800

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**BOARD OF DIRECTORS' MANAGEMENT REPORT  
STATUTORY FINANCIAL STATEMENTS AT DECEMBER 31, 2016**

**March 2017**

## DISSEMINATION OF INFORMATION

Regulatory reports, prospectuses and issue documentation are available on Crédit Mutuel – CIC Home Loan SFH’s website:

<http://www.creditmutuelcic-sfh.com/en/covered-bonds/documentation/index-sfh.html>

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## I. PERSON RESPONSIBLE FOR THE ANNUAL FINANCIAL REPORT



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Person responsible for the annual financial report  
Mr. Christian Ander - Chief Executive Officer

### **Certification of the person responsible for the annual financial report**

After taking all reasonable measures to this effect, I certify that, to the best of my knowledge, the information contained in the annual financial statements for the year ended December 31, 2016 is consistent with the facts and does not contain such omissions as may adversely affect its scope.

I certify that, to the best of my knowledge, the financial statements have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and results of the Company, and that the attached management report gives a true and fair view of changes in the business, results and financial position of the Company as well as a description of the main risks and uncertainties faced by the Company.

The annual financial statements of the Company as of December 31, 2016 are the subject of an statutory auditors' report with no observations.

Paris, March 31, 2017

Christian Ander  
Chief Executive Officer

## **II. COMPANY STATUS AND ACTIVITIES**

Crédit Mutuel – CIC Home Loan SFH was licensed by the French Credit Institutions and Investment Firms Committee (CECEI) at its meeting on May 31, 2007. At its meeting on March 28, 2011, the French Prudential Supervision and Resolution Authority (ACPR) authorized the company to opt for the status of "home loan financing company" (*Société de Financement de l'Habitat - SFH*).

The company's sole purpose is to help to refinance the Crédit Mutuel – CM11 group. As such, US 144A documentation was prepared in 2012 to enable the company to reach new investors in the United States.

### **1. KEY EVENTS DURING THE YEAR**

Moderate use was made of Crédit Mutuel – CIC Home Loan SFH in 2016, with a single issue of €1.5 billion for 6.5 years completed in February.

The slight reduction in the Crédit Mutuel – CM11 group's medium- and long-term refinancing needs in 2016 and the ECB's strong presence in this asset class, which at times restricted this market, were the main reasons for this low level of activity.

Crédit Mutuel – CIC Home Loan SFH nevertheless accounted for 15% of the resources raised by the group on the financial markets in the form of public issues.

### **2. FUTURE OUTLOOK**

Through its operations, Crédit Mutuel – CIC Home Loan SFH will continue to secure the Crédit Mutuel – CM11 group's 2017 issue program.

### **3. KEY EVENTS BETWEEN THE YEAR-END AND THE DATE OF THIS REPORT**

There are no key events to report since the end of the 2016 fiscal year.

### **4. SUBSIDIARIES AND INVESTMENTS**

None.

### **5. CROSS SHAREHOLDINGS**

None.

## **6. AGREEMENTS COVERED BY ARTICLE L. 225-38 OF THE FRENCH COMMERCIAL CODE**

None.

## **7. CURRENT DELEGATIONS OF AUTHORITY CONCERNING INCREASES IN THE COMPANY'S CAPITAL**

At the Extraordinary Shareholders' Meeting of December 4, 2012, the Board of Directors was authorized, for a period of 26 months with effect from that date, in accordance with Article L. 225-129-2 [of the French Commercial Code], to increase the company's share capital by a maximum of €500 million, in one or more transactions, bringing the share capital to a maximum of €620 million.

On December 8, 2012, the Board of Directors decided to increase the Company's share capital by €100 million, bringing it to €220 million.

These non-privileged resources help Crédit Mutuel – CIC Home Loan SFH improve its coverage ratio and meet its liquidity needs.

## **8. OWNERSHIP**

Crédit Mutuel – CIC Home Loan SFH is a 99.99%-owned subsidiary of Banque Fédérative du Crédit Mutuel.

Readers are reminded that the Company has no employees.

### III. RESULTS, FINANCIAL POSITION AND DEBT

#### 1. STATEMENT OF FINANCIAL POSITION

##### a. ASSETS

ASSETS (€millions)	Note	December 31, 2016	December 31, 2015
Cash and central bank deposits			
Government securities and similar instruments			
Receivables due from credit institutions	2	23,922.7	26,272.2
Due to customers			
Bonds and other fixed-income securities			
Equities and other variable-income securities			
Long-term equity investments and securities			
Investments in subsidiaries and associates			
Finance leases and similar transactions			
Intangible assets			
Property, plant and equipment			
Subscribed capital not paid			
Treasury stock			
Other assets	3	1.0	0.7
Accruals and deferred income	4	78.6	92.8
<b>Total assets</b>		<b>24,002.3</b>	<b>26,365.7</b>
<b>Off-statement of financial position items</b>		<b>December 31, 2016</b>	<b>December 31, 2015</b>
<b>Commitments received</b>			
<b>Financing commitments</b>			
Commitments received from credit institutions			
<b>Guarantee commitments</b>			
Commitments received from credit institutions	10	31,001.1	30,001.0
<b>Securities commitments</b>			
Securities sold with repurchase or reacquisition option			
Other commitments received			

## **b. LIABILITIES AND SHAREHOLDERS' EQUITY**

<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b> (€millions)	<b>Note</b>	<b>December 31, 2016</b>	<b>December 31, 2015</b>
Central bank borrowing			
Due to credit institutions			
Due to customers			
Debt securities	<b>5</b>	22,275.0	23,370.9
Other liabilities	<b>3</b>	1,301.0	2,556.8
Accruals and deferred income	<b>4</b>	78.8	93.4
Provisions			
Subordinated debt	<b>6</b>	120.0	120.1
Fund for general banking risks			
Shareholders' equity	<b>7</b>	227.5	224.5
- Subscribed capital		220.0	220.0
- Issue premiums			
- Reserves		1.3	1.2
- Revaluation reserve			
- Regulated provisions			
- Retained earnings		2.6	2.6
- Profit for the year		3.6	0.6
<b>Total liabilities and shareholders' equity</b>		<b>24,002.3</b>	<b>26,365.7</b>
<b>Off-statement of financial position items</b>		<b>December 31, 2016</b>	<b>December 31, 2015</b>
<b>Commitments given</b>			
<b>Financing commitments</b>			
Commitments given to credit institutions			
Commitments given to customers			
<b>Guarantee commitments</b>			
Commitments given on behalf of credit institutions			
Commitments given on behalf of customers			
<b>Securities commitments</b>			
Securities acquired with reacquisition option			
Other commitments given			

Liabilities mainly consist of securities issued by SFH.

In addition, the "Other liabilities" item, created after Fitch Ratings downgraded BFCM's short-term credit rating to F1 on July 17, 2013, represents collateral offered by BFCM in connection with the pre-maturity test. This item totaled €1.300 billion at December 31, 2016.

Assets correspond to the on-lending of these funds to BFCM.

The off-statement of financial position assets of €31 billion correspond to home loans offered as collateral by SFH's providers of collateral. This figure was €30 billion at the end of 2015.



### c. PROFIT

(€millions)	Note	December 31, 2016	December 31, 2015
+ Interest and similar income	15	598.2	1,634.4
+ Interest and similar expense	15	(591.8)	(1,630.9)
+ Income from variable-income securities			
+ Fee and commission income			
+ Fee and commission expense			
+/- Gains (losses) on trading portfolio transactions			
+/- Gains (losses) on investment portfolio and similar transactions			
+ Other banking operating income			
+ Other banking operating expense			
<b>= Net banking income</b>		<b>6.4</b>	<b>3.5</b>
+ Payroll costs			
+ Other administrative expenses		(0.9)	(1.9)
+ Depreciation and amortization			
<b>= Operating expenses</b>		<b>(0.9)</b>	<b>(1.9)</b>
<b>= Gross operating income</b>		<b>5.5</b>	<b>1.6</b>
+ Net additions to/reversals from provisions for loan losses			
<b>= Operating income</b>		<b>5.5</b>	<b>1.6</b>
+/- Gains (losses) on non-current assets			
<b>= Income before non-recurring items</b>		<b>5.5</b>	<b>1.6</b>
+/- Net non-recurring income (expense)			
+ Corporate income tax	16	(1.9)	(1.0)
+/- Additions to (reversals from) fund for general banking risks			
+/- Additions to (reversals from) regulated provisions			
<b>= Net income</b>		<b>3.6</b>	<b>0.6</b>

The company reported net income for the year of €3.6 million, compared with €0.6 million in 2015.

#### d. NET CASH FLOW STATEMENT

(€ thousands)	12.2016
Net income	3,622
Tax	1,886
<b>Income before tax</b>	<b>5,508</b>
+/- Net depreciation/amortization of property, plant and equipment and intangible assets	0
- Impairment of goodwill and other non-current assets	0
+/- Net charges to provisions	0
+/- Share of income of equity-accounted entities	0
+/- Net loss/gain from investment activities	0
+/- Expense from financing activities	0
+/- Other movements	27,454
<b>= Total non-monetary items included in net income before tax and other adjustments</b>	<b>27,454</b>
+/- Cash flows relating to interbank transactions	2,324,830
+/- Cash flows relating to customer transactions	0
+/- Cash flows relating to other transactions affecting financial assets and liabilities	0
+/- Cash flows relating to other transactions affecting non-financial assets and liabilities	-1,249,543
- Tax paid	-1,088
<b>= Net decrease in assets and liabilities from operating activities</b>	<b>1,074,199</b>
<b>TOTAL NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>1,107,161</b>
+/- Cash flows relating to financial assets and equity interests	0
+/- Cash flows relating to investment property	0
+/- Cash flows relating to property, plant and equipment and intangible assets	0
<b>TOTAL NET CASH FLOWS RELATING TO INVESTMENT ACTIVITIES</b>	<b>0</b>
+/- Cash flows relating to transactions with shareholders	-660
+/- Other net cash flows relating to financing activities	-1,104,623
<b>TOTAL NET CASH FLOWS RELATING TO FINANCING ACTIVITIES</b>	<b>-1,005,283</b>
<b>IMPACT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS</b>	<b>0</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,878</b>
Net cash flows from operating activities	1,107,161
Net cash flows relating to investment activities	0
Net cash flows relating to financing activities	-1,105,283
Impact of changes in exchange rates on cash and cash equivalents	0
<b><u>Cash and cash equivalents at beginning of period</u></b>	<b><u>341,693</u></b>
Cash, central banks and postal checking accounts	0
Demand loans and accounts at credit institutions	341,693
<b><u>Cash and cash equivalents at end of period</u></b>	<b><u>343,571</u></b>
Cash, central banks and postal checking accounts	0
Demand loans and accounts at credit institutions	343,571
<b>CHANGE IN NET CASH AND CASH EQUIVALENTS</b>	<b>1,878</b>

### e. COVER POOL

Collateral for secured loans consists of a portfolio of receivables made up entirely of mortgage-backed receivables, totaling €31,001,110,591 at December 31, 2016.

The main characteristics of the home loan portfolio recognized at December 31, 2016, based on the capital outstanding at November 30, 2016, were as follows:

Total capital outstanding as at 11/30/2016	€31,001,110,591
Average outstanding loan	€80,542
Number of loans	384,908
Number of borrowers	326,563

Average age of loans (months)	70
Average residual maturity (months)	163

Proportion of fixed-rate loans	87.8%
Average interest rate on fixed-rate receivables	2.93%
Average interest rate on variable-rate receivables	2.22%

Breakdown by type of security		
Type of security	Total capital outstanding	Proportion by type of security
"Crédit Logement" guarantee	€8,559,730,853	28%
First-rate mortgage or lender's priority lien	€22,441,379,738	72%
<b>TOTAL</b>	<b>€31,001,110,591</b>	<b>100%</b>

Breakdown by type of loan		
Type of loan	Total capital outstanding	Number of loans
Standard	€27,251,588,936	326,185
Home savings plans/accounts	€61,619,071	7,901
Interest-free loans	€0	-
Low-income housing loans	€2,319,958,591	34,777
Regulated loans	€1,367,943,992	16,045
<b>TOTAL</b>	<b>€31,001,110,591</b>	<b>384,908</b>

Breakdown by number of loans in arrears		
Number of monthly repayments missed	Total capital outstanding	Number of loans
0	€31,001,110,591	384,908
> 0		
<b>TOTAL</b>	<b>€31,001,110,591</b>	<b>384,908</b>

These loans are taken out by customers of CIC's regional banks and Crédit Mutuel's local banks and offered as collateral by BFCM.

