

Annex A

Report on the Board of Director's operations and internal control procedures

The provisions of Article L 225-37 of the French Commercial Code specify that the Chairman of the Board of Directors must present a separate report – which is submitted along with the annual report – on the composition of the Board, the conditions under which it prepares and organizes its work and internal control and risk management procedures implemented by the company, as well as any limitations placed by the Board of Directors on the authority of the Chief Executive Officer.

A. Preparation and Organization of the Work of the Board

Composition of the Board

The Board of Directors of Banque Fédérative du Crédit Mutuel currently consists of 18 members appointed by the General Meetings of Stockholders for three years and 12 non-voting members also appointed for three years by the Board in accordance with article 20 of the company's bylaws.

The list of directors and a description of their functions exercised at other companies is presented in the appendix, in accordance with legal requirements.

The Board includes representatives from partner Groups (Ile-de-France, Savoie-Mont Blanc, Sud-Est, Midi-Atlantique, Centre, Dauphiné-Vivarais, Loire-Atlantique et Centre-Ouest, Méditerranéen and Normandie).

Two employees have seats on the Board of Directors on behalf of the interfederal Works Council.

There are no attendance fees or stock options.

Operation of the Board. Executive Management operating methods

Pursuant to the provisions of Article L 225-51-1 of the French Commercial Code, the Board chose a single-board governance system for executive management at its October 22, 2010 meeting.

Michel Lucas, the Chairman of the Board, also exercises the executive management function. In that capacity, he organizes and directs the work of the Board. He represents the company to third parties. In that context, he has the broadest authority to act on behalf of the company.

There are no internal rules formalizing the operating rules of the Board, which is subject to legal provisions.

Individually, directors are required in their capacity as elected representatives to comply with the code of ethics applicable within the Group and uphold their duty to use discretion and maintain confidentiality on all matters related to the company's business purpose.

In 2011, the Board met seven times. The average attendance rate was 75%.

Prior to each Board meeting, a comprehensive file on the agenda items is mailed to all directors, non-voting directors and Works Council representatives.

At each Board meeting, the managers responsible for activities involving one or more agenda items are invited to present them, offer comments or answer any questions.

The minutes of the Board meetings are presented to the directors for their approval.

All Board meetings represent an opportunity to review the results and outlook of our business activities.

The February 24, 2011 Board meeting focused on the review and approval of the financial statements as well as the preparations for the Ordinary and Extraordinary General

Meetings of Stockholders that were held on May 11, 2011. The Board was informed of the February 21, 2011 Report of the Group Audit and Financial Statements Committee.

In accordance with the December 13, 2010 application law amending CRBF Regulation 97-02, the Board also approved the framework memorandum on the variable remuneration policy for professionals performing a regulated activity, which includes the regulatory principles adapted to our Group.

As it does at each meeting, the Board reviewed the Group's financial activities performance indicators (refinancing, credits, proprietary trading).

The April 8, 2011 Board meeting focused on the agenda for the May 11, 2011 Extraordinary General Meeting of Stockholders. It appointed Alain Fradin as Chief Operating Officer of BFCM.

The May 11, 2011 Board met at the conclusion of the General Meeting of Stockholders in order to renew Michel Lucas' term of office as Chairman and Chief Executive Officer of BFCM.

The July 1, 2011 Board decided to proceed with the capital increase authorized by the Extraordinary General Meeting of Stockholders, thereby increasing shareholders' equity from €1,302,192,250 to €1,324,813,250. The Board took due note of the May 2, 2011 report of the Audit and Financial Statements Committee as well as the April 18, 2011 report of the Group Risk Monitoring Committee.

The July 28, 2011 meeting focused on the closing of the parent company and consolidated interim financial statements as of June 30, 2011. The Board also took due note of the definitive completion of the capital increase and decided to amend article 6 of its bylaws accordingly.

The Board's sixth meeting was held on October 6, 2011 and gave full authority to Michel Lucas to sign the final partnership protocol with Groupe Desjardins.

The final meeting of the year was held on November 18, 2011. The Board was informed of the Group Risk Monitoring Committee's work of October 25, 2011 and of the September 12, 2011 report of the Group Audit and Financial Statements Committee. It reviewed the banking network activities for the CM10 scope and the financial statements and came up with a preliminary earnings estimate. It also reviewed 2011 budget trends and preparations for the 2012 budget.

All Board meetings addressed items involving subsidiaries and other long-term investments, intra-Group financial relations, credit decisions made by the Credit Committee and, where applicable, the affiliation of new local Caisses.

The length of the meetings depends on the number of agenda items and nature of subjects up for consideration.

The number of meetings may vary from one year to the next depending on circumstances; in recent years, the Board has met at least four times.

Written communications may be used in cases of emergency. The decisions taken under those circumstances are reiterated at the following Board meeting.

B. The Internal Control and Risk Management System

BFCM's internal control and risk management are integrated into the overall internal control system implemented by the CM10¹-CIC Group as described below.

