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RISK FACTORS

This part of the management report sets out the type of risks to which the Group is exposed, their extent and the systems used to manage them.

The information presented in accordance with IFRS 7, relating to disclosures on financial instruments, covers the following types of risks[1]:

- credit risks (including country risks): risk of losses arising from a default by a counterparty leading to that counterparty's inability to meet its commitments to the Group;
- market risks: risks of losses arising from changes in market parameters (interest rates, exchange rates, prices, credit spreads);
- structural asset/liability management risks: risks of losses arising from changes in interest rates (global interest rate risk) and exchange rates (foreign exchange risk) and the risk of not having the necessary resources to meet commitments (liquidity risk), including risks in the insurance sector.

In order to cover all risks inherent in the banking business, additional information is provided concerning:

- operational risks: risks of losses resulting primarily from the unsuitability or failure of processes, systems or people in charge of transaction processing;
- legal risks: risks arising from the Group's exposure to civil or criminal proceedings;
- non-compliance risk: risks relating to failure to comply with laws and regulations governing the Group's banking and financial activities.

In accordance with regulatory provisions and best professional practices, risk management within Crédit Agricole S.A. Group is reflected by a form of Governance in which the roles and responsibilities of each individual are clearly identified, as well as by effective and reliable risk management methodologies and procedures which make it possible to measure, supervise and manage all the risks to which the Group is exposed.

GOVERNANCE AND ORGANISATION OF RISK MANAGEMENT

Risk tolerance is defined as the level of risk that Crédit Agricole Group is prepared to take with regard to its strategic objectives. Risk tolerance is defined at the bank's highest level, particularly in the context of risk-taking strategies, or "Risk strategies", determined by business line and/or by entity. Risk strategies cover all risk components (credit, market, liquidity, operational risks, etc.) and are approved by the Group's Executive Management. In addition, market risk and short term liquidity risk limits are approved by the Board of Directors.

This approach allows the Group to:

- define the Group's desired risk profile in an explicit and forward-looking manner;
- keep the Group's activities within the limits of the defined risk tolerance and to make the risk practices implemented across the Group consistent;
- monitor the different business lines' risk profile, thereby contributing to proactive, controlled and optimised management of risks, capital and liquidity;
- facilitate dialogue with the Board of Directors and the supervisory authorities.

Risk management, which is inherent in banking activities, lies at the heart of the Group's internal control system. All staff involved, from the initiation of transactions to their final maturity, play a part in this system.

Measuring and supervising risk is the responsibility of the dedicated Risk Management and Permanent Controls function (DRG – Group Risk Management department), which is independent from Group functions and reports directly to the Executive Management.

Although risk management is primarily the responsibility of the business lines which oversee growth in their own operations, DRG's task is to ensure that the risks to which the Group is exposed are consistent with the risk strategies defined by the business lines (in terms of global and individual limits and selection criteria) and compatible with the Group's growth and profitability targets.

DRG performs consolidated Group-wide monitoring of risks using a network of risk management and permanent Control Officers who report hierarchically to the head of Risk Management and Permanent Controls and functionally to the executive body of their entity or business line.

To ensure a consistent view of risks within the Group, DRG has the following duties:

- it defines and/or validates methods and procedures for analysing, measuring and monitoring credit, market and operational risks;
- it takes part in the critical analysis of the business lines' commercial development strategies, focusing on the risk impact of these strategies;
- it provides independent opinions to Executive Management on risk exposure arising from business lines' positions (credit transactions, setting of market risk limits) or anticipated by their risk strategy;
- it lists and analyses Group entities' risks, on which data is collected in risk information systems.

The Financial Management unit of the Group Finance department (FIG) manages structural asset/liability risk (interest rate, exchange rate and liquidity) along with the refinancing policy and supervision of capital requirements.

Supervision of these risks by Executive Management is carried out through ALM (Asset Liability Management) Committee Meetings, in which DRG takes part.

DRG keeps the executive and decision-making bodies informed of the degree of control of the development of Crédit Agricole S.A. Group and warns them of any risk of deviation from

(1) *These disclosures are an integral part of the consolidated financial statements for the year ending 31 December 2014 and, as such, are covered by the Statutory Auditors' Report.*

Medium Term Plan objectives and from Risk strategies or policies approved by executive bodies. It informs them of the outcomes and performance of prevention measures, whose organisational principles are approved by them. It makes suggestions for any improvement of such measures that may be required as a result of changes to business lines and their environment. At consolidated level, this action falls within the remit of Crédit Agricole Group's governance bodies, in particular:

- the Audit and Risks Committee (a Board of Directors' sub-committee): regular presentation of the Group's risk management and internal control issues; approves annual report on internal control and on risk assessment and monitoring on risk and half-yearly information on these matters;
- the Group Internal Control Committee (CCIG) chaired by the Chief Executive Officer of Crédit Agricole S.A. meets four times a year: examination of internal control issues common across the Group, annual report and half-yearly information on internal control, coordination of the three control functions, decisions of an executive nature;
- the Group Risk Management Committee (CRG) chaired by the Chief Executive of Crédit Agricole S.A.: approval of Risk strategies and lending decisions at Crédit Agricole S.A. level, on the advice of the Risk Management and Permanent Controls Group function; review of major risks and sensitive issues, feedback on Group entities' rating models and processes;
- the Basel Committee, chaired by the head of Crédit Agricole S.A.'s Risk Management and Permanent Controls department with participation from the Chief Executives of the Regional Banks and decision-makers from the Group's main entities: ensures that regulatory changes are taken on board by Group entities, that these are well coordinated and that the necessary budgets are in place, that schedules for change are respected, processes are put in place and changes to such processes are implemented;
- the Standards and Methodology Committee (CNM) and the Group Security Committee (CSG), chaired by the head of the Group Risk Management and Permanent Control department, a member of the Crédit Agricole S.A. Executive Committee and reporting to the Chief Executive Officer of Crédit Agricole S.A.: approval of standards and methodologies in terms of management and permanent control of risks (CNM), physical security, IT systems and the business continuity plan (CSG);
- the Regional Banks' Plenary Committee for Internal Control, chaired by a Chief Executive Officer of a Regional Bank: issues national recommendations on Regional Banks' internal control systems.

In addition, each Group operating entity sets up a Risk Management and Permanent Controls function. Within each business line and legal entity:

- a Risk Management and Permanent Controls Officer (RCPR) is appointed;
- RCPRs supervise all the last-line control units within their areas of responsibility, covering oversight and permanent control of risks falling within the remit of the Group function in question;
- RCPRs have access to appropriate human, technical and financial resources. RCPRs must be provided with the information required by their role and have systematic and permanent access to any information, document, body (committees, etc.), tools or even IT systems across their entire area of responsibility. RCPRs are associated with entity projects far enough in advance to be able to play their role effectively.

This principle of decentralising the Risk Management and Permanent Controls function to operating entities aims to ensure that the business lines' risk management and permanent controls systems operate efficiently.

Group risk management is also reliant on a certain number of tools which enable DRG and the bank's executive bodies to fully comprehend the risks being run:

- Robust IT and global risk consolidation system, within the 2016 trajectory, defined by the Basel Committee on banking controls for global systemic institutions;
- generalised use of stress testing methodologies in Group credit, financial or operational risk procedures;
- formalised and up-to-date control standards and procedures, which define lending systems, based on an analysis of profitability and risks, monitoring of geographical, individual and sectoral concentrations, as well as limits on interest rate, foreign exchange and liquidity risks;
- exhaustive and up-to-date Recovery Plans, presented on an annual basis to the supervisory authorities, in accordance with regulatory requirements, in particular, the provisions of law no. 2013-672 of 26 July 2013 on the implementation of a banking resolution regime.

At last, the risk culture is spread right the way across the Group *via* diverse and effective channels:

- career and Talent Committees within the Risk function, which plan the succession to key posts, facilitate the mobility of both men and women with the relevant expertise and enrich trajectories by diversifying skills portfolios;
- highly valued careers and experience sought after by other business sectors as a result of time spent within the Risk function;
- modules dealing with the subject of risk included in various training programmes and, in particular, forming part of young manager courses organised by the Crédit Agricole Training Institute (Ifcam).

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CREDIT RISK

A credit risk is realised when a counterparty is unable to honour its obligations and when the carrying amount of these obligations in the bank's books is positive. The counterparty may be a bank, an industrial or commercial enterprise, a government and its various controlled entities, an investment fund, or an individual person.

The definition of default used in management, which is the same as the one used for regulatory calculations, complies with current prudential requirements in the various Group entities.

A debtor is, therefore, considered to be in default when at least one of the following conditions has been met:

- a payment is generally more than 90 days past due, unless specific circumstances point to the fact that the delay is due to reasons beyond the debtor's control;
- the entity believes that the debtor is unlikely to settle its credit obligations unless it avails itself of certain measures such as the provision of collateral surety.

The exposure may be a loan, debt security, deed of property, performance exchange contract, performance bond or unutilised confirmed commitment. The risk also includes the settlement risk inherent in any transaction entailing an exchange of cash or physical goods outside a secure settlement system.

As part of the AQR project carried out in 2014, the system for identifying loans in forbearance, *i.e.* which have been restructured because the borrowers are struggling financially, was strengthened and standardised. An internal standard published in June 2014 implementing ITS 2013-03 laid down the Group's requirements in this area. Work to integrate the concept of forbearance into the IT and regulatory reporting systems and in the entities' risk management process also continued during the year.

For the volume of loans in forbearance (under the ITS 2013-03 definition) see Note 3.1. Principles of loan classification for accounting purposes are specified in Note 1.3. to the financial statements.

I. Objectives and policy

The risks taken by Crédit Agricole S.A. and its subsidiaries must comply with the risk strategies approved by the Group's Risk Management Committee, which is a sub-committee of Crédit Agricole S.A.'s Executive Committee and is chaired by its Chief Executive Officer. Risk strategies are adjusted to each business line and its development plan. They set out global limits, intervention criteria (types of eligible counterparties, nature and maturity of eligible products, collateral required) and arrangements for delegating decision-making authority. These risk strategies are adjusted as required for each business line, entity, business sector or country. Business lines are responsible for complying with these risk strategies, and compliance is controlled by the Risk Management and Permanent Control Officers.

Crédit Agricole Corporate and Investment Bank, the Group's Corporate and investment banking arm, also carries out active portfolio management, in order to reduce the main concentration risks borne by Crédit Agricole S.A. Group. The Group uses market instruments such as credit derivatives or securitization mechanisms, which reduce and diversify counterparty risk and enable it to optimize its use of capital. Similarly, potential risk concentration is mitigated by syndication of loans with external banks with outside banks and use of risk hedging instruments (credit insurance, derivatives).

Crédit Agricole S.A. and its subsidiaries seek to diversify their risks in order to limit their counterparty risk exposures, particularly in the event of a crisis affecting a particular industry or country. To achieve this, Crédit Agricole S.A. and its subsidiaries regularly monitor their total exposures by counterparty, by trading portfolio, by business sector and by country (taking into account internal calculation methods, depending on the type of exposure).

When the risk is recognised, an impairment policy is implemented, on an individual or portfolio basis.

II. Credit risk management

1. Risk-taking general principles

All credit transactions require in-depth analysis of the customer's ability to repay the debt and the most efficient way of structuring the transaction, particularly in terms of security and maturity. This analysis must comply with the risk strategy of the business line concerned and with all limits in force, both individual and aggregate. The final lending decision is based on an internal rating and is taken by the commitment units or by the Credit Committees, on the basis of an independent opinion given by a representative of the Risk Management and Permanent Control function as part of the authorisation system in place. The Group Risk Management Committee and its Chairman constitute the Group's ultimate decision-making authority.

Each lending decision requires a risk-return analysis. In the case of the Corporate and Investment banking business line this means an ex ante calculation of the profitability of the transaction.

In addition, the principle of an individual risk limit applies to all types of counterparty, whether corporates, banks, financial institutions, public sector or semi-public sector entities

2. Risk measurement methods and systems

2.1 INTERNAL RATING SYSTEMS AND CREDIT RISK CONSOLIDATION SYSTEMS

The internal rating systems cover all of the methods, procedures and controls used for assessment of credit risk, rating of borrowers and estimation of losses given default by the borrower. Governance of the internal rating system relies on the Standards and Methodologies Committee (CNM), chaired by the Group's head of Risk Management and Permanent Controls, whose task is to validate and spread standards and methodologies relating to measuring and controlling risks within Crédit Agricole Group. In particular, the Standards and Methodologies Committee reviews:

- rules for identifying and measuring risks, in particular, counterparty rating methods, credit scoring and Basel 2 risk parameter estimates (probability of default, credit conversion factor, loss given default LGD) and related organisational procedures;
- segmentation between retail customers and large institutional customers with related organisational procedures such as risk consolidation information system data entry;
- the performance of rating and risk assessment methods by reviewing back-testing results at least once a year;
- the use of ratings (validation of common syntaxes, glossaries and benchmarks).

For retail customers, including loans to individuals (in particular, home loans and consumer finance) and small businesses, each entity is responsible for defining, implementing and substantiating its rating system, in accordance with the Group standards established by Crédit Agricole S.A.

LCL and the consumer credit subsidiaries (Crédit Agricole Consumer Finance) have their own rating systems. The Regional Banks have common risk assessment models which are managed at Crédit Agricole S.A. level. Procedures for back-testing the parameters used in calculating the regulatory capital requirements have been defined and are operational in all entities. The internal models used by the Group are based on statistical models established on explanatory behavioural variables (*e.g.* average current account balance) and identifying variables (*e.g.* business sector). The approach taken can be either customer-centred (Individuals, Farmers, Small businesses and very small entreprises) or product-centred. The estimated probability of default in year 1, to which the rating relates, is updated on a yearly basis.

For the large customer category, a single fifteen-grade rating scale has been established on the basis of a segmentation of risk so as to provide a uniform view of default risk "over a full business cycle".

It has thirteen ratings (A+ to E-) categorising counterparties not in default and two ratings (F and Z) categorising counterparties in default.

COMPARISON BETWEEN THE INTERNAL GROUP RATINGS AND THE RATING AGENCIES

Crédit Agricole Group	A+	A	B+	B	C+	C	C-	D+	D	D-	E+	E	E-
Indicative Moody's rating equivalent	Aaa	Aa1/Aa2	Aa3/A1	A2/A3	Baa1	Baa2	Baa3	Ba1	Ba2	Ba3	B1/B2	B3	Caa/Ca/C
Indicative Standard & Poor's rating equivalent	AAA	AA+/AA	AA-/A+	A/A-	BBB+	BBB	BBB-	BB+	BB	BB-	B+/B	B-	CCC/CC/C
Probability of default in year 1	0.001%	0.01%	0.02%	0.06%	0.16%	0.30%	0.60%	0.75%	1.25%	1.90%	5.0%	12.00%	20.00%

Within Crédit Agricole Group, the large customer category comprises primarily sovereigns and central banks, corporates, local authorities, specialised financings as well as banks, insurance companies, asset management companies and other financial companies. An internal rating method tailored to each specific risk profile, based on financial and qualitative criteria, is applied to each type of large customer. For large customers, Crédit Agricole Group entities have common internal rating methodologies. Counterparties are rated, at the latest, when they apply for support and the rating is updated with each renewal or upon any event that could affect risk quality. The rating assignment must be approved by a unit independent of the Front Office. The rating is reviewed at least annually. To ensure that each counterparty has a unique Crédit Agricole Group rating, a single Group entity is responsible for rating said counterparty on behalf of all the entities providing it with support.

Whether relating to large customers or retail customers, the rating oversight system implemented by Crédit Agricole S.A., its subsidiaries and the Regional Banks across the entire rating process aims to ensure:

- rules for identifying and measuring risks, in particular, methods used;
- uniformity in the handling of default events on a consolidated basis;
- proper utilisation of the internal rating methodologies;
- reliability of data substantiating the internal rating.

The Standards and Methodology Committee, amongst others, ensures that these principles are respected, in particular, when rating methodologies are approved and during annual back-testing.

Furthermore, Crédit Agricole S.A., its subsidiaries and the Regional Banks continue to focus on improving the risk-tracking system for:

- risk management of single clients and groups which is designed to ensure accurate identification of counterparties on which there is a risk within the entities and to improve cross-functional risk information management on single clients and groups, which is crucial to ensuring rating uniqueness and consistent allocation of exposures to Basel portfolios;
- the closing process, which aims to guarantee the quality of the process of production of the solvency ratio.

The French Prudential Supervisory and Resolution Authority (ACPR) has authorised Crédit Agricole Group to use internal rating systems to calculate regulatory capital requirements for credit risk of its retail and large customer portfolios on the greater part of its scope.

Having internal rating systems deployed throughout the Group enables it to implement counterparty risk management based on risk indicators compliant with current regulatory rules. For large customers, the single rating system (identical tools and methods, shared data) which has been implemented for several years now, has helped to improve counterparty monitoring, in particular, for counterparties common to several Group entities. The system has also made it possible to have a common reference framework on which to base standards and procedures, governance tools, alert procedures and risk provisioning policies.

Finally, in the Corporate and investment banking businesses, expected loss, economic capital and risk-adjusted return measurements are used in the processes for making loan approval decisions, defining risk strategies and setting risk limits.

2.2 CREDIT RISK MEASUREMENT

The measurement of credit risk exposures includes both drawn facilities and confirmed unutilised facilities.

To measure counterparty risk on capital markets transactions, Crédit Agricole S.A. and its subsidiaries use different types of approaches to estimate the current and potential risk of derivative instruments (such as swaps and structured products).

Crédit Agricole CIB uses a specific internal methodology to estimate the risk of change in relation to such derivative instruments, using a net portfolio approach for each customer:

- current risk corresponds to the sum owing by the counterparty in the event of instantaneous default;
- the risk of change corresponds to our estimated maximum exposure over its remaining maturity, for a given confidence interval.

The methodology used is based on Monte Carlo-type simulations, enabling the risk of variation to be assessed on the basis of statistical calculations of the change in underlying market parameters. This model considers the different risk reduction factors, such as the use of netting and collateralisation in agreements negotiated with counterparties prior to transactions taking place.

Specific unfavourable correlation risks (risk that exposure to a counterparty correlates positively with the likelihood of this counterparty defaulting) are monitored regularly to identify cases and included in the calculation of exposures in accordance with regulatory recommendations.

The internal model is used to manage internal limits on transactions with each counterparty and to calculate Basel 3 pillar 2 economic capital *via* the average risk profile (Expected Positive Exposure) using a global portfolio approach.

As allowed by this regulatory framework, the French Regulatory and Resolution Supervisory Authority (ACPR) authorised Crédit Agricole CIB as of 31 March 2014 to use the internal model method to calculate its capital requirements in respect of counterparty risk. This method uses the model described above to determine

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Effective Expected Positive Exposure (EEPE) and is applied to all derivatives. The same method is used to calculate credit risk exposures used to determine the capital required to cover credit valuation adjustment (CVA) risk. For repos and derivative transactions by its subsidiaries, Crédit Agricole CIB used the standard approach in 2014.

Credit risk on these market transactions is managed following rules set by the Group. The policy on setting counterparty risk limits is as described in "Credit risk management – Risk-taking general principles". The techniques used to reduce counterparty risk on market transactions by Crédit Agricole CIB are described in "Credit risk mitigation mechanisms".

Crédit Agricole Group includes a credit valuation adjustment (CVA) in its calculation of the fair value of derivative assets. This value adjustment is described in Notes 1.3 to the consolidated financial statements on accounting principles and policies and 10.2 on Information about financial instruments measured at fair value.

At other Group entities, the base for counterparty risk on market transactions is either calculated by the Crédit Agricole CIB tool under an internal provision of services agreement or based on the regulatory approach.

3. Supervision system of commitments

Rules for dividing and limiting risk exposures, along with specific processes relating to commitments and grant criteria, are used to prevent any excessive concentration of the portfolio and to limit the impact of any deterioration.

3.1 PROCESS FOR MONITORING CONCENTRATIONS BY COUNTERPARTY OR GROUP OF RELATED COUNTERPARTIES

The consolidated commitments of all Crédit Agricole Group's entities are monitored by counterparty and by group-related counterparties. A group of related counterparties is a set of French or foreign legal entities that are connected, regardless of their status and economic activity, in such a way that the total exposure to this group can be measured on the basis of exposure to one or more of these entities. Commitments to a counterparty or group of related counterparties include all loans granted by the Group as well as corporate finance transactions, bond portfolios, financing commitments and counterparty risks relating to capital market transactions. Exposure limits for counterparties and groups of related counterparties are recorded in the internal information systems of each subsidiary or business line. When several subsidiaries have a counterparty in common, a Group-level aggregate limit is set on the basis of commitment authorisation limits that depend on the internal rating.

Each operating entity reports the amount of its commitments by risk category on a monthly or quarterly basis to the Group Risk Management and Permanent Controls department. Exposures to major non-bank counterparties, *i.e.* those on which the aggregate commitments of Crédit Agricole Group exceed €300 million after netting, are reported separately to the Group Risk Management Committee.

At year-end 2014, lending commitments of Crédit Agricole S.A. and its subsidiaries to their ten largest non-sovereign, non-bank customers amounted to 6.2% of the total non-bank portfolio (compared with 6.8% at 31 December 2013). The diversification of the portfolio on an individual basis is still satisfactory, with a slight improvement in concentration.

Moreover, for the Regional Banks and LCL, major counterparty risks are monitored also *via* the Foncaris subsidiary. At 31 December 2014, Foncaris guaranteed 50% of the €6.9 billion outstanding portfolio due to major counterparties for these entities (€7.2 billion at 31 December 2013).

3.2 PORTFOLIO REVIEW AND SECTOR MONITORING PROCESS

Periodic portfolio reviews conducted by entity or business line strengthen the monitoring process, thus serving to improve the identification of counterparties whose credit quality is deteriorating, update counterparty ratings, monitor risk strategies and check on changes in concentration ratios, for instance, per business sector. Moreover, the Corporate and investment banking business has a portfolio modelling tool that it uses to test how well portfolios hold up under stress scenarios.

3.3 PROCESS FOR MONITORING COUNTERPARTIES IN DEFAULT AND ON CREDIT WATCH

Counterparties in default and on credit watch are monitored closely by the business lines, in collaboration with Risk Management and Permanent Control Officers. They are also the object of formal monitoring by the entities' Sensitive exposure Committees and of quarterly monitoring by the Group Risk Management Committee and the Audit Committee on a consolidated basis.

3.4 CONSOLIDATED RISK MONITORING PROCESS

Every quarter, the Group Risk Management Committee examines the risk report produced by the Group Risk Management and Permanent Controls department. This document gives the Committee a detailed review of the Group's risk situation on a consolidated basis and across all business lines. In addition, detailed periodic reviews of banking risks, country risks and the main non-banking risks are conducted during Group Risk Management Committee Meetings.

Crédit Agricole S.A. has a Risk Monitoring Committee chaired by Executive Management. This Committee meets twice a month and reviews all risk alerts collected centrally by the Group Risk Management and Permanent Controls department in accordance with the internal alert procedures.

3.5 COUNTRY RISK MONITORING AND MANAGEMENT SYSTEM

Country risk is the risk that economic, financial, political, judicial or social conditions in a country will affect the Bank's financial interests. This risk does not differ in nature from "elementary" risk (credit, market and operational risks), but is an aggregate of risks resulting from vulnerability to a specific political, social, macroeconomic and financial environment.

The system for assessing and monitoring country risk within Crédit Agricole CIB is based on its own rating methodology. Internal country ratings are based on criteria relating to the financial soundness of the government, the banking system and the economy, ability and willingness to pay, governance and political stability.

Annually reviewed limits and risk strategies are applied to each country whose rating is lower than the threshold specified in the procedures unless an exception is made.