## **2. FINANCIAL POSITION AND PRUDENTIAL RATIOS**

At the request of Crédit Mutuel – CIC Home Loan SFH, on June 19, 2014 the General Secretariat of the ACPR (SGACPR) agreed to allow the Company to be exempt from the application on an individual basis of prudential requirements related to solvency ratios, the leverage ratio and major risks, as well as from application of the 75% ceiling on cash receipts for calculating liquidity coverage.

The Company is subject to the LCR on an individual basis but benefits from an exemption from application of the 75% ceiling on cash receipts, granted to it by the Supervisory College of the ACPR in a letter dated August 1, 2014. Accordingly, given the company's operating model (issues of securities on-lent to BFCM with the same characteristics), this ratio is always observed.

## **3. DEBT**

Readers are reminded that the Company's borrowing capacity is limited by its bylaws: it may only take on debt in the form of housing finance bonds (obligations de financement à l'habitat) and subordinated debt.

In accordance with the Company's corporate purpose, issues of housing finance bonds are intended to refinance personal home loans granted by banks in the Crédit Mutuel – CM11 group, full ownership of which is transferred as collateral by Banque Fédérative du Crédit Mutuel. As principal and interest repayments become due, BFCM repays the corresponding amounts in respect of the loans granted to it.

Furthermore, Crédit Mutuel – CIC Home Loan SFH's borrowing capacity is dependent upon its compliance with prudential ratios laid down in applicable regulations.

Articles L. 441-6-1 and D. 441-4 of the French Commercial Code require companies to provide specific information on the due dates of amounts due to suppliers. In the case of Crédit Mutuel – CIC Home Loan SFH, these amounts are negligible.

## **IV. DESCRIPTION OF KEY RISKS AND UNCERTAINTIES AND RISK MANAGEMENT SYSTEM**

The sole corporate purpose of Crédit Mutuel – CIC Home Loan SFH is to help to refinance the Crédit Mutuel – CM11 group by issuing covered bonds based on a home loan portfolio pledged as collateral on the basis of Article L. 211-36, paragraph II and Articles L. 211-38 to L. 211-40 of the French Monetary and Financial Code (Code Monétaire et Financier).

## 1. CREDIT AND COUNTERPARTY RISK

Due to its limited corporate purpose, Crédit Mutuel – CIC Home Loan SFH’s credit risk is strictly regulated. Funds may only be used as follows:

- On-lending of funds raised by issuing securities: these funds may only be lent to BFCM. This lending is itself secured by collateral in the form of home loans granted by the Crédit Mutuel - CM11 group, on the basis of Article L. 211-36, paragraph II and Articles L. 211-38 to L. 211-40 of the French Monetary and Financial Code. The overall amount of lending and compliance with loan eligibility criteria are checked monthly and documented in an “Asset Cover Test” report.
- On-lending of capital is governed by the following limits:
  - Regulatory limits: Articles L. 513-7 and R. 515-6 set minimum credit quality levels for these investments.
  - Contractual limits: rating agencies have laid down minimum credit ratings that vary according to the term of the loan.

Duration/Minimum rating	S&P	Fitch	Moody’s
< 30 days	A-1 or A	F1 and A	P-1
30 to 60 days	A-1	F1+ and/or AA-	P-1
60 days to 3 months	A-1+ or AA-	F1+ and/or AA-	P-1
< 1 year	A-1+ or AA-	F1+ and/or AA-	P-1

- Should BFCM default, the Company would become the owner of the home loans offered as collateral. An analysis of this collateral by internal rating demonstrates the portfolio’s high credit quality and is presented in the table below.

Rating	Outstandings (€m) <sup>(1)</sup>	Percentage	Aggregate percentage
A	16,255	52%	52%
B	9,160	30%	82%
C	3,988	13%	95%
D+	864	3%	98%
D-	601	2%	100%
E+	133	0%	100%
E-	-	0%	100%
E=	-	0%	100%
F	-	0%	100%
<b>TOTAL</b>	<b>31,001</b>	<b>100%</b>	

(1) Outstandings at 11/30/2016 shown in SFH’s financial statements at 12/31/2016

There are no non-performing or overdue loans in the portfolio offered as collateral.

The breakdown of these home loans by type of security is as follows:

Type of security	Outstandings (€m) <sup>(1)</sup>
Home mortgage guarantees	22,441
Guarantees provided by a credit institution	8,560
<b>TOTAL</b>	<b>31,001</b>

(1) Outstandings at 11/30/2016 shown in SFH’s financial statements at 12/31/2016

All of these guaranteed loans are secured by Crédit Logement.

The present LTV (ratio of the principal balance to the present value of the assets) is 63% on average.

## 2. INTEREST RATE, FOREIGN EXCHANGE AND MARKET RISK

### *Interest rate risk*

Crédit Mutuel – CIC Home Loan SFH is required to operate in such a way that it is not exposed to interest rate risk.

- Funds collected by issuing securities must be lent to BFCM at the same interest rates (plus 10% of the margin, with a minimum of 2 bps and a maximum of 10 bps) and for the same term. This means that assets and liabilities are perfectly matched by term and interest rate.
- The only way the Company could be exposed to interest rate risk would be if BFCM were to default. The Company would then need to enforce its security and would become the owner of the home loans.
- In accordance with the update to the issue program in July 2015 and with the approval of the rating agencies, this potential pass-through rate risk is covered by a natural matching of assets and liabilities and by overcollateralization. In fact, the vast majority (approximately 90%) of the cover pool assets are fixed-rate loans, and these assets are matched to liabilities in the same proportion by fixed-rate issues. The average interest rate of the cover pool (2.84% at 11/30/2016) and the average interest rate of bonds issued at fixed rates (2.30% at 11/30/2016) is monitored monthly. The overcollateralization rate resulting from the calculation of the Asset Cover Test negotiated with the rating agencies is always more than 74.9% (= Asset Percentage). The company is committed to maintaining this level of overcollateralization to meet the rating targets and regulatory requirements.

### *Foreign exchange risk*

The program allows for the possibility that Crédit Mutuel – CIC Home Loan SFH carry out issues in foreign currencies. In such cases, the loan to BFCM is also made in the issue currency.

- To date, Crédit Mutuel – CIC Home Loan SFH has carried out the following foreign currency issues:

Nominal amount in foreign currency	Foreign currency	Equivalent nominal amount in euros	Issue date	Maturity date
1,000,000,000	USD	785,130,000	11/16/2012	11/16/2017
300,000,000	NOK	39,698,293	03/22/2012	03/22/2022
750,000,000	NOK	96,961,862	10/07/2011	10/07/2024

The funds raised via these issues were lent to BFCM under the same terms.

- The only way the Company could be exposed to foreign exchange risk would be if BFCM were to default. The Company would then need to enforce its security and would become the owner of the home loans, all of which are denominated in euros, while having to make repayments in foreign currencies. The issue program documentation requires Crédit Mutuel – CIC Home Loan SFH to enter into specific foreign currency swaps with counterparties that must meet specific rating criteria in order to hedge this risk as soon as BFCM's rating is downgraded.

- Since a first-level rating criterion has been met, a hedging swap has been set up. BFCM has the necessary rating level and so is the counterparty to these swaps. In fact, BFCM enjoys a strong enough rating to meet the eligibility criteria provided for in the issue program documents: A (long-term) from Standard & Poor's, P-1 (short-term) and Aa3 (long-term) from Moody's and F1 (short-term) / A+ (long-term) from Fitch.  
Furthermore, since no collateral has been transferred, the Company does not need these swaps to hedge its risk. They have therefore been neutralized with BFCM.

### *Market risk*

In accordance with its limited corporate purpose, Crédit Mutuel – CIC Home Loan SFH is not involved in any capital market activity other than issuing covered bonds and on-lending the funds raised in this way to BFCM under the same terms.

An adverse change in market conditions would only affect Crédit Mutuel – CIC Home Loan SFH's ability to raise funds in the bond market.

## **3. LIQUIDITY RISK**

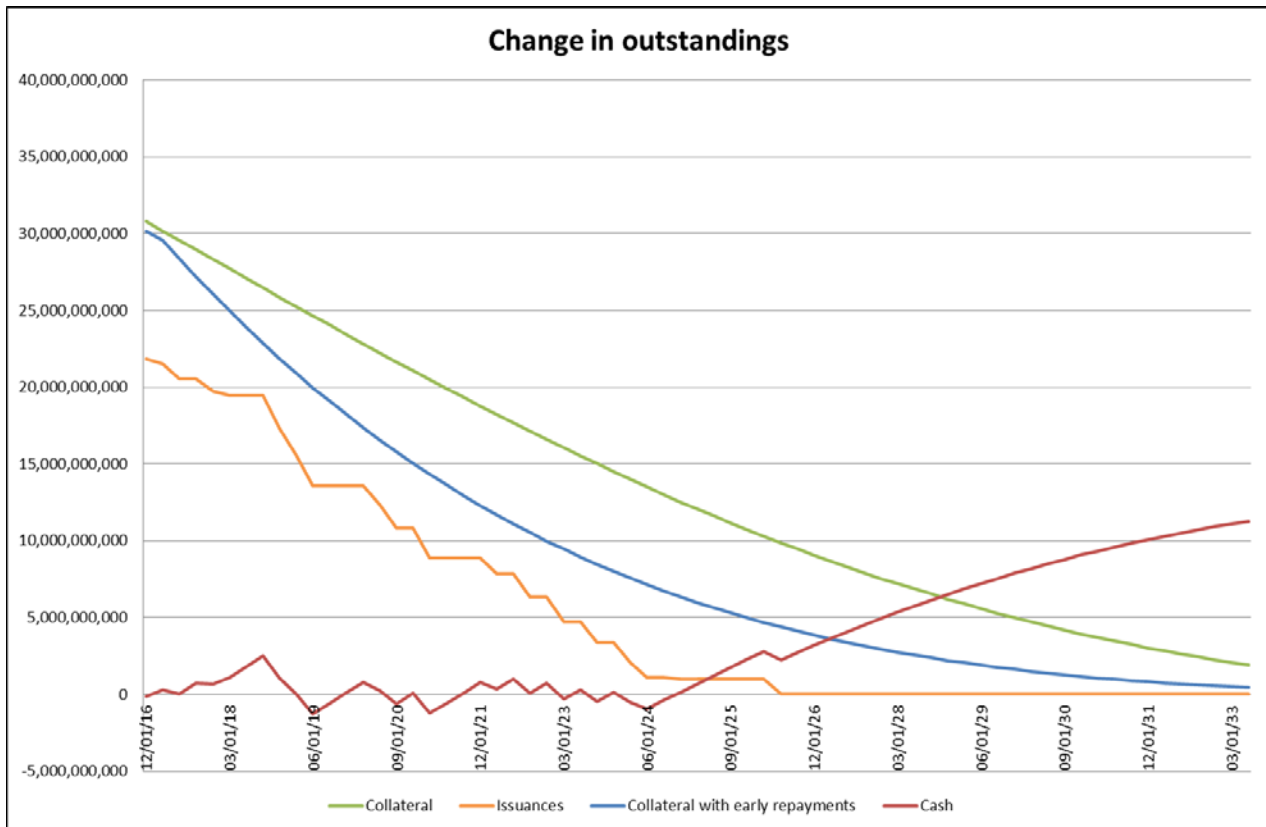
Crédit Mutuel – CIC Home Loan SFH operates in such a way that it is not exposed to liquidity risk. Since its sources and uses of funds are perfectly matched by term, Crédit Mutuel – CIC Home Loan SFH does not engage in maturity transformation.

- The only way the Company could be exposed to liquidity risk would be if BFCM were to default. The Company would then need to enforce its security and would become the owner of the home loans. The issue program documentation provides for a pre-maturity test to prevent and manage this type of risk.
- The pre-maturity test requires BFCM to set aside a cash security deposit in the 180 business days before a covered bond issue matures. This deposit must be sufficient to cover the principal repayments falling due during the period in question. Failure to meet this obligation would represent default by BFCM.
- This pre-maturity test was triggered after Fitch Ratings downgraded BFCM's short-term credit rating to F1 on July 17, 2013. As a result, collateral was put in place to cover issues due to mature within 180 business days, and the funds thus obtained were deposited in term accounts maturing in less than 30 days. The amount of this collateral was €1.3 billion at 12/31/2016.

These mechanisms are considered compliant with the requirements of Article R. 513-7 of the French Monetary and Financial Code.

- Should BFCM default, the Company would become the owner of the home loans offered as collateral.

The chart below shows the portfolio's amortization profile compared with the amortization of the issues and the resulting cash balance.