The work undertaken in the area of internal control and risk management is aimed at ensuring the application of all rules set by the regulatory authorities for the exercise of the Group's activities, based on internal policies as well as applications, guidelines and procedures implemented for that purpose. This report was therefore drafted with the assistance of the departments responsible for internal control and risk management by performing the required due diligence for its preparation and, where necessary, referring to the reference framework and application handbook recommended by the French Financial Markets Authority.

1. The CM10-CIC Group's overall internal control system

The internal control and risk management system is an integral part of the Group's central organization, charged with the responsibility of ensuring compliance with regulatory measures, proper risk management, securing transactions and improving performance.

1.1 A common, structured and independent system

The Group ensures that the system implemented is adapted to its size, operations and the scale of its risk exposure.

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

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

The organization implemented serves mainly to verify the quality and comprehensiveness of the internal control system. The Group ensures for both itself and the companies it controls that the established system is based on a set of procedures and operational limits consistent with regulatory requirements and approved standards. To that end, it relies on the methods and applications defined at Group level as well as on generally accepted practices in the area of internal audit and control.

One constant objective that guides the actions of all Group internal control departments consists of identifying the main risks based on guidelines and mapping and monitoring them with appropriate limits, formalized procedures and dedicated applications. In addition to their efforts aimed at identifying and minimizing risks, these departments also parti-

1. Crédit Mutuel Centre Est Europe, Crédit Mutuel du Sud-Est, Crédit Mutuel Ile-de-France, Crédit Mutuel Savoie-Mont Blanc, Crédit Mutuel Midi Atlantique, Crédit Mutuel du Centre, Crédit Mutuel Normandie, Crédit Mutuel Dauphiné-Vivarais, Crédit Mutuel Méditerranée, Crédit Mutuel Loire Atlantique Centre Ouest.

cipate in the initiatives designed to enhance risk management. Meanwhile, the analytical applications and monitoring reports make it possible to review on a regular basis the Group's risk exposure related to its activities, including counterparty, market, liquidity, ALM and operational risks. In accordance with regulatory provisions, a risk assessment and monitoring report is prepared annually along with the internal control report. This risk assessment and monitoring report includes an in-depth review of the risk management system.

The Group continuously strives to ensure a satisfactory balance between the objectives assigned to internal control and the corresponding resources provided.

The necessary independence for controls is guaranteed by the fact that the people exercising them work in dedicated control units, have no operational responsibilities and have reporting responsibilities within the organization that preserve their freedom of judgment and assessment.

1.2. The organization of controls

The CM10-CIC Group's control system satisfies a dual objective:

- break down the various types of existing control among separate functions (periodic, permanent and compliance), in accordance with regulatory provisions;
- harmonize the control work performed within the Group through the establishment of a common organization based on homogeneous and complementary methods and applications.

In order to perform their functions, the heads of the control departments have permanent and unrestricted access to persons, offices, equipment, applications and all types of information across the entire scope of the Group. They may assign part or all of their prerogatives to their employees as warranted by circumstances.

A breakdown by types of control

Apart from the controls exercised by management personnel in the course of their day-to-day activities, the exercise of controls is the responsibility of:

- periodic control for in-depth assignments of an audit nature, performed as part of a control cycle over several years;
- permanent controls for all work of a recurring nature performed with remote control applications;
- compliance control, in particular for all matters related to the application of regulatory measures and internal policies (*fight against money-laundering, control over investment services, regulatory watch, ethics, etc.*).

Periodic control is responsible for ensuring the overall quality of the entire internal control system and the effectiveness of risk management and monitoring as well as the smooth operation of permanent controls and compliance.

A breakdown by networks / business lines

Within the control networks, the tasks are divided into one branch for the retail bank networks (*Crédit Mutuel regional federations, CIC regional banks, foreign branch networks*) and one for the business lines (*specialized subsidiaries, large accounts, capital markets*

activities, asset management, financial services and payments, etc.). For each of these control branches, a manager is appointed who exercises his functions at the CM10-CIC Group level.

A common support division for the various types of control

This division dedicated to control functions is charged with:

- developing and upgrading the applications needed for effective control;
- ensuring the development of the required reporting applications to monitor transactions and control audits, as well as to inform management bodies at the central and local (regions and subsidiaries) levels;
- ensuring the control applications among the various control functions complement each other for optimal coverage of the Group's risks.

The support division receives substantial support from the Group's IT resources.