The limits set at the end of 2011 for all countries with a sufficiently high volume of business, in line with procedures which are more or less stringent depending on the country's rating, were introduced in early 2013: country limits are set on an annual basis for non Investment Grade rated countries and are reviewed every two years for countries with higher ratings.

This approach is supplemented by scenario analyses aimed at testing the impact of adverse macroeconomic and financial assumptions. These tests provide the Group with an integrated view of the risks to which it may be exposed in situations of extreme tension.

The Group manages and controls its country risks according to the following principles:

- acceptable country risk exposure limits are determined through reviews of country strategies, depending on the vulnerability of the portfolio to country risk. The degree of vulnerability is determined by the type and structure of transactions, the quality of counterparties and the term of commitments. These exposure limits may be reviewed more frequently if developments in a particular country make it necessary. These strategies and limits are validated according to the level of risk by Crédit Agricole CIB's Strategy and Portfolio Committee (CSP) or Country Risk Committee (CRP) and by Crédit Agricole S.A.'s Group Risk Management Committee (CRG);
- the Corporate and investment banking business maintains a system for regular assessment of country risk and for updating the country risk rating quarterly for each country in which the Group does business. This rating is produced using an internal country rating model based on various criteria (structural solidity, governance, political stability, ability and willingness to pay). Specific events may cause ratings to be adjusted before the next quarterly review;
- Crédit Agricole CIB's Country and Portfolio Risk department validates transactions whose size, maturity and degree of country risk could affect the quality of the portfolio.

Country risk exposure is monitored and controlled in both quantitative (amount and term of exposure) and qualitative (portfolio vulnerability) terms through regular specific reporting on all exposures to risky countries.

European countries with an internal rating that qualifies them for country risk monitoring undergo a separate *ad hoc* monitoring procedure. Exposure to sovereign and non-sovereign risk in these countries is detailed in Note 6.8 to the consolidated financial statements.

3.6 STRESS SCENARIO IMPACTS

3.6.1 Global stress tests as part of budgeting and regulatory procedures

Using stress tests to manage Crédit Agricole Group risk involves a range of different exercises. Global stress tests conducted on an annual basis as part of the budgetary process, aim to stress test all of the Group's portfolio risks by aggregating credit risk and market risk as well as measuring impact on the investment and securitisation portfolio.

In parallel with the cost of risk effect, revenues are also stress tested (margin, cost of funding and volume) to measure the impact on the Group's income statement. The objective of this exercise is to estimate the consequences of an adverse economic scenario over at least a 2-year period on the Group's profitability and solvency.

As well as these internal tests, the Group runs regulatory stress tests, such as those ordered by the ECB/EBA in 2014.

Unlike global stress tests, specific stress tests on certain income streams or portfolios are conducted for monitoring purposes or as an aid to setting limits.

3.6.2 Loan portfolio stress tests

Loan portfolio stress tests form an integral part of Crédit Agricole Group's risk management system. These are conducted either on the loan portfolio in its entirety or on an individual portfolio displaying a "risk pocket" to be studied (for example: commercial real estate portfolio).

A global credit risk stress test is conducted at least once a year as part of the Group's global stress tests. The works, coordinated by DRG, involve all Crédit Agricole Group entities and all Basel portfolios, whether they are treated for regulatory purposes using the IRBA, IRBF or Standard method. These tests examine a period of at least 18 months, which may be extended to 3 years.

This exercise is incorporated into the annual budgetary process. The economic scenarios taken into consideration are compiled for the Group as a whole. Two variants are usually studied:

- a baseline scenario corresponding to the budgetary scenario which is not, strictly speaking, part of the stress test but which serves as a point of reference for the adverse scenario;
- an adverse (or stressed) scenario which reflects a sharp, but plausible, downturn in the economic climate.

The stress testing process is part of corporate governance and aims to improve dialogue between risk and finance on the sensitivity of the cost of risk and capital requirements to a downturn in the economic climate.

As regards the IRB method, the impact of economic scenarios on Basel risk parameters (PD, LGD) is determined using statistical models which make it possible to estimate their reaction to changes in certain economic data deemed to be discriminatory (GDP, rate of unemployment, fluctuations in commodity prices). The impacts on certain portfolios for which the application of models is not appropriate are defined by expert appraisers. It is therefore possible to measure the change in expected loss and risk weighted assets in relation to these economic scenarios, for each portfolio. As regards the standard method, the impact of the economic scenarios is reflected by changes in doubtful loans and receivables and the provisioning rate set by expert appraisers. It is, therefore, possible to estimate the percentage of performing portfolios that would enter into default and the resultant requirement in terms of additional provisions and risk weighted assets.

Please note that a specific impact measurement was taken in respect of Corporate and investment banking regarding the impact of counterparty risk on market transactions and on banking book securitisation exposures.

Scenarios are chosen by Crédit Agricole S.A. on the basis of proposals made by the economic research department. However, each Group entity calculates the sensitivity of its portfolios to the stresses in each scenario based on their knowledge of their portfolios and in-house risk models. All contributions are reviewed and are the subject of formal discussions between Group Risk Management and the contributing subsidiaries.

In addition to being used to construct budgets and manage capital requirements, the results of global credit risk stress tests are also used to calculate economic capital (Pillar 2). They are reviewed by the Group Risk Management Committee or by the Executive Committee and are also reported to the Crédit Agricole S.A. Board of Directors.

Specific credit risk stress tests (mainly in Corporate and investment banking) are conducted to determine the risk of loss in the event of major deterioration in the economic and financial climate for a given business sector or a specific geographical area constituting a set of uniform risks. The results of these stress tests are used within the context of the risk strategies, on the basis of Group Risk Management Committee decisions on global exposure limits.

In 2014, the Group put in place a dedicated system for the regulatory stress tests that followed the AQR. This organisation allowed the Group to meet all the quantitative and qualitative requirements imposed by the Supervisor. Coming out of this exercise, an action plan for Group stress tests was scheduled for 2015.

INTERNAL PRESENTATION OF RESULTS TO THE GROUP'S AUDIT COMMITTEE

STAGE 1 → **STAGE 2** → **STAGE 3** → **STAGE 4**

STAGE 1 – Macroeconomic scenario

- Organisation of a working group, spanning all entities and Crédit Agricole S.A. (DRG, Economic research department) to debate macroeconomic impacts.
- Dialogue with entities regarding their risk parameter sensitivity assumptions.

STAGE 2 – Entities' determination of impacts

- Risk: The Group's main entities (Crédit Agricole CIB, CRCA, LCL, Crédit Agricole S.A., CACF, etc.) look for correlations between macroeconomic factors on the one hand, and Basel PD and LGD parameters on the other.
- In addition to the credit risk aspect, a stress test is conducted on the trading book using a scenario chosen for its consistency with the global macro scenario.
- DRG may also make use of expert appraisers.
- FIG supplements the information supplied by DRG on other stress factors (revenues, volume effect, refinancing).

STAGE 3 – Centralised consolidation of results

- DRG ensures the consistency of the cost of credit risk forecasts sent by the entities with the parameters measured during the previous budgetary stress test.
- DRG provides the Group Finance department (FIG) with the consolidated cost of risk and risk weighted assets in order to take the volume effect into consideration.
- In the event of significant differences, dialogue with the entities.

STAGE 4 – Presentation to governance bodies

- Presentation of results to each entity's governance body.
- Presentation of consolidated results to the Group's Audit Committee.

3.6.3. Stress tests on other types of risk (market, liquidity, operational risk)

Other types of stress testing are described in the paragraphs relating to each type of risk under consideration: market risk, liquidity and financing risk, operational risk.

4. Credit risk mitigation mechanisms

4.1 COLLATERAL AND GUARANTEES RECEIVED

Guarantees or collateral are intended to provide partial or full protection against credit risk.

The principles governing the eligibility, utilisation and management of collateral and guarantees received as security are defined by Crédit Agricole Group's Standards and Methodology Committee (CNM), in accordance with the CRD 4 system for the calculation of the solvency ratio. This common framework ensures a consistent approach across the Group's various entities. It documents aspects that include the conditions for prudential recognition, valuation and revaluation methods of all the various credit risk mitigation techniques that are used: collateral (notably for financing of assets: property, aircraft, ships, etc.), security in the form of guarantees, public export credit insurance, private credit insurance, financial guarantee insurance, credit derivatives, and cash collateral. The entities are in charge of implementing this framework at the operational level (management, monitoring of valuations, implementation).

Details of guarantee commitments received are presented in Note 3.1 and in Note 8 to the consolidated financial statements.

Regarding financial assets obtained by enforcement of guarantees or credit enhancement measures, the Group's policy is to sell them as soon as possible.

4.2 USE OF NETTING AGREEMENTS

If a "master" agreements has been signed with a counterparty and said counterparty defaults or enters bankruptcy proceedings, Crédit Agricole S.A. and its subsidiaries apply close out netting, enabling them to terminate current contracts early and to calculate a net balance on the debts and debt obligations in respect of this counterparty. They also use collateralisation techniques to enable securities or cash to be transferred in the form of collateral or transfer of full ownership during the lifetime of the hedged transactions, which can be offset, in the event of default by one of the parties, in order to calculate the net balance of reciprocal debt and debt obligations resulting from the master agreement signed with the counterparty.

4.3 USE OF CREDIT DERIVATIVES

In managing its corporate financing portfolio (banking book), the Group's Corporate and Investment bank uses credit derivatives and a range of risk-transfer instruments including namely securitisation. The aim is to reduce concentration of corporate credit exposure, diversify the portfolio and reduce loss levels.

The risks arising from such transactions are monitored using indicators such as VaR (Value at Risk) on all cash transactions to buy or sell protection for the bank's own account.

The notional amount of protection bought by Crédit Agricole CIB in the form of unitary credit derivatives outstanding at 31 December 2014 was €9.9 billion (€9.5 billion at 31 December 2013). The outstanding notional amount of protection sold by Crédit Agricole CIB was €211 million (€284 million at 31 December 2013).

III. Exposure

1. Maximum exposure

The maximum exposure to credit risk of Crédit Agricole S.A. and its subsidiaries corresponds to the net carrying amount of financial assets (loans and receivables, debt instruments and derivative instruments) before the effect of non-recognised netting agreements and collateral. It is set out in Note 3.1 to the consolidated financial statements.

At 31 December 2014, the maximum exposure to credit and counterparty risk of Crédit Agricole S.A. and its subsidiaries amounted to €1,303 billion (€1,218 billion at 31 December 2013), up 7% on 2013.

2. Concentration

An analysis of credit risk on commercial lending commitments excluding Crédit Agricole Group internal transactions and collateral given by Credit Agricole S.A. as part of repurchase agreements (loans and receivables to credit institutions, loans and receivables to customers, financing commitments given and guarantee commitments given for €665.03 billion) is presented below. In particular, this scope excludes derivative instruments, which are primarily monitored using VaR (see section on Market risks), and financial assets held by insurance companies (€204 billion – see section on Risks in the insurance sector).

2.1. PORTFOLIO DIVERSIFICATION BY GEOGRAPHIC AREA

On the commercial lending portfolio (including banking counterparties outside the Group), the breakdown by geographic area covers a total portfolio of €664.96 billion at 31 December 2014, compared with €677.3 billion at 31 December 2013. The breakdown reflects the country in which the commercial lending risk is based.

BREAKDOWN BY GEOGRAPHIC AREA OF COMMERCIAL LENDING OF CRÉDIT AGRICOLE S.A. GROUP

Geographic area of exposure	2014	2013
Africa and Middle East	3%	3%
Central and South America	2%	1%
North America	10%	10%
Asia-Pacific excluding Japan	5%	5%
Eastern Europe	3%	3%
Western Europe excluding Italy	14%	14%
France (retail banking)	17%	16%
France (excluding retail banking)	32%	35%
Italy	11%	11%
Japan	3%	2%
TOTAL	**100%**	**100%**

The breakdown by geographic area of commercial lending is stable. In 2014, commercial lending for France shrank to 48.4% of total commitments (51% in 2013), due mainly to the development of the non-retail banking business. Italy, the Group's second biggest market, accounted for 11% of commercial lending (unchanged from 2013).

Note 3.1 to the financial statements presents the breakdown of loans and receivables and commitments given to customers and credit institutions by geographic area on the basis of accounting data.

2.2 PORTFOLIO DIVERSIFICATION BY BUSINESS SECTOR

On the commercial lending portfolio (including bank counterparties outside the Group) the scope broken down by business sector amounted to €615.7 billion at 31 December 2014, versus €603.6 billion at 31 December 2013. These breakdowns reflect the business sector in which the commercial lending risk to customers is based.

BREAKDOWN BY BUSINESS SECTOR OF COMMERCIAL LENDING OF CRÉDIT AGRICOLE S.A. GROUP

Business sector	2014	2013
Air/Space	2.4%	2.1%
Agriculture and Food processing	2.4%	2.2%
Insurance	1.7%	1.5%
Automotive	2.8%	2.8%
Other non-banking financial activities	5.6%	5.0%
Other industries	1.5%	1.4%
Other transport	1.6%	1.5%
Banks	7.4%	7.5%
Building and public works	2.4%	2.2%
Retail/Consumer goods industries	2.3%	2.5%
Other	3.7%	3.9%
Energy	8.3%	8.1%
Real estate	3.5%	3.2%
Heavy industry	2.9%	2.3%
IT/Technology	0.8%	0.7%
Shipping	2.9%	2.7%
Media/Publishing	0.6%	0.5%
Healthcare/Pharmaceuticals	1.2%	1.0%
Non-trading services/Public sector/ Local authorities	15.1%	17.9%
Telecom	1.5%	1.4%
Tourism/Hotels/Restaurants	1.0%	0.8%
Retail banking customers	28.4%	28.8%
TOTAL	**100%**	**100%**

Well diversified, the commercial lending portfolio broken down by business sector remain overall stable for 2014. The "Retail banking customers" business is the Group's leading business at 28.4%, compared to 28.8% in 2013. The "Non-trading services/ public sector/local authorities" industry, in second place, decreased from 17.9% to 15.1%.

2.3 BREAKDOWN OF LOANS AND RECEIVABLES OUTSTANDING BY TYPE OF CUSTOMER

Concentrations by customer type of loans and receivables and commitments given to credit institutions and customers are presented in Note 3.1 to the consolidated financial statements.

The gross amount of loans and receivables outstanding, including accrued interest (€428.7 billion at 31 December 2014), increased by 5% in 2014 (from €408.5 billion at 31 December 2013). It is split mainly between large corporates and retail customers (respectively, 43.8% and 30.9%).

2.4 EXPOSURE TO COUNTRY RISK

2014 began with a stronger growth outlook (forecast at 3.7%) thanks to improved activity in the United States and Japan, a modest upturn in Europe, particularly the UK and Germany, and a resilient performance in emerging markets. However, the last few months brought a dampening of prospects and, according to the IMF, global growth was no higher than 3% in 2014 and will be barely better in 2015.

2014 was also marked by severe political tensions with Russia linked to the Ukrainian crisis which began with the annexation of Crimea and led the West to impose successive waves of sanctions. These tensions persist today and there is little visibility on how the situation will develop in 2015.

Another significant event since summer 2014: the sharp drop in the price of oil, which lost 50% over the period. This should be good news for some importing countries like India, Brazil, Indonesia, South Africa or Turkey and provide a potential boost to European economies, though this last effect will be tempered by the euro's decline against the dollar. Finally, commodity prices continue to trend downward in response to lacklustre growth worldwide and, most importantly, the slowdown in China.

Crédit Agricole S.A. Group's commercial lending (on and off-balance sheet) to customers at risk in non-Western European countries with an internal rating of C+ or below comes mainly *via* Crédit Agricole CIB, UBAF (47%-owned by Crédit Agricole CIB) and International retail banking. These exposures include guarantees received coming in deduction (export credit insurance, cash deposits, securities pledged, etc.).

As of 31 December 2014, commercial lending (including to bank counter-parties) excluding the weak countries of Western Europe (Italy, Spain, Portugal, Greece, Cyprus, Ireland, Iceland and Andorra) totaled €52.6 billion versus €49.2 billion as of 31 December 2013.

Concentration of exposures to these countries was stable in 2014: the top 20 countries accounted for 91.7% of the portfolio at year-end 2014, compared with 90.5% at year-end 2013.

Three geographic areas are predominant: Middle East and North Africa, Central and Eastern Europe and Asia-Pacific. They are followed by Latin America and Sub-Saharan Africa.

The Middle East and North Africa

Aggregate commitments to Middle East and North African countries totaled €16.3 billion, 31.0% of all exposure to country risks. This compares to Middle East and North Africa exposure of €15.3 billion at 31 December 2013 (31.1%). Morocco, Egypt, the United Arab Emirates, Saudi Arabia and Algeria account for 83.2% of Middle Eastern and North African exposures.

Central & Eastern Europe

Aggregate commitments to the countries of Central and Eastern Europe were €14.6 billion, or 27.7% of country risks. This compares to €14.3 billion and 29.1% one year before. Exposure is concentrated on Poland, Russia, Ukraine and Serbia, which account for 92% of total exposure in the region.

Asia-Pacific

Commitments to the countries of Asia-Pacific at €13.1 billion were largely unchanged on 31 December 2013 (€13.2 billion). They represent 24.9% of all exposure to country risks, down from 26.8% at end-2013. Exposure is focused on China (€6.5 billion) and India (€4.6 billion).

Latin America

At end-2014, the countries of Latin America accounted for 13.7% of total exposure with commitments totaling €7.2 billion. This compares to 10.2% and €5 billion at end-2013. Exposures to Brazil and Mexico make up 89% of the regional total.

Sub-Saharan Africa

Aggregate exposure to this region was €1.4 billion, unchanged from 31 December 2013, or 2.6% of the Group's country risks.

3. Credit quality

3.1 ANALYSIS OF LOANS AND RECEIVABLES BY CATEGORY

The breakdown of loans and receivables to credit institutions and customers is presented as follows:

Loans and receivables *(in millions of euros)*	31/12/2014	31/12/2013
Neither past due nor impaired	405,401	384,602
Past due but not impaired	6,996	6,938
Impaired	16,322	16,936
TOTAL	**428,719**	**408,476**

The portfolio of loans and receivables at 31 December 2014 consisted for 94.6% of amounts that were neither past due nor impaired (94.2% at 31 December 2013).

Under IFRS 7, a financial asset is past due when a counterparty has failed to make a payment when contractually due. The Group considers that there is no identified credit risk on loans and receivables that are less than 90 days past due, accounting for 89.4% of past due but not impaired loans.

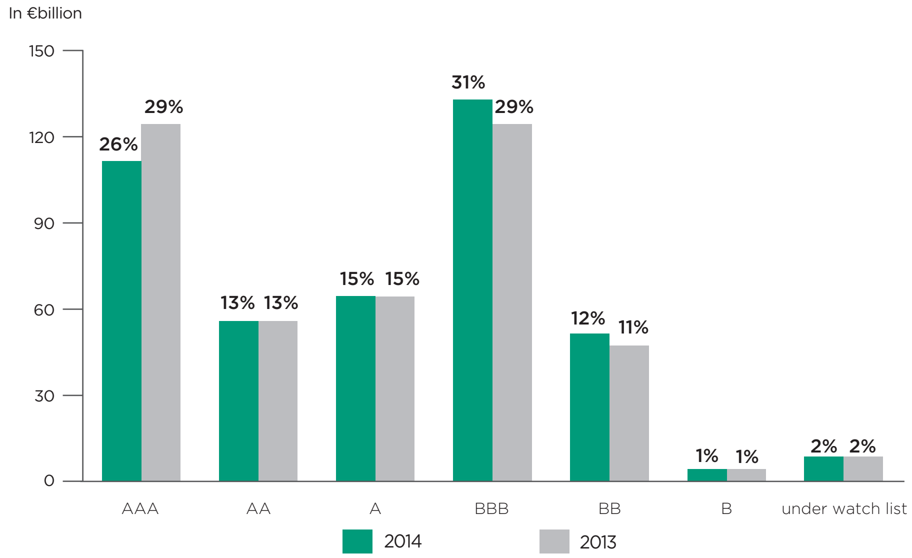
Details of financial assets that were past due or impaired are presented in Note 3.1 to the consolidated financial statements.

3.2 ANALYSIS OF OUTSTANDINGS BY INTERNAL RATING

The internal rating policy used by Crédit Agricole Group aims to cover the entire Group customer portfolio, *i.e.* retail customers, corporate customers, banks and financial institutions, government agencies and local authorities.

On the performing commercial lending portfolio excluding retail customers (€486.1 billion at 31 December 2014, compared with €506.7 billion at 31 December 2013), rated borrowers accounted for 79% of the total (compared with 74% at year-end 2013) (€385.1 billion at 31 December 2014, compared with €375.6 billion at 31 December 2013). The breakdown of this portfolio is presented according to the Standard & Poor's equivalents of the Group's internal ratings:

CHANGE IN THE PERFORMING NON-RETAIL BANKING COMMERCIAL LENDING PORTFOLIO OF CREDIT AGRICOLE S.A. GROUP BY INDICATIVE S&P EQUIVALENT OF 2014 INTERNAL RATING



This breakdown shows a good quality loan book with a stable risk profile, despite a 3 percentage point reduction in the loans rated AAA. At 31 December 2014, 85% of exposures related to borrowers with investment-grade ratings (rating that is equal to or greater than BBB; 86% at 31 December 2013), and only 2% related to borrowers under watch list.

3.3 IMPAIRMENT AND RISK COVERAGE

3.3.1 Impairment and risk hedging policy

The policy for hedging loan loss risks is based on two kinds of impairment allowances:

- impairment allowances on an individual basis intended to cover probable losses on impaired receivables;
- collective impairment allowances under IAS 39, recognised when objective indications of impairment are identified on one or more homogeneous subgroups within the credit risk portfolio. These impairment allowances are intended to cover deterioration in the risk profile of exposures to certain countries, business sectors or counterparties, not because they are in default but because their rating has been lowered. Impairment losses on a portfolio basis are also made in retail banking. Collective impairments are, mainly, calculated on statistical bases on the amount of loss expected until the transactions mature, using Basel probability of default (PD) and loss given default (LGD) criteria.

3.3.2 Impaired financial assets

The breakdown of impaired loans and receivables due from credit institutions and customers by customer type and geographic area is presented in Note 3.1 to the financial statements.

At 31 December 2014, impaired lending commitments as a whole amounted to €16.3 billion versus €16.9 billion at 31 December 2013, down 3.6%. These consist of non-performing loans and commitments on which the Group sees potential non-recovery. Impaired assets accounted for 3.8% of the Group's gross stated outstandings (4% at 31 December 2013). They were hedged by €8.8 billion in individual impairment allowances or 53.9% (€9.1 billion at 31 December 2013), including lease finance transactions but not including collective impairment allowances.

Restructured[1] loans according to the new definition totalled €11.0 billion at 31 December 2014.

4. Cost of risk

The cost of risk to Crédit Agricole Group was €2.2 billion at 31 December 2014 versus €2.9 billion in 2013 (after adjustment for IFRS 10, 11 and 5), a decline of around 24%.

Details of the movements that affected the cost of risk are presented in Note 4.8 to the consolidated financial statements. This is broken down by business line in Note 5.1 to the consolidated financial statements.

5. Counterparty risk on derivative instruments

The counterparty risk on derivative instruments is established according to market value and potential credit risk calculated and weighted in accordance with regulatory standards. The measure relating to this credit risk is presented part 2.2. Credit Risk measurement in the section II below "Credit Risk management".

(1) The concept of restructured loans is detailed in note 1.3 "Accounting policies and principles" in the consolidated financial statements.