This simulation shows some occasional slight cash shortfalls, mainly in the second quarter of 2019 and the first quarter of 2021. However, this cash balance does not take account of early repayments, which would cover these theoretical shortfalls.

- The Company is subject to the LCR on an individual basis but benefits from an exemption from application of the 75% ceiling on cash receipts, granted to it by the Supervisory College of the ACPR in a letter dated August 1, 2014. Accordingly, given the company's operating model (issues of securities on-lent to BFCM with the same characteristics), this ratio is always observed.

#### 4. OPERATIONAL RISK

In line with its bylaws, Crédit Mutuel – CIC Home Loan SFH has no resources of its own. All tasks are subcontracted to BFCM, CIC and CFdeCM under various agreements. Internal control of outsourced activities is organized in accordance with the process defined by Group Compliance.

The Company's operational risk policy is in line with the global policy implemented by the Crédit Mutuel - CM11 group, particularly in terms of the Emergency and Business Continuity Plan.

#### 5. LEGAL RISK

Legal risk has been analyzed in detail by rating agencies, which have assigned their top rating (AAA) to Crédit Mutuel – CIC Home Loan SFH's program.

To help it achieve its corporate purpose, Crédit Mutuel – CIC Home Loan SFH is advised by external legal advisers, including in particular law firms.



## **V. RESEARCH AND DEVELOPMENT ACTIVITIES**

In light of Article L. 232-1 of the French Commercial Code, readers are informed that the Company has not engaged in any research and development activity during the year under review.

## **VI. EMPLOYMENT AND ENVIRONMENTAL IMPACTS AND COMMITMENTS TO SUSTAINABLE DEVELOPMENT**

Article 225 of the Grenelle II Act of July 12, 2010 and its implementing decree of April 24, 2012 extend the requirements, particularly for companies that issue securities on a regulated market, to publish information in their management report on the "employment and environmental impacts of their business and on their social commitments to sustainable development".

However, Crédit Mutuel - CIC Home Loan SFH has no employees. It is therefore unable to provide any employment information. Moreover, since the Company has no buildings of its own, it has no direct environmental footprint. The environmental and social impact of its activities are covered by the policies defined by the Crédit Mutuel - CM11 group and presented in the management report of Caisse Fédérale de Crédit Mutuel, which is the controlling company as defined in Article L. 233-3 of the French Commercial Code.

## **VII. EXECUTIVES, STATUTORY AUDITORS AND SPECIAL AUDITOR AND THEIR REMUNERATION**

### **INFORMATION CONCERNING CORPORATE OFFICERS**

To meet the requirements of Article L. 225-102-1 of the French Commercial Code, a list of all offices held and duties performed by each of the Company's corporate officers at any company is provided in the appendix.

None of the corporate officers received any remuneration from the Company in respect of their duties in 2016.

### **STATUTORY AUDIT**

In accordance with legislation and regulations, the Statutory Auditors' reports are available for inspection. Furthermore, readers are advised that current agreements entered into under normal conditions that, because of their purpose or financial implications, are significant for the parties, have remained in effect. A list of these agreements and their purposes has been provided to the directors and Statutory Auditors.

Principal Statutory Auditors:  
PricewaterhouseCoopers Audit  
63 Rue de Villiers  
92208 Neuilly-sur-Seine Cedex  
Partner: Jacques Lévi

Alternate Statutory Auditors:  
Anik Chaumartin  
63 Rue de Villiers  
92208 Neuilly-sur-Seine Cedex

Ernst & Young et Autres  
1/2 Place des Saisons  
92400 Courbevoie, Paris-La Défense 1  
Partner: Olivier Durand

Picarle et Associés  
Faubourg de l'Arche  
11 Allée de l'Arche – Courbevoie  
92037 Paris-La Défense Cedex

## **INFORMATION REGARDING THE SPECIAL AUDITOR**

Principal Special Auditor:

Fides Audit

11 rue Marie Laurencin

75012 Paris

Partner: Stéphane Massa

The special auditor's actual compensation for 2016 was €182,642.40, including tax.

## **VIII. RESOLUTIONS SUBMITTED TO THE ANNUAL ORDINARY SHAREHOLDERS' MEETING OF MAY 3, 2017**

### **FIRST RESOLUTION**

In accordance with the quorum and majority conditions required for ordinary shareholders' meetings and after the management report prepared by the Board of Directors and the Statutory Auditors' reports had been read to them, the shareholders approved the statutory financial statements for the financial year ended December 31, 2016, as presented to them by the Board of Directors, which show a profit of €3,621,553.39.

The shareholders also approved the transactions entered in these financial statements or summarized in these reports.

Accordingly, they granted the directors full and unconditional discharge for their work during said fiscal year.

### **SECOND RESOLUTION**

The shareholders resolve to appropriate the net profit for the year, totaling €3,621,553.39, plus the €2,565,084.84 in retained earnings, i.e. an available amount of €6,186,638.23, as follows:

- to the legal reserve	€181,077.67
- to the payment of dividends	€990,000.00
- the balance to retained earnings	€5,015,560.56

In accordance with Article 243 bis of the French General Tax Code (Code général des impôts), we remind you that the following dividends had been paid in respect of previous years:

Fiscal year	Dividend distribute
2013	-
2014	0.03
2015	0.03

### **THIRD RESOLUTION**

In accordance with the quorum and majority conditions required for ordinary shareholders' meetings and after having familiarized themselves with the report prepared by the Board of Directors and having had the Statutory Auditors' special report on the agreements referred to in Article L.225-38 of the French Commercial Code read out to them, the shareholders approved the findings of said report and the agreements referred to therein.

### **FOURTH RESOLUTION**

The Shareholders' Meeting resolved to appoint Mr. Eric Platiau, to replace Mr. François Migraine, as independent director for six years, i.e. until the Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2022.

## **IX. APPENDICES**

- 1. LIST OF OFFICES AND DUTIES**
- 2. STATUTORY AUDITORS' REPORT ON THE 2016 STATUTORY FINANCIAL STATEMENTS**
- 3. STATUTORY AUDITORS' 2016 SPECIAL REPORT**
- 4. REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS TO THE SHAREHOLDERS' MEETING**
- 5. STATUTORY AUDITORS' REPORT ON THE CHAIRMAN OF THE BOARD OF DIRECTORS' REPORT**
- 6. INDEPENDENT THIRD PARTY'S REPORT ON EMPLOYMENT, ENVIRONMENTAL AND SOCIAL INFORMATION**
- 7. FINANCIAL STATEMENTS**

## 1. LIST OF OFFICES AND DUTIES

(Article L. 225-02-1 of the French Commercial Code)  
for the 2016 fiscal year

### Christian KLEIN

Chairman and Member of the Board of Directors

Job title	Company name of the entity	Legal form of the entity
Deputy CEO	Banque Fédérative du Crédit Mutuel	French limited company
Chairman of the Board of Directors	Crédit Mutuel – CIC Home Loan SFH	French limited company
Member of the Board of Directors	Société de financement de l'économie française	French limited company
Member of the Supervisory Board	Cofidis Participations	French limited company
	Cofidis	French limited company
Permanent representative of Cicoval	Board of Directors of CIC Lyonnaise de Banque	French limited company

### Christian Ander

Chief Executive Officer and Member of the Board of Directors

Job title	Company name of the entity	Legal form of the entity
Chief Executive Officer	Crédit Mutuel-CIC Home Loan SFH	French limited company
Member of the Supervisory Board of CIC Iberbanco	CIC Iberbanco	French limited company
Permanent representative of BFCM	Board of Directors of CRH - Caisse de Refinancement de l'Habitat	French limited company
Permanent representative of BFCM	Board of Directors of CM-CIC Asset Management	French limited company
Permanent representative of Sofinaction	Board of Directors of CM-CIC Bail	French limited company

## Banque Fédérative du Crédit Mutuel

### Member of the Board of Directors

Job title	Company name of the entity
Chairman	CM-CIC Immobilier
	Bischenberg
Member of the Board of Directors	Assurances du Crédit Mutuel Vie SAM
	Assurances du Crédit Mutuel Vie SA
	Assurances du Crédit Mutuel IARD SA
	Crédit Industriel et Commercial
	Banco Popular Espagne
	Banque de Tunisie
	Batigère
	Caisse de Refinancement de l'Habitat
	CM-CIC Epargne Salariale
	CM-CIC SCPI Gestion
	CM-CIC Home Loan SFH
	Crédit Mutuel Cartes de Paiements
	Critel
	Fédération du Crédit Mutuel Centre Est Europe
	SAEM Mirabelle TV
	SAEM Locusem
	SEM CAEB-Bischheim
	SEM CALEO – Guebwiller
	SEM pour la Promotion de la ZAC Forbach Sud (on a rotational basis)
	SEM Semibi Biesheim
	SIBAR
	Société Fermière de la Maison de l'Alsace
Société Française d'Édition de Journaux et d'Imprimés Commerciaux "L'Alsace"	
Ventadour Investissement	
Member of the Supervisory Board	GACM
	Quadral Investissement
	SAEM Mulhouse Expo
	SODEREC - Société d'Etudes et de Réalisation pour les Equipements Collectifs
	STET
Member of the Management Board	Euro Information
	Euro Protection Surveillance
	Euro TVS
	Euro Information Direct Service
	Boréal
Sofédis	
Non-voting member	CM-CIC Asset Management
	SAFER d'Alsace
	SEM E Puissance 3 – Schiltigheim

### Mr. Denis Reinsbach:

#### Chief Administrative Officer

Job title	Company name of the entity	Legal form of the entity
Chief Administrative Officer	Crédit Mutuel-CIC Home Loan SFH	French limited company

## Luc Chambaud

### Member of the Board of Directors

Job title	Company name of the entity	Legal form of the entity
Chief Executive Officer	CRCM DE NORMANDIE	Association under the law of 1901
	FEDERATION DU CREDIT MUTUEL DE NORMANDIE	A corporation with the status of a cooperative company ("Société cooperative à forme anonyme")
Member of the Supervisory Board	CM-CIC SERVICES	EIG
	EURO INFORMATION PRODUCTION	EIG
Member of the Board of Directors	Euro P3C	French limited company
	Crédit Mutuel-CIC Home Loan SFH	French limited company
Permanent representative	Member of the Management Board of EURO TVS	Simplified stock company
	Member of the Management Board of EURO INFORMATION SAS	Limited company with an executive board
	Member of the Supervisory Board of GACM	Limited company with an executive board
Non-voting member	of the Board of Directors of Crédit Industriel et Commercial	French limited company

## François Migraine

### Member of the Board of Directors

Job title	Company name of the entity	Legal form of the entity
Vice-Chairman and member of the Supervisory Board	COFIDIS PARTICIPATIONS	French limited company
	COFIDIS	French limited company
Member of the Board of Directors	Crédit Mutuel-CIC Home Loan SFH	French limited company

**2. STATUTORY AUDITORS' REPORT ON THE 2016 STATUTORY FINANCIAL STATEMENTS**

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**Crédit Mutuel-CIC Home Loan SFH**

Year ended December 31, 2016

Statutory Auditors' report on the statutory financial statements



**PricewaterhouseCoopers Audit**  
63 Rue de Villiers  
92208 Neuilly-sur-Seine Cedex  
French simplified limited company (S.A.S.) with capital  
of €2,510,460

Statutory Auditor  
Member of the regional association  
of accountants of Versailles

**ERNST & YOUNG et Autres**  
1/2 Place des Saisons  
92400 Courbevoie – Paris-La Défense 1  
S.A.S. à *capital variable* (French simplified limited  
company with variable capital)

Statutory Auditor  
Member of the regional association  
of accountants of Versailles

## **Crédit Mutuel-CIC Home Loan SFH**

Year ended December 31, 2016

### **Statutory Auditors' report on the statutory financial statements**

To the Shareholders,

In accordance with the terms of the engagement entrusted to us at your shareholders' meeting, we present herewith our report for the year ended December 31, 2016 on:

- our audit of the statutory financial statements of Crédit Mutuel–CIC Home Loan SFH, as appended to this report;
- the basis for our assessments;
- the specific checks and information required by law.

The statutory financial statements have been approved by the Board of Directors. It is our duty, on the basis of our audit, to express an opinion on these financial statements.

#### **I. Opinion on the statutory financial statements**

We have conducted our audit in accordance with generally accepted French auditing standards. These standards require that we carry out checks to obtain reasonable assurance that the statutory financial statements are free from material misstatement. An audit consists of verifying, on a test basis or using other selection methods, evidence supporting the amounts and disclosures included in the statutory financial statements. An audit also includes an assessment of the accounting policies used and significant estimates made by management, as well as an evaluation of the overall presentation of the financial statements. We believe that the evidence we have gathered provides a sufficient and appropriate basis for our audit opinion.