1.3. System governance by the Group Control and Compliance Committee (CCC)

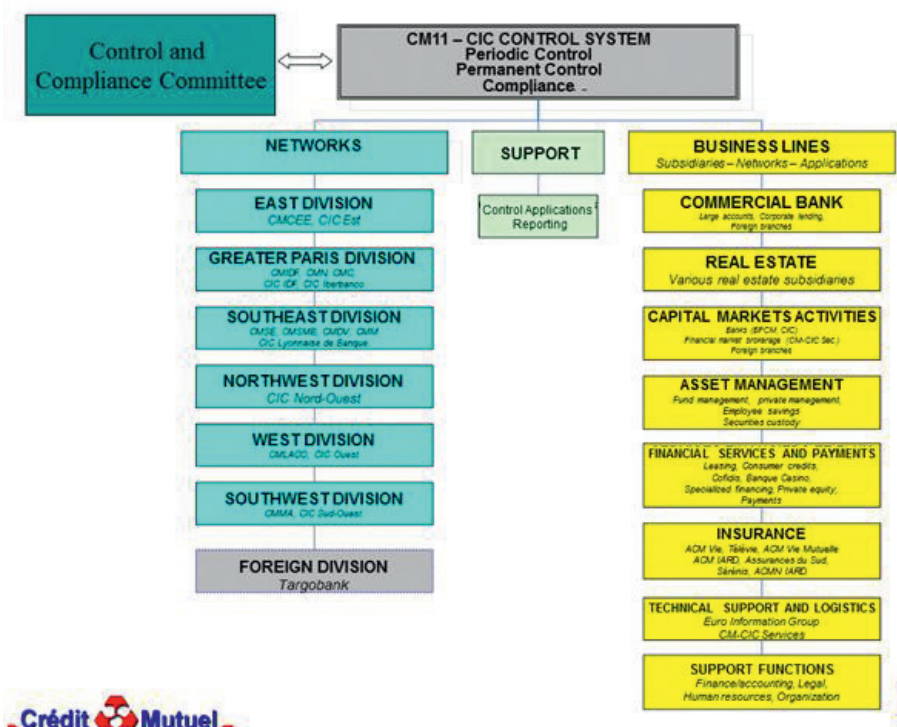
Under the authority of a member of the executive body, the Control and Compliance Committee includes the Group's heads of control (*periodic, permanent and compliance*) and risk management; it meets regularly and has the following objectives:

- to approve the control plans, examine the results of control audits performed by the periodic control departments as well as the work carried out by permanent control and the compliance function, and, if necessary, make recommendations to the executive body on needed improvements,
- analyze the conclusions of external control audits, notably those of regulatory authorities, and monitor the implementation of recommendations by the Group entities,
- ensure the actions and tasks of the various control and compliance participants complement each other,
- validate all new control procedures or changes affecting the organization of control functions; in 2011, it therefore approved a limited and controlled change in the code of ethics rules related to potential actions by sensitive functions on certain financial instruments.

It met four times in 2011 (*February 7, May 30, October 3, December 5*).

At the May 30, 2011 meeting, Nicolas Thery was appointed as a permanent member of the CCC in light of the new functions assumed by Alain Fradin, who nevertheless continues to be the Committee's Chairman.

◆ **Summary chart of the existing organization (01/2012)**



The Control and Compliance Committee reports to the Group Audit and Financial Statements Committee, which represents the Group’s deliberative bodies.

1.4. The Group Audit and Financial Statements Committee

In order to satisfy the requirements arising from the transposition of European directive 2006/43/EC related to the statutory audit of the parent company financial statements and the consolidated financial statements by the December 8, 2008 Ordinance No. 2008-1278, as well as those arising from new governance standards, a CM11-CIC Group-level Audit and Financial Statements Committee was established.

The Group Audit and Financial Statements Committee consists of directors representing the Crédit Mutuel federations that are members of Caisse Fédérale de Crédit Mutuel (*in principle one per federation*) and two members of CIC’s Board of Directors. Three of its members have special expertise in accounting and financial matters.

In 2011, the five new federations of CM10 appointed their representatives to the Group Audit and Financial Statements Committee (*François Duret - CMC, Alain Pupel - CMDV, Albert Taillandier - CMLACO, Danielle Joannes - CMM, JP Bertin - CMN*).

On July 27, 2011, Claude Freixanet, the representative from Crédit Mutuel Midi Atlantique, was appointed Chairman of the Audit and Financial Statements Committee, taking over the position from departing Chairman Constant Klein.

The independence of the Committee members is ensured by the fact that they all come from the Group’s mutual banking level, and are therefore elected by the share-owning members of their respective local Caisse. This independence is strengthened by the voluntary nature of membership of the Audit and Financial Statements Committee.

With respect to internal control, the Group Audit and Financial Statements Committee:

- examines the provisional internal control program,
- is informed of the annual report on consolidated internal control,
- is informed of the conclusions of the main audits performed by the periodic control department as well as the results of the permanent control and compliance departments,
- is informed of conclusions of external controls, notably any changes recommended by the regulatory authorities,
- is informed of actions implemented to follow up on the main recommendations identified in the internal and external control reports,
- assesses the efficiency of the internal control systems.

The Audit and Financial Statements Committee makes recommendations to the various deliberative bodies on any improvements it deems necessary based on findings brought to its attention.