MARKET RISK

Market risk is the risk of a negative impact on the income statement or balance sheet of adverse fluctuations in the value of financial instruments following changes in market parameters, particularly:

- interest rates: interest rate risk is the risk of a change in the fair value of a financial instrument or the future cash flows from a financial instrument due to a change in interest rates;
- exchange rates: foreign exchange risk is the risk of a change in the fair value of a financial instrument due to a change in exchange rates;
- price risk: the risk of a change in the price or volatility of equities and commodities, baskets of equities or stock market indices. The instruments most exposed to this risk are variable-income securities, equity derivative instruments and commodity derivative instruments;
- credit spreads: credit risk is the risk of a change in the fair value of a financial instrument resulting from movement in the credit spreads for indices or issuers. For more complex credit products, there is also the risk of a change in fair value arising from a change in correlation between issuer defaults.

I. Objectives and policy

Crédit Agricole S.A. Group has a specific market risk management system with its own organisation independent of operational hierarchies, risk identification and measurement methods, monitoring and consolidation procedures. In terms of scope, this system hedges all market risk from market transactions: the investment portfolios of the Finance department are monitored and supervised appropriately.

The prudent market risk management policy applied in 2013 was continued in 2014. In a low-rate environment and in response to increased customer demand for structured products, Crédit Agricole CIB undertook a gradual migration toward more use of these products in addition to the existing offering. This required a strengthening of the market risk management system.

II. Risk management

1. Local and central organisation

Crédit Agricole Group has two distinct but complementary levels of market risk management:

- at the central level, the Group Risk Management and Permanent Controls department coordinates all Group-wide market risk supervision and control issues. It standardises data and data processing to ensure consistency of both consolidated risk measurement and controls. It keeps the executive bodies (Executive Management of Crédit Agricole S.A.) and decision-making bodies (Board of Directors and Audit Committee) up-to-date on the market risk position;
- at the local level, for each Crédit Agricole S.A. Group entity, a Risk Management and Permanent Controls Officer monitors and controls market risks arising from the entity's businesses. Within the Crédit Agricole CIB subsidiary, the Risk Management and Permanent Controls department relies on decentralised teams of risk controllers, generally based abroad. These control functions are performed by different teams:

  a) Risk Management, which is responsible for market risk monitoring and control for all product lines worldwide: limit proposals, which are approved by the Market Risk Committee and monitored for their compliance, analysis of limit breaches as well as significant variations in results which are brought to the attention of the Market Risk Committee,

  b) monitoring of activity: in charge of producing daily management income and risk indicators for all activities held to market risk limits and of monitoring and validating the market parameters used to produce profit and loss account and risk indicators. This ensures an autonomous production process based on a market database updated daily, which is independent of the Front Office.

  Lastly, the process is used in conjunction with the Finance department during monthly procedures to align net management income and net accounting income,

  c) in addition to this setup harmonising, cross-functional teams are responsible for coordinating methods and treatments between product lines and units. This team is responsible for reporting regulatory indicators produced independently by the Market Risk department. This includes the following:

  - quantitative research responsible for validating models,
  - the team in charge of the internal model (VaR, Stressed VaR, Stress scenarios…),
  - Market Data Management - which is in charge of market data collection separate from Front Office data.

The IT architecture put in place within Crédit Agricole Corporate and Investment Bank for market risk management is based on sharing the platforms used in the Front Office, on which risk indicators are calculated. The independence of the process is based on the selection of market data and the validation of valuation models by the Risk Management department.

Operating agreements between the central and local levels determine the level of information, format and frequency of the reports that entities must transmit to Crédit Agricole S.A. (Group Risk Management and Permanent Controls).

2. Decision-making and Risk Monitoring Committees

Three governance bodies are involved in the management of market risk at Crédit Agricole S.A. Group level:

- the Group Risk Management Committee, chaired by the Chief Executive Officer of Crédit Agricole S.A., approves the aggregate limits on each entity's market risks when it presents its risk strategy and makes the main decisions in the matter of risk containment. The Committee examines the market situation and risks incurred on a quarterly basis, in particular through the utilisation of limits and any significant breaches of limits and incidents;

- the Risk Monitoring Committee, chaired by the Chief Executive Officer of Crédit Agricole S.A., reviews the main indicators of market risk twice a month;
- the Standards and Methodology Committee meets periodically and is chaired by the head of Group Risk Management and Permanent Controls. Its responsibilities include approving and disseminating standards and methods concerning the supervision and permanent control of market risks.

In addition, each entity has its own Risk Committee. The most important of these is Crédit Agricole CIB's Market Risk Management Committee (CRM), which meets twice a month and is chaired by the Executive Management member of the Committee in charge of risks. It is made up of Crédit Agricole CIB's head of capital market activities and the risk managers responsible for specific activities. This Committee reviews Crédit Agricole CIB's positions and the results of its capital market activities and verifies compliance with the limits assigned to each activity. It is empowered to make decisions on requests for temporary increases in limits.

3. Projects that affected the market risk monitoring system in 2014

Since 1 July 2014, the French Banking Act (FBA) requires banks to isolate proprietary trading activities in a special purpose subsidiary, with some exceptions specified by the Act. To comply with this requirement, Crédit Agricole Group mapped all market activities within its scope in 2014. This did not identify any activities that required isolation in a separate subsidiary.

III. Market risk measurement and supervision methodology

1. Indicators

The market risk measurement and supervision system is based on a combination of several indicators, most of which are subject to global or specific limits. It relies principally on Value at Risk, stressed VaR, stress scenarios and complementary indicators (risk factor sensitivity, combined qualitative and quantitative indicators) and a process that values all positions in each entity giving rise to market risks. The permanent control process includes procedures to validate and back-test models.

1.1 VAR (VALUE AT RISK)

The central element of the market risk measurement system is the Value at Risk (VaR). VaR can be defined as the maximum theoretical loss on a portfolio in the event of adverse movements in market parameters over a given timeframe and for a given level of confidence. Crédit Agricole S.A. Group uses a confidence level of 99%, a timeframe of one day using one year of historical data. In this way, market risks incurred by the Group in its trading activities can be monitored on a daily basis by quantifying the estimated maximum level of loss in 99 out of 100 cases, after inclusion of a number of risk factors (interest rate, foreign exchange, asset prices, etc.). The inter-correlation of such factors affects the maximum loss amount.

The netting figure is defined as the difference between total VaR and the sum of VaRs by risk factor. It represents the effects of netting among positions held simultaneously on different risk factors. A procedure known as back-testing (comparing each day's result against VaR estimated the day before) is used to confirm the relevance of the methodology.

The internal VaR model of Crédit Agricole CIB, which is the main contributor to the VaR of Crédit Agricole S.A. Group, has been approved by the regulatory authorities.

The process of measuring a historical VaR for risk positions on a given date D is based on the following principles:

- compilation of an historical database of risk factors on positions held by Crédit Agricole S.A. Group entities (interest rates, share prices, exchange rates, commodity prices, volatilities, credit spreads, correlation, etc.);
- determination of 261 scenarios corresponding to one-day changes in risk factors, observed over a rolling one-year period;
- adjustment of parameters corresponding to D date according to the 261 scenarios;
- remeasurement of the day's positions based on the 261 scenarios.

The 99% VaR figure based on the 261 scenarios is equal to the average of the second and third worst risks observed.

The VaR calculation methodology undergoes constant improvement and adjustment to take into account, among other things, the changing sensitivity of positions to risk factors and the relevance of the methods to new market conditions. For example, efforts are made to incorporate new risk factors and to achieve finer granularity on existing risk factors.

Limitations of the historical VaR calculation

The main methodological limitations of the VaR model are the following:

- the use of daily shocks assumes that all positions can be liquidated or covered in one day, which is not always the case for certain products and in certain crisis situations;
- the use of a 99% confidence interval leaves out losses that could occur outside that interval: VaR is consequently an indicator of risk under normal market conditions and does not take into account movements of exceptional magnitude;
- VaR does not provide any information on amounts of exceptional losses (beyond the 99% confidence interval).

Back-testing

A back-testing process is applied to check the relevance of the VaR model for each of Crédit Agricole S.A. Group's entities which have capital market activities. This process verifies *a posteriori* whether the number of exceptions (days when actual losses exceeded estimated VaR) was within the 99% confidence interval (a daily loss should exceed the calculated VaR only two or three times a year).

For Crédit Agricole CIB, for which the measurement of capital requirements for market risk partly depends on the number of exceptions observed over a rolling one-year period, eight exceptions were seen at the level of regulatory VaR in 2014. These exceptions mainly occurred in the fourth quarter following an increase in market volatility, particularly in the euro interest rate curves.

1.2 STRESS SCENARIOS

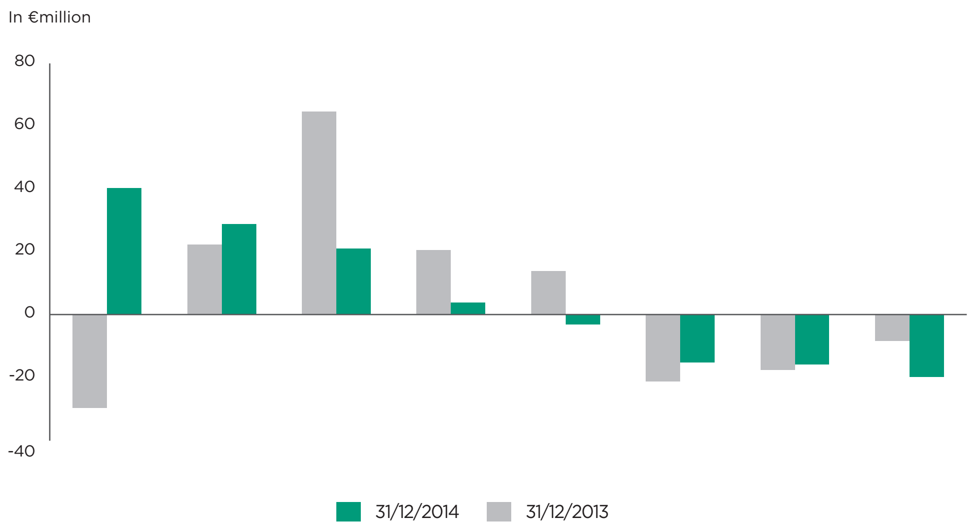
Stress scenarios complement the VaR measure which does not capture the impact of extreme market conditions. Stress scenarios are calculated following Group principles to simulate extreme market conditions and are the result of different complementary approaches:

- historical scenarios, which consist in replicating the impact on the current portfolio of major crises observed in the past. The past crises used in historical stress scenarios are the 1987 stock market crash; the 1994 bond market crisis; the 1998 credit market crisis, coupled with falling equity markets, sharply rising interest rates and declining emerging-country currencies; the 2008 failure of Lehman Brothers (two stress scenarios measuring the impact of market movements after the failure);
- hypothetical scenarios anticipating plausible shocks, which are developed in conjunction with economists. The hypothetical scenarios used are economic recovery with rising equity and commodity markets, flattening yield curves, appreciation of the USD and narrowing credit spreads; liquidity crunch, with flattening yield curves, widening spreads, falling equity markets, and international tensions: scenario representing economic conditions in a context of international tensions between China and the United States (rising volatility and falling prices on the equity markets, falling futures prices and rising volatility on the commodities market, flattening yield curves, fall of the USD against other currencies, widening credit spreads).

The stress scenarios are calculated weekly.

The risk levels of Crédit Agricole S.A. Group assessed through historical and hypothetical stress scenarios at year-end 2014 were as follows:

ESTIMATED LOSSES ASSOCIATED WITH STRESS SCENARIOS



In addition other types of stress tests are performed:

- at the level of the entities, adverse stress tests enabling evaluation of the impact of major and unfavourable market movements on the different business lines including businesses in run-off;
- at the level of Crédit Agricole CIB, extreme adverse stress tests, calculated since 2010, are used to measure the impact of even more severe market shocks.

1.3 COMPLEMENTARY INDICATORS

Other complementary indicators are also produced by the entities and can, as part of the risk containment system, be subject to limits. These include indicators of sensitivity to various risk factors, loss alerts, stop-loss indicators, nominal amounts, outstandings, remaining terms, etc. These indicators provide fine-grained measurements of exposure to different market risk factors, serve to identify atypical transactions and fill out the summary picture of risks supplied by VaR and global stress scenarios.

1.4 CRD 4 INDICATORS

Stressed VaR

So-called stressed VaR is intended to correct the pro-cyclical nature of the Company's historical VaR. The latter is indeed is calculated over the one-year period preceding the measurement date, and where the associated market parameters reflect calm market conditions with low volatility, it can display a low level.

Stressed VaR is calculated using a 99% confidence interval of one day and a period of tension corresponding to the worst period observed for the most significant risk factors.

At year-end 2014, the period used for Crédit Agricole CIB was March 2008–March 2009. In addition to the VaR capital requirement, there is now a stressed VaR capital requirement.

Incremental Risk Charge

The IRC or Incremental Risk Charge is an additional equity requirement related to the risk of default and migration on so-called linear credit positions (*i.e.* not including credit correlation positions), required by the CRD 4 directive.

Its purpose is to quantify any unexpected losses caused by credit events on the issuers, *i.e.* default and migration of rating (the case of either a fall or a rise in credit rating).

The IRC is calculated with a confidence interval of 99.9% over a risk period of one year, by Monte Carlo simulations of migration scenarios based on three sets of data:

1) a one year transition matrix provided by S&P and adapted to the internal rating system of Crédit Agricole Corporate and Investment Bank. This matrix gives the transition probabilities of an issuer based on its initial credit rating to higher or lower credit ratings as well as its probability of default;

2) the correlation of issuers with systemic factors;

3) average spread curves by rating from which the shocks resulting from migrations are deducted.

These simulated credit default and migration scenarios then make it possible to value positions using the Crédit Agricole Corporate and Investment Bank models.

The IRC is then defined as the 99.9% quantile of the breakdown of the valuations thus obtained.

Comprehensive Risk Measure

Following the entry into force of CRD 3 on 31 December 2011, Crédit Agricole CIB introduced the CRM (Comprehensive Risk Measure). This indicator relates to the correlation portfolio. Given that the correlation portfolio market risk had been transferred to an external counterparty, the CRM has shown a nil value since 31 December 2012.

These three indicators are measured using internal models with an identical governance to the one existing for the internal model related to the VaR.

Credit Value Adjustment (CVA)

The CVA factors in the credit risk associated with the counterparty (risk of non-payment of sums due in the event of default). It is calculated on an aggregate basis by counterparty according to the future exposure profile of the transactions after deducting any collateral. This adjustment is always negative and is deducted from the fair value of the financial assets.

CRD 4 brought in a new capital charge to cover volatility in the CVA. Under the directive, banks authorised to calculate their capital requirements using their internal models for counterparty risk and specific rate risk must calculate their CVA risk capital charge using the advanced measurement method (CVA VaR). The size of these capital requirements is calculated using the same methodology and tools as for market VaR in respect of specific interest rate risk.

The ACPR has validated the CVA VaR model used by Crédit Agricole CIB and, following application of CRD 4 (Basel 3) on 1 January 2014, the additional capital required in light of the CVA (VaR and stressed VaR) are now being measured in 2014.

2. Use of credit derivatives

The Crédit Agricole Corporate and Investment Bank credit derivatives market risk from the correlation portfolio was transferred to an investment fund managed by Blue Mountain Capital Management in 2012.

CDS are used for hedging purposes in the following cases:

- management of the credit exposure from the loan portfolio or the derivatives portfolio (CVA);
- hedging of bond portfolio exposure;
- hedging of the exposure of hybrid derivatives portfolios (*e.g.* to hedge the issuance of credit-linked notes sold to investor customers).

IV. Exposure

VaR (Value at risk)

The VaR of Crédit Agricole S.A. Group is calculated by incorporating the impacts of diversification between the different entities of the Group.

The scope considered for capital market activities of Crédit Agricole CIB is the regulatory VaR.

The change in VaR on the capital markets activities of Crédit Agricole S.A. Group between 31 December 2013 and 31 December 2014, broken down by major risk factor, is shown in the table below:

BREAKDOWN OF VAR (99%, ONE DAY)

(in millions of euros)	31/12/2014	Minimum	Maximum	Average	31/12/2013
Fixed income	7	6	7	6	7
Credit	4	2	6	4	6
Foreign Exchange	4	1	4	2	2
Equities	1	1	2	1	1
Commodities	-	-	-	-	-
Netting	(7)	-	-	(5)	(7)
VAR OF CRÉDIT AGRICOLE S.A. GROUP	**9**	**7**	**11**	**8**	**9**
For reference: Sum of the VaRs of all entities	15	10	15	12	14

At 31 December 2014 the Group's VaR stood at €9 million, stable compared with 31 December 2013. The netting (-€7 million) is defined as the difference between total VaR and the sum of the VaRs by risk factor. For reference, without accounting for the diversification effect between different entities, the total VaR would be €15 million (of which €9 million for Crédit Agricole CIB).

The "Fixed income" VaR calculated on the scope of cash and fixed income derivative activities was stable at 31 December 2014 at €7 million in a low-rate environment. The main risk factor at 31 December 2014 for the Group's capital market activities was this rate factor.

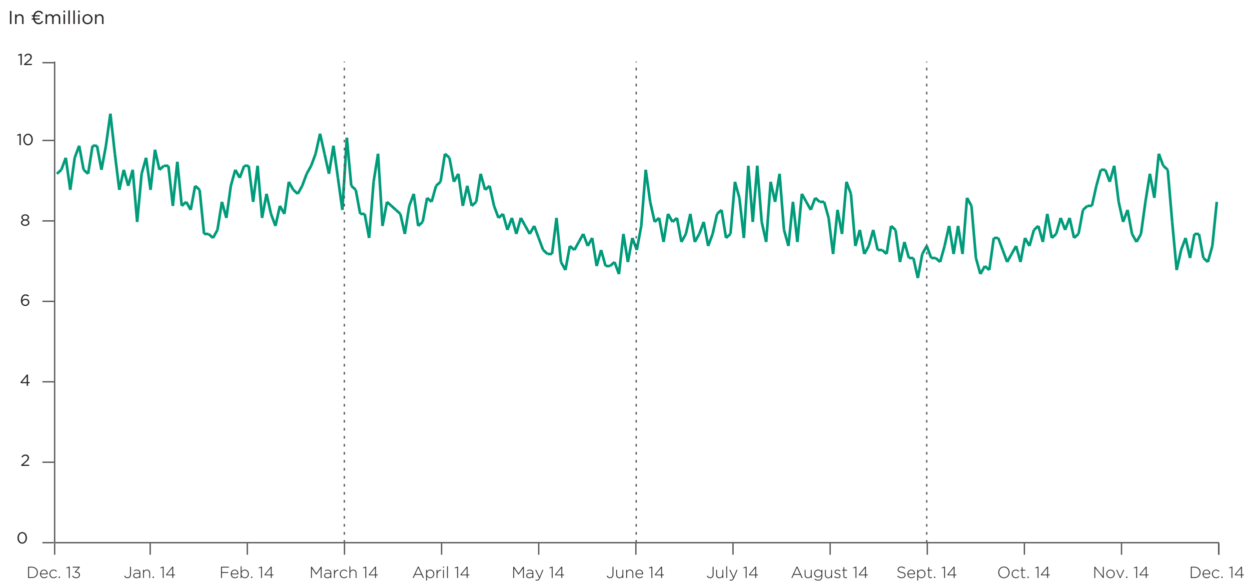
The "Credit" VaR, calculated for credit market activities, decreased to €4 million. Following implementation of CRD 4, hedges of CVA risk are no longer included in regulatory VaR calculations but instead integrated into the CVA VaR measurement. This change is an explanatory factor for the observed fall.

"Forex" VaR was €4 million at 31 December 2014 in an environment of increased market volatility. The annual average was €2 million, in line with 2013.

The contribution of "Equity" VaR was a marginal €1 million, unchanged from year-end 2013.

The graph below shows the change in VaR during 2014, reflecting the continuation of a conservative strategy:

CRÉDIT AGRICOLE S.A. GROUP VAR BETWEEN 01/01/2014 AND 31/12/2014



Stressed VaR

The stressed VaR is calculated on the scope of Crédit Agricole Corporate and Investment Bank.

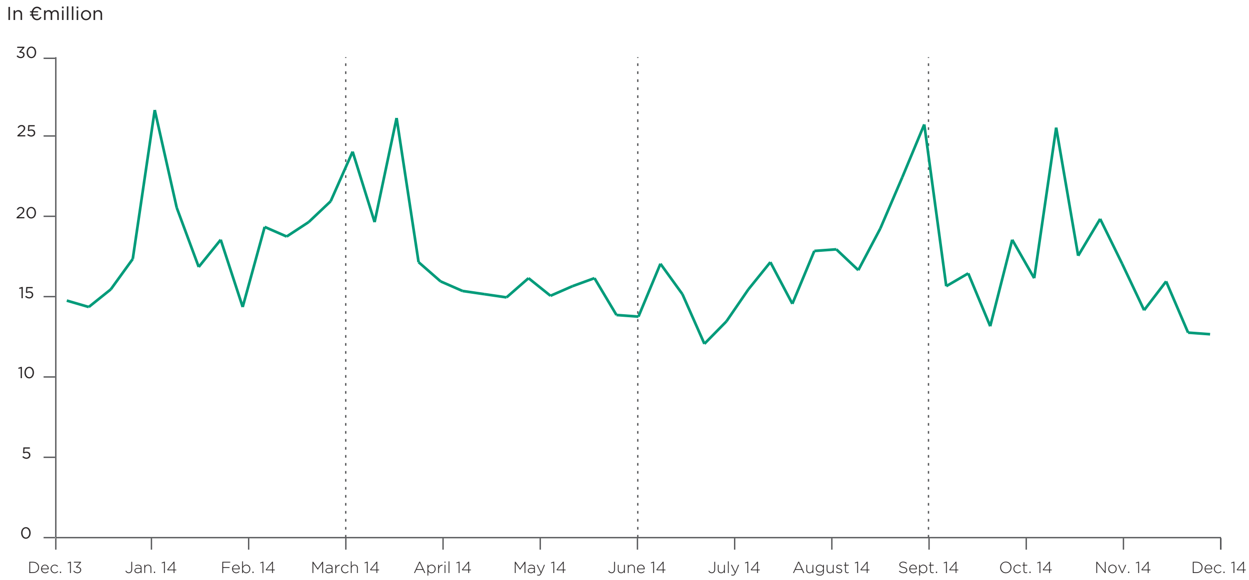
The table below shows the change in the regulatory stressed VaR on the market activities of Crédit Agricole CIB, between 31 December 2013 and 31 December 2014:

CHANGE IN STRESSED VAR (99%, ONE DAY)

(in millions of euros)	31/12/2014	Minimum	Maximum	Average	31/12/2013
Stressed VaR of Crédit Agricole CIB	13	12	27	17	15

The graph below shows the change in the regulatory stressed VaR of Crédit Agricole Corporate and Investment Bank over 2014:

CRÉDIT AGRICOLE S.A. GROUP STRESSED VAR BETWEEN 01/01/2014 AND 31/12/2014



At 31 December 2014 the regulatory stressed VaR of Crédit Agricole CIB was €13 million, a €2 million reduction compared to 31 December 2013. Annual average stressed VaR was broadly in line with the prior year (€17 million). Changes over the year were related to the change in market parameters and netting effects between product lines.

Capital requirements related to the IRC (Incremental Risk Charge)

The IRC is calculated on the scope of the so-called linear credit positions (*i.e.* excluding correlation positions) of Crédit Agricole CIB.

The table below shows the change in the IRC for the market activities of Crédit Agricole CIB, between 31 December 2013 and 31 December 2014:

(in millions of euros)	31/12/2014	Minimum	Maximum	Average	31/12/2013
IRC	234	234	386	298	291

Changes in the IRC during the year 2014 mainly reflected changes in positions on sovereign European bonds (namely Spain and Italy).

V. Equity risk

Equity risk arises in the trading and arbitrage of equity securities as well as on shares held in the investment portfolio and on treasury shares.