In our opinion, the statutory financial statements present a true and fair view of the Company's assets, liabilities, financial position and performance at the end of the year under review, in accordance with French accounting rules and principles.

## **II. Basis for our assessments**

In accordance with the provisions of Article L. 823-9 of the French Commercial Code on the basis for our assessments, you are advised that our assessments related to the appropriateness of the accounting principles applied.

These assessments formed part of our audit of the statutory financial statements as a whole, and thus contributed to our opinion expressed in the first part of this report.

## **III. Specific checks and information**

In accordance with French generally accepted auditing standards, we have also performed the specific checks required by law.

We have no comments as to the fair presentation of the information provided in the Board of Directors' management report and in the documents sent to shareholders regarding the company's financial position and statutory financial statements, or its consistency with the statutory financial statements.

As regards the information provided in accordance with Article L. 225-102-1 of the French Commercial Code on remuneration and benefits paid to corporate officers and commitments made to them, we have checked the consistency of this information with the information provided in the financial statements or with the data used to prepare the financial statements and, where applicable, with the information received by your company from companies that control it or are controlled by it. On the basis of this work, we certify that this information is accurate and fair.

Neuilly-sur-Seine and Paris-La Défense, on March 24, 2017

The Statutory Auditors

PricewaterhouseCoopers Audit

ERNST & YOUNG et Autres

Jacques Lévi

Olivier Durand

**3. STATUTORY AUDITORS' 2016 SPECIAL REPORT**

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## **Crédit Mutuel-CIC Home Loan SFH**

Shareholders' meeting called to approve the financial statements for the financial year ended  
December 31, 2016

### **Statutory Auditors' Special Report on regulated agreements**

**PricewaterhouseCoopers Audit**

63 Rue de Villiers  
92208 Neuilly-sur-Seine Cedex  
French simplified limited company (S.A.S.) with capital  
of €2,510,460

Statutory Auditor  
Member of the regional association  
of accountants of Versailles

**ERNST & YOUNG et Autres**

1/2 Place des Saisons  
92400 Courbevoie – Paris-La Défense 1  
S.A.S. à *capital variable* (French simplified limited  
company with variable capital)

Statutory Auditor  
Member of the regional association  
of accountants of Versailles

## **Crédit Mutuel-CIC Home Loan SFH**

Shareholders' meeting called to approve the financial statements for the financial year ended December 31, 2016

### **Statutory Auditors' Special Report on regulated agreements**

To the Shareholders,

In our capacity as the company's Statutory Auditors, we present to you our report on regulated agreements.

It is our duty, based on the information provided to us, to inform you of the basic characteristics and terms and conditions and the basis of the benefits for the company of the agreements of which we have been informed or of which we may have become aware during our audit, without the need to express an opinion on their appropriateness and relevance or to determine the existence of other agreements. In accordance with Article R.225-31 of the French Commercial Code, it is your responsibility, in considering whether to approve these agreements, to determine whether they should have been entered into.

We are also required, where appropriate, to provide you with the information laid down in Article R.225-31 of the French Commercial Code on the performance during the past year of agreements already approved at a shareholders' meeting.

In fulfilling our engagement, we have carried out the checks we considered necessary in light of the professional policies of the *Compagnie nationale des commissaires aux comptes* (National Association of Statutory Auditors).

### **Agreements subject to approval at a shareholders' meeting**

We inform you that we have not been advised of any agreement authorized during the past year that must be submitted to the shareholders' meeting for approval pursuant to the provisions of Article L. 225-38 of the French Commercial Code.

## **Agreements already approved at a shareholders' meeting**

We inform you that we have not been advised of any agreement already approved by the shareholders' meeting, which remained in force during the past year.

Neuilly-sur-Seine and Paris-La Défense, on March 24, 2017

The Statutory Auditors

PricewaterhouseCoopers Audit

ERNST & YOUNG et Autres

Jacques Lévi

Olivier Durand

## 4. REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS TO THE SHAREHOLDERS' MEETING

### CHAIRMAN'S REPORT ON THE BOARD OF DIRECTORS' OPERATION AND INTERNAL CONTROL PROCEDURES

March 2017

The provisions of Article L. 225-37 of the French Commercial Code stipulate that the Chairman of the Board of Directors of a French limited company must present a separate report, which is submitted along with the annual report, on the conditions under which the Board prepares and organizes its work, the internal control procedures implemented by the Company, and any limits that the Board has placed on the powers of the Chief Executive Officer.

#### I. PREPARATION AND ORGANIZATION OF THE BOARD OF DIRECTORS' WORK

##### 1. Composition of the Board

The Board of Directors of Crédit Mutuel-CIC Home Loan SFH consists of five members, including one independent director, appointed by the shareholders' meeting for six years, pursuant to Article 13 of the bylaws. The list of directors and a description of their positions at other companies is presented in the appendix in accordance with legal requirements.

There are no directors' fees or stock options.

##### 2. Operation of the Board

The Board of Directors sets the Company's business strategy and oversees its implementation. Subject to the powers expressly granted to shareholders' meetings and within the limit of the corporate purpose, it considers all issues relating to the Company's operation and makes decisions on matters affecting it.

There are no internal rules formally stipulating how the Board of Directors should operate; it is subject to the statutory legal provisions.

Individually, directors have a duty of discretion and confidentiality on all matters related to the Company's purpose.

Pursuant to Article L. 225-51-1 of the French Commercial Code, the Board has opted for a dual executive management structure.

The Board is chaired by Christian Klein. As such, he organizes and directs the Board of Directors' work and ensures that directors are able to perform their duties.

Mr. Klein receives no compensation for serving as Chairman of the Board of Directors. He is nevertheless entitled to reimbursement of travel and entertainment expenses, upon presentation of receipts.

Mr. Klein also performs the duties of responsible officer within the meaning of Article L. 511-13 of the French Monetary and Financial Code.

### **3. Executive Management operating methods**

Christian Ander serves as Chief Executive Officer. As such, he has the broadest authority to act on behalf of the Company and to represent it vis-à-vis third parties.

With respect to shareholders, the powers of the Chief Executive Officer are limited under the terms of Article 19.2 of the Company's bylaws.

Mr. Ander also performs the duties of responsible officer within the meaning of Article L. 511-13 of the French Monetary and Financial Code.

Mr. Ander receives no compensation for serving as Chief Executive Officer. He is entitled to reimbursement of travel and entertainment expenses, upon presentation of receipts.

In 2016, the Board met six times. The average attendance rate was 62%.

Prior to each Board meeting, a comprehensive file on the agenda items is provided to all directors. Minutes of the meetings are submitted to all directors.

The first meeting was held on March 29, 2016 and focused mainly on approving the financial statements at December 31, 2015, preparing for the ordinary shareholders' meeting of May 11, 2016, setting the cap on issues for the second quarter of 2016, the asset cover test and asset quality report, the composition of the Board of Directors in light of CRD IV (termination of Mr. Vidal's duties), the operation of the Company and the Board of Directors, and internal control procedures.

The purpose of the May 11, 2016 meeting was to set the cap on issues for the third quarter of 2016, review the quarterly accounts and conduct an annual review of regulated agreements.

The third meeting, held on July 19, 2016, focused on amending the program documents and on the notice and agenda for the ordinary shareholders' meeting of July 28, 2016 called to update certain documents relating to the structure of the Issue Programs and documentation relating to the EMTN Program.

The main purpose of the July 28, 2016 meeting was to approve the financial statements at June 30, 2015 and update Crédit Mutuel – CIC Home Loan SFH's international program.

The purpose of the September 21, 2016 meeting was to assess business, set the cap on issues for the fourth quarter of 2016 and review the asset cover test, asset quality and the affiliations of new Crédit Mutuel branches.

The last Board meeting of the year, held on December 6, 2016, focused on the following matters: business and issues undertaken, the examination of the quarterly accounts at September 30, 2016, the asset cover test and the asset quality report as well as the special auditor's report on the Company's business. During this meeting, the Board renewed the issue authorizations, set the cap on issues for the first quarter of 2017, reviewed the affiliations of new Crédit Mutuel branches and approved the annual coverage plan.



## II. REPORT ON INTERNAL CONTROL

(Report prepared pursuant to Articles 258 to 266 of the order of November 3, 2014 on internal control of banking sector, payment services and investment services companies subject to ACPR supervision)

### 1. Presentation of the activities carried out

Crédit Mutuel – CIC Home Loan SFH (formerly CM-CIC Covered Bonds) was accredited by the French Credit Institutions and Investment Firms Committee (CECEI) at its meeting on May 31, 2007. At its meeting on March 28, 2011, the French Prudential Supervision and Resolution Authority (ACPR) authorized the company to opt for the status of "home loan financing company" (*Société de Financement de l'Habitat - SFH*).

The sole corporate purpose of Crédit Mutuel – CIC Home Loan SFH is to help to refinance the Crédit Mutuel – CM11 group by issuing covered bonds based on a home loan portfolio pledged as collateral on the basis of Article L. 211-36, paragraph II and Articles L. 211-38 to L. 211-40 of the French Monetary and Financial Code.

The Company has an international EMTN program and a US144A program enabling it to reach a wide range of international investors.

The Company's activities in 2016 were fully in line with this corporate purpose, without the development of new activities, and consisted of the following operations:

- 1 issue for a total of €1.5 billion:

Nominal amount in foreign currency	Foreign currency	Equivalent nominal amount in euros	Issue date	Maturity date
1,500,000,000	EUR	1,500,000,000	02/11/2016	09/19/2022

- on-lending of funds raised through these issues to BFCM.

In addition, the Company's capital is deposited with BFCM.

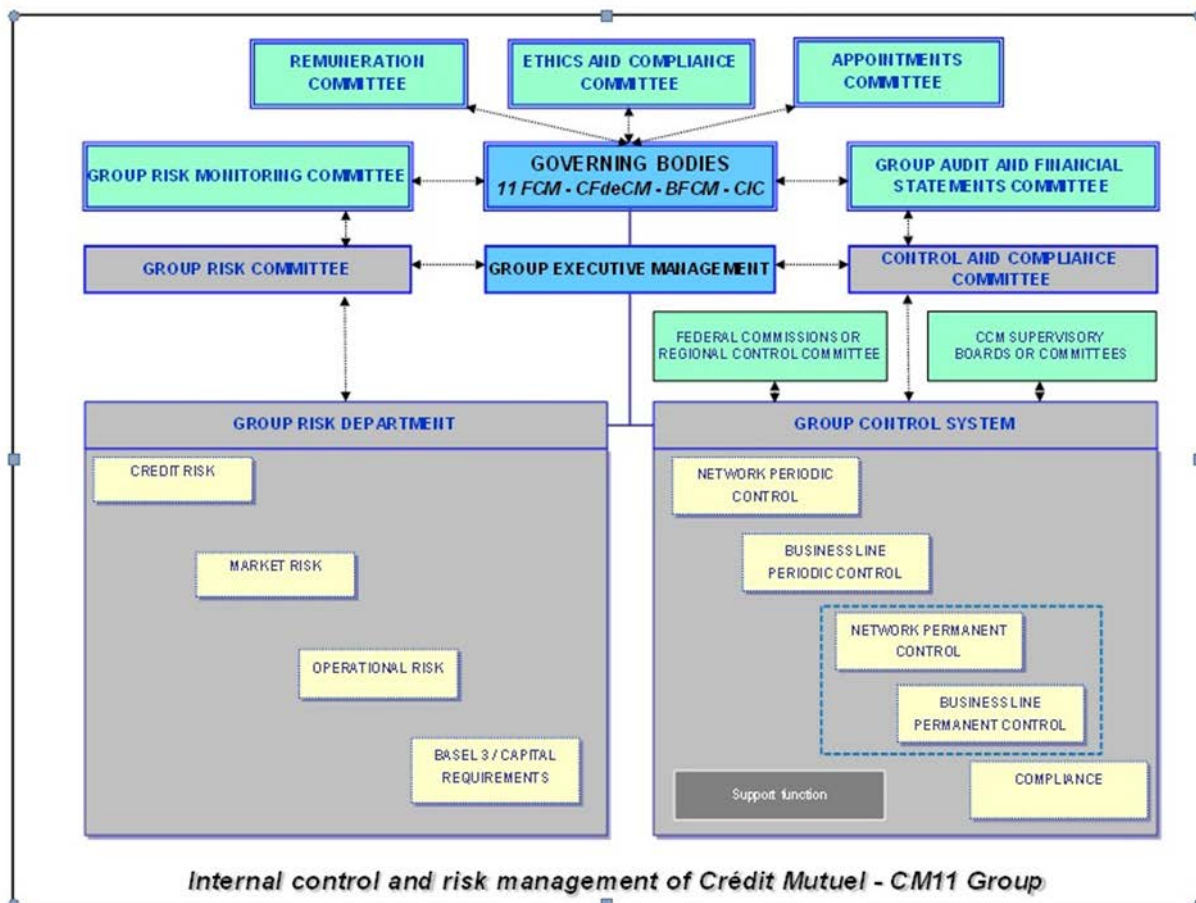
### 2. Overview of the internal control system

#### Organization at the Crédit Mutuel - CM11 group level

The internal control system, along with the risk management organization, constitutes a coherent set of procedures tailored to the needs and organization of the Crédit Mutuel - CM11 group.