With respect to financial reporting, the Committee:

- is responsible for monitoring the process for preparing financial information,
- supervises the statutory audit of the parent company financial statements and of the consolidated financial statements,
- participates in the choice of statutory auditors and has unrestricted access to them to learn about their work plan, ensure that they are capable of carrying out their audit and discuss the findings of their work with them,
- examines the annual and consolidated financial statements,
- assesses the conditions for their preparation and ensures the relevance and continuity of the accounting policies and methods.

The Audit and Financial Statements Committee met four times in 2011 (*February 21, May 2, July 27 and September 12*). Its meetings are summarized in reports submitted to the deliberative bodies of the various federations and CIC so as to fully inform the directors.

1.5 The risk management system

Group Risk Department

The mission of the Group Risk Department, which regularly analyzes and reviews all types of risks with an eye toward the return on allocated regulatory capital, is to contribute to the Group's growth and profitability while ensuring the quality of the risk management systems.

The Group Risk Committee (GRC)

This committee meets quarterly and includes the operational risk managers, namely the Head of the Risk Department and the heads of the business lines and functions involved (*Commitments department, Capital Markets department, Finance department, Retail banking, Corporate and investment banking, Real estate, Private equity*) together with Executive Management. This Committee is responsible for overall *ex-post* and *ex-ante* risk monitoring.

The Group Risk Monitoring Committee (GRMC)

This committee consists of members of the deliberative bodies and meets twice a year to review the Group's strategic challenges and opportunities in the risk area.

In 2011, the five new federations in CM10 appointed their representatives to the GRMC (*Claude Leveque - CMC, Michel Vieux - CMDV, Guy Halais - CMLACO, Jean-Paul Panzani - CMM, P. Gallienne - CMN*).

Based on the findings presented, the Committee makes recommendations to the Group's deliberative bodies on all decisions of a prudential nature applicable to all Group entities.

The Head of the Risk Department presides over the meetings of this Committee and is responsible for the presentation of the files prepared for the various risk areas based on the work of the Group Risk Committee. Executive Management also participates in the meetings of this Committee, which may also invite the heads of the business lines with a stake in the items on the meeting agenda.

2. Internal control procedures specific to BFCM

As the holding company for the Group – which is owned by Caisse Fédérale de Crédit Mutuel, Assurances du Crédit Mutuel and the Caisses de Crédit Mutuel Centre Est Europe, Sud-Est, Ile-de-France, Savoie-Mont Blanc, Midi Atlantique, Centre, Normandie, Dauphiné-Vivarais, Méditerranée and Loire Atlantique Centre Ouest – BFCM manages the investments held in the Group's specialized subsidiaries, all of which are subject to the Group's overall internal control system.

As an integral part of the CM10-CIC Group, BFCM has also implemented an internal control system for activities that it manages at its level. This system satisfies the same risk prevention and management objectives.

BFCM manages the cash of Crédit Mutuel and CIC and performs financial market transactions. It develops a financial engineering business and manages relations with international partners.

As an integral part of BFCM and CIC, CM-CIC Marchés consolidates all of the CM10-CIC Group's capital markets activities on one trading floor in order to refinance the entire CM10-CIC Group (through a single cash management team), develop the Group's capacity to sell capital markets products to customers and strengthen its proprietary trading activity.

The monitoring methods, procedures and limits system are presented in a set of rules.

The Board of Directors of CIC and Board of Directors of BFCM approve the strategy of each business line (refinancing, commercial, proprietary), capital allocation, limits and budget monitoring.

In this system, capital markets activities are steered by several units:

- The management of the CM-CIC Marchés Department defines the strategy, analyzes the business activity, results, risks and limits compliance, and coordinates the operational aspects (information system, budget, human resources, procedures),
- The Capital Markets Risk Committee, which meets monthly, monitors compliance with the body of rules and decisions established by the CM-CIC Marchés Department and validates the operational limits within the general limits set by the CIC Executive Board and BFCM Board of Directors,

- The CM-CIC Marchés Credit Committee, which meets weekly, is responsible for approving credit line requests as part of delegations of authority granted by the CM10-CIC Commitments Committee.

The internal control system is supported on the one hand by the work of the back office departments, which are responsible for controlling risks, results and accounting and regulatory control, and on the other by a team dedicated to monitoring capital markets activities, which reports to the manager of the business lines permanent control and the compliance function.

Just as they consolidated their capital markets activities under one roof, BFCM and CIC also combined their large accounts activity within CM-CIC Large Accounts. The applications and procedures were harmonized accordingly. The coordination of control tasks through a single portal is ensured by the head of business lines permanent control; the results of the controls conducted during the year were integrated within the same portal.