1. Equity risk from trading and arbitrage activities

Equity risk from trading and arbitrage activities arises from positions taken on shares and stock market indices *via* cash or derivatives markets (positions in exotic equity derivatives are being managed in run-off mode, and no new transactions of this kind are being made). The main risk factors are prices of shares and of stock indices, volatilities of those prices and smile parameters of those volatilities[(1)].

Measurement and containment of equity risk is addressed in the description of the processes indicated in section III above.

This risk is monitored by means of VaR. Equity VaRs during 2014 are shown in the table in section IV above. Equity VaR was €1 million at 31 December 2014 (unchanged from 31 December 2013).

2. Equity risk from other activities

A number of Crédit Agricole S.A. Group entities hold portfolios that are invested partly in equities and structured products whose market value depends on prices of underlying equities and equity indices. At 31 December 2014, total outstandings exposed to equity risk *via* these portfolios primarily comprise available-for-sale financial assets for €27.4 billion (including insurance company portfolios for €24.8 billion) and financial assets at fair value through profit or loss held by insurance companies for €12.9 billion.

Note 6.4 to the financial statements gives figures in particular on outstandings of equities, and unrealised gains and losses on "available-for-sale financial assets". Information on market risk (including equity risk) on the portfolios held by the insurance companies is presented below in the section on "insurance sector risks".

(1) *Smile is the parameter that takes into account the variability of volatility based on the exercise price of option-based products.*

3. Treasury shares

In accordance with the provisions of Articles L. 225-209 *et seq.* of the French Commercial Code and European Commission Regulation 2273/2003 of 22 December 2003, the Combined Ordinary and Extraordinary General Meeting of Shareholders of the Group may grant authority to the Board of Directors of Crédit Agricole S.A. to trade in its own shares. Crédit Agricole S.A. uses such an authorisation mainly to cover its commitments to employees under stock options or to stimulate the market by a share liquidity agreement.

Details of 2014 transactions in treasury shares under the share buy-back programme are provided in section 1 of this registration document, in the section "Purchase by the Company of its own shares".

At 31 December 2014, holdings of treasury shares amounted to 0.19% of share capital, compared with 0.24% at 31 December 2013 (see Note 8 to the parent company financial statements and Note 6.23 to the consolidated financial statements).

Details of the 2014 treasury share buy-back programme are provided in section 1 of this registration document, "Information on the share capital".

SENSITIVE EXPOSURES BASED ON THE FINANCIAL STABILITY BOARD RECOMMENDATIONS

The exposures below correspond to the recommendations of the Financial Stability Board. This information forms an integral part of Crédit Agricole S.A. Group's consolidated financial statements at 31 December 2014. For this reason it is covered by the Statutory Auditors' Report on the annual financial information.

I. Summary schedule of exposures

	Asset under loans and receivables					Assets at fair value			
(in millions of euros)	Gross exposure	Haircut	Collective provisions	Net exposure	Accounting category	Gross exposure	Haircut	Net exposure	Accounting category
RMBS	25	-2	0	23	(1)	24	-2	22	
CMBS	3	0	0	3		6	0	6	
Unhedged super senior CDOs	662	-640	-22	0		1,242	-1,226	16	(3)
Unhedged mezzanine CDOs	20	-20	0	0	(2)	200	-200	0	
Unhedged CLOs	206	-1	0	205		123	0	123	
Protection acquired from monolines						58	-33	25	(4)
Protection acquired from CDPC						4	0	4	

(1) Loans and receivables to credit institutions and to customers – Securities not listed on an active market (see Note 6.5 to the consolidated financial statements).

(2) Loans and receivables to customers – Securities not listed on an active market (see Note 6.5 to the consolidated financial statements).

(3) Financial assets at fair value through profit or loss – Bonds and other fixed income securities and derivatives (see Note 6.2 to the consolidated financial statements).

(4) Financial assets at fair value through profit or loss – Derivatives (see Note 6.2 to the consolidated financial statements).

II. Mortgage Asset Backed Securities (ABS)

RMBS *(in millions of euros)*	United States 31/12/2013	United States 31/12/2014	United Kingdom 31/12/2013	United Kingdom 31/12/2014	Spain 31/12/2013	Spain 31/12/2014
Recognised under loans and receivables						
Gross exposure	27	0	56	25	49	0
Haircut[(1)]	(21)	0	(5)	(2)	(5)	0
Net exposure (in millions of euros)	**6**	**0**	**51**	**23**	**44**	**0**
Recognised under assets measured at fair value						
Gross exposure	37	0	35	22	5	2
Haircut	(33)	0	(5)	(2)	0	(0)
Net exposure (in millions of euros)	**4**	**0**	**30**	**20**	**5**	**2**
% underlying subprime on net exposure	100%	100%				
Breakdown of gross exposure, by rating						
AAA	0%	0%	0%	0%	0%	0%
AA	0%	0%	0%	4%	0%	0%
A	0%	0%	100%	96%	97%	100%
BBB	0%	0%	0%	0%	3%	0%
BB	0%	0%	0%	0%	0%	0%
B	0%	0%	0%	0%	0%	0%
CCC	0%	0%	0%	0%	0%	0%
CC	0%	0%	0%	0%	0%	0%
C	14%	0%	0%	0%	0%	0%
Not rated	86%	0%	0%	0%	0%	0%

CMBS *(in millions of euros)*	United States 31/12/2013	United States 31/12/2014	United Kingdom 31/12/2013	United Kingdom 31/12/2014	Others 31/12/2013	Others 31/12/2014
Recognised under loans and receivables						
Net exposure[(1)]			10	0	22	3
Recognised under assets measured at fair value						
Net exposure			0	3	2	3

(1) O/w €0 million in collective provisions at 31 December 2014 compared with €31 million at 31 December 2013.

Purchases of protection on RMBSs and CMBSs measured at fair value:

- 31 December 2014: nominal = €22 million; fair value = €6 million.
- 31 December 2013: nominal = €59 million; fair value = €51 million.

Mortgage ABSs are measured at fair value based on information provided by outside sources.

III. Measurement methodology for super senior CDO tranches with US residential mortgage underlyings

1. Super senior CDOs measured at fair value

Super senior CDOs are measured by applying a credit scenario to the underlyings (mainly residential mortgages) of the ABSs making up each CDO.

The final loss percentages in existence are:

- determined on the basis of the quality and origination date of each residential loan;
- expressed as a percentage of the nominal amount. This approach allows us to assess our loss assumptions on the basis of our risks on the Bank's statement of financial position.

	Loss rates on *subprime* produced in		
Closing date	**2005**	**2006**	**2007**
31/12/2010	32%	42%	50%
31/12/2011	50%	60%	60%
31/12/2012	50%	60%	60%
31/12/2013	50%	60%	60%
31/12/2014	**50%**	**60%**	**60%**

The future cash flows obtained are then discounted at a rate which takes market liquidity into account.

2. Super senior CDOs at amortised cost

Since the fourth quarter of 2012, impairment has been calculated using the same methodology as for super senior CDOs measured at fair value, but the future cash flows obtained are discounted at actual interest rates on the reclassification date.

IV. Unhedged super senior CDOs with US residential mortgage underlyings

At 31 December 2014, Crédit Agricole CIB had no net exposure to unhedged super senior CDOs (after taking into account a collective provision of €22 million).

1. Breakdown of super senior CDOs

(in millions of euros)	Assets at fair value	Asset under loans and receivables
Nominal	**1,242**	**662**
Haircut	(1,226)	(640)
Collective provisions		22
Net amount	**16**	**0**
Net amount at 31.12.2013	*10*	*0*
Percentage haircut[(1)]	**99%**	**100%**
Underlying		
% of underlying subprime assets produced before 2006	12%	0%
% of underlying subprime assets produced in 2006 and 2007	34%	0%
% of underlying Alt-A assets	3%	0%
% of underlying Jumbo assets	0%	0%

(1) After inclusion of fully written down tranches.

2. Other exposures at 31 December 2014

(in millions of euros)	Nominal	Haircut	Collective provisions	Net
Unhedged CLOs measured at fair value	123	(0)		123
Unhedged CLOs recognised in loans and receivables	206	(1)		205
Unhedged Mezzanine CDOs measured at fair value	200	(200)		0
Unhedged Mezzanine CDOs recognised in loans and receivables[(1)]	20	(20)		0

(1) Mezzanine CDO tranches derived from the liquidation of a CDO previously recognised in loans and receivables.

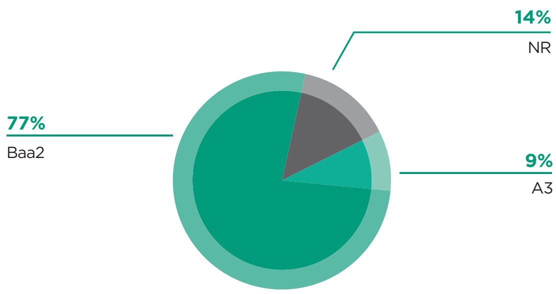
V. Protection

1. Protection purchased from monolines at 31 December 2014

1.1 EXPOSURE TO COUNTERPARTY RISK ON MONOLINES

(in millions of euros)	Monolines covering: US residential CDOs	Corporate CDOs	CLOs	Other underlying	Total protection acquired from monolines
Gross notional amount of purchased protection	60	1,125	299	187	1,671
Gross notional amount of hedged items	60	1,125	299	187	1,671
Fair value of hedged items	44	1,125	293	151	1,613
Fair value of protection before value adjustments and hedges	**16**	**0**	**6**	**36**	**58**
Value adjustments recognised on protection	(1)		(5)	(27)	(33)
Residual exposure to counterparty risk on Monolines	**15**	**0**	**1**	**9**	**25**

1.2 BREAKDOWN OF NET EXPOSURE TO MONOLINES



Lowest rating of ratings issued by Standards & Poors or Moody's at 31 December 2014.

Baa2: Assured Guaranty Ltd
A3: Assured Guaranty Corp
N/R: CIFG

2. Protection purchased from CDPCs (Credit Derivative Product Companies)

At 31 December 2014, net exposure to CDPCs was €4 million (compared to €10 million at 31 December 2013), mainly on corporate CDOs.

ASSET AND LIABILITY MANAGEMENT

I. Asset/liability management – Structural financial risks

Crédit Agricole S.A.'s Financial Management department defines the principles of financial management and ensures their consistent application within Crédit Agricole S.A. Group. It has responsibility for organizing financial flows, defining and implementing refinancing rules, performing asset/liability management and managing prudential ratios.

Optimising financial flows within Crédit Agricole S.A. Group is an ongoing objective. Pooling of surplus resources and making it systematically possible to hedge the associated risks contribute to this objective.

Thus the principles of the Group's ALM approach ensure that any surpluses and shortfalls in terms of customer resources, in particular resources collected by the Regional Banks, are centralised in the books of Crédit Agricole S.A. This resource pooling helps in refinancing other Group entities as needed (including Crédit Agricole Leasing & Factoring and Crédit Agricole Consumer Finance).

This system for centralising the management of liquidity at Crédit Agricole S.A. serves to control and optimise cash management, especially since it is accompanied by partial interest rate matching.

Consequently, the Group has a high level of financial cohesion, with limited diffusion of financial risks, particularly liquidity risk. However, the Group's various entities are responsible for managing the risk that remains at their level, within the limits assigned to them.

Limits are defined by order of the Chief Executive Officer of Crédit Agricole S.A. in the framework of the Group Risk Management Committee, approved by the Board of Directors of Crédit Agricole S.A., and apply throughout Crédit Agricole S.A. Group:

- subsidiaries that carry asset/liability risks comply with limits set by Crédit Agricole S.A.'s Group Risk Management Committee;
- methods of measuring, analysing and managing assets and liabilities of the Group are defined by Crédit Agricole S.A. Regarding retail banking balance sheets in particular, a consistent system of run-off conventions and patterns has been adopted for the Regional Banks, LCL and the foreign subsidiaries;
- Crédit Agricole S.A. consolidates the subsidiaries' measurements of their asset-liability risks. Results of these measures are monitored by Crédit Agricole S.A.'s Treasury and ALM Committee;
- Crédit Agricole S.A.'s Financial Management department and Risk Management and Permanent Controls department take part in meetings of the ALM Committees of the main subsidiaries.

II. Global interest rate risk

1. Objectives

The objective of global interest rate risk management is to stabilise the future profits of Group entities against the impact of any adverse interest rate movements.

Changes in interest rates impact net interest income by creating mismatches in timing or in the type of indexation between assets and sources of funds. Interest rate risk management uses balance sheet or off-balance sheet transactions to limit the resulting volatility in income.

The scope for monitoring the global interest rate risk is made up of entities whose business generates an interest rate risk.

- Regional Banks;
- LCL Group;
- Crédit Agricole S.A.;
- International retail banking, such as Group Cariparma;
- Crédit Agricole CIB;
- Crédit Agricole Consumer Finance Group;
- Crédit Agricole Leasing & Factoring Group;
- CACEIS;
- Amundi.

The interest rate risk borne by the Insurance business is monitored using indicators specific to this business line.

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2. Governance

2.1 INTEREST RATE RISK MANAGEMENT – ENTITIES

Each entity manages its exposures under the supervision of its ALM Committee, in accordance with the Group's limits and standards. The limits of Crédit Agricole S.A.'s subsidiaries are reviewed annually and validated by the Group Risk management.

The Financial Management department and the Risk Management and Permanent Controls department are represented on the main subsidiaries' ALM Committees. They ensure harmonisation of methods and practices across the Group and monitor compliance with the limits assigned to each of the subsidiaries' entities.

Each Regional Bank's situation as regards global interest rate risk is reviewed quarterly by the Regional Banks' Risk Management Committee.

2.2 INTEREST RATE RISK MANAGEMENT – GROUP

The Group's exposure to global interest rate risk is monitored by Crédit Agricole S.A.'s Treasury and ALM Committee.

This Committee is chaired by the Chief Executive Officer of Crédit Agricole S.A. and includes several members of the Executive Committee along with representatives of the Risk Management and Permanent Controls department.

- it examines the individual positions of Crédit Agricole S.A. and its main subsidiaries along with consolidated positions at each quarterly closing;
- it examines compliance with limits applicable to Crédit Agricole S.A. Group and to entities authorised to bear global interest rate risk;
- it validates the guidelines for global interest rate risk of Crédit Agricole S.A. proposed by the Financial Management department.

Limits approved by Crédit Agricole S.A.'s Board of Directors govern the Group's exposure to global interest rate risk.

3. Measurement and management system

3.1 MEASUREMENT

The rate risk measurement is mainly based on the calculation of rate gaps or impasses.

This methodology consists of creating future projections of outstandings at known rates and inflation-indexed outstandings according to their contractual features (maturity date, amortisation profile) or by modelling out flows of outstandings where:

- the maturity profile is not known (products with no contractual maturity, such as demand deposits, passbook accounts or capital);
- implicit options sold to customers are incorporated (early loan repayments, home purchase savings, etc.).

These models are usually defined based on a statistical analysis of past customer behaviour coupled with a qualitative analysis (economic and regulatory context, commercial strategy, etc.).

Consistency between the models used by the Group's various entities is ensured by the fact that the models must adhere to the modelling principles approved by the Standards and Methodology Committee. They are approved by the entity's ALM Committee and their relevance is monitored on an annual basis.

The gaps are consolidated quarterly at Group level. When their management requires it, some entities, particularly the major ones, measure their gaps more frequently.

The rules that apply in France to the *Livret A* interest rate, which is a benchmark for part of the deposits collected by the Group's retail banking business (regulated products and others), index a portion of the interest to inflation over a rolling 12-month period. As a result, the Group hedges the risk associated with these balance sheet items using instruments (carried on or off the balance sheet) for which the underlying is an inflation rate.

Option risks are included in the gaps using a delta-equivalent measure. A portion of these risks is hedged using option based of products.

These various measurements have been complemented by the implementation, for the Group's main entities, of the basis risk measurement, which relates to adjustable –and variable– rate transactions for which the rate-setting conditions are not consistent for both assets and liabilities.

This measurement system is applied to all significant currencies (mainly USD, GBP and CHF).

3.2 LIMITATION SYSTEM

The limits set at Group and entity levels put bounds on the extent of the maximum discounted loss over the next 30 years and the maximum annual loss over the next 15 years in the event of a rate shock.

The rules for setting limits are intended to protect the Group's net asset value in accordance with pillar 2 of the Basel 2/Basel 3 regulations regarding global interest rate risk and to limit the volatility, over time, of interest income by avoiding sizeable concentrations of risk on certain maturities. As well as being validated by the Group's Risks Committee, these limits must be approved by each entity's decision-making body.

Each entity (including Crédit Agricole S.A.) hedges the interest rate risks entailed by this method of financial organisation at its own level, by means of financial instruments (on- and-off-balance sheet, firm or optional).

3.3 ASSESSMENT OF INTERNAL CAPITAL REQUIREMENTS

Internal capital requirements with respect to the interest rate risk are measured, taking into account:

- the directional interest rate risk (calculated based on gaps);
- the option rate risk (mainly gamma effect on caps);
- the behavioural risk (such as early fixed-rate loan repayments).

This measurement is performed using a set of internal hypotheses incorporating interest rate curve distortions that are calibrated using a method consistent with that used to assess the other risks measured under Pillar 2.

4. Exposure

The Group's interest rate gaps are broken down by type of risk (nominal rate/real rate) in the various currencies. They measure the surplus or deficit on sources of fixed-rate funds. By convention, a positive (negative) figure represents a downside (upside) risk on interest rates in the year considered. The figure indicates the economic sensitivity to a change in interest rates.

The results of these measures for Crédit Agricole S.A. Group in the aggregate at 31 December 2014 are as follows:

GAPS IN EUROS (AT 31 DECEMBER 2014)

(in billions of euros)	2015	2016-2020	2021-2025	> 2025
Gaps in euros	6.0	(1.0)	(0.3)	(1.0)

In terms of revenue sensitivity during the first year (2015), Crédit Agricole S.A. Group is exposed to a fall in the Eurozone interest rate (EONIA) and would lose €60 million in the event of a sustained fall of 100 basis points, giving a revenue sensitivity of 0.4% (compared to 0.2% at 31 December 2013).

Based on these sensitivity figures, the net present value of losses incurred over the next 30 years in the event of a 200-basis-point upward shift in the Eurozone yield curve is 0,4% of Crédit Agricole S.A. Group's regulatory capital (Tier 1 + Tier 2) after deduction of equity investments.

OTHER CURRENCY GAPS (AT 31 DECEMBER 2014)

(in billions of euros)	2015	2016-2020	2021-2025	> 2025
Other currency gaps[1]	1.7	1.1	0.6	0.1

(1) Sum of all gaps in all currencies in absolute values countervalued in billions of euros.

The aggregate sensitivity of 2015 revenues to a change (primarily to a fall) in interest rates across all other currencies amounts to 0.1% of the reference (2014) revenues of Crédit Agricole S.A. Group, compared to 0.2% at 31 December 2013. The principal currencies to which Crédit Agricole Group S.A. is exposed are the USD, PLN, GBP and EGP.

III. Foreign exchange risk

Foreign exchange risk is treated differently depending on whether the currency position is structural or operational.

1. Structural foreign exchange risk

The Group's structural foreign exchange risk arises from long term investments by the Group in assets denominated in foreign currencies (equity of the foreign operating entities, whether resulting from acquisitions, transfers of funds from the head office, or capitalisation of local earnings), with the Group's reference currency being the euro.

At 31 December 2014, the Group's main structural foreign currency positions, on a gross basis before hedging, are in US dollars and currencies pegged to it (such as the Hong Kong dollar), sterling pounds, Swiss francs, Polish zlotys and Japanese yen.

Foreign exchange risks are borne mainly by Crédit Agricole S.A. and its subsidiaries. The Regional Banks retain only a residual risk. Positions are determined on the basis of financial statements.

In most cases, the Group's policy is to borrow in the currency in which the investment is made in order to immunise that asset against foreign exchange risk.

The Group's policy for managing structural foreign exchange positions has two overall objectives:

- first, to immunise the Group's solvency ratio against currency fluctuations. Unhedged structural foreign exchange positions are sized to obtain such immunisation;
- second, to hedge the risk of asset impairment due to changes in foreign exchange rates.

Five times a year, the Group's foreign exchange positions are presented to the Treasury and ALM Committee, which is chaired by the Chief Executive Officer. General decisions on how to manage positions are taken during these meetings. In this case, the Group documents net investment hedges in foreign currencies.

2. Operational foreign exchange risk

Operational foreign exchange risk arises from revenues and expenses of all kinds that are denominated in currencies other than the euro (provisions, net income generated by foreign subsidiaries and branches, dividends in foreign currencies, etc.), and from balance sheet imbalances.

Crédit Agricole S.A. manages the positions affected by foreign currency revenues and expenses that appear on its books, as does each entity within the Group that bears significant risk. The Foreign Subsidiaries' Treasury departments manage their operational foreign exchange risk in their local currency.

The Group's general policy is to limit its operational currency positions and not to hedge revenues that have not yet materialised, unless there is a strong probability that losses will materialise and unless the impairment risk is high.

In accordance with the foreign exchange risk monitoring and management procedures, operational currency exposure positions are updated monthly, or daily for foreign exchange trading operations.

IV. Liquidity and financing risk

Like all credit institutions, the Group is exposed to liquidity risk, *i.e.* the risk of not having sufficient funds to honour its commitments. This risk could materialise if, for instance, there were a general crisis of confidence among investors in the money and bond markets or massive withdrawals of customer deposits.

1. Objectives and policy

The Group's primary objective in managing liquidity is to ensure that it has sufficient resources to meet its requirements in the event of any type of severe, prolonged liquidity crisis.

To manage this, the Group uses an internal liquidity risk management and control system whose objectives are:

- to maintain liquidity reserves;
- to match these reserves with future liabilities coming due;
- to organise its refinancing to achieve an appropriate short and long term refinancing timeframe and diversify sources of refinancing;
- to ensure a balanced development between loans and customer deposits.

The system includes indicators, limits and alert thresholds. These are calculated and monitored for all Group entities and consolidated to allow monitoring of liquidity risk across the whole Crédit Agricole Group scope.

It also incorporates compliance with regulatory liquidity constraints. The LCR, which is calculated on a company or sub-consolidated basis for the Group entities concerned and on a consolidated basis for the Group, is disclosed in a monthly report to the ACPR as from the first quarter 2014.

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2. Methodology and governance of the internal liquidity risk management and control system

Crédit Agricole Group's liquidity risk management and control system is built around indicators defined in a standard and divided into four separate groups:

- short term indicators derived largely from simulations of crisis scenarios. The purpose of these is to schedule maturities and volumes of short term refinancings as a function of liquidity reserves, cash flow from commercial business and repayment of long term borrowings;
- long term indicators used to assess and schedule maturities of long term debt: limits on maturity concentrations, allowing the Group to anticipate its refinancing needs and avoid any risk of difficulties with refinancing on the markets;
- diversification indicators, which allow the Group to monitor and manage concentrations of sources of market refinancing (by refinancing channel, type of debt, currency, geographical region, investors);
- cost indicators used to measure the short term and long term trends in the Group's issue spreads and their impact on liquidity cost.

It is the responsibility of the Standards and Methodology Committee, after taking advice from Group Risk Management, to validate the definition of and any changes to these indicators proposed by Crédit Agricole S.A.'s Group Finance department.

The Crédit Agricole S.A. Board of Directors approves the general policy for Group liquidity risk management and sets limits for key indicators in light of the Group's liquidity risk tolerance. The Group Risk Management Committee, which proposes these limits to the Board, determines how they are translated to each of the Group's constituent entities.

Accordingly, each subsidiary of Crédit Agricole S.A. and each Regional Bank is notified of the limits for the indicators controlled at Group level. In addition to this translation of the Group system, the asset-liabilities committees (or their equivalent) of these entities define a specific set of limits for the risks relating to their own business. They are also free to decide locally to apply a stricter control than that required by the Group.