It meets the requirements of banking and financial regulations and adheres to the operating principles that the Crédit Mutuel - CM11 group has established through its governing bodies, in the spirit of cooperation that has always guided its strategy.

Compliance with Article 104 of the order of November 3, 2014 was on the agenda of the CFdeCM Board of Directors' meetings held on February 27, 2015 and July 31, 2015.



In accordance with the order of November 3, 2014, the system consists of three functions:

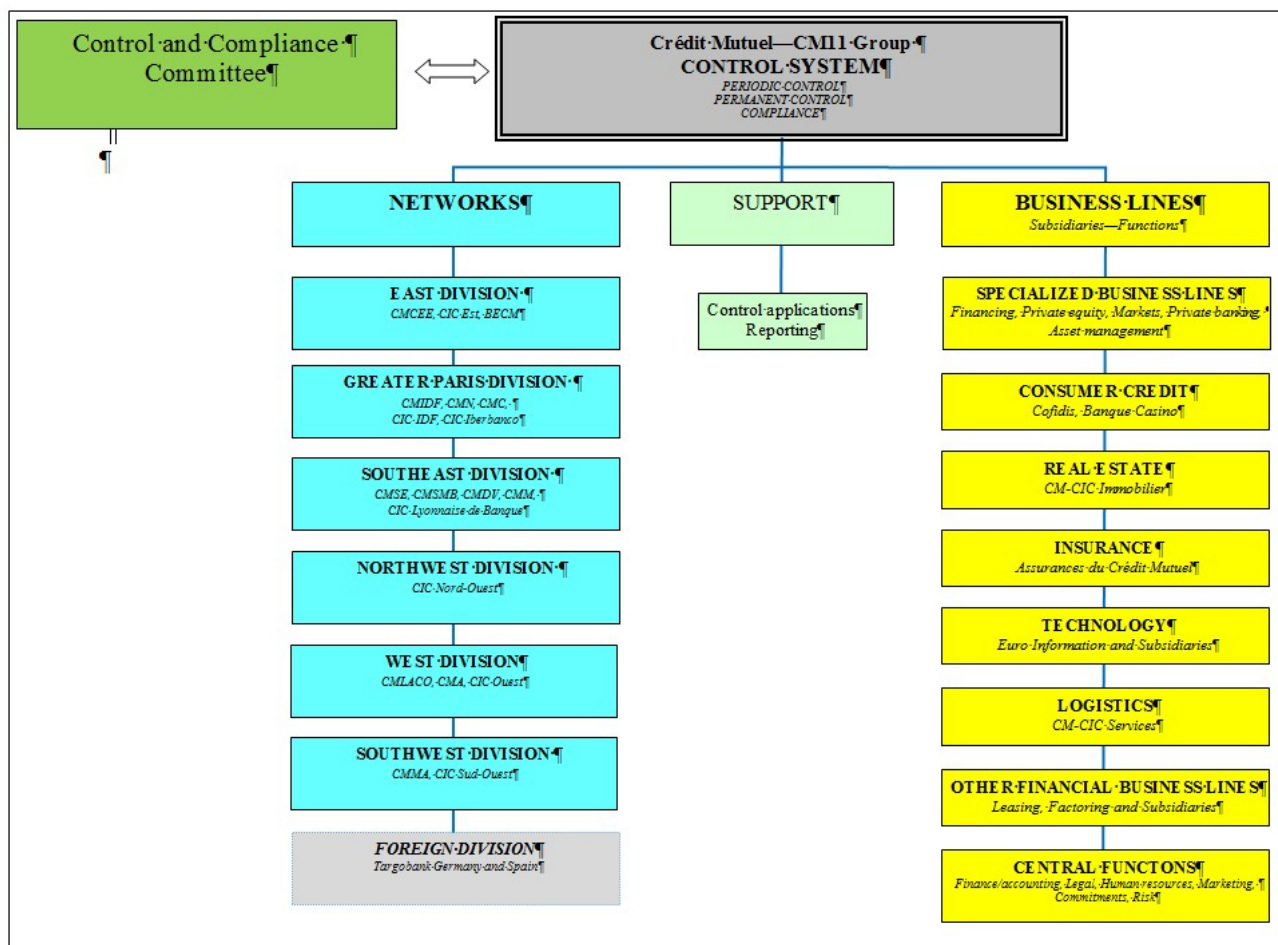
- periodic control,
- permanent control,
- compliance.

The latter two are subject to periodic controls by the former.

To perform their functions, the heads of the control departments have permanent and unrestricted access to individuals, premises, equipment, software and information of any kind throughout the group. They may delegate any or all of their rights to their employees as needed for specific assignments.

Periodic control and permanent control are divided into a network function and a business line function; a Control and Compliance Committee, chaired by a responsible officer, ensures the cohesiveness of the system as a whole. This Committee reports to the Group Audit and Financial Statements Committee, which represents the group's supervisory bodies.

Chart updated on 01/01/2017:



### Crédit Mutuel – CIC Home Loan SFH’s internal control system

Crédit Mutuel – CIC Home Loan SFH’s internal control system is in line with that of the Crédit Mutuel - CM11 group.

The company has implemented a permanent control and compliance system, with the group’s assistance, that reflects its limited corporate purpose and lack of own resources.

The units responsible for executing transactions are segregated from those responsible for transaction validation and settlement and for risk monitoring.

First-level controls are performed by all employees acting on the Company’s behalf as part of the management of accounting, administrative, regulatory and data processing transactions. Some of these controls are pre-integrated into the IT processes (e.g., access rights, limit checks and permission levels).

The control system implemented on behalf of the Company is also based on the following principles:

- *first-level control*: this is performed by all the operational teams involved in Crédit Mutuel - CIC Home Loan SFH's operation, particularly the Collateral Management and Monitoring and Front Office functions, on the one hand, and the Back Office and Middle Office functions, on the other. Issues related to the Company's management are the responsibility of the group's funding structure teams and those related to operations and risk control are handled by the CM-CIC Marchés teams under the responsibility of the head of post-market activities.
- *second-level control*: a capital markets activities team, which acts exclusively as an auditor, is responsible for monitoring risk and the controls performed. This team reports to the Business Line Permanent Control department.
- *compliance controls*: these are also performed by the CM-CIC Marchés teams and by the Group Compliance department, particularly for regulatory watch and ethics matters.
- *periodic control*: this is performed by Group Audit, which works with a specialized team of inspectors. The network is also subject to periodic control, particularly as regards home loans offered to the company as collateral.

In addition, given the Company's status of "home loan financing company" (Société de Financement de l'Habitat – SFH), a special auditor is responsible for verifying compliance with all the obligations it assumes under this scheme with respect to its legal mandate.

### **3. Governance**

The Company's Executive Management regularly informs Crédit Mutuel - CIC Home Loan SFH's Board of Directors about the organization, activity and results of internal control.

In particular, any operational risk incident considered significant, as provided by the applicable regulations (see Articles 98 and 245 of the order of November 3, 2014), is reported based on the specific terms and procedures of the Crédit Mutuel - CM11 group.

In 2016, no significant incidents were identified.

Crédit Mutuel - CIC Home Loan SFH has no resources of its own. It depends fully on the group's entities for all of its operations. This organization is reflected in several agreements, the most important of which are:

- an "outsourcing and resource provision agreement" signed on July 6, 2007 and amended on June 10, 2011 between Crédit Mutuel – CIC Home Loan SFH and BFCM, CIC and CFdeCM, which covers legal and fiscal secretarial services and all tasks enabling compliance with contractual, legal and regulatory obligations;
- an "administrative agreement" signed on July 6, 2007 and amended on July 24, 2015 between Crédit Mutuel – CIC Home Loan SFH and BFCM, which covers the tasks required to achieve the Company's corporate purpose and, more specifically, to fulfill the duties of issuer calculation agent, comply with the issue program clauses and manage collateral and cash.

#### **4. Results of periodic controls**

The Business Line Periodic Control department conducted an audit at the end of 2015 which was completed in early 2016.

The main objectives of this audit were to analyze the issue program and the financial environment of the operations, assess the collateral pool, evaluate risk, analyze the effectiveness and outlook of the system and verify the compliance of the operations carried out.

This audit did not identify any major problems and the existing system was found to be appropriate and of high quality. The few issues that required attention were monitored in the group's recommendations management tool (PRECO).

#### **5. Identification of transactions with key executives, members of the supervisory body and principal shareholders**

Not applicable in terms of commitments likely to be deducted from equity.

#### **6. Internal capital adequacy assessment process**

- Due to the nature of its corporate purpose, Crédit Mutuel – CIC Home Loan SFH's use of funds is strictly regulated. It consists, with the exception of the on-lending of capital, exclusively of collateralized loans granted to BFCM.
- The collateral portfolio currently stands at €31 billion and equity totals €340 million.
- At the request of Crédit Mutuel – CIC Home Loan SFH, on June 19, 2014 the General Secretariat of the ACPR (SGACPR) agreed to allow the Company to be exempt from the application on an individual basis of prudential requirements related to solvency ratios, the leverage ratio and major risks, as well as from application of the 75% ceiling on cash receipts for calculating liquidity coverage.

#### **7. Compliance risk**

#### **8. Money laundering and terrorism financing risk**

See a discussion of this risk in the Crédit Mutuel - CM11 group's consolidated report

## 9. Credit and counterparty risk

Due to its limited corporate purpose, Crédit Mutuel – CIC Home Loan SFH’s credit risk is strictly regulated. Funds may only be used as follows:

- On-lending of funds raised by issuing securities: these funds may only be lent to BFCM. This lending is itself secured by collateral in the form of home loans granted by the Crédit Mutuel - CM11 group, on the basis of Article L. 211-36, paragraph II and Articles L. 211-38 to L. 211-40 of the French Monetary and Financial Code. The overall amount of lending and compliance with loan eligibility criteria are checked monthly and documented in an “Asset Cover Test” report.
- On-lending of capital is governed by the following limits:
  - Regulatory limits: Articles L. 513-7 and R. 515-6 set minimum credit quality levels for these investments.
  - Contractual limits: rating agencies have set minimum credit ratings that vary according to the term of the investments.

Duration/Minimum rating	S&P	Fitch	Moody’s
< 30 days	A-1 or A	F1 and A	P-1
30 to 60 days	A-1	F1+ and/or AA-	P-1
60 days to 3 months	A-1+ or AA-	F1+ and/or AA-	P-1
< 1 year	A-1+ or AA-	F1+ and/or AA-	P-1

- Should BFCM default, the Company would become the owner of the home loans offered as collateral. An analysis of this collateral by internal rating demonstrates the portfolio’s high credit quality and is presented in the table below.

Rating	Outstandings (€m) <sup>(1)</sup>	Percentage	Aggregate percentage
A	16,255	52%	52%
B	9,160	30%	82%
C	3,988	13%	95%
D+	864	3%	98%
D-	601	2%	100%
E+	133	0%	100%
E-	-	0%	100%
E=	-	0%	100%
F	-	0%	100%
<b>TOTAL</b>	<b>31,001</b>	<b>100%</b>	

<sup>(1)</sup> Outstandings at 11/30/2016 shown in SFH’s financial statements at 12/31/2016

There are no non-performing or overdue loans in the portfolio offered as collateral.

The breakdown of these home loans by type of security is as follows:

Type of security	Outstandings (€m) <sup>(1)</sup>
Home mortgage guarantees	22,441
Guarantees provided by a credit institution	8,560
<b>TOTAL</b>	<b>31,001</b>

<sup>(1)</sup> Outstandings at 11/30/2016 shown in SFH’s financial statements at 12/31/2016

All guaranteed loans are secured by Crédit Logement.