BFCM handles the Group's depositary activity. The depositary control plan is based on the definition of a set of control tasks and is established in concert with the BFCM business line permanent control and compliance departments. This plan strengthens the customer risk and product risk approach by implementing respective control processes, one for new customer relations development and the other for the analysis of UCI creation. The plan makes it possible to perform a comprehensive ex-post control and identify all risks related to fund management.

The ethics provisions are integrated into a code of ethics that covers both the general principles and the specific measures implemented in the context of BFCM's activities. The fundamental principles of respecting the primacy of the customer's interests and market integrity are addressed in particular.

As part of the operational risk management activities, operational risks arising from capital markets activities were assessed.

BFCM participates in the updating of its specific risk mapping and the related valuation models.

With respect to back-up measures, a Disaster Recovery Plan for all capital markets activities has been established. This plan addresses the major risks related to unavailable offices, technical resources and staff. It is based on the existence of two multipurpose sites, each one backing up the other, back-up information technology resources and work organization in employee pairs or even groups of three. A quarter of the staff have also been equipped with portable computers enabling remote connections. The Disaster Recovery Plan is regularly updated and tested.

Group Audit performs periodic control on a multiyear schedule. The findings of these audits are presented to the Control and Compliance Committee and the Group Audit and Financial Statements Committee. They are also contained in the annual report submitted to the French Prudential Supervisory Authority. The audits may be general or specific in nature.

3. Internal control related to the preparation and processing of accounting and financial information

3.1. The role of governance bodies and the Group Audit and Financial Statements Committee

At the close of each reporting period involving financial statements or financial information to be published, this information is presented by the Finance Department to the Board of Directors. The determination of the earnings and the presentation of the financial situation and activity are part of an analysis that includes reconciliations with nonaccounting information (*interest rates, average capital, etc.*).

The accounting principles applied that have a material impact have been previously reviewed and approved by the statutory auditors. These auditors are regularly invited to participate in the meetings of the Board of Directors held to approve the financial statements. They are asked to report on their audit and present the results of their work to the deliberative body.

The Group's accounting principles used for the financial statements consolidation are presented in the Notes to the financial statements.

The accounting work is presented regularly to the Group Audit and Financial Statements Committee, which is independent of the Finance department and charged in particular with a review of the process for preparing the financial statements and financial information disclosed by the Group.

During the past year, information presented to the Group Audit and Financial Statements Committee focused on:

- changes in the Group's scope and its impact on the consolidated financial statements (*expansion from CM5 to CM10, with the addition of five Crédit Mutuel federations to the collective banking license scope, investment in Banque Casino, etc.*),
- the consolidated results and their in-depth analysis (*analysis of the various items for the intermediate analytical account balances, sector analyses by business line, analysis of general and administrative expenses, actual allocations to provisions for loan losses and collective provisions, etc.*),
- changes in the factors used to calculate the solvency ratio (*capital and risks*).

3.2. Specificities to the banking activity

The governance of the accounting and financial organization is structured in order to satisfy the specificities of a credit institution's activities:

- nearly all of the economic transactions carried out by a bank result in a financial payment or commitment that needs to be accounted for;
- a significant volume of accounting entries are based on fully automated recording processes for the executed transactions;
- unlike the situation in industrial or commercial companies, accounting entries are decentralized throughout the entire organization and not consolidated in just one accounting department.

The vast majority of the accounting entries are therefore executed by the IT system based on preset configurations.

These automated circuits are designed to ensure:

- the comprehensiveness, reality, measurement and proper classification of the accounting depiction of completed economic transactions;
- prevention of fraud risk by predefining in a centralized manner the transactions that each participant is authorized to execute;
- rapid and regular accounting centralization, with entries recorded in real time or at least once every business day in the case of batch processing;
- de facto homogenization of accounting data among the Group's various companies.

3.3. The accounting system

The accounting architecture

The company's IT platform operates in common with 15 Crédit Mutuel federations and the CIC banks, which includes common accounting and regulatory features involving in particular:

- the chart of accounts, whose structure is the same for all institutions administered on this platform;
- the definition of automated processes and procedures shared by all banks (payments, deposits and credits, current transactions, etc.);
- reporting applications (BAFI, input of consolidation software, etc.) and management control applications.

In that context, the administration of the common accounting IT system is entrusted to dedicated divisions, the "Accounting Procedures and Processes" divisions, which represent autonomous units within either the CM10-CIC Finance department "retail banking/networks" or the CM10-CIC Finance department "specialized business line networks", depending on the case.

These divisions are responsible in particular for:

- the administration of the common chart of accounts (creation of accounts, definition of account characteristics, etc.);
- the definition of common accounting procedures and processes, in accordance with tax and regulatory requirements. To that end and when necessary, the company's Tax department is consulted and the establishment of the processes is subject to a validation procedure involving the various operational managers.

The "Accounting Procedures and Processes" divisions are independent, both hierarchically and operationally from the accounting departments in the strict sense, which enables a separation between the accounting architecture, design and administration functions and the other operational departments.