A review of the system was conducted in 2014 and formally validated at the Board of Directors Meeting in December 2014. It includes:

- an extension of the minimum resilience horizon for crisis scenarios (these include stresses on market refinancing and deposit flight scenarios as well as the contractual impact of a downgrade to Crédit Agricole S.A.'s credit ratings);
- control of the ratio of encumbered assets to customer loans;
- minimum threshold for long-term sources of funds *vs.* structural assets from commercial business (See cash balance sheet below).

3. Management of liquidity

Crédit Agricole S.A. controls the management of liquidity risk. The Finance department is responsible, in respect of short term refinancing, for:

- setting spreads on short term funds raised under the various programmes (mainly negotiable CDs);
- centralising assets eligible for refinancing by the central banks of Group entities and specifying the terms and conditions of use in the framework of tenders;
- And in respect of long term refinancing, for:
- surveying needs for long term funds;
- planning refinancing programmes to meet these needs;
- executing and monitoring these programmes over the course of the year;
- reallocating the funds raised to Group entities;
- setting prices for liquidity in intragroup flows.

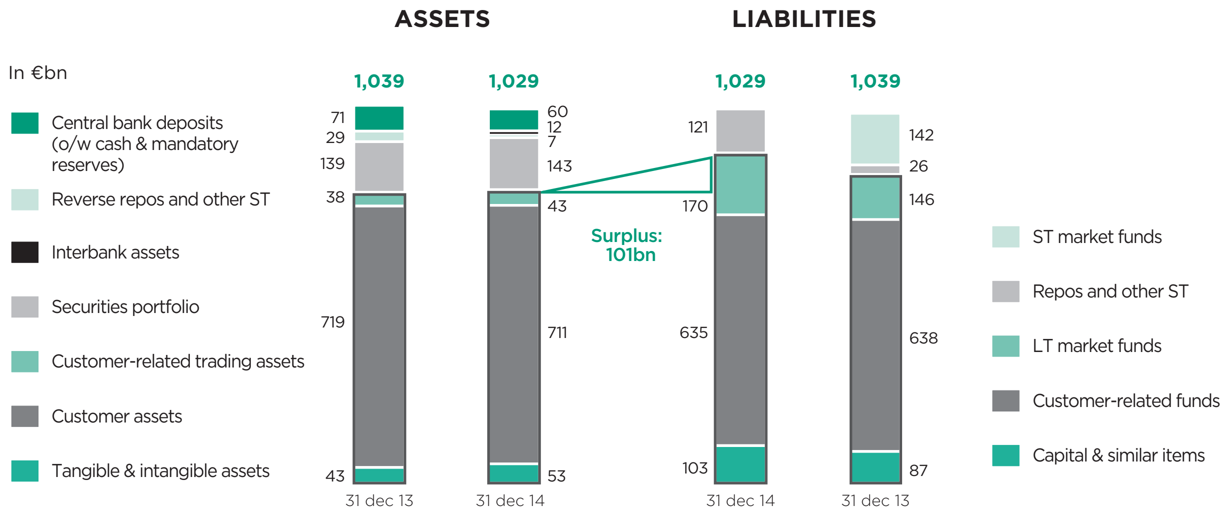
Long term refinancing programmes comprise various instruments (see below). The body in charge of these tasks at an operational level is the Group's Treasury and Liquidity Committee, which reviews all matters relating to liquidity issues ranging from intraday to medium/long term. It proposes policy directions for the Group's Asset-Liability Management and Capital Liquidity Committee.

The Asset-Liability Management and Capital Liquidity Committee, chaired by the Chief Executive Officer of Crédit Agricole S.A. (who is also informed of the Group's liquidity positions), is responsible for all key decisions concerning the management of funding programmes, the launch of new programmes, the validation of funding budgets, and management of the balance between loans and deposits.

If funding markets tighten, a Committee is set up by the Executive Management, the Group Risk Management and Permanent Controls department and the Group Finance department in order to keep a close watch on the Group's liquidity situation.

4. Quantitative information

4.1 CASH BALANCE SHEET AT 31 DECEMBER 2014



In order to provide simple, pertinent and auditable information on the Group's liquidity position, the cash balance sheet long term sources surplus is calculated quarterly.

This cash balance sheet is derived from Crédit Agricole Group's IFRS financial statements. It is based on the definition of a comparison table between the Group's IFRS financial statements and the sections of the cash balance sheet as they appear below, the definition of which corresponds to that commonly accepted in the market. It relates only to the banking sector, insurance business being managed by specific regulatory constraints.

Following this distribution of the IFRS financial statements in the sections of the cash balance sheet, netting was carried out on the assets and liabilities that have a symmetrical impact in terms of liquidity risk. The amount of €116 billion in repos/reverse repos was thus eliminated insofar as these outstandings reflect the activity of the securities desk in carrying out securities lending operations that offset each other.

In a final stage, other restatements reassign any amounts that accounting standards would allocate to one section when they are economically dependent on another. Senior issues placed through the banking networks, which accounting standards would class as "LT market funds", are thus reclassified as "Customer deposits".

Long term market funds increased by €24 billion during the financial year. These changes form part of the Group's policy to secure its liquidity risk. Note that for Central Bank refinancing operations, funds raised under the V-LTRO (Very Long Term Refinancing Operation) programme are included under Repos and other short term liabilities, while T-LTRO (Targeted Longer Term Refinancing Operation) funds are classed as Long term market funds. The extension of the eligibility of additional collateral for the European Central Bank's (ECB) refinancing operations until after the T-LTRO matures (September 2018) makes it equivalent to long term secured refinancing, identical in liquidity risk terms to a secured issue.

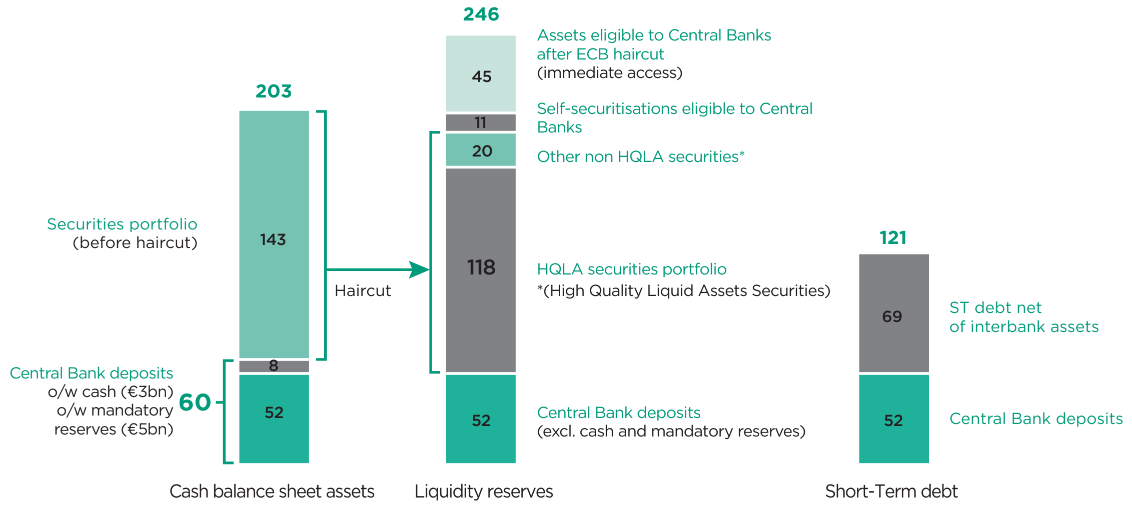
This change of treatment also explains why net repos/reverse repos and other short-term items went from net liabilities of €26 billion in December 2013 to net assets of €7 billion in December 2014, the Group having repaid its V-LTRO early, in full, before September 2014.

The €101 billion surplus known as the long-term sources surplus position enables the Group to fund the reserves required in order to meet the LCR, even if the short-term refinancing market is closed. Short-term assets and liabilities are volatile and adjust in relation to one another.

The decline in "customer" asset and liability items derives from the deconsolidation of Crelan under IFRS 5.

4.2 CHANGE IN CRÉDIT AGRICOLE GROUP'S LIQUIDITY RESERVES

Liquidity reserves after discounting increased by €7 billion in 2014 to €246 billion. They cover 203% of short term debt at end-2014, compared to 168% a year earlier. In addition, HQLA (High Quality Liquid Asset) securities amounting to €118 billion, after haircuts, make up 171% of short term debt not replaced in Central Banks.



* *Available liquid market securities after haircut.*

Available liquidity reserves at end-2014 comprised:

- €45 billion in loans and receivables eligible for Central Bank refinancing operations after the ECB haircut;
- €11 billion of securitisation shares held by the bank and eligible for Central Bank refinancing operations, after haircut;
- €52 billion in Central Bank deposits (excluding cash and mandatory reserves);
- A €138 billion securities portfolio, after haircuts. At 31 December 2014, this portfolio consisted of market liquid HQLA securities eligible for Central Bank refinancing totalling €118 billion and other market liquid assets amounting to €20 billion after liquidity discount.

Liquidity reserves in 2014 averaged €246 billion the allocation of limits arising from Crédit Agricole Group's liquidity risk management and control system to each Crédit Agricole S.A. subsidiary and Regional Bank ensures that local liquidity risks are matched by adequate coverage from reserves.

4.3 REGULATORY RATIOS

Since March 2014, Eurozone banks have been obliged to report to their supervisory authorities their Liquidity Coverage Ratio (LCR), as defined by the EBA (European Banking Authority). The aim of the LCR is to boost the short-term resilience of banks' liquidity risk profile by ensuring that they have sufficient unencumbered high quality liquid assets (HQLA) that can be converted into cash easily and immediately, on private markets, assuming a liquidity crisis lasting 30 calendar days. As from 1 October 2015 this ratio will be subject to a minimum limit of 60%, rising to 70% as from 1 January 2016.

Crédit Agricole Group, like most European banking groups, has already piloted its LCR with a target of more than 100%. It exceeded 110% at 31 December 2014. Crédit Agricole S.A. also had an LCR above 110% at 31 December 2014.

Unlike the LCR, which is a ratio of flows, the NSFR (Net Stable Funding Ratio) is a ratio that compares the stock of assets with an effective or potential maturity of longer than one year to liabilities with similar effective or potential maturity. The definition of the NSFR assigns each balance sheet item a weighting based on its potential to mature in longer than one year. A number of these weightings are still under discussion and European regulations have not yet fully defined the ratio. A regulatory framework will be issued in 2018. To the best of our understanding, Crédit Agricole Group would currently meet NSFR requirements under existing regulations.

5. Funding strategy and conditions in 2014

Funding conditions were good in first-half 2014.

In the second half, the ECB announced quantitative easing measures on 5 June in response to the threat of deflation and to promote financing of the economy, namely the four-year Targeted Longer Term Refinancing Operations (T-LTRO), the lowering of central bank deposit rates to negative territory, and the bond buying programmes which will see the purchase of covered bonds and asset-backed securities. Credit spreads tightened considerably on the announcement and the volume of four-year and under issues fell, in view of the options available to banks with the T-LTRO programme.

Funding conditions for Crédit Agricole at the end of 2014 returned to end-2007 conditions.

The Group continues its prudent MLT funding policy. At 31 December 2014, the Group had raised €33.2 billion in senior debt during the year, including €12.1 billion for Crédit Agricole S.A., €2 billion more than its senior market issuance programme, initially set at €10 billion for the year.

In a favourable market environment, Crédit Agricole S.A.'s issue policy in 2014 focused on unsecured senior debt. These issues by Crédit Agricole S.A. (EMTN, USMTN, SAMURAI, currency placements and private placements in euros) came to €10.7 billion at 31 December 2014, with an average maturity of six years.

In addition, debt issues guaranteed by collateralised receivables by Crédit Agricole Home Loan SFH (formerly Crédit Agricole Covered Bonds) represented €1.4 billion and had an average maturity of 8.2 years. Please note that CAHL-SFH made an initial soft bullet issue.

As part of its plan to strengthen the Group's equity, in January, April and September 2014 Crédit Agricole S.A. completed four Additional Tier 1 issues in the amount of US$ 1.75 billion, €1 billion, GBP 0.5 billion and US$ 1.25 billion, respectively. These bonds, issued in accordance with the new European regulation (CRD 4/CRR), are included in the calculation of additional Tier 1 capital for Crédit Agricole Group and Crédit Agricole S.A. The total nominal amount of these bonds will be partially and temporarily reduced if the "phased-in" ratio of the Group's Common Equity Tier 1 capital drops below 7% or if the phased-in ratio of Crédit Agricole S.A.'s Common Equity Tier 1 capital falls below 5.125%.

The Group continued its strategy to diversify its investor base for issues during 2014, as it looked increasingly to the American and Japanese markets. The investor base is well balanced between France at 24%, the US at 23%, the UK at 13%, Japan at 10%, Germany at 10% and Switzerland at 7%. In terms of the currency breakdown, the euro represented 47% of issues, the US$ 33%, the yen 10%, the Swiss franc 6%, and the GBP 4%.

The Group also pursued its strategy of strengthening and developing access to additional funding, notably through local networks and specialist subsidiaries, with €21.1 billion of senior debt raised in 2014.

In terms of senior debt:

- the issue of Crédit Agricole S.A. bonds in the Regional Bank networks, as well as borrowing from supranational organisations (CDC, EIB, BDCE, etc.) represented €3.1 billion at 31 December 2014 and had an average maturity of 9.8 years:
  - the issues carried out by LCL and Cariparma in their networks amounted to €2.5 billion at 31 December 2014;
  - Crédit Agricole CIB issued €7.1 billion at 31 December 2014, mainly in structured private placements with its international customers;
  - Crédit Agricole Consumer Finance raised €7.4 billion at 31 December 2014, thereby expanding its presence in the European ABS markets, as it aims to achieve the self-funding targets announced during the presentation of the medium-term plan;
  - Cariparma placed a €1 billion, eight-year inaugural covered bond issue in the market based on Italian home loans.

In terms of capital management:

- in October 2014, Crédit Agricole Assurance issued €750 million in perpetual subordinated debt to anticipate developments concerning equity for insurance entities;
- Crédit Agricole S.A. completed a 10-year Tier 2 issue in the amount of €654 million, distributed in the Regional Bank network.

V. Hedging policy

Within Crédit Agricole S.A. Group, derivative instruments are used for three main purposes:

- to meet demand from Group customers;
- to manage the Group's financial risks;
- to take positions for the Group's own account as part of specific trading activities.

Derivatives not held for hedging purposes (as defined by IAS 39) are recognised in the trading portfolio. Accordingly, these derivatives are monitored for market risk as well as counterparty risk, where applicable. Certain derivative instruments may be held for the economic hedging of financial risks, but without meeting the IAS 39 criteria (prohibition on equity hedging, etc.). For this reason, they are likewise recognised in the trading portfolio.

In all cases, the intent of the hedge is documented at the outset and verified quarterly by appropriate tests (forward-looking and backward-looking).

Each Group entity manages its financial risks within limits set by the Group Risk Management Committee chaired by the Chief Executive Officer of Crédit Agricole S.A.

The tables in Note 3.4 to the consolidated financial statements give the market values and notional amounts of hedging derivative instruments.

1. Fair value hedges and cash flow hedges

Global interest rate risk management aims to reconcile two approaches:

- protection of the Group's net asset value, which requires matching balance sheet and off-balance sheet items that are sensitive to interest rate variations (*i.e.* fixed rate items, for the sake of simplicity) against instruments that are also fixed-rate, so as to neutralise the variations in fair value that occur when interest rates change. If the matching is done by means of derivative instruments (mainly fixed rate swaps, inflation swaps and market caps), the derivatives are classified as **fair value hedges** if the instruments (micro FVHs) or groups of instruments (macro FVHs) identified as the hedged items (fixed rate assets and inflation: loans and receivables due to customers; fixed rate liabilities and inflation: demand deposits and savings deposits) are eligible under IAS 39 (otherwise, as indicated previously, these derivatives are recognised in the trading portfolio, even though economically they hedge against risk).

  To check hedging suitability, hedging instruments and hedged items are grouped by maturity using contract characteristics or, for certain balance sheet line items (particularly deposits), using assumptions based on the financial characteristics of the products and historical behaviour. The comparison between the two maturity schedules (hedges and hedged items) means that hedging can be documented in a forward-looking manner for each maturity;
- protection of the interest margin, which requires neutralising variations in future cash flows associated with instruments or related balance sheet items that are affected by interest rate resets on the instruments, either because they are indexed to interest rate indices that fluctuate or because they will be refinanced at market rates by some point in the future. If this neutralisation is effected using derivative instruments (mainly interest rate swaps), the derivative instruments are classified **as cash flow hedge (CFH)** instruments. This neutralisation can also be carried out for balance sheet items or instruments that are identified individually (micro CFHs) or portfolios of line items or instruments (macro CFHs).

The table below shows the amount of cash flows covered by cash flow hedges, broken down by projected maturity date, for the main relevant subsidiaries:

(in millions of euros)	At 31/12/2014			
Remaining time to maturity	**<1 year**	**1 year to 5 years**	**≥ 5 years**	**Total**
Hedged cash flows	22	195	975	1,192

2. Net investment hedges in foreign currencies

A third category of hedging is protection of the Group's net asset value against fluctuations in exchange rates and resulting changes in the value of assets or liabilities held in currencies other than the Group's reference currency, which is the euro. The instruments used to manage this risk are classified in **the net investment** (hedge category).

RISKS IN THE INSURANCE SECTOR

In view of the predominance of its savings and retirement activities, Crédit Agricole Assurances Group is more particularly exposed to financial market risk, mainly asset-liability, notably rate risk, equity market risk, forex risk and liquidity risk. Its financial investments also expose it to counterparty risk. The Group also faces a diverse range of insurance risks. Lastly, it is exposed to operational risk, particularly in process execution.

I. Governance and organisation of risk management in Crédit Agricole Assurances Group

1. Governance

The risk governance system in Crédit Agricole Assurances (CAA) Group is based on the following principles:

- it falls within the remit of the "Risk management and Control" functions in Crédit Agricole S.A. Group. These functions may be organised hierarchically, as in the Risks and Permanent Control function, which is responsible for steering (supervision and prevention) and second-degree control, and in the Internal Audit function, in charge of periodic controls, or as a Group function (Compliance). To meet the requirements of the insurance regulations, the system also includes the Group's actuarial function;
- it is headed up by the CAA holding, which is responsible for the Group's risk management systems, and supervises, based on reporting by subsidiaries, and ensures that subsidiary risk management systems are compliant with standards and Group principles. The holding company draws on the expertise available in the CAA Group to ensure a consistent and overall Group approach covering all risks;
- It is based on the principle of subsidiarity. Each Group entity is responsible for defining and implementing its solo risk management policy, in accordance with Crédit Agricole S.A. principles and rules, the principles and rules for the management of CAA Group, and local regulations for international subsidiaries.

Risk governance falls:

- within the remit of Crédit Agricole Group's governance bodies, in particular Executive Management and the Board of Directors, who hold ultimate responsibility for CAA Group compliance with all applicable statutory and regulatory provisions;
- and on the CAA Executive Committee, which is the primary strategic body of the Group's Executive Management. It is supported by the individual entity Management Committees and the Group strategy committees (in particular, the Finance Committee, Internal Control Committee, Risks and Permanent Control Committee and the ALTM Committee);
- four key functions: Risk, Compliance, the Actuarial function, Internal audit, coordinated by the CAA Group Internal Control Committee;
- an internal control system, defined as the framework designed to manage and control all types of operations and risks and to ensure that all transactions are carried out in a manner that is proper (in compliance with regulations), secure and effective;
- the internal process for evaluating CAA Group's solvency and risks (the first Organisational Readiness Self-Assessment (ORSA) was conducted in 2014).

2. Organisation of risk management

CAA Group's risks are managed as part of CAA Group's common and uniform risk strategy framework and in accordance with the operating principles of the Insurance risk Group function. Insurance risk is organised along the lines of a matrix structure integrating entity level organisation with Group approaches by type of risk.

The hierarchical reporting line guarantees independence, with a "second pair of eyes" role (to issue a recommendation) to back the operating functions, which manage risks day-to-day, make decisions and exercise first-level controls to ensure their processes are performed properly.

3. Risk management system

AT CAA GROUP LEVEL

The Risk management strategy implemented by Crédit Agricole Assurances Group is based on the overall risk-management framework and the global limits and alert thresholds for the range of different risks it is exposed to through the implementation of its business strategy. It is reviewed at least annually and submitted for the approval of the Crédit Agricole S.A. Group Risk Management Committee (a sub-committee of Crédit Agricole S.A.'s Executive Committee, chaired by its Chief Executive Officer) and then approved by the Crédit Agricole Assurances Board. The Crédit Agricole S.A. Group's Risk Management department is notified of any breaches of alert thresholds or limits and resulting corrective measures. A change to any component of strategy requires the approval of CA S.A.'s Executive Management, informed by the recommendation of the Risk Management department.

The quarterly Group Risk report, which is updated based on standardised risk management indicators, is used to monitor CAA Group's exposure profile and to identify potential deviations. The financial risks to which CAA Group is exposed and compliance with the relevant consolidated limits are monitored on a monthly basis in a standardised reporting process.

A committee meets twice monthly to strengthen risk supervision in CAA Group. In these meetings, the Risk Management and Permanent Control Officers (RCPR) discuss any early warnings observed in all areas of risk, in order to analyse the impacts of these risk events on an *ad hoc* basis, propose monitoring measures and submit a summary report to the Crédit Agricole Assurances Executive Committee. More specifically, financial risks are examined in the monthly Committee Meeting.

Moreover, Crédit Agricole Assurances has set up a Group-wide Methodology Committee, steered by the Group Risk function. The role of the Methodology Committee is to approve the methodologies underpinning the models and indicators used to address major risks for CAA Group or presenting cross-sector challenges for CAA Group.

Lastly, in its supervisory role, the Risk Management and Permanent Control department of Crédit Agricole S.A. periodically organises a review of the risk management and control framework, attended by the CAA Chief Executive Officer, Group RCPRs and the main entity RCPRs, to examine current risk issues and developments for the insurance business.

AT ENTITY LEVEL

In accordance with the Group framework, companies define their own processes and systems to measure, supervise and manage risks: risk mapping, process mapping, risk strategy setting out, according to their risk appetite, the Crédit Agricole Assurances Group global limits in accordance with a process coordinated by the holding, and supplemented, as needed, by limits to address their specific risks.

The entities also draw up formal policies and procedures providing a strict framework for risk management (including the rules for accepting risk when insurance policies are taken out, provisioning and hedging of technical risks by reinsurance, claims management, etc.).

For its international subsidiaries, CAA has drawn up a set of standards for transposition by each entity, which set out the scope and rules for decentralised decision-making.

Operational risk management is supervised in each entity by committees that meet periodically (investment, ALM, technical, reinsurance and others) in order to monitor developments in the risk position, based on reporting by business lines, present analyses to support the risk management process, and, if necessary, draw up proposals for action. Alerts are triggered if limits are breached and notified either to the Crédit Agricole S.A. Group Risk Management department (CAA Group limits), to CAA Executive Management, or to the entity's management. Corrective measures are implemented in response.

The risk management system is examined during meetings of the Risk Management and Permanent Control and/or Internal Control Committees of each subsidiary, in light of the permanent control reports, the analysis of their risk report and the conclusions of periodic controls.

II. Market risk

In view of the predominance of savings activities in the French and international (Italy mainly) life insurance subsidiaries, CAA Group is particularly affected by market risks owing to the very large volume of financial assets held to cover policyholder liabilities.

Crédit Agricole Assurances Group is exposed to several types of market risk:

- interest rate risk;
- equity risk;
- foreign exchange risk;
- counterparty risk, both from the point of view of default (bond portfolio issuers, OTC transaction counterparties) and movements in the issuer spread.