The present LTV (ratio of the principal balance to the present value of the assets) is 63% on average.

## **10. Operational risk**

In line with its bylaws, Crédit Mutuel – CIC Home Loan SFH has no resources of its own. All tasks are subcontracted to BFCM, CIC and CFdeCM under various agreements. Internal control of outsourced activities is organized in accordance with the process defined by Group Compliance.

The Company's operational risk policy is in line with the global policy implemented by the Crédit Mutuel - CM11 group, particularly in terms of the Emergency and Business Continuity Plan.

Legal risk has been analyzed in detail by rating agencies, which have assigned their top rating (AAA) to Crédit Mutuel – CIC Home Loan SFH's program.

To help it achieve its corporate purpose, Crédit Mutuel – CIC Home Loan SFH is advised by external legal advisers, including in particular law firms.

More generally, under the above-mentioned agreements, Crédit Mutuel – CIC Home Loan SFH receives assistance from the Crédit Mutuel - CM11 group for all its activities.

## **11. Interest rate risk**

Crédit Mutuel – CIC Home Loan SFH is required to operate in such a way that it is not exposed to interest rate risk.

- Funds collected by issuing securities must be lent to BFCM at the same interest rates (plus 10% of the margin, with a minimum of 2 bps and a maximum of 10 bps) and for the same term. This means that assets and liabilities are perfectly matched by term and interest rate.
- The only way the Company could be exposed to interest rate risk would be if BFCM were to default. The Company would then need to enforce its security and would become the owner of the home loans.

In accordance with the update to the issue program in July 2015 and with the approval of the rating agencies, this potential interest rate risk using a look-through approach is covered by a natural matching of assets and liabilities and by overcollateralization. In fact, the vast majority (approximately 90%) of the cover pool assets are fixed-rate loans, and these assets are matched to liabilities in the same proportion by fixed-rate issues. The average interest rate of the cover pool (2.84% at 11/30/2016) and the average interest rate of bonds issued at fixed rates (2.30% at 11/30/2016) is monitored monthly. The overcollateralization rate resulting from the calculation of the Asset Cover Test negotiated with the rating agencies is always more than 74.9% (= Asset Percentage). The company is committed to maintaining this level of overcollateralization to meet the rating targets and regulatory requirements.

## 12. Foreign exchange risk

The program allows for the possibility that Crédit Mutuel – CIC Home Loan SFH carry out issues in foreign currencies. In such cases, the loan to BFCM is also made in the issue currency.

- To date, Crédit Mutuel – CIC Home Loan SFH has carried out the following foreign currency issues:

Nominal amount in foreign currency	Foreign currency	Equivalent nominal amount in euros	Issue date	Maturity date
1,000,000,000	USD	785,130,000	11/16/2012	11/16/2017
300,000,000	NOK	39,698,293	03/22/2022	03/22/2022
750,000,000	NOK	96,961,862	10/07/2011	10/07/2024

The funds raised via these issues were lent to BFCM under the same terms.

- The only way the Company could be exposed to foreign exchange risk would be if BFCM were to default. The Company would then need to enforce its security and would become the owner of the home loans, all of which are denominated in euros, while having to make repayments in foreign currencies. The issue program documentation requires Crédit Mutuel – CIC Home Loan SFH to enter into specific foreign currency swaps with counterparties that must meet specific rating criteria in order to hedge this risk as soon as BFCM's rating is downgraded.
- Since a first-level rating criterion has been met, a hedging swap has been set up. BFCM has the necessary rating level and so is the counterparty to these swaps. In fact, BFCM enjoys a strong enough rating to meet the eligibility criteria provided for in the issue program documents: A (long-term) from Standard & Poor's, P-1 (short-term) and Aa3 (long-term) from Moody's and F1 (short-term) / A+ (long-term) from Fitch. Furthermore, since no collateral has been transferred, the Company does not need these swaps to hedge its risk. They have therefore been neutralized with BFCM.

## 13. Liquidity risk

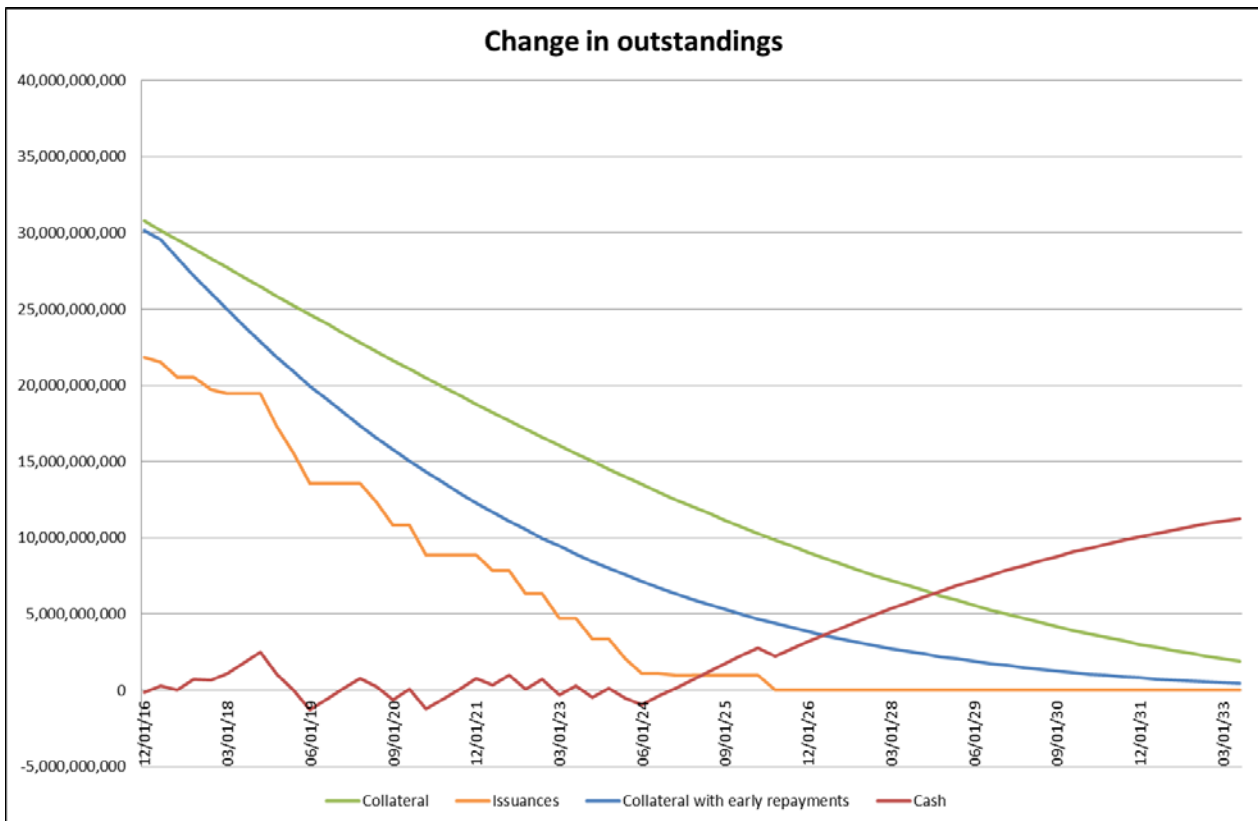
Crédit Mutuel – CIC Home Loan SFH operates in such a way that it is not exposed to liquidity risk. Since its sources and uses of funds are perfectly matched by term, Crédit Mutuel – CIC Home Loan SFH does not engage in maturity transformation.

- The only way the Company could be exposed to liquidity risk would be if BFCM were to default. The Company would then need to enforce its security and would become the owner of the home loans. The issue program documentation provides for a pre-maturity test to address this risk.
- The pre-maturity test requires BFCM to set aside a cash security deposit in the 180 business days before a covered bond issue matures. This deposit must be sufficient to cover the principal repayments falling due during the period in question. Failure to meet this obligation would represent default by BFCM.
- This pre-maturity test was triggered after Fitch Ratings downgraded BFCM's short-term credit rating to F1 on July 17, 2013. As a result, collateral was put in place to cover issues due to mature within 180 business days, and the funds thus obtained were deposited in term accounts maturing in less than 30 days. The amount of this collateral was €1.3 billion at 12/31/2016.



These mechanisms are considered compliant with the requirements of Article R. 513-7 of the French Monetary and Financial Code.

- Should BFCM default, the Company would become the owner of the home loans offered as collateral. The chart below shows the portfolio's amortization profile compared with the amortization of the issues and the resulting cash balance.



This simulation shows some occasional slight cash shortfalls, mainly in the second quarter of 2019 and the first quarter of 2021. However, this cash balance does not take account of early repayments, which would cover these theoretical shortfalls.

- The Company is subject to the LCR on an individual basis but benefits from an exemption from application of the 75% ceiling on cash receipts, granted to it by the Supervisory College of the ACPR in a letter dated August 1, 2014. Accordingly, given the company's operating model (issues of securities on-lent to BFCM with the same characteristics), this ratio is always observed.

**5. STATUTORY AUDITORS' REPORT ON THE CHAIRMAN OF THE BOARD OF DIRECTORS' REPORT**

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## **Crédit Mutuel-CIC Home Loan SFH**

Year ended December 31, 2016

**Statutory Auditors' report prepared in accordance with Article L. 225-235 of the French Commercial Code, on the report of the Chairman of the Board of Directors of Crédit Mutuel-CIC Home Loan SFH**

**PricewaterhouseCoopers Audit**

63 Rue de Villiers  
92208 Neuilly-sur-Seine Cedex  
French simplified limited company (S.A.S.) with capital of  
€2,510,460

Statutory Auditor  
Member of the regional association  
of accountants of Versailles

**ERNST & YOUNG et Autres**

1/2 Place des Saisons  
92400 Courbevoie – Paris-La Défense 1  
S.A.S. à *capital variable* (French simplified limited  
company with variable capital)

Statutory Auditor  
Member of the regional association  
of accountants of Versailles

## **Crédit Mutuel-CIC Home Loan SFH**

Year ended December 31, 2016

### **Statutory Auditors' report prepared in accordance with Article L. 225-235 of the French Commercial Code, on the report of the Chairman of the Board of Directors of Crédit Mutuel-CIC Home Loan SFH**

To the Shareholders,

In our capacity as Statutory Auditors of Crédit Mutuel-CIC Home Loan SFH and pursuant to the provisions of Article L. 225-235 of the French Commercial Code, we present to you our report on the report prepared by your company's Chairman as provided for by Article L. 225-37 of the French Commercial Code for the financial year ended December 31, 2016.

It is the Chairman's responsibility to prepare and submit to the Board of Directors for approval a report that describes the internal control and risk management procedures implemented at the company and provides the other information required by Article L. 225-37 of the French Commercial Code related, in particular, to the corporate governance system.

It is our responsibility:

- to present to you our observations based on the information contained in the Chairman's report regarding the internal control and risk management procedures related to the preparation and processing of accounting and financial information, and
- to certify that this report contains the other information required by Article L. 225-37 of the French Commercial Code, it being noted that it is not our responsibility to verify the accuracy of this other information.

We have performed our work in accordance with French generally accepted auditing standards.

## **Information regarding the internal control and risk management procedures related to the preparation and processing of accounting and financial information**

French generally accepted auditing standards require that we follow certain procedures to assess the accuracy of the information regarding the internal control and risk management procedures related to the preparation and processing of accounting and financial information contained in the Chairman's report. In particular, these procedures entail:

- reviewing the internal control and risk management procedures related to the preparation and processing of the accounting and financial information that forms the basis of the information provided in the Chairman's report, and the existing documentation;
- reviewing the work involved in preparing this information and the existing documentation;
- determining whether any major weaknesses in internal control related to the preparation and processing of accounting and financial information identified by us in the course of our audit have been properly disclosed in the Chairman's report.

Based on this work, we have no observations to make regarding the information about the Company's internal control and risk management procedures related to the preparation and processing of accounting and financial information contained in the Chairman of the Board of Directors' report, which was prepared in accordance with the provisions of Article L. 225-37 of the French Commercial Code.