Within the company, all accounts must be assigned to an operational department that will be responsible for their operation and control; thus no account may be overlooked or lack a clearly designated entity responsible for its monitoring.

The established organization and procedures make it possible to comply with Article 12 of CRBF Regulation 97-02 and ensure the existence of an audit trail.

Chart of accounts

The chart of accounts is based on two main types of accounts: third party accounts, which track the deposits and receivables of individual third parties, and general ledger accounts.

The use of dedicated accounts for deposits from and loans to third parties makes their monitoring possible. With respect to securities custody, CM-CIC Titres uses “inventory” accounting, which distinguishes between third party and proprietary securities ownership (*equity investments*), and external segregation when the custody is no longer provided by the Group (*Financing and capital markets activity*).

The chart of accounts for all credit institutions administered on the common IT platform uses a single nomenclature (Nouveau Plan de Comptes Interne – NPCI chart), which is administered by the “Accounting procedures and processes” divisions.

This chart of accounts defines the account properties with respect to the following areas in particular:

- regulatory attributes (consistency with the chart of accounts of official credit institutions – PCEC, reconciliation to the items of the published financial statements, etc.),
- certain tax characteristics (VAT position, etc.),
- management control characteristics (mandatory presence or not, link to the consolidated chart of accounts, duration of custody for online transfers, presence at headquarters/branch, etc.).

Processing applications

The accounting information processing applications are mainly based on internal applications developed by the Group’s IT departments.

To those applications are added several specialized applications, either external or internal, notably a management reporting production application, an accounting balances and financial statements production application, a utility for processing file queries, a consolidation application, a regulatory financial statements processing application, a noncurrent assets management application and tax reporting applications.

Automated controls

Accounting files undergo a series of automated controls prior to final accounting recognition: file balancing, file validation, updating of the audit trail of accounts affected by accounting entries.

Internal applications make it possible to control daily account entries and detect any anomalies.

A dedicated application for automated control of accounts has been deployed since 2010 in order to manage limit amounts on accounting entries, broken down by type of account (*third party/general ledger*), entry type (*debit/credit*), IT application code, entity and the entity’s sector of activity.

The application has two levels of control focused on:

- a limit threshold,
- a warning threshold.

The control applies to account processing in real time or batch processing for all applications that do not require that the entries be authorized on the basis of the “four eyes” principle. If a threshold is exceeded, the accounting entry is blocked and shifted to an accrual account. After analysis, the user may:

- in the case of a “warning” level, validate the entry after the control,
- in the case of a “limit” level, complete the transaction only if approved in accordance with the “four eyes” principle.

In all cases, entries recorded above a warning threshold (automatically through file handling or after an override in real time) are tracked and stored in event management.

4. Internal control in the preparation of parent company financial statements and the consolidation process

Controlling parent company financial statement closings

At each closing, accounting information is compared against the forecast management data for validation. The forecast management data are developed by divisions that are independent from the accounting production departments (management control and budget control).

This analytical review focuses in particular on:

- the net interest margin; for fixed-income instruments (deposits, loans and off-balance sheet items), the management control calculates the expected returns and costs based on the average capital observed; these results are then compared with the effective interest rates and validated for each business sector;
- the level of fees and commissions; based on activity indicators, the management control estimates the volume of fees and commissions received and payable, compared with the actual results;
- general and administrative expenses (employee expenses and other general operating expenses);
- net additions to/reversals from provisions for loan losses (provision allocations and recorded losses).

The accounting procedures and accounting processes are formalized. For the branch “network”, the procedures are listed on the bank’s intranet.

The daily accounting controls are exercised by the appropriate employees at the level of each branch. The accounting control departments also fulfill a general control task involving in particular regulatory controls, the monitoring of justifications of internal accounts, the monitoring of branches, controlling the foreign exchange position, controlling NBI by activity, accounting procedures and processes, the interface between the back offices and statutory auditors.

The control departments (periodic, permanent, compliance) are also called upon to perform duties in the accounting area. A control portal dedicated to the accounting function is in the works.

Controls of the consolidated financial statements

The system is periodically adapted to satisfy regulatory changes (IFRS) or improve the reliability of financial statements production.

The Group entities have applied IFRS accounting principles since January 1, 2005. A summary of IFRS accounting principles is provided in the consolidated financial statements.

CM10-CIC Group identifies the French (CNC) and international (IFRS) accounting principles and methods to be applied by all Group entities in their respective financial statements. Foreign subsidiaries take these policies into account when transitioning from their local accounting standards to French and international standards in the consolidation packages and financial reporting.

Individual company financial statements based on IFRS are prepared in the central IT system for the entities using the common IT system. The individual company IFRS financial statements are closed by the same organization and team as the individual company financial statements prepared in accordance with French accounting principles (CNC).

The Group has a consolidation chart of accounts. In the common IT system, each account in the common chart of accounts includes a link to the consolidated chart of accounts. This link is therefore the same for a single account for all companies that share this chart.