In particular, these risks have an impact on the valuation of portfolio assets and their long term yield, and must be managed closely with matching of liabilities and, particularly in Life Insurance, guarantees granted to policyholders (minimum guaranteed rate, floor guarantee, etc.).

Liquidity risk is monitored specifically.

Hence, the financial policy of CAA Group combines supervision of ALM, based on "risk/yield" analyses and stress scenarios, to identify the characteristics of the amounts to invest, the requirements and objectives over short/medium and long term horizons, and a market analysis, supported by economic scenarios, to identify opportunities and limitations in terms of the environment and the market. The aim of ALM supervision is to reconcile the objectives of conserving ALM balances, delivering shareholder value, and seeking yield for policyholders.

The Investment department in the CAA holding contributes to formulating and monitoring implementation of the investment policies of CAA Group and of the subsidiaries (taking into account individual ALM requirements and financial objectives), which are submitted to their respective Boards for approval. It is responsible for oversight of the investment management services provided by Amundi (management mandates granted by the companies). Moreover, it makes investments directly (without a mandate) on behalf of CAA Group companies (in real estate in particular), as part of the policy of diversification.

1. Interest rate risk

TYPE OF EXPOSURE AND RISK MANAGEMENT

Interest rate risk is the risk of a change in the value of the bond portfolio due to upward or downward movements in interest rates.

Crédit Agricole Assurances Group's bond portfolio, excluding unit-linked policies, amounted to €204 billion at 31 December 2014, up from €191 billion at the end of 2013.

Interest rate risk in life insurance companies is intrinsically linked to interactions between assets (financial management) and liabilities (policyholder behaviour). Management of this risk requires an overarching approach combining financial strategy, the constitution of reserves, sales and income policies. CAA's framework for managing interest rate risk sets out the limits on risks and the related governance (ALM Committee, presentation of stress scenarios to the Board of Directors, etc.).

A long term fall in interest rates adversely affects the yield on investments, with a potential impact on the Company's results, if the bond portfolio's current yield is not sufficient to meet guaranteed returns and to generate margins on the policy. Risks related to the minimum guaranteed returns in France are handled at regulatory level by means of prudential provisions.

CAA has a range of levers to tackle the risk of falling rates:

- Moderation of minimum guaranteed returns: Crédit Agricole Assurances Group ceased issuing policies that feature a minimum guaranteed return superior to zero (since 2000 for the main French life insurance company), so that the average minimum guaranteed return has consistently reduced;
- Hedging using bond assets and swaps/swaptions to manage reinvestment risk;
- Prudent diversification of investment assets.

The risk arising from an increase in interest rates is primarily associated with policyholder behaviour: a gap between the return rate that can be delivered by the insurer (related to bond yields) and the rate expected by policyholders in a high-rate environment, or the rate achieved by other savings vehicles, could result in a wave of early redemptions by policyholders. If the insurer were forced to dispose of assets, notably bonds, with unrealised losses (which would generate losses for the insurer), the yield on the portfolio would be reduced, with the risk of triggering new waves of policy redemptions.

Likewise, CAA implements measures to manage the risk of a rate rise:

- adjustment of duration according to projected outflows of liabilities;
- retention of liquidities or liquid investments with a low risk of loss;
- dynamic management of the investment portfolio and setting aside reserves to provide the capacity to increase the return (capitalisation reserve, and profit-sharing reserves);
- caps against a rise in rates: this strategy is designed to offset the lower return delivered by the bond portfolio by additional financial returns generated by these hedging instruments (more than one quarter of the main life insurance company's bond portfolio is hedged);
- building customer loyalty to limit early redemptions.

ANALYSIS OF SENSITIVITY TO RATE RISK

Technical liabilities

The Group's technical liabilities are largely insensitive to rate risks for the following reasons:

- savings provisions (over 90% of technical provisions, excluding unit-linked policies): these are based on the pricing rate which is unchanging over time for any particular policy. As a result, a change in interest rates will have no impact on the value of these commitments;
- property and casualty reserves: these technical reserves are not discounted to present value and changes in interest rate therefore have no impact on the value of these commitments;
- mathematical reserves for benefits (personal injury, disability): the discount rate used in calculating these reserves is based on the interest rate in force at the calculation date. Therefore, the size of these commitments varies with interest rates. However, given the small amount of these technical commitments, they represent no significant risk for Crédit Agricole Assurances Group.

Financial investments

The sensitivity to rate risk of Crédit Agricole Assurances Group's fixed income portfolio, assuming a 100 basis point rise or fall in interest rates, is as follows (net of the impact on deferred policyholder surplus and tax):

	31/12/2014		31/12/2013	
(in millions of euros)	Impact on net income	Impact on equity	Impact on net income	Impact on equity
100 bp rise in risk-free rates	(123)	(957)	(25)	(814)
100 bp decline in risk-free rates	102	958	12	788

The impacts presented above take the following elements into account:

- the profit-sharing rate for the entity holding the financial investments;
- the current tax rate in force.

Impacts on securities held as available-for-sale financial assets are recognised in equity. Impacts on securities held for trading are recognised in profit or loss.

Financing debts

Borrowings arranged by Crédit Agricole Assurances mainly pay fixed rates. Interest is therefore largely insensitive to rate changes.

2. Equity and other diversification assets risk

TYPE OF EXPOSURE AND RISK MANAGEMENT

Exposure to the equity markets and other so-called diversification assets (private equity and listed or unlisted infrastructures, real estate and alternative management) is intended to capture yield in these markets (notably with a low correlation between real estate and other asset classes), which gives rise to a risk of volatility in terms of valuation and, therefore, of accounting provisioning that may have an impact on the return provided to policyholders (provision for lasting impairment, provision for liquidity risk). To limit this effect, particularly for the life insurance portfolios, allocations are analysed to determine a ceiling for the share of these diversification assets and a maximum volatility level.

Equities and other diversification assets are held directly or *via* dedicated CAA Group UCITS to provide regional diversification, in accordance with the relevant risk policies. Exposure to these assets is managed by a series of limits (by asset class and overall for the diversification) and concentration rules.

Investments in equities (including mutual funds and excluding assets of unit-linked contracts) amounted to €37.7 billion at 31 December 2014, compared with €29.3 billion at 31 December 2013.

ANALYSIS OF SENSITIVITY TO EQUITY RISK

Crédit Agricole Assurances Group's sensitivity to equity risk, assuming a 10% rise or decline in equity markets, is as follows (impacts are shown net of deferred policyholder surplus and tax):

(in millions of euros)	31/12/2014 Impact on net income	31/12/2014 Impact on equity	31/12/2013 Impact on net income	31/12/2013 Impact on equity
10% rise in equity markets	77	148	59	91
10% decline in equity markets	(83)	(148)	(55)	(91)

The impacts presented above take the following elements into account

- the profit-sharing rate for the entity holding the financial investments;
- the current tax rate in force.

These sensitivity measurements include the impact of changes in the benchmark equity index on assets measured at fair value, reserves for guaranteed minimum return and reserves for the right to withdraw from unit-linked policies as well as any additional impairment provisions required by a decline in equity markets.

Changes to the fair value of available-for-sale financial assets are recognised in reserves for unrealised gains or losses, all other items are recognised in profit or loss.

3. Foreign exchange risk

Crédit Agricole Assurances's exposure to foreign exchange risk falls into two categories:

- structural exposure: in yen for the CA Life Japan subsidiary, which is partially hedged (net exposure is very limited at JPY 3.8 billion at end-2014, the equivalent of €26.5 million) and PLN for CA Insurance Poland, a subsidiary established in July 2014 (PLN 37.8 million, equivalent to €8.9 million), which is not hedged;
- Operational foreign exchange exposure arises from a mismatch between the asset's currency and that of its liabilities: CAA Group's global portfolio, representing commitments in euro, is primarily invested in euro-denominated financial instruments. However, to achieve the aim of optimising risk/return, the Group seeks to profit from projected gaps in growth between major regions, using dedicated funds. The general strategy is not to hedge exposure to the currencies of emerging economies, regardless of the asset class, and, in contrast, to hedge exposure to the currencies of mature countries through forward sales, with the option of limited tactical exposure to a currency. CAA Group's overall foreign exchange exposure is bound by a maximum market value limit relative to the total portfolio, and a sub-limit for emerging currencies. At the end of 2014, actual exposure was not material (less than 1% of the total portfolio), and was mainly on emerging currencies.

4. Liquidity risk

TYPE OF EXPOSURE AND RISK MANAGEMENT

To be in a position to cover liabilities when due, the companies use a combination of approaches.

On the one hand, liquidity is an investment selection criterion (majority of securities listed on regulated markets, limits on assets in markets that lack depth, such as private equity, unrated bonds, and alternative management, etc.).

On the other hand, systems for managing liquidity are consistent across CAA Group, and are defined by the companies as part of their ALM policy:

- for Life insurance companies, in order to ensure a match between the maturities of assets and those of liabilities under normal and stressed conditions (wave of redemptions/deaths), the objective is to ensure liquidity in the long term (monitoring and limiting of annual cash run-off gaps), medium term (so-called "reactivity" ratio), and, in case of uncertainty regarding net inflows, short term (one-week and one-month liquidity, with daily monitoring of redemptions). In exceptional circumstances where markets are unavailable, the Group plans temporary liquidity management approaches (repos with collateral in cash or ECB eligible assets);
- for Non-life insurance companies, liquidities or assets that have low reactivity are retained, and the share is calculated to respond to a shock to liabilities.

The "reactivity" ratio measures the ability to mobilise current assets of less than two years or variable-rate assets by limiting the impacts in terms of capital loss; it is measured and compared against a threshold set by each life insurance company. In the current environment marked by sustained inflows, there is no need to activate the short-term supervision system.

FUNDING

As a holding company, Crédit Agricole Assurances is responsible for subsidiary refinancing enabling them to meet their solvency requirements and operational cash needs. It is refinanced through its shareholder CA S.A., and, since 2014, through issuing subordinated debt directly in the market.

III. Credit or counterparty risk

This section deals only with counterparty risk on financial instruments. Exposure to counterparty risk on reinsurers' receivables is covered in the section on insurance risk.

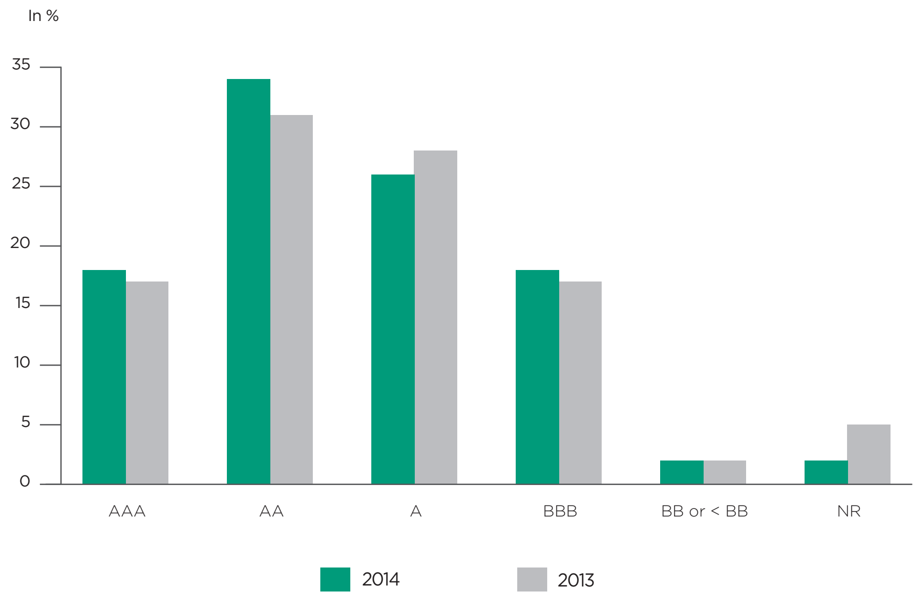
Amundi's risk management teams perform the analysis of counterparty risk for issuers and for OTC market transactions (derivatives) under the mandates granted to them by the insurance companies.

Counterparty risk is contained overall for Crédit Agricole Assurances Group and at portfolio level for each entity in CAA Group, on the basis of limits in terms of ratings, issuer and sector concentration.

Hence, aggregate limits are placed to manage the breakdown of issues between rating classes, using the Solvency II rating corresponding to the second best of the three S&P, Moody's and Fitch ratings. The share of "high-yield" issues held directly (including after a rating downgrade that does not affect repayment capacity), or indirectly *via* specialist funds, is subject to strict limits.

BB is the minimum rating authorised. In the context of the shift in focus since mid-May 2012 from fixed income to corporate bonds, subject to a maximum exposure limit for the sector, the investment universe was expanded to issuers not rated by an external rating agency, but with an internal Crédit Agricole S.A. investment grade-equivalent rating (BBB-) as a minimum requirement, according to a rigorous selection process and in a limited proportion (3% of the portfolio at the end of 2014).

The bond portfolio (excluding unit-linked policies) by credit rating breaks down as follows:



Concentration in a single issuer (equities and interest rate instruments) may not exceed a given percentage of the total portfolio, which is determined according to issuer type and quality. Furthermore, limiting the relative weighting of the top 10 issuers ensures diversification within rating levels A and BBB. Exposure is reviewed quarterly with the Amundi Risk teams and the Risk Management Department of Crédit Agricole S.A. Group.

Concentration in sovereign debt and similar is subject to individual limits according to debt-to-GDP ratio and the country's credit rating. For a number of years CAA Group has implemented a policy of reducing exposure to the sovereign debt and similar of weakened Eurozone countries (Greece, Italy, Ireland, Portugal and Spain). Accordingly, CAA no longer holds a position on the Greek sovereign, and retains only marginal Portuguese debt. The Group's exposure to Italian government debt is essentially domestic and is concentrated in its Italian life insurance subsidiary. Residual exposures at end-2014 amounted to €7.6 billion and are detailed in Note 6.6 to the consolidated financial statements. Exposure to non-sovereign debt of these weakened companies was managed conservatively and selectively relative to authorised issuers (some Italian and Spanish industry groups).

Cash collateral contracts are used to manage counterparty risk for over-the-counter derivatives used by companies to hedge exposure to rate risk and presented on their balance sheets.

IV. Insurance risk

Crédit Agricole Assurances Group is exposed to insurance risk through the insurance business. Such risk primarily relates to the underwriting, valuation of provisions and reinsurance processes.

Each entity implements an approach in collaboration with all the operating departments concerned, as well as Risks, Compliance and Legal Affairs, to manage risks when new insurance products are created or substantial changes are made to the features or an existing product. Products are approved by an *ad hoc* committee (New Business and New Product Committee).

1. Underwriting risk

Underwriting risk takes different forms depending on the nature of the insurance, life or non-life.

LIFE INSURANCE UNDERWRITING RISK

Through its Savings and Death & Disability activities and life insurance guarantees in respect of its creditor insurance, CAA is exposed to biometric risks (longevity, mortality, disability, long-term care risks), loading risk (insufficient loading to cover operating expenses and commission paid to distributors), but most of all to behavioural risk, *i.e.* the risk of early redemption of policies related to rapid interest rate rises or a deterioration in trust in Crédit Agricole Group.

Life insurance technical reserves, recognised in the main by French companies, are chiefly constituted from savings denominated in euro or unit-linked contracts. For the majority of unit-linked contracts, the risk of fluctuation in the value of the underlying is borne directly by the policyholder. Some contracts may include a floor guarantee in the event of the death of the insured. The insurer is thus exposed to a financial risk determined by the value of the unit-linked account and the probability of death of the insured. A technical provision is recognised for this floor guarantee.

In savings, redemption rates are monitored for each life insurance company and at CAA Group level, and compared with the structural redemption rates established on the basis of historic and market data.

For the death and disability activity and yields, the underwriting policy, which specifies the risks covered and the underwriting conditions (target customers, exclusions), and pricing standards (notably the statistical tables established either from national or international statistics or from experience tables) help to control risk in this area.

Catastrophe risk, related to a mortality shock (*e.g.* a pandemic) is liable to have an impact on the results for individual or group death and disability insurance the French life insurance subsidiary benefits from BCAC cover *(Bureau Commun des Assurances Collectives)*, both on group death benefits and individual death and disability benefits, as well as, in part, supplementary cover of disability risk.

NON-LIFE INSURANCE UNDERWRITING RISK

For property & casualty insurance and non-life benefits included in creditor insurance policies, risk arises mainly from poor selection (poor assessment of the characteristics of the risks covered), under-priced premiums, and aggregate or catastrophe risk.

For distribution partners, underwriting policy defines the framework for accepting risk (to ensure appropriate selection of risks and the spread within the policy portfolio to optimise technical margins). Formal rules and procedures for pricing are also drawn up.

The ratio of claims paid to premiums earned is compared against targets. This claims ratio is the key indicator for monitoring risk and is used to identify priorities for improving the technical result, where necessary.

Concentration risk in non-life insurance relates to an aggregation of liabilities in respect of a single claim, arising from:

- underwriting concentration in which policies are written by one or more Group entities on the same risk;
- claim concentration, where policies are written by one or more Group entities on risks that are different, but liable to be triggered by a single covered event or the same primary cause.

This type of risk is hedged, first, by a policy of diversifying the risks written in a single region and, second, by reinsurance to limit the financial impact of major events (storms, natural disasters, etc.), under a reinsurance policy (see reinsurance risk below) that incorporates this dimension.

2. Provisioning risk

Provisioning risk is the risk of a gap between the provisions set aside and those required to meet liabilities. It may be related to risk valuation (volatility introduced by discount rates, regulatory developments, or new risks for which statistical depth is inadequate, etc.) or a change in risk factors (population ageing, for example, leading to increased long-term care risks or health issues, stricter laws governing professional civil liability, personal injury compensation, and others).

The objective of the provisioning policy established in each of the companies is to guarantee a prudent assessment of loadings for past and projected claims to ensure a high probability that the accounting provisions set aside will be sufficient to cover the ultimate load.

The methods used to constitute provisions for property and casualty insurance, on a case-by-case basis according to the products and benefits affected, are documented and the management rules applied by claims managers are set out in the manuals.

The choice of statistical methodology to calculate accounting provisions (including provisions for late payment) is justified at each reporting date.

The local permanent control plan encompasses control of provisioning policy. The Statutory Auditors perform an actuarial review of provisions as part of the annual audit.

3. Reinsurance risk

Reinsurance risks are of three types:

- inappropriate reinsurance (insufficient cover or, on the other hand, payment of too high a premium, which erodes technical margins and competitiveness);
- risk of a reinsurer defaulting and not being able to pay all their share of the claims;
- no or virtually no reinsurance on a given activity or guarantee given (reinsurance offer, amounts that can be covered and the cost of cover, depending on market conditions that are liable to vary significantly).

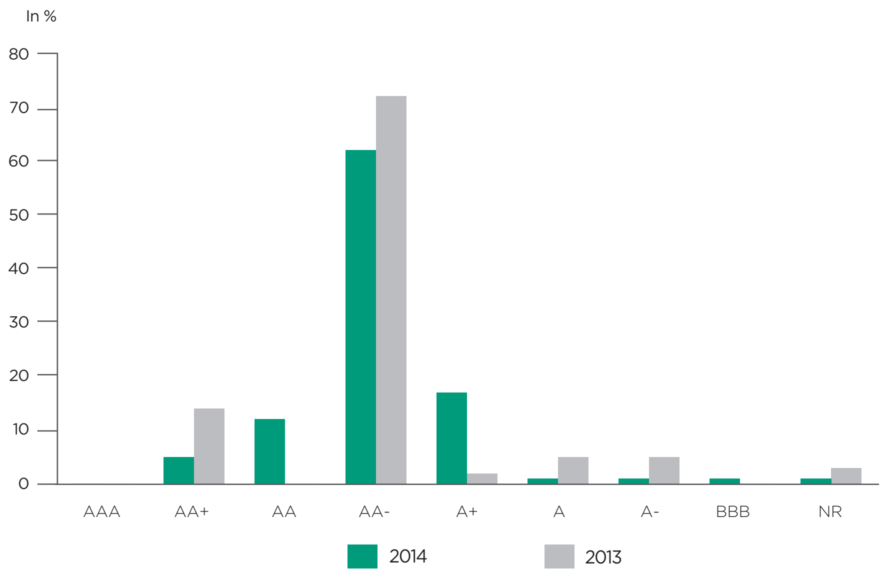
Each company draws up its own reinsurance plan aimed at protecting equity in case of systemic or exceptional events and at limiting volatility in the company's results, based on the principles of CAA Group's strategy for common and uniform risks limitation, namely:

- select reinsurers that meet minimum financial soundness criteria, with reinsurers' ratings monitored at CAA Group level;
- ensure adequate dispersion of premiums across reinsurers;
- monitor the adequacy of reinsurance cover relative to the commitments to policyholders and of results on each reinsurance agreement.

The reinsurance plans are reviewed annually by the Board of Directors in each subsidiary.

Net outstandings ceded to reinsurers (ceded reserves and current accounts with reinsurers net of cash deposits received) totalled €0.5 billion at 31 December 2014, remaining stable year-on-year.

Their breakdown by reinsurer rating is as follows:



4. Emerging risks

The Risk Management Department is responsible for ongoing monitoring of insurance risk, in cooperation with other business line departments and Legal Affairs.

The Risk Monitoring Committee, which meets twice monthly and is attended by all Risk Management and Permanent Control Officers, is also tasked with anticipating developments in the regulatory and legal environment and identifying emerging risks.

Intelligence data is input from many sources (economic research, internal and external analysis, in particular by consulting firms and research published by the French Regulatory and Resolution Supervisory Authority (ACPR) and the European regulator, EIOPA, etc.).

V. Operational risks

Operational risk is the risk of loss resulting from shortcomings or failure in internal procedures, human error, information systems or external events. It includes non-compliance risk, legal risk and the risks generated by key outsourced services *(PSEE)*.

Crédit Agricole Assurances entities apply Crédit Agricole S.A. Group directives on operational and compliance risk management.

The operational risk management system in each entity, including the holding, is thus comprised of the following components:

- Mapping of risk events, periodically updated to include organisational changes, new activities and changes in the cost of risk. Mapping is constructed by breaking down activities by process, together with the seven risk categories according to Basel 2 nomenclature. Financial and non-financial impacts (regulator and image) of actual and potential risk events identified are assessed together with the probability of occurrence, drawing on specific expertise. Internal control is assessed on the basis of the results of controls at the different levels defined in the local control plans and standardised controls defined by the Crédit Agricole S.A. Group Risk Management department) and the findings of periodic controls to highlight the most critical net risks and prioritise action plans to reduce them;
- A process of collecting data on risk-related incidents and operating losses, backed by an early-warning system, is used to monitor identified risks and exploit them to introduce remediation measures and ensure consistency with mapping.

CAA and its subsidiaries have prepared their business continuity plans (BCP) focusing on essential activities in order to cover a failure of information systems, operational sites and personnel. The business continuity plans meet Crédit Agricole S.A. Group standards, with the adoption of the Group's solution for the user fallback site, the IT back-up plan based on the Crédit Agricole S.A. shared IT operating and production site. It is tested on a regular basis. IT system security is an inherent component of the Group's security policies. A three-year programme of security projects (including accreditation, intrusion tests, and IT system failure scenarios) is underway.

A CAA Group-wide general outsourcing and subcontracting policy, describing amongst others the monitoring and control system associated with outsourcing, is being rolled out by Group entities.

VI. Non-compliance risks

Non-compliance risk refers to a potential lack of adherence to rules governing financial and banking activities. These rules may be laws, regulations (on securities regarding crossing thresholds and regulatory declarations to the *Commission nationale de l'informatique et des libertés* – CNIL, etc.), professional or ethical standards, professional codes of conduct for the protection of customers, or efforts to combat money-laundering, corruption or the financing of terrorism. They are an integral part of operational risk mapping within entities.