### **Other information**

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

Neuilly-sur-Seine and Paris-La Défense, on March 24, 2017

The Statutory Auditors

PricewaterhouseCoopers Audit

ERNST & YOUNG et Autres

Jacques Lévi

Olivier Durand

**6. INDEPENDENT THIRD PARTY'S REPORT ON EMPLOYMENT, ENVIRONMENTAL AND SOCIAL INFORMATION**

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## **Crédit Mutuel - CIC Home Loan SFH**

Year ended December 31, 2016

Independent third party's report on the employment, environmental and social information contained in the management report

ERNST & YOUNG et Associés

## **Crédit Mutuel - CIC Home Loan SFH**

Year ended December 31, 2016

### **Independent third party's report on the employment, environmental and social information contained in the management report**

To the Shareholders,

In our capacity as an independent third party accredited by COFRAC<sup>1</sup> under number 3-1050 and a member of the network of one of the statutory auditors of Crédit Mutuel - CIC Home Loan SFH, we present to you our report on the employment, environmental and social information for the fiscal year ended December 31, 2016 presented in the management report (hereinafter the "CSR Information") pursuant to Article L. 225-102-1 of the French Commercial Code.

#### **Company's responsibility**

It is the Board of Directors' responsibility to prepare a management report that includes the CSR information required by Article R. 225-105-1 of the French Commercial Code, in accordance with the reference frameworks used by the subsidiaries of Caisse Fédérale du Crédit Mutuel (hereinafter the "Reference frameworks").

#### **Independence and quality control**

Our independence is defined by the applicable regulations, the profession's code of conduct and the provisions of Article L. 822-11 of the French Commercial Code. Moreover, we have developed a quality control system that includes documented policies and procedures to ensure compliance with the applicable rules of professional conduct, professional standards and legal and regulatory provisions.

#### **Independent third party's responsibility**

It is our responsibility, based on our work, to:

- certify that the required CSR Information is included in the management report or, if it is omitted, to provide an explanation for such omission in accordance with paragraph 3 of Article R. 225-105 of the French Commercial Code (Certification of presence of CSR Information);

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<sup>1</sup> Scope of accreditation available at [www.cofrac.fr](http://www.cofrac.fr)



- conclude with moderate assurance that all the significant aspects of the CSR Information, taken as a whole, are presented fairly, based on the Reference frameworks (Reasoned opinion on the fairness of the CSR Information).

Our work was carried out between February and March 2017. It required a team of two people and took a total of about one week.

We conducted the work described below in accordance with the professional standards applicable in France and the order of May 13, 2013 which defines the terms under which an independent third party fulfills its duties and, with regard to the reasoned opinion of fairness, in accordance with international standard ISAE 3000<sup>2</sup>.

## **1. Certification of presence of CSR Information**

### **Nature and scope of the work**

On the basis of interviews with the individuals in charge of the relevant departments, we reviewed the company's sustainable development strategy with respect to the employment and environmental impact of its activities and its social commitments and, if applicable, any initiatives or programs it has implemented as a result.

We have compared the CSR Information presented in the management report with the list provided in Article R. 225-105-1 of the French Commercial Code.

When certain information was missing, we verified that explanations were given in accordance with paragraph 3 of Article R. 225-105 of the French Commercial Code.

### **Conclusion**

On the basis of this work, we certify that the required CSR Information is included in the management report.

## **2. Reasoned opinion on the fairness of the CSR Information**

### **Nature and scope of the work**

We have interviewed the person responsible for the management report in order to assess the relevance of the explanations given regarding the complete or partial absence of certain information from the management report.

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<sup>2</sup> ISAE 3000 - Assurance engagements other than audits or reviews of historical information

## **Conclusion**

Based on our work, we have not identified any material anomalies that could call into question the fact that the CSR Information, taken as a whole, is presented fairly, based on the Reference frameworks.

Paris-La Défense, March 24, 2017

Independent third party  
ERNST & YOUNG et Associés

Caroline Delerable  
Partner, Sustainable  
Development

Hassan Baaj  
Partner

**7. FINANCIAL STATEMENTS**

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**CREDIT MUTUEL - CIC HOME LOAN SFH**

**Statutory financial statements**

**at DECEMBER 31, 2016**

- Statement of financial position
- Income statement
- Notes

## STATUTORY FINANCIAL STATEMENTS

### STATEMENT OF FINANCIAL POSITION

ASSETS (€millions)	Note	2016 December 31	2015 December 31
Cash and central bank deposits			
Government securities and similar instruments			
Receivables due from credit institutions	2	23,922.7	26,272.2
Due to customers			
Bonds and other fixed-income securities			
Equities and other variable-income securities			
Long-term equity investments and securities			
Investments in subsidiaries and associates			
Finance leases and similar transactions			
Intangible assets			
Property, plant and equipment			
Subscribed capital not paid			
Treasury stock			
Other assets	3	1.0	0.7
Accruals and deferred income	4	78.6	92.8
<b>Total assets</b>		<b>24,002.3</b>	<b>26,365.7</b>

Off-statement of financial position items		2016 December 31	2015 December 31
<b>Commitments received</b>			
<b>Financing commitments</b>			
Commitments received from credit institutions			
<b>Guarantee commitments</b>			
Commitments received from credit institutions	10	31,001.1	30,001.0
<b>Securities commitments</b>			
Securities sold with repurchase or reacquisition option			
Other commitments received			

## STATEMENT OF FINANCIAL POSITION

LIABILITIES AND SHAREHOLDERS' EQUITY (€millions)	Note	2016 December 31	2015 December 31
Central bank borrowing			
Due to credit institutions			
Due to customers			
Debt securities	5	22,275.0	23,370.9
Other liabilities	3	1,301.0	2,556.8
Accruals and deferred income	4	78.8	93.4
Provisions			
Subordinated debt	6	120.0	120.1
Fund for general banking risks			
Shareholders' equity	7	227.5	224.5
- Subscribed capital		220.0	220.0
- Issue premiums			
- Reserves		1.3	1.2
- Revaluation reserve			
- Regulated provisions			
- Retained earnings		2.6	2.6
- Profit for the year		3.6	0.6
<b>Total liabilities and shareholders' equity</b>		<b>24,002.3</b>	<b>26,365.7</b>
<hr/>			
<b>Off-statement of financial position items</b>		<b>2016 December 31</b>	<b>2015 December 31</b>
<hr/>			
<b>Commitments given</b>			
<b>Financing commitments</b>			
Commitments given to credit institutions			
Commitments given to customers			
<b>Guarantee commitments</b>			
Commitments given on behalf of credit institutions			
Commitments given on behalf of customers			
<b>Securities commitments</b>			
Securities acquired with reacquisition option			
Other commitments given			

## INCOME STATEMENT

(€ millions)	Note	2016 December 31	2015 December 31
+ Interest and similar income	15	598.2	1,634.4
+ Interest and similar expense	15	(591.8)	(1,630.9)
+ Income from variable-income securities			
+ Fee and commission income			
+ Fee and commission expense			
+/- Gains (losses) on trading portfolio transactions			
+/- Gains (losses) on investment portfolio and similar transactions			
+ Other banking operating income			
+ Other banking operating expense			
<b>= Net banking income</b>		<b>6.4</b>	<b>3.5</b>
+ Payroll costs			
+ Other administrative expenses		(0.9)	(1.9)
+ Depreciation and amortization			
<b>= Operating expenses</b>		<b>(0.9)</b>	<b>(1.9)</b>
<b>= Gross operating income</b>		<b>5.5</b>	<b>1.6</b>
+ Net additions to/reversals from provisions for loan losses			
<b>= Operating income</b>		<b>5.5</b>	<b>1.6</b>
+/- Gains (losses) on non-current assets			
<b>= Income before non-recurring items</b>		<b>5.5</b>	<b>1.6</b>
+/- Net non-recurring income (expense)			
+ Corporate income tax	16	(1.9)	(1.0)
+/- Additions to (reversals from) fund for general banking risks			
+/- Additions to (reversals from) regulated provisions			
<b>= Net income</b>		<b>3.6</b>	<b>0.6</b>

## NET CASH FLOW STATEMENT

(€ thousands)	12.2016	12.2015
Net income	3,622	614
Tax	1,886	1,000
<b>Income before tax</b>	<b>5,508</b>	<b>1,614</b>
+/- Net depreciation/amortization of property, plant and equipment and intangible assets	0	0
- Impairment of goodwill and other non-current assets	0	0
+/- Net charges to provisions	0	0
+/- Share of income of equity-accounted entities	0	0
+/- Net loss/gain from investment activities	0	0
+/- Expense from financing activities	0	0
+/- Other movements	27,454	98,368
<b>= Total non-monetary items included in net income before tax and other adjustments</b>	<b>27,454</b>	<b>98,368</b>
+/- Cash flows relating to interbank transactions	2,324,830	-1,324,320
+/- Cash flows relating to customer transactions	0	0
+/- Cash flows relating to other transactions affecting financial assets and liabilities	0	0
+/- Cash flows relating to other transactions affecting non-financial assets and liabilities	-1249543	1,065,519
- Tax paid	-1088	-1444
<b>= Net decrease in assets and liabilities from operating activities</b>	<b>1,074,199</b>	<b>-260,245</b>
<b>TOTAL NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>1,107,161</b>	<b>-160,263</b>
+/- Cash flows relating to financial assets and equity interests	0	0
+/- Cash flows relating to investment property	0	0
+/- Cash flows relating to property, plant and equipment and intangible assets	0	0
<b>TOTAL NET CASH FLOWS RELATING TO INVESTMENT ACTIVITIES</b>	<b>0</b>	<b>0</b>
+/- Cash flows relating to transactions with shareholders	-660	-660
+/- Other net cash flows relating to financing activities	-1,104,623	500,000
<b>TOTAL NET CASH FLOWS RELATING TO FINANCING ACTIVITIES</b>	<b>-1,005,283</b>	<b>499,340</b>
<b>IMPACT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS</b>	<b>0</b>	<b>0</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,878</b>	<b>339,077</b>
Net cash flows from operating activities	1,107,161	-160,263
Net cash flows relating to investment activities	0	0
Net cash flows relating to financing activities	-1,105,283	499,340
Impact of changes in exchange rates on cash and cash equivalents	0	0
<b><u>Cash and cash equivalents at beginning of period</u></b>	<b><u>341,693</u></b>	<b><u>2,616</u></b>
Cash, central banks and postal checking accounts	0	0
Demand loans and accounts at credit institutions	341,693	2,616
<b><u>Cash and cash equivalents at end of period</u></b>	<b><u>343,571</u></b>	<b><u>341,693</u></b>
Cash, central banks and postal checking accounts	0	0
Demand loans and accounts at credit institutions	343,571	341,693
<b>CHANGE IN NET CASH AND CASH EQUIVALENTS</b>	<b>1,878</b>	<b>339,077</b>

## INFORMATION ON STATEMENT OF FINANCIAL POSITION, OFF-STATEMENT OF FINANCIAL POSITION AND INCOME STATEMENT ITEMS

The notes to the financial statements are presented in millions of euros.

### Significant events in the period under review

In 2016, Crédit Mutuel-CIC Home Loan SFH issued €1.5 billion in EMTNs. Taking into account issues that had reached maturity, the issues on the statement of financial position totaled €22 billion at December 31, 2016.

Crédit Mutuel – CIC Home Loan SFH is a 99.99%-owned subsidiary of Banque Fédérative du Crédit Mutuel.

### NOTE 1 – Accounting principles, valuation and presentation methods

The statutory financial statements are prepared in accordance with French national accounting standards authority (*autorité des normes comptables* – ANC) regulation 2014-07 related to the financial statements of banking sector firms and included in the compendium of French accounting standards for the banking sector.

#### Loans

Loans are recorded on the statement of financial position at their nominal value.

#### Foreign currency-denominated assets and liabilities

Assets and liabilities denominated in a currency other than the local currency are translated at the official year-end exchange rate. Unrealized foreign exchange gains or losses resulting from these translations are recognized on the income statement with the exchange gains or losses realized or incurred on transactions carried out during the year.

#### Interest and commissions

Interest is recognized on the income statement on a prorata temporis basis. Commissions are recorded using the cash receipt criterion, with the exception of commissions relating to financial transactions, which are recorded at the close of the issue or when invoiced.

### NOTE 2 – Receivables due from credit institutions

	December 31, 2016		December 31, 2015	
	Demand	Term	Demand	Term
Current accounts	343.6		341.7	
Loans secured by notes and securities (*)		23,269.2		25,594.0
Repo / securities purchased under resale agreements				
Accrued income		309.9		336.5
Non-performing loans				
Impairment				
<b>Total</b>	<b>343.6</b>	<b>23,579.1</b>	<b>341.7</b>	<b>25,930.5</b>
<b>Total receivables due from credit institutions</b>		<b>23,922.7</b>		<b>26,272.2</b>
of which participating loans				
of which subordinated loans				

(\*) BFCM is the only counterparty to the loans granted.