The preparation of the consolidated financial statements is carried out on the basis of a schedule sent to all subsidiaries and the statutory auditors. This schedule includes, where applicable, changes in procedures or standards to be integrated. The person responsible for the closing of the financial statements of the subsidiary and the person responsible for the listing of reciprocal accounts among fully consolidated companies are designated at each consolidated subsidiary.

The statutory auditors of the consolidation send simultaneous audit instructions to the statutory auditors of the consolidated companies. These instructions are intended to ensure the subsidiary's compliance with the various standards, in accord with their own professional standards.

The consolidation of accounts is performed on a dedicated application, one of the leading commercially available standard applications. Inputting data into the consolidation application (consolidation packages) is partially automated based on an interface developed on the accounting IT system, which enables the balances to be recovered automatically and thereby ensuring the consistency between company and consolidated data.

Moreover, the consolidation package may not be submitted by the company until after several verifications to ensure consistency and directly programmed into the package have been satisfied. These control rules (currently more than 600) are developed by the consolidation departments and relate to a number of factors (changes in equity, provisions, non-current assets, cash flows, etc.). So-called blocking controls prevent the package from being submitted by the subsidiary unless a special exception has been granted by the consolidation departments.

The consolidation department also performs consistency controls on the company data upon receipt of the packages (earnings level, intermediate management balances, etc.).

Finally, systematic reconciliation statements between company and consolidated data are prepared with respect to equity and earnings. This process, which makes it possible to ensure the coherence of the transition between accounting series, company and consolidated, is performed independently of the consolidation application, which therefore enables the validation of these consolidated items.

In conclusion, BFCM's internal control and risk management system, which is based on shared methods and applications, is part of the CM10-CIC Group's control organization. The Group is always seeking to strengthen and improve its efficiency.

C. Limitations on the authority of the Chairman and Chief Executive Officer

The Board has not set any limits on the authority of the Chairman and Chief Executive Officer, as set forth by law and our bylaws and internal rules.

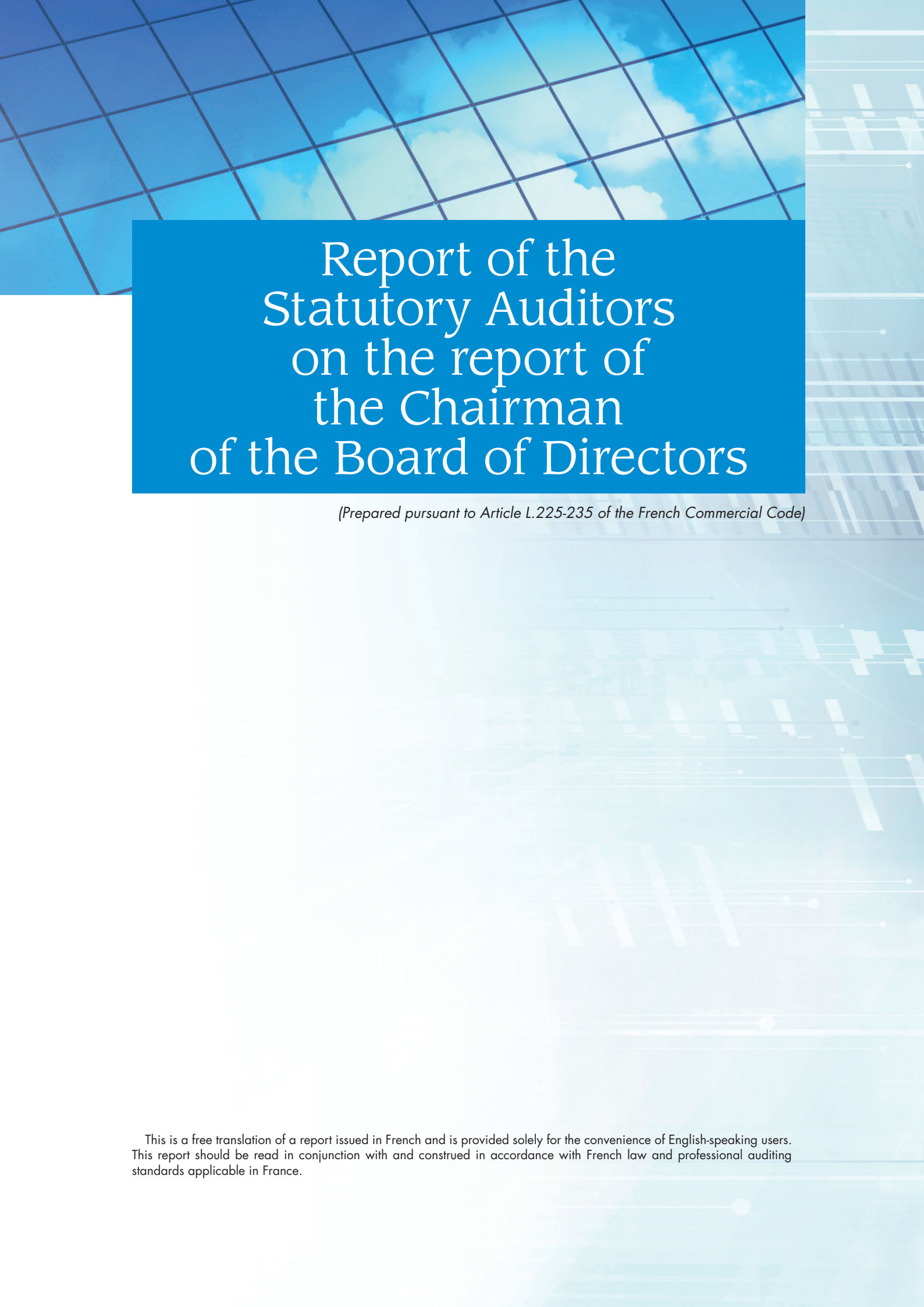
D. Principles for determining remuneration granted to company Officers and Directors