In each entity, the Compliance Officer is responsible for drawing up procedures transposing the regulatory rules issued by Crédit Agricole S.A.'s Compliance Department. The Compliance Officer is also responsible for training and for the dedicated control system aimed at controlling these risks, preventing the risk of fraud, limiting their impact (financial losses, legal, administrative or disciplinary sanctions), and protecting the Group's reputation. On the launch of new business activities and the creation of new products, security is enhanced by referral to the New Activities and New Products Committees, established in each entity. These committees review the contractual and marketing documents for products, as well as the training materials and sales aids intended for distributors.

In all areas of compliance, from the prevention of money laundering and financing of terrorism to protecting customers, the Group has strengthened coordination with distributors (Regional Banks, LCL, other international networks) to define roles and responsibilities and ensure implementation of the controls to guarantee correct application of procedures by all parties.

VII. Legal risks

Responsibility for legal management, regulatory intelligence and consulting with business line departments lies with the companies' Legal Affairs Departments.

Insofar as Crédit Agricole Assurances is aware, there are no administrative, court or arbitration proceedings that could have or have had, within the previous 12 months, a substantial effect on the financial position or profitability of the Company and/or Group.

OPERATIONAL RISKS

I. Objectives and policy

The operational risk system, adjusted to each Group entity, comprises the following components common to the entire Group:

- **governance of the Operational Risk Management function:** supervision of the system by Executive Management (*via* the Operational Risk Committee or the operational risk unit of the Group Risk Management Committee and the Internal Control Committee), oversight and co-ordination of the system by Risk Management and Permanent Control Officers (Crédit Agricole S.A. and entities), entities' responsibilities in controlling their risks through the network of Operational Risk Managers;
- **identification and qualitative assessment of** risks through risk mapping, and the use of indicators to monitor the most sensitive processes;
- **collection of operational loss data and an** early-warning system to report significant incidents, which are consolidated in a database used to measure and monitor the cost of risk;
- **annual calculation** (except for significant events: major loss, change in organisation, etc.) **and allocation of regulatory capital** for operational risks at both consolidated and entity levels;
- periodic production **of an operational risk scorecard** at entity level, plus a Group summary.

II. Risk management: organisation and supervision system

The organisation of operational risk management forms part of the overall Risk Management and Permanent Controls function: Operational Risk Officers, most of whom now cover permanent risk monitoring, report to the heads of Risk Management and Permanent Controls in the various entities.

Crédit Agricole S.A. Group uses an operational risk scorecard covering its major business lines. This scorecard shows the main sources of risk affecting the business lines, along with exposure profiles differentiated by entity and business line.

The change in operational risk also reflects the effect of action plans designed to reduce the impact of exceptional risks (*i.e.* by strengthening information systems and controls) when encountering high unit losses, as well as to reduce the frequency of recurring risks (electronic banking fraud and heightened monitoring of external fraud in the consumer finance and factoring businesses).

As part of the system to prevent and detect operational risk, a monthly newsletter (Operational Risks Monthly) for all entities has been introduced, including the various early warnings received within the Group.

With respect to the **identification and qualitative assessment of risks** component, as every year, the risk mapping campaign is carried out. The results of these risk mapping efforts are analysed by each entity in the course of the first quarter and are presented to the operational Risk Management Committee.

To improve operational risk tools even further and promote overall consistency in the Risk Management and Permanent Controls function, the operational risk computer system supplies information on a quarterly basis to the Group's accounting consolidation tool, "Arpège".

The RCP (Risk and Permanent Control) platform contains the three essential elements of the system (collection of loss data, operational risk mapping and permanent controls) sharing the same framework and thus making it possible to confirm the choices of methodology in the link between risk mapping and risk management (permanent controls, action plans, etc.).

Concerning the information system component for the **calculation and allocation of regulatory capital,** after the work carried out in 2011 and 2012 to enhance security and automate the system and management of technical obsolescence in 2013, the upgrade plan for the operational risk computer system continued in 2014, with new features added to the back-testing system and a project to secure the reference frameworks. The latter includes rationalising the reference frameworks and automating controls of the data input to the COREP regulatory reports, with the aim of meeting the Basel Committee's sound IT risk management principles.

A biannual Committee for back-testing the Advanced Measurement Approach (AMA) model is in place and analyses the model's sensitivity to changes in the risk profile of the entities. Every year, this Committee identifies areas where improvements are possible, and draws up corresponding action plans.

Lastly, the Risk Management and Permanent Controls Department issued a questionnaire on "Sound operational risk management principles" to each entity in Crédit Agricole Group, in order to ascertain a self-assessment of each entity's system. The responses identified potential for improvement with corresponding action plans at local or Group level. They relate to the role of the Board of Directors/Audit Committee in disseminating best practices to ensure that risk management policies are supervised as early as possible, reinforcing the formal operational risk policy, in particular specifying the concept of a threshold for operational risk, formally drawing up and systematically using key risk indicators, and managing the training programme in the Group to control operational risk.

III. Methodology

The main entities of Crédit Agricole S.A. Group use the Advanced Measurement Approach (AMA): Crédit Agricole CIB, Amundi, LCL, Crédit Agricole Consumer Finance and Agos. The use of the AMA for these entities was approved by the French Regulatory Supervisory Authority (ACPR) in 2007 and confirmed (following the change in legal status) for Amundi, Crédit Agricole Consumer Finance and Agos in 2010. This scope accounts for 75.15% of total capital requirements for operational risk.

For the entities that use the standardised approach (TSA), the regulatory weighting coefficients used in calculating the capital requirement are those recommended by the Basel Committee (percentage of revenues according on business line).

AMA regulatory capital requirements calculation

The AMA method for calculating capital requirements for operational risk has the following objectives:

- increase control over the cost of operational risk, and prevent exceptional risks across the Group's various entities;
- determine the level of capital needed for the measured risks;
- promote improvements in permanent controls through the monitoring of action plans.

The systems implemented within the Group aim for compliance with all qualitative criteria (making risk measurement an integral part of day-to-day management, independence of the Risk function, periodic disclosure of operational risk exposures, etc.) and Basel 2 quantitative criteria (99.9% confidence interval over a one-year period; incorporation of internal data, external data, scenario analyses and factors reflecting the operating environment; incorporation of risk factors that influence the statistical distribution, etc.).

The AMA model for calculating capital requirements is based on an actuarial model called the **Loss Distribution Approach** which is unique to the Group. The largest entities handle their own capital allocation based on centrally defined principles.

Internal factors (change in the entity's risk profile) are considered according to:

- organisational changes within the entity;
- changes in risk mapping;
- an analysis of the history of internal losses and the quality of the risk management system, in particular *via* the Permanent Controls function.

Concerning external factors, strategic monitoring of incidents observed in the other institutions is conducted through the analysis of the ORX consortium database, which catalogues losses at approximately 50 banks throughout the world including Crédit Agricole S.A. Depending on the results of this analysis, the stress tests developed in the various Group entities can then be reviewed. To supplement this process, a second external database, SAS OpRisk, was integrated.

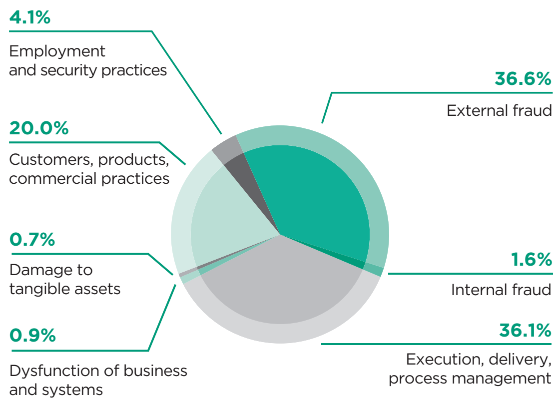
The model was designed and developed according to the following principles:

- it must form an integral part of the risk policy;
- it must be pragmatic, *i.e.* the methodology must be applicable to real operating conditions;
- it must have educational value, in order to be endorsed by senior management and business lines;
- it must be robust, *i.e.* it must be able to provide estimates that are realistic and stable from one year to the next.

The entire Operational Risks methodology was audited by the ACPR in 2012, which evaluated progress made by the Group and areas for improvement. The CA Group conducted an in-depth methodological review of capital requirement modeling choices in relation to internal data and also reviewed the rogue trading scenario both in terms of business segment analysis, by taking into consideration the new CACIB framework, and in terms of quantitative analysis, allowing for the calculation of corresponding capital requirements.

IV. Exposure

BREAKDOWN (BY VALUE) OF OPERATIONAL LOSSES BY BASEL RISK CATEGORY (2012 TO 2014)



Generally, the exposure profile in terms of operational risks reflects the principal activities at Crédit Agricole S.A. Group:

- still overwhelming exposure to the Execution risk category, due to processing errors in all activities (notably following migration to SEPA in 2014), but also due to tax sanctions;
- still significant exposure to external fraud, notably in connection with credit boundary operational risk which reflects the importance of the retail banking activity, including in consumer finance, lease financing and factoring (document fraud, fraudulent invoices, etc.);
- exposure to legal risks (commercial disputes in particular with suppliers/service providers, summons with respect to the total effective rate).

Remedial and preventive action plans at local or Group level were introduced to reduce the exposure of Crédit Agricole S.A. Group to operational risk.

V. Insurance and coverage of operational risks

Crédit Agricole Group has obtained insurance coverage for its operational risks to protect its assets and profits. For high-intensity risks, Crédit Agricole S.A. has taken out Group policies from major insurance companies. These policies harmonise the transfer of personal and property risks and to set up specific professional civil liability and fraud insurance programmes for each business line. Furthermore, business-line subsidiaries are responsible for managing lower intensity risks themselves.

In France, insurance of operating assets (property and IT equipment) also includes third-party liability coverage for all buildings exposed to this risk. Other third-party civil liability risks are supplemented by civil operating liability policies.

Insurance policies for operating loss, fraud and securities risks, Group professional civil liability, and civil liability for Executive Officers were renewed in 2014.

"Basel 2 eligible" policies contribute to reducing the amount of capital that must be held against operational risks (within the 20% authorised limit).

High-frequency and low-intensity risks on certain programmes that cannot be insured on satisfactory financial terms are retained in the form of deductibles or are pooled within Crédit Agricole S.A. Group ultimately through its captive reinsurance subsidiary (Crédit Agricole Réassurance CARE), and represent around 7% of all Group insurance programmes.

LEGAL RISKS

The main legal and tax proceedings outstanding at Crédit Agricole S.A. and its fully consolidated subsidiaries are described in the 2013 management report. The cases presented below are those that have evolved since 21 March 2014, the date on which registration document no. D. 14-0183 was filed with the AMF.

Any legal risks outstanding at 31 December 2014 that could have a negative impact on the Group's net assets have been covered by adequate provisions, which correspond to Executive Management's estimations, based on the information available to it.

To date, to the best of Crédit Agricole S.A.'s knowledge, there is no other governmental, judiciary or arbitration proceeding (or any proceeding known by the Company, in abeyance or that threatens it) that could have or has had, in the previous 12 months, any substantial effect on the financial situation or the profitability of the Company and/or the Group.

Litigation and exceptional events

IFI Dapta Mallinjoud Group

The *Commissaire à l'exécution du plan* (insolvency professional) acting for the companies of the IFI Dapta Mallinjoud group initiated joint proceedings against CDR and LCL on 30 May 2005 before the Commercial Court of Thiers. The suit alleges that CDR and LCL committed violations in arranging and financing the IFI group's acquisition of the Pinault Group's furniture business (ex-CIA). The Riom Court of Appeal, in its order dated 12 July 2006, referred the matter to the Paris Commercial Court.

In its ruling of 24 September 2007, the Paris Commercial Court:

- ordered CDR to pay €2.9 million for unjustified interest charges;
- ordered LCL to pay €5 million for improper financial support;
- ordered LCL and CDR to pay €50,000 under Article 700 of the French Code of Civil Procedure.

The Court did not make the judgement immediately enforceable.

The *Commissaire à l'exécution* du plan appealed against this decision and the Paris Court of Appeal issued an order on 19 December 2013, in the terms of which it:

- upheld the joint and several liability of the CDR (formerly Clinvest) for failing to fulfil its advisory duty and of LCL for failing to fulfil its duty of care, which for LCL consisted of granting a ruinously expensive loan from the start of the transaction in 1992;
- requested that the opposing party provide the documents and figures (already requested previously without success) that may justify and determine the amount of damages suffered, company by company.

The case was adjourned until September 2015 for closure.

At the same time, LCL and the CDR appealed to the French Supreme Court (*Cour de Cassation*) against the Court of Appeal ruling of 19 December 2013.

Strauss/Wolf/Faudem

US citizens and members of their families who were victims of terrorist attacks attributed to Hamas and committed in Israel between 2001 and 2004 have brought proceedings against National Westminster Bank and Crédit Lyonnais before a New York court.

They claim that these banks gave support to terrorists as they each kept an account opened (in 1990 in the case of Crédit Lyonnais) by a charity providing aid to Palestinians. The plaintiffs allege that the account was used to transfer funds to Palestinian entities accused of financing Hamas. The plaintiffs, who have not put a figure on the damages they have suffered, are claiming compensation for "injury, anguish and emotional pain".

As the matter and the proceedings currently stand, the plaintiffs have not provided proof that the charity was actually linked to terrorists, nor that Crédit Lyonnais was aware that its client could have been involved (if it were to be proven) in financing terrorism. The Court nonetheless demanded that this be demonstrated by

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the plaintiffs if they are to win their case. LCL vigorously denies the plaintiffs' allegations.

Under a ruling made on 28 February 2013, the judge issued a Summary Judgement referring LCL and the plaintiffs to a jury trial on the merits. The trial date is not known as yet.

In January 2014, the US Supreme Court ruled that the American courts cannot claim jurisdiction over foreign defendants that do not have a principal place of business in the territory of the United States. Accordingly, LCL filed a new motion in June 2014 seeking to establish that the American judge does not have jurisdiction in this matter. It is now up to the judge to deliver a decision although no specific timeframe has been set.

CIE case (Cheque Image Exchange)

In March 2008, LCL and Crédit Agricole S.A. and ten other banks were served notice of grievances on behalf of the *Conseil de la concurrence i.e.* the French Competition Council (now the *Autorité de la concurrence*).

They are accused of colluding to implement and apply interchange fees for cashing cheques, since the passage of the Cheque Image Exchange system, *i.e.* between 2002 and 2007. In the opinion of the *Autorité de la concurrence*, these fees constitute anti-competitive price agreements in the meaning of Articles 81 paragraph 1 of the treaty establishing the European Community and Article L. 420-1 of the French Commercial Code, and allegedly caused damage to the economy.

In their defense, the banks categorically refuted the anti-competitiveness of the fees and contested the legality of the proceedings.

In a decision published on 20 September 2010, the *Autorité de la concurrence* stated that the Cheque Image Exchange fee (CEIC) was anti-competitive by its very aim and that it artificially increased the costs borne by remitting banks, which resulted in an unfavourable impact on the prices of banking services. Concerning one of the fees for related services, the fee for cancellation of wrongly cleared transactions (AOCT), the *Autorité de la concurrence* called on the banks to revise their amount within six months of the notification of the decision.

The accused banks were sanctioned for an overall amount of €384.92 million.

LCL and Crédit Agricole were respectively sentenced to pay €20.7 million and €82.1 million for the CEIC and €0.2 million and €0.8 million for the AOCT.

All of the banks appealed the decision to the Paris Court of Appeal. By a decree of 23 February 2012, the Court overruled the decision, stating that the *Autorité de la concurrence* had not proven the existence of competition restrictions establishing the agreement as having an anti-competitive purpose.

The *Autorité de la concurrence* filed an appeal with the Supreme Court on 23 March 2012. The hearing is scheduled for 17 March 2015.

Office of Foreign Assets Control (OFAC)

United States laws and regulations require adherence to economic sanctions put in place by the Office of Foreign Assets Control (OFAC) with respect to certain foreign countries, individuals and entities. OFAC, the Department of Justice, the office of the New York County District Attorney's Office (NYDA) and other American governmental authorities are investigating how certain financial institutions made payments denominated in US dollars involving countries, individuals or entities subject to US sanctions.

Crédit Agricole S.A. and Crédit Agricole CIB Group conducted an internal review of payments denominated in US dollars involving countries, individuals or entities that could have been subject to such sanctions, and are cooperating with the American authorities as part of such procedures. The conclusions of the review are shared with the US authorities during meetings at which the bank presents its arguments.

It is currently not possible to know the outcome of these discussions and presentations, nor the date when they will be concluded.

If the US regulatory authorities deem it necessary based on observations made during these reviews, they may impose enhanced compliance programmes, or financial penalties, as they have done for other financial institutions.

Crédit Agricole CIB sued by Aozora LTD

On 18 June 2013, the Japanese bank **Aozora LTD** ("Aozora") sued Crédit Agricole CIB and Crédit Agricole Securities (U.S.A) in the Federal Court of New York regarding a CDO structured by Crédit Agricole CIB, called "Millstone IV". Aozora had invested US$34 million in this CDO and claims to have suffered losses as a result of the structuring of the CDO. Aozora is demanding repayment of the investment, damages of US$34 million and the repayment of charges and fees, the amounts of which have not yet been stated. Crédit Agricole CIB has contested this claim before the competent court.

Euribor/Libor and other indices

Crédit Agricole S.A. and its subsidiary Crédit Agricole CIB, in their capacity as contributors to a number of interbank rates, have received requests for information from a number of authorities as part of investigations into: i) the calculation of the Libor (London Interbank Offered Rate) in a number of currencies, the Euribor (Euro Interbank Offered Rate) and certain other market indices; and ii) transactions connected with these rates and indices. These requests cover a number of periods running from 2005 to 2012.

As part of its cooperation with the authorities, Crédit Agricole S.A. and its subsidiary Crédit Agricole CIB carried out investigations in order to gather the information requested by the various authorities and in particular the American authorities - the DOJ (Department of Justice) and CFTC (Commodity Future Trading Commission) – with which they are in discussions. It is currently not possible to know the outcome of these discussions, nor the date when they will be concluded.

Following its investigation and an unsuccessful settlement procedure, on 21 May 2014, the European Commission sent notification of grievances to Crédit Agricole S.A. and to Crédit Agricole CIB pertaining to agreements or concerted practices for the purpose and/or effect of preventing, restricting or distorting competition in derivatives related to the Euribor. Crédit Agricole S.A. and Crédit Agricole CIB are responding to the European Commission within the required deadlines, which have not all been set.

Additionally, the Swiss competition authority, COMCO, is conducting an investigation into the market for interest rate derivatives, including the Euribor, with regard to Crédit Agricole S.A. and several Swiss and international banks.

In the two class actions in which Crédit Agricole S.A. and Crédit Agricole CIB have been named, along with other financial institutions — both as defendants for one ("Sullivan" for the Euribor) and only Crédit Agricole S.A. as defendant for the other ("Lieberman" for the Libor) — are suspended at present for procedural reasons in the United States District Court for the Southern District of New York. The proceedings are still at the preliminary stage to determine their validity. At the appropriate time, Crédit Agricole S.A. and Crédit Agricole CIB anticipate filing a motion to dismiss all claims. These class actions are civil actions in which the plaintiffs allege that they are victims of the methods used to set the Euribor and Libor rates, and seek repayment of the sums they allege were unlawfully received, as well as damages and reimbursement of costs and fees paid.

Switzerland/US programme

The agreement signed by Switzerland and the United States in August 2013 enables the US authorities to examine the business conduct of Swiss banks with respect to US taxpayers and to ensure that they do not maintain banking relationships that are not declared to the US tax authority (IRS).

Although Crédit Agricole Suisse has never sought to develop this customer segment, in December 2013 it decided to take part in the US tax programme in category 2, as it cannot rule out the possibility that, in the past, some of its customers may not have informed the bank of their status as "US Persons" and/or may not have entirely fulfilled their tax obligations with respect to the United States.

Crédit Agricole Suisse is therefore currently carrying out a review of the cases that may be involved and that may give rise to a penalty if any customers did not fulfil or intend to fulfil their tax obligations with respect to the United States.

Based on the current status of the review, its outcome cannot yet be ascertained.

Bell Group

The agreement entered into by the Banks and the Bell Group companies on 19 September 2013 has become final and has been implemented, putting an end to the dispute between the Banks and the Bell Group companies.

Binding agreements

Crédit Agricole S.A. does not depend on any industrial, commercial or financial patent, license or contract.

NON-COMPLIANCE RISKS

Non-compliance risk refers to a potential lack of adherence to rules governing financial and banking activities. These rules may be laws, regulations, professional or ethical standards, instructions, professional codes of conduct, or efforts to combat money-laundering, corruption or the financing of terrorism.

A dedicated monitoring system ensures that these risks are controlled and that their impact in terms of financial losses, or legal, administrative or disciplinary sanctions, is minimised. The common objective is to preserve the Group's reputation.

The organisation and main actions relating to compliance are detailed in the key economic performance indicators section of the part of the registration document dealing with employee, social and environmental information related to Crédit Agricole S.A. Group.

The prevention, monitoring and control of compliance and reputational risks are detailed in the report of the Chairman of the Board of Directors to the General Meeting of Shareholders on the preparation and organisation of the Board's work and on the internal control procedures implemented within the Company, as required by the French Financial Security Act of 1 August 2003.

BASEL 3 PILLAR 3 DISCLOSURES

Regulation EU 575/2013 (EU) of 26 June 2013 requires relevant financial institutions (notably credit institutions and investment firms) to disclose quantitative and qualitative information on their risk management activities. Crédit Agricole S.A. Group's risk management system and exposure levels are presented in this section and in the section entitled "Risk Factors". Crédit Agricole S.A. Group has chosen to disclose its Pillar 3 Prudential information in a separate section from its Risk Factors in order to present separately the requirements coming from prudential rules. This section provides information on capital requirements, constituents of capital and exposures to credit risk, market risk and operational risk.

Commission Implementing Regulation (EU) no. 1423/2013 of 20 December 2013 lays down implementing technical standards with regard to disclosure of capital requirements for institutions according to Regulation (EU) no. 575/2013 of the European Parliament and of the Council.

Crédit Agricole Corporate and Investment Bank also discloses detailed information on Pillar 3 requirements on a sub-consolidated basis in its registration document.

In May 2012, the Financial Stability Board sponsored the creation of an international working group, the Enhanced Disclosure Task Force (EDTF). The EDTF, which draws its members from the private sector, producers and users of financial information, published a report in October 2012 that contained 32 recommendations for enhancing bank communication, in particular with respect to risk governance, capital adequacy, and exposure to liquidity and funding, market, credit and other risks. Two progress reports published in August 2013 and September 2014 provide further details on some of these recommendations.

In response to these recommendations, Crédit Agricole S.A. Group further improved the content of its financial communications. The table below presents an overview of the actions taken in response to the EDTF's recommendations and lists the relevant sections in the registration document.