### NOTE 3 – Other assets and liabilities

	December 31, 2016		December 31, 2015	
	Assets	Liabilities	Assets	Liabilities
Premiums on options				
Guarantee deposits	1.0	1,300.0	0.7	2,556.6
Securities settlement accounts				
Debt representing securities borrowed				
Deferred taxes				
Other receivables and payables		1.0		0.2
Accrued income and interest				
Impairment				
<b>Total</b>	<b>1.0</b>	<b>1,301.0</b>	<b>0.7</b>	<b>2,556.8</b>

### NOTE 4 – Accruals

	December 31, 2016		December 31, 2015	
	Assets	Liabilities	Assets	Liabilities
Collection accounts				
Currency and off-statement of financial position adjustment accounts	7.5	7.5	9.0	9.0
Other accruals	71.1	71.3	83.8	84.3
<b>Total</b>	<b>78.6</b>	<b>78.8</b>	<b>92.8</b>	<b>93.3</b>

Accrual accounts - liabilities mainly concern EMTN issue premiums.  
Accrual accounts - assets reflect accruals - liabilities at the loan level.



## NOTE 5 – Debt securities

	December 31, 2016	December 31, 2015
Certificates of deposit		
Interbank instruments and negotiable debt securities		
Bonds	21,969.2	23,037.5
Other debt securities		
Accrued interest	305.8	333.4
<b>Total</b>	<b>22,275.0</b>	<b>23,370.9</b>

Borrowings are in EUR, NOK and USD.

## NOTE 6 – Subordinated debt

	December 31, 2015	Issues	Repayments	Other changes	December 31, 2016
Subordinated debt	60.0				60.0
Non-voting loan stock					
Perpetual subordinated notes	60.0				60.0
Accrued interest	0.1			(0.1)	0
<b>Total</b>	<b>120.1</b>			<b>(0.1)</b>	<b>120.0</b>

Main subordinated debt issues:

	OUTSTANDINGS	INTEREST RATE	MATURITY	EARLY REPAYMENT TERMS
TERM SUBORDINATED LOAN STOCK 2007	60.0	3-month Euribor + 0.22	2017	
PERPETUAL SUBORDINATED LOAN STOCK 2007	60.0	3-month Euribor + 0.66	**	
<b>TOTAL</b>	<b>120.0</b>			

All loan stock is in euros.

## NOTE 7 – Shareholders' equity and fund for general banking risks (FRBG)

	Share capital	Premiums	Reserves	Retained earnings	Profit for the year	Total	FRBG
<b>Balance at January 1, 2015</b>	<b>220.0</b>		<b>1.1</b>	<b>2.0</b>	<b>1.4</b>	<b>224.5</b>	
Profit for the year					0.6	0.6	
Appropriation of earnings from previous year			0.1	1.4	(1.4)	0.1	
Distribution of dividends				(0.7)		(0.7)	
Capital increase							
Impact of revaluations							
Other changes							
Impact of the merger							
<b>Balance at December 31, 2015</b>	<b>220.0</b>		<b>1.2</b>	<b>2.6</b>	<b>0.6</b>	<b>224.5</b>	
<b>Balance at January 1, 2016</b>	<b>220.0</b>		<b>1.2</b>	<b>2.6</b>	<b>0.6</b>	<b>224.5</b>	
Profit for the year					3.6	3.6	
Appropriation of earnings from previous year			0.1	0.6	(0.6)	0.1	
Distribution of dividends				(0.6)		(0.6)	
Capital increase							
Impact of revaluations							
Other changes							
Impact of the merger							
<b>Balance at December 31, 2016</b>	<b>220.0</b>		<b>1.3</b>	<b>2.6</b>	<b>3.6</b>	<b>227.5</b>	

At December 31, 2016, the share capital comprised 22,000,000 shares with a par value of €10. BFCM held 99.99% of the capital of Crédit Mutuel-CIC Home Loan SFH at December 31, 2016. As such, it is fully consolidated in the consolidated financial statements of the CM11-CIC group and at the Crédit Mutuel national consolidation level.

The shareholders' meeting will be asked to allocate €6,186,638.23, of which €3,621,553.39 from 2016 profit and €2,565,084.84 from retained earnings, as follows:

Allocation to the legal reserve	€181,077.67
Dividends	€990,000.00
Retained earnings	€5,015,560.56
	<u>€6,186,638.23</u>

**NOTE 8 – Analysis of certain assets/liabilities by residual maturity**

	< 3 months and demand	> 3 months < 1 year	> 1 year < 5 years	> 5 years	Perpetual	Accrued interest	Total at December 31, 2016
<b>ASSETS</b>							
Receivables due from credit institutions	1,949.1	1,974.6	10,982.2	9,016.8			23,922.7
Receivables due from customers							
Bonds and other fixed-income securities							
<b>LIABILITIES</b>							
Due to credit institutions							
Due to customers							
Debt securities							
- Certificates of deposit							
- Interbank instruments and negotiable debt securities							
- Bonds	305.7	1,974.5	10,980.5	9,014.3			22,275.0
- Other							
Subordinated debt		60.0		60.0			120.0

**NOTE 9 – Euro-equivalent of foreign currency-denominated assets and liabilities**

The euro equivalent of foreign currency-denominated assets and liabilities was €1.0732 billion and €1.0731 billion respectively at December 31, 2016.

**NOTE 10 – Guarantee commitments**

The loans granted by Crédit Mutuel-CIC Home Loan SFH to BFCM are guaranteed by eligible home loans from the CM CIC branch network, in accordance with Article 431-7 of the French Monetary and Financial Code. At December 31, 2016, the amount of this guarantee was €31.0011 billion versus €30.0010 billion at December 31, 2015.

**NOTE 11 – Commitments on forward financial instruments**

Transactions on forward financial instruments (based on the concept of micro/macro hedging transactions and open-position/specialized management transactions relating to firm and conditional transactions).

	Hedging	December 31, 2016 Management transactions	Total	Hedging	December 31, 2015 Management transactions	Total
<b>Firm transactions</b>						
<i>Over-the-counter markets</i>						
Forward rate agreements						
Interest rate swaps	4,310.0		4,310.0	4,438.0		4,438.0
Financial swaps						
Other transactions						
Swaps - other						
<b>Conditional transactions</b>						
<i>Over-the-counter markets</i>						
Interest rate cap and floor contracts						
Purchased						
Sold						
Interest rate, foreign currency, equity and other options						
Purchased						
Sold						
<b>Total</b>	<b>4,310.0</b>		<b>4,310.0</b>	<b>4,438.0</b>		<b>4,438.0</b>

**Analysis of over-the-counter interest rate contracts by type of portfolio**

December 31, 2016	Separate open position	Micro hedging	Overall interest rate risk	Specialized management	Total
<b>Firm transactions</b>					
Purchases					
Sales					
Swaps		4,310.0			4,310.0
<b>Conditional transactions</b>					
Purchases					
Sales					
<b>December 31, 2015</b>					
<b>Firm transactions</b>					
Purchases					
Sales					
Swaps		4,438.0			4,438.0
<b>Conditional transactions</b>					
Purchases					
Sales					

**NOTE 12 - Analysis of forward financial instruments by residual maturity**

December 31, 2016	< 1 year	> 1 year < 5 years	> 5 years	Total
<b>Interest rate instruments</b>				
<i>Over-the-counter markets</i>				
Purchases				
Sales				
Interest rate swaps		4,310.00		4,310.0
<b>Total</b>		<b>4,310.00</b>		<b>4,310.0</b>

**NOTE 13 - Forward financial instruments - Counterparty risk**

The counterparty risk associated with forward financial instruments is estimated according to the methodology used to calculate prudential ratios.

Credit risks on forward financial instruments	December 31, 2016	December 31, 2015
<b>GROSS EXPOSURE</b>		
Credit institution risk	57.8	131.50
Company risk		
<b>TOTAL</b>	<b>57.8</b>	<b>131.5</b>

Fair value of forward financial instruments	December 31, 2016		December 31, 2015	
	Assets	Liabilities	Assets	Liabilities
Fair value of forward financial instruments	56.2	56.2	70.5	70.5

**NOTE 14 - Other off-statement of financial position commitments**

	December 31, 2016	December 31, 2015
<b>Foreign-currency transactions</b>		
- Foreign currencies receivable		
- Foreign currencies payable		
<b>Forward financial instrument commitments</b>		
<b>Transactions carried out on organized and similar markets</b>		
- Forward foreign exchange transactions		
. Hedging		
. Other transactions		
- Financial foreign exchange swaps		
. Separate open position		
. Micro hedging	1,986.0	2,582.80
. Overall interest rate risk		
. Specialized management		

**NOTE 15 – Interest income and expense**

	December 31, 2016		December 31, 2015	
	Income	Expense	Income	Expense
Credit institutions	591.9		1,626.5	
Customers				
Finance leases and operating leases				
Bonds and other fixed-income securities	6.3	591.5	7.9	1,630.3
Other		0.3		0.6
<b>Total</b>	<b>598.2</b>	<b>591.8</b>	<b>1,634.4</b>	<b>1,630.9</b>
of which subordinated debt expenses		0.6		0.6

**NOTE 16- Corporate income tax**

	December 31, 2016	December 31, 2015
Current income tax - Amount for the year	1.9	1.0
Current income tax - Prior-year adjustments		
Current income tax - Effect of tax consolidation		
<b>Total</b>	<b>1.9</b>	<b>1.0</b>
On ongoing operations	1.9	1.0
On non-recurring items		
<b>Total</b>	<b>1.9</b>	<b>1.0</b>

Effective January 1, 2016, Caisse Fédérale de Crédit Mutuel opted for "mutual tax consolidation" in accordance with Article 223 A, paragraph 5 of the General Tax Code.

This tax consolidation scheme allows companies to pay corporate income tax on the total income obtained by taking the algebraic sum of the positive and negative results of the group's entities. CFCM's tax group consists of:

- CFdeCM itself, the head of the tax group,
- 1,383 Crédit Mutuel local mutual banks and 10 Crédit Mutuel regional mutual banks that belong to the member Federations of CM11, which are required to be members of this tax group,
- Banque Fédérative du Crédit Mutuel and 20 of its subsidiaries that opted to be part of it.

By agreement, each member of the tax group must pay CFdeCM, as a share of the payment of the group's corporate income tax and regardless of the actual amount of said tax, a sum equal to the tax that it would have paid on its income if the member were taxed separately, minus therefore all the tax deduction rights that members would have had if they were not consolidated.

The corporate income tax due for the year and additional contributions are determined in accordance with applicable tax regulations. Tax credits related to income from securities are not recognized, but are deducted directly from the tax expense.

"Corporate income tax" includes:

The amount of corporate income tax and the additional contribution calculated as if the company were taxed separately,

The additional 3% contribution on distributed income,

Any adjustments related to prior years and additional assessments,

The tax expense or income related to tax credits on interest-free and similar loans.

Difference between the tax recognized and the tax that the member is jointly and severally responsible for paying: NONE.

Difference between the tax recognized and the tax that the member would have borne if it were not consolidated: NONE.

Carry-over losses: NONE.

#### NOTE 17 - Subsequent events

No events that would materially affect the financial statements occurred between December 31, 2016 and the date of publication of the financial statements.

#### Five-year financial summary (in €)

Nature of the information	2012	2013	2014	2015	2016
<b>1. Financial position at the end of the fiscal year</b>					
Share capital	220,000,000	220,000,000	220,000,000	220,000,000	220,000,000
Total number of shares issued	22,000,000	22,000,000	22,000,000	22,000,000	22,000,000
"A" shares or common shares	22,000,000	22,000,000	22,000,000	22,000,000	22,000,000
<b>2. Total income from operations</b>					
Banking income	3,216,593,980	3,234,651,556	3,214,124,993	1,634,392,074	598,229,243
Earnings before tax, profit-sharing, depreciation, amortization, and provisions and non-recurring items	1,062,449	524,285	2,281,173	1,612,944	5,507,826
Corporate income tax	374,525	190,457	850,727	999,273	1,886,273
Profit-sharing					
Profits	687,924	333,828	1,431,003	613,670	3,621,553
Profits distributed					
<b>3. Earnings per share</b>					
Earnings after tax and profit-sharing, but before depreciation, amortization and provisions	0.03	0.02	0.07	0.03	0.16
Net profits	0.03	0.02	0.07	0.03	0.16
Dividend per "A" share			0.03	0.03	0.045
<b>4. Personnel</b>					
Number of employees (average FTE)	-	-	-	-	-
Payroll expense	-	-	-	-	-
Employee benefits (social security, benefit plans, etc.)	-	-	-	-	-