The provisions of Article L 225-37 of the French Commercial Code specify that in companies whose securities are admitted for trading on a regulated market, the Chairman of the Board of Directors must also present the rules and principles established by the Board of Directors for determining remuneration and all types of benefits granted to officers and directors.

BFCM's Board of Directors established a set of internal rules for the Remuneration Committee that are consistent with the provisions of CRBF Regulation 97-02.

The annual filing with the Prudential Supervisory Authority (*Autorité de Contrôle Prudentiel – ACP*) pursuant to articles 43-1, 43-2 and 43-3 on the implementation of the remuneration policy was completed with a "Report to the ACP on the remuneration policy and remuneration practices", based in particular on information provided by the HR department with respect to the decision-making process, the main characteristics of the remuneration policy and the quantitative information on financial market managers and professionals. This joint report is applicable to both BFCM and CIC.

The Chairman of the Board of Directors.



Report of the Statutory Auditors on the report of the Chairman of the Board of Directors

(Prepared pursuant to Article L.225-235 of the French Commercial Code)

This is a free translation of a report issued in French and is provided solely for the convenience of English-speaking users. This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.

KPMG Audit
A unit of KPMG S.A.
1, cours Valmy
92923 Paris La Défense Cedex

Statutory Auditor
Member of the Versailles regional
institute of accountants

ERNST & YOUNG et Autres
1/2, place des Saisons
92400 Courbevoie – Paris-La Défense 1
S.A.S. à capital variable
(Simplified stock company with variable capital)

Statutory Auditor
Member of the Versailles regional
institute of accountants

Banque Fédérative du Crédit Mutuel

BFCM
Year ended December 31, 2011

Report of the statutory auditors, 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 BFCM

To the Shareholders,

In our capacity as the statutory auditors of BFCM and pursuant to the provisions of Article L. 225-235 of the French Commercial Code, we hereby present you with our report on the report prepared by the Chairman of your company in accordance with the provisions of article L. 225-37 of the French Commercial Code for the year ended December 31, 2011.

It is the duty of the Chairman to prepare and submit for the approval of the Board of Directors a report describing the internal control and risk management procedures implemented within the company and providing all other information required under Article L. 225-37 of the French Commercial Code related in particular to the corporate governance system.

Our duty consists of:

- informing you of our observations regarding the information contained in the Report of the Chairman with respect to internal control and risk management procedures involving the preparation and processing of accounting and financial information, and
- certifying that this report includes the other information required by Article L. 225-37 of the French Commercial Code, it being noted that our duty does not include verifying the accuracy of the other information.

We carried out our work in accordance with generally accepted French professional standards.

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

Professional standards require the implementation of due diligence aimed at assessing the accuracy of the information related to internal control and risk management procedures involving the preparation and

processing of accounting and financial information contained in the Report of the Chairman. This due diligence consists in particular of:

- being informed of internal control and risk management procedures related to the preparation and processing of accounting and financial information that underlie the information presented in the Report of the Chairman as well as the existing documentation;
- being informed of the work undertaken to prepare this information and existing documentation;
- determining whether the major deficiencies of the internal control related to the preparation and processing of the accounting and financial information uncovered as part of our audit are properly addressed in the Report of the Chairman.

On the basis of this work, we have no observations to make on the information involving the company's internal control and risk management procedures involving the preparation and processing of accounting and financial information contained in the Report of the Chairman of the Board of Directors, established in accordance with the provisions of Article L. 225-37 of the French Commercial Code.

Other information

We hereby certify that the Report of the Chairman of the Board of Directors includes the other information required under Article L. 225-37 of the French Commercial Code.

Paris-La Défense, April 19, 2012

The Statutory Auditors

French original signed by

KPMG Audit
A unit of KPMG S.A.

Jean-François Dandé

ERNST & YOUNG et Autres

Isabelle Santenac