EDTF CROSS-REFERENCE TABLE

	Recommendation		Registration document: Management report and others	Registration document: Risk factors	Registration document: Pillar 3	Registration document: Consolidated financial statements
Introduction	1	Cross-reference table			p. 237	
	2	Terminology and risk measures, key parameters used		p. 198 to 235	p. 262 and 263	p. 310 to 313, 325 to 338
	3	Presentation of the main and/or emerging risks		p. 198 to 235		p. 325 to 338
	4	New regulatory framework covering solvency and the Group's objectives		p. 222	p. 239 to 247	p. 338
Risk management governance and strategy	5	Organisation of risk management and control	p. 92 to 95, 102 to 110	p. 198 and 199		
	6	Risk management strategy and implementation	p. 92 to 95, 102 to 110	p. 198 to 235	p. 245 to 246, 257	
	7	Risk mapping by business line			p. 261 to 262	
	8	Governance and management of internal credit and market stress testing process		p. 199, 202 to 204, 209 to 211		
Capital requirements and risk weighted assets	9	Minimum Capital requirements			p. 242	
	10a	Detail of capital composition			p. 243, 248 to 255(1)	
	10b	Reconciliation of accounting and regulatory balance sheets and of accounting equity and regulatory capital			p. 239, 256	
	11	Change in regulatory capital			p. 243 to 244, 258	
	12	Capital planning and targeted ratios under CRD 4			p. 242 to 247, 258	
	13	Risk weighted assets by business line and by type of risk			p. 259 to 261, 265 to 266	
	14	Risk weighted assets and capital requirements by method and type of exposure		p. 203	p. 259 to 288	
	15	Exposure to credit risk by type of exposure and internal rating		p. 201, 203, 207	p. 265 to 277	
	16	Trends in risk weighted assets by type of risk			p. 261	
	17	Description of back-testing models and their reliability		p. 200 to 201, 209, 231	p. 264 to 265, 279	
Liquidity	18	Management of liquidity and cash balance sheet		p. 219 to 223		
	19	Asset encumbrance			p. 246 to 247	
	20	Breakdown of financial assets and financial liabilities by contractual maturity		p. 269		p. 331 to 336, 387
	21	Management of liquidity and funding risks		p. 219 to 224		
Market risk	22 to 24	Market risk measurement		p. 208 to 214	p. 289	p. 309 to 315, 331 to 334, 397 to 411
	25	Market risk management techniques		p. 208 to 214		
Credit risk	26	Maximum exposure, breakdown and diversification of credit risks		p. 199 to 207	p. 262 to 281	p. 325 to 330
	27 and 28	Impairment and risk coverage policy		p. 207		p. 311, 330, 343
	29	Derivative instruments: notional amounts, counterparty risk and offsetting	p. 106	p. 202, 204, 207, 211 to 212	p. 240, 260 and 261, 266	p. 313, 331 to 334, 366 to 368, 401
	30	Credit risk mitigation mechanisms		p. 204 to 205	p. 280 and 281	p. 394 and 395
Other risks	31	Other risks: risks in the insurance sector, operational risks and legal risks, security of IT systems and business continuity plans	p. 40, 91 to 96, 102 to 110, 193	p. 224 to 235	p. 289	p. 337, 380 to 382
	32	Stated risks and ongoing actions with respect to operational and legal risks		p. 233 to 235		p. 381 to 382

(1) Details of debt issues are available on the website: www.credit-agricole.com/en/Investor-and-shareholder/Financial-reporting/Pillar-3-and-other-regulatory-information.

REGULATORY BACKGROUND AND SCOPE

I. Scope of application of the capital requirements for the purposes of regulatory supervision

Credit institutions and certain investment activities permitted to provide services and investment activities referred to in Annex 1 of directive 2004/39/EC are subject to solvency and large exposure ratios on an individual and, where applicable, sub-consolidated basis, although they may be exempted under the provisions of Article 7 of Regulation (EU) no. 575/2013 of the European Parliament and of the Council of 26 June 2013 (CRR).

The French Prudential and Resolution Supervisory Authority (Autorité de contrôle prudentiel et de résolution – ACPR) has agreed that some of the Group's subsidiaries may benefit from exemption on an individual or, where applicable, sub-consolidated basis. As such, Crédit Agricole S.A. has been exempted by the ACPR on an individual basis.

The transition to CRR/CRD 4 does not call into question the individual exemptions granted by the ACPR prior to 1 January 2014, based on pre-existing regulatory provisions.

II. Regulatory scope

Difference between the accounting and regulatory scopes of consolidation:

Entities consolidated for accounting purposes, but excluded from the regulatory scope of consolidation of credit institutions on a consolidated basis predominantly comprise insurance companies and several ad hoc entities that are equity-accounted for regulatory purposes. In addition, entities consolidated on an accounting basis using proportional consolidation at 31 December 2013 and now equity-accounted in accordance with IFRS 11, are still consolidated proportionally for regulatory purposes. Information on these entities and their consolidation method for accounting purposes is provided in the consolidated financial statements, "Scope of consolidation at 31 December 2014".

TABLE 1 – DIFFERENCES IN THE TREATMENT OF EQUITY INVESTMENTS BETWEEN THE ACCOUNTING AND PRUDENTIAL SCOPES

Type of equity investment	Accounting treatment	Full Basel 3 prudential treatment
Subsidiaries with financial operations	Fully consolidated	Full consolidation generating capital requirements for the subsidiary's operations.
Jointly held subsidiaries with financial operations	Equity accounted	Proportionate consolidation
Subsidiaries with insurance operations	Fully consolidated	Regulatory treatment of these equity investments: equity accounting, since the Group is identified as being a "financial conglomerate": ● CET1 instruments weighted at 370%, with EI equity at 2.4% ● AT1 and T2 instruments deducted from the respective equity capital. In turn, as in the past, Crédit Agricole S.A. Group and Crédit Agricole Group are subject to additional capital requirements and capital adequacy ratios applying to financial conglomerates.
Equity investments of over 10% with operations that are financial in nature	● Equity accounted ● Equity investments in credit institutions	● deduction of CET1 instruments from CET1, beyond an exemption threshold of 17.65% of CET1. This exemption threshold, applied after calculation of a 10% threshold, is common to the non-deducted portion of deferred tax assets that rely on future profitability arising from temporary differences ● AT1 and T2 instruments deducted from the respective equity capital.
Equity investments of ≤10% with financial or insurance operations	Equity investments and available for-sale securities	Deduction of CET1, AT1 and T2 instruments, beyond an exemption threshold of 10% of CET1
ABCP business securitisation vehicles	Fully consolidated	Risk weighting of the equity-accounted value and commitments on these structures (liquidity facilities and letters of credit)

TABLE 2 – RECONCILIATION BETWEEN THE STATED AND REGULATORY CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2014

In millions of euros	Accounting scope	Regulatory adjustments(1)	Regulatory scope(2)
Cash, central banks	55,036	21	55,057
Financial assets at fair value through profit or loss	405,572	(83,124)	322,448
Hedging derivative instruments	30,423	(663)	29,760
Available-for-sale financial assets	283,376	(188,326)	95,050
Loans and receivables due from credit institutions	368,209	(2,332)	365,877
Loans and receivables due from customers	314,379	947	315,326
Revaluation adjustment on interest rate hedged portfolios	16,740	29	16,769
Held-to-maturity financial assets	15,961	(14,144)	1,817
Current and deferred tax assets	3,978	455	4,433
Accruals, prepayments and sundry assets	51,085	(2,778)	48,307
Non-current assets held-for-sale	94	(92)	2
Investments in equity-accounted entities	21,243	10,563	31,806
Fixed assets	9,646	(3,987)	5,659
Goodwill	13,334	(762)	12,572
ASSETS	**1,589,076**	**(284,193)**	**1,304,883**
Central banks	4,411	-	4,411
Liabilities at fair value through profit or loss	321,254	(758)	320,496
Hedging derivative instruments	27,685	133	27,818
Due to credit institutions	141,176	(8,183)	132,993
Due to customers	473,984	11,905	485,889
Debt securities	172,921	1,387	174,308
Revaluation adjustment on interest rate hedged portfolios	16,338	(927)	15,411
Current and deferred tax liabilities	3,129	(250)	2,879
Accruals, deferred income and sundry liabilities	57,392	(3,958)	53,434
Liabilities associated with non-current assets held for sale	-	-	-
Insurance company technical reserves	284,017	(284,017)	-
Provisions	4,716	(94)	4,622
Subordinated debt	25,937	991	26,928
Total liabilities	**1,532,960**	**(283,771)**	**1,249,189**
Total equity	**56,116**	**(422)**	**55,694**
Equity, Group share	50,063	321	50,384
Non-controlling interests	6,053	(743)	5,310
EQUITY AND LIABILITIES	**1,589,076**	**(284,193)**	**1,304,883**

(1) *Equity-accounted insurance companies, subsidiaries excluded from the regulatory scope and reintegration of inter-company transactions connected with these subsidiaries.*

(2) *Finrep disclosures.*

III. Reform of solvency ratios

Summary of the major changes introduced by Basel 3 (CRR/CRD 4) compared with Basel 2

Tightening up the regulatory framework, Basel 3 enhances the quality and level of regulatory capital required and adds new risk categories to the regulatory framework. The legislation concerning the regulatory requirements applicable to credit institutions and investment firms was published in the Official Journal of the European Union on 26 June 2013 (directive 2013/36/EU, transposed notably by Order no. 2014-158 of 20 February 2014 and Regulation (EU) no. 575/2013 of the European Parliament and of the Council) and entered into force on 1 January 2014, in accordance with the transitional provisions specified in the legislation.

A. SOLVENCY RATIO NUMERATOR

Basel 3 defines three levels of capital:

- Common Equity Tier 1 capital (CET1);
- Tier 1 capital, which consists of Common Equity Tier 1 capital and Additional Tier 1 capital (AT1);
- total capital consisting of Tier 1 capital and Tier 2 capital.

Capital at 31 December 2014, calculated on a **fully loaded** Basel 3[1] basis, takes into account the following changes compared with 31 December 2013 on a Basel 2.5 basis:

1. elimination of most **prudential filters,** in particular as regards unrealised capital gains and losses on equity instruments and available-for-sale debt securities. As an exception, capital gains and losses on cash flow hedges and those arising from changes in the institution's credit rating (liabilities held at fair value) remain filtered. Unrealised capital gains and losses on sovereign debt securities are not filtered in the tables presented below, which are projected to 2022, when IAS 39 will no longer be in force. In addition, a filter is introduced in respect of the DVA (debit valuation adjustment reflecting changes in the credit rating of the institution related to derivatives held as liabilities on the balance sheet);
2. partial derecognition of **minority interests** and other equity instruments issued by eligible subsidiaries[2] in excess of the amount of capital required to cover the subsidiary's capital requirements. This partial derecognition applies to each tier of capital. Furthermore, ineligible minority interests are excluded;
3. deduction from the CET1 of **deferred tax assets (DTAs)** that rely on future profitability **arising from tax loss carryforwards;**
4. deduction from the CET1 of negative amounts resulting from **any shortfall of provisions relative to expected losses** (EL), calculated with a distinction between performing and non-performing loans;
5. deduction from the CET1 of **deferred tax assets (DTAs)** that rely on future profitability **arising from temporary differences** above an exemption threshold of 17.65% of CET1. This exemption threshold, applied after application of an initial exemption threshold of 10% of CET1, is common to the non-deducted portion of CET1 instruments held in significant financial stakes (over 10%). Items not deducted are included in risk-weighted assets (250% weighting);
6. deduction from the CET1 of the CET1 instruments held in **significant financial stakes** (over 10%, significant investments) beyond an exemption threshold of 17.65% of CET1 capital, with treatment identical to that described in the previous point:
   - the deduction relates to direct investments of over 10% and indirect investments (in particular *via* UCITS). These are now treated as a deduction and not anymore as risk-weighted assets. Their amount is added to that of the aforementioned financial-sector direct investments should they be identified as financial-sector entities. Otherwise, the equity portion, or even the full amount of the UCITS portfolio is deducted from the CET1 without the exemption being applied,
   - with regard to insurance-sector equity investments, they are treated as risk weighted assets weighted at 370% if they are part of the conglomerate. If not, they are consolidated with other financial-sector investments and are therefore deducted from CET1 for the portion in excess of the double exemption threshold mechanism described above;
7. restriction of the Tier 1 and Tier 2 capital to **hybrid debt instruments** satisfying the inclusion criteria for Basel 3 eligibility;
8. **value adjustments** arising from the prudent valuation laid down in the regulatory framework: institutions must apply the prudent valuation principle and adjust the amount of their assets measured at fair value and deduct any value adjustment.

In addition, some of these items will be introduced progressively or phased-in as described below in point IV.

B. SOLVENCY RATIO DENOMINATOR

Basel 3 introduces changes to the calculation of credit and counterparty risk-weighted assets, and in particular factors in:

- the risk of market price movements in derivatives transactions linked to the credit rating quality of the counterparty (CVA - Credit Valuation Adjustment);
- central counterparty risks (clearing houses);
- external ratings, the reference of which is modified for the calculation of the weighting of financial counterparties under the standardised method;
- an increase in the correlation of default of large financial-sector entities for treatment under the internal ratings-based approach;
- strengthening of detection measures and monitoring of the correlation risk;
- preferential treatment of exposures on small and medium-sized firms (SMEs).

Furthermore, risk-weighted assets include the equity-accounted value of insurance investments for the validated conglomerate scope, pursuant to Article 49 of the CRR. For Crédit Agricole S.A. Group, the weighting stands at 370% since Crédit Agricole Assurances (CAA) is not listed. Furthermore, the risk arising from these regulatory requirements on Crédit Agricole S.A.'s investment in CAA has been transferred to the Regional Banks through the implementation of specific guarantees (Switch), from 2 January 2014. The guarantee amounts to €9.2 billion for CAA.

Pursuant to Regulation (EU) no. 575/2013 of 26 June 2013, two approaches are used to measure exposure to credit risk:

- the standardised approach, which is based on external credit ratings and fixed weightings for each Basel exposure class;
- the Internal Ratings Based approach (IRB), which is based on the bank's own internal rating system.

  There are two subsets of the IRB approach:

  - the "Foundation Internal Ratings-Based" approach, under which institutions may use exclusively their own default probability estimates,
  - the "Advanced Internal Ratings-Based" approach, under which institutions may use all their internal estimates of risk components: probability of default, loss given default, exposure given default and maturity.

Since late 2007, the ACPR has authorised Crédit Agricole S.A. Group to use its internal rating systems to calculate regulatory capital requirements for credit risk on Retail and Large customer exposures throughout almost all of its consolidation scope. After the transition to the advanced IRB approach for all the "Retail banking" portfolios of Cariparma and FriulAdria in Italy in 2013, the Group was granted authorisation in 2014 to use the IRB approach for the "Corporate" portfolios of LCL and the Regional Banks, effective as of 1 October 2014.

(1) *As they would be calculated in 2022 after the transition period.*

(2) *Credit institution and certain investment activities.*

In addition, the ACPR has since 1 January 2008 authorised Crédit Agricole S.A. Group's main entities to use the Advanced Measurement Approach (AMA) to calculate their regulatory capital requirements for operational risk. The Group's other entities use the standardised approach, in accordance with regulations.

The main Group entities or portfolios still using the standardised method for measuring credit and/or operational risk at 31 December 2014 were as follows:

- the Cariparma group portfolios still not validated (non-retail banking portfolios and Carispezia scope) as well as all other entities in the International Retail Banking division;
- Crédit Agricole Leasing & Factoring group;
- some portfolios and foreign subsidiaries of Crédit Agricole Consumer Finance group;
- the real estate professionals portfolio.

Pursuant to the Group's commitment to phase in the advanced method, agreed with the ACPR in May 2007 (rollout plan), work on the main entities or portfolios still under the standardised method continues. An update of the rollout plan is sent annually to the competent authority.

The use of internal models for calculating solvency ratios has strengthened Crédit Agricole S.A. Group's risk management. In particular, the development of "internal rating" methods has led to the systematic collection of reliable data in respect of historical default and loss for the majority of Group entities. The collection of historical data of this nature now makes it possible to quantify credit risk by giving each rating an average probability of default (PD) and, for "advanced internal rating" approaches, the loss given default (LGD).

In addition, the parameters of the "internal rating" models are used in the definition, implementation and monitoring of entities' risk and credit policies. On the scope of large customers, the Group's unique rating system (identical methods and tools, shared data), in place for many years, has contributed to strengthening and standardising the use of ratings and the associated risk parameters within the entities. The uniqueness of ratings in the Large customers' scope thereby provides a shared framework on which to base standards and procedures, management tools, provisioning and risk-hedging policies, as well as alerts and close monitoring procedures. Due to their role in the monitoring and managing of risk within the various entities, ratings are subject to quality controls and regular monitoring at all stages of the rating process.

Internal models for measuring risks accordingly promote the development of sound risk-management practices among Group entities and improve the efficiency of the process of capital allocation by allowing a more accurate measurement of its consumption by business line and by entity.

C. SOLVENCY RATIOS UNDER CRR/CRD 4

Overall under Basel 3, three levels of solvency ratio are calculated:

- the Common Equity Tier (CET1) ratio;
- the Tier 1 (T1) ratio;
- the total capital ratio.

These ratios are to be phased-in so that the transition from the Basel 2 calculation rules to the Basel 3 rules can be handled progressively.

In addition to the mandatory minimum ratio levels, "capital buffers" consisting solely of Common Equity Tier 1 capital, will be applied to the ratios (see Minimum Requirements in point V below) to strengthen the resilience of the banking sector:

- the capital conservation buffer;
- the countercyclical buffer;
- the global systemically important financial institutions (G-SIB) buffer, (only for Crédit Agricole Group, and not for Crédit Agricole S.A.); and
- the systemic risk buffer requirement.

IV. Transitional implementation phase

To facilitate compliance by credit institutions with the CRR/CRD 4, less stringent transitional provisions have been provided for: notably the progressive introduction of new capital components:

1. transitional application of the treatment of prudential filters on **unrealised gains and losses** on available-for-sale financial assets: unrealised gains will still be excluded from CET1 in 2014, and will subsequently be integrated on a gradual basis (40% in 2015; 60% in 2016; 80% in 2017 and 100% in subsequent years). Conversely, unrealised capital losses are to be included from 2014. In addition, unrealised capital gains and losses on sovereign debt securities remain excluded from capital until such time as IFRS 9 is adopted by the EU;
2. progressive deduction of the partial derecognition or exclusion of **minority interests** by tranche rising by 20% per annum with effect from 1 January 2014;
3. progressive deduction of **deferred tax assets (DTAs)** that rely on future profitability **arising from tax loss carryforwards** by tranche rising by 20% per annum with effect from 1 January 2014. The residual amount (80% in 2014) continues to be handled using the CRD3 method (treatment as risk-weighted assets with a 0% weighting);
4. no transitional application of the deduction of negative amounts resulting from a **shortfall of provisions relative to expected losses** (as a reminder, under CRD3, 50% deduction from Tier 1 and 50% deduction from Tier 2 capital), with a calculation of the amounts that now distinguish between performing and non-performing loans;
5. gradual deduction of **deferred tax assets (DTAs)** that rely on future profitability **arising from temporary differences:** the amount that exceeds the double exemption threshold that is partially common to significant financial stakes (over 10%) is deducted by tranche rising by 20% per annum with effect from 1 January 2014. The items covered by the exemption thresholds are weighted 250%. The residual amount by which the exemption threshold (80% in 2014) is exceeded continues to be handled using the CRD3 method (treatment as risk-weighted assets with a 0% weighting);
6. gradual deduction of CET1 instruments held in **significant financial stakes** (over 10%): the residual amount by which the double exemption threshold common to the deferred tax assets referred to in the previous point is exceeded is deducted according to the same approaches described above. The items covered by the exemption threshold are weighted 250% as above. That residual amount by which the exemption threshold is exceeded (80% in 2014) continues to be handled using the CRD 3 method (50% deduction from Tier 1 and 50% from Tier 2);
7. The **hybrid debt instruments** that were eligible to capital under Basel 2 and which are no longer eligible as capital owing to the entry into force of the new regulation can, under

5

certain conditions, be eligible to the grandfathering clause. In accordance with this clause, these instruments are gradually excluded over a period of 8 years, with a reduction of 10% per annum. In 2014, 80% of the overall base reported at 31 December 2012 is recognised, then 70% in 2015, etc. The derecognised portion may be recognised in the lowest tier of capital (from AT1 to Tier 2, for example) if it satisfies the corresponding criteria.

Lastly, **intangible assets** (including goodwill) are to be deducted in full from CET1 from 2014, in accordance with the national transposition of the transitional provisions.

V. Minimum requirements

- Capital ratios before buffers: the minimum CET1 requirement stands at 4% in 2014, rising to 4.5% in subsequent years. Likewise, the minimum Tier 1 requirement stands at 5.5% in 2014, rising to 6% in subsequent years. Lastly, the minimum total capital requirement stands at 8%;
- Capital buffers are added to these ratios, to be applied on a phased-in basis:
  - the capital conservation buffer (2.5% of risk weighted assets in 2019),
  - the countercyclical buffer (in principle within a range 0 to 2.5%): the buffer for the Group being an average weighted by exposure at default (EAD[1]) of the buffers defined for each country in which the Group operates,
  - the buffer for systemic risk and for global systemically important financial institutions G-SIB (in the range 0 to 3.5%). These two buffers are not cumulative, double counting being eliminated by the regulator of the consolidating entity. Only Crédit Agricole Group is a G-SIB. Crédit Agricole S.A. does not fall within this category.

These buffers come into force on an incremental basis from 2016 to 2019 (0% in 2015, 25% of the required buffer in 2016, 50% in 2017, etc.). The systemic risk buffer may be rolled out from 2015 by a national authority provided that it supplies the European Banking Authority with relevant justification. When the countercyclical buffer rate is changed by a national authority, the application date is at least 12 months after the date of publication. The increments above apply at the end of the 12-month advance notice period.

These buffers must be covered by CET1.

MINIMUM REQUIREMENTS ON THE BASIS OF THE INFORMATION KNOWN AT END-FEBRUARY 2015

1 January...	2014	2015	2016	2017	2018	2019
Common Equity Tier 1	4.0%	4.5%	4.5%	4.5%	4.5%	4.5%
Tier 1 (CET1 + AT1)	5.5%	6.0%	6.0%	6.0%	6.0%	6.0%
Tier 1 + Tier 2	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Capital conservation buffer			0.625%	1.250%	1.875%	2.50%
Countercyclical buffer (0 to 2.5%)			0%	0%	0%	0%
Systemic risk buffer (0 to 5%)			0%	0%	0%	0%
G-SIB buffer (systemically important financial institutions) (0 to 3.5%)			0%	0%	0%	0%

TOTAL REQUIREMENT FOR CRÉDIT AGRICOLE S.A. INCLUDING THE BUFFER KNOWN AT END-FEBRUARY 2015

1 January...	2014	2015	2016
CET1 + buffers	4.0%	4.5%	5.125%
T1 + buffers	5.5%	6.0%	6.625%
T1 + T2 + buffers	8.0%	8.0%	8.625%

(1) *The EAD is the exposure amount in the event of default. It encompasses balance sheet assets plus a proportion of off-balance sheet commitments.*

INDICATORS AND REGULATORY RATIOS

I. Solvency ratios

The following table shows the CDR 4 European solvency ratio, calculated in accordance with the current regulations, compared with the capital declared according to CRD 3 at 31 December 2013. It shows the regulatory capital (simplified version). The full table is presented in the section "Composition and change in regulatory capital/Composition of capital" in this chapter.

(in millions of euros)	31/12/2014 Phased-in	31/12/2014 Fully loaded	31/12/2013 Basel 2
Capital and reserves, Group share[1]	43,539	45,083	40,814
(+) Tier 1 capital as agreed by the French Prudential and Resolution Supervisory Authority ACPR (shareholders' advance)	0	0	958
(+) Minority interests[1]	2,793	1,689	3,620
(-) Prudent valuation	(506)	(506)	0
(-) Deductions of goodwill and other intangibles	(15,106)	(15,106)	(15,350)
(-) Deferred tax assets that rely on future profitability not arising from temporary differences after deduction of the associated tax liabilities	(29)	(143)	0
(-) Shortfall of adjustments for credit risk relative to expected losses under the internal ratings-based approach deducted from the CET1	(287)	(287)	0
(-) Amount exceeding the exemption threshold for CET1 instruments of financial stakes in which the institution owns a significant holding and of the deductible deferred tax assets that rely on future profitability arising from temporary differences[2]	(60)	(300)	0
(-) Deduction of UCIT-owned financial institutions	(19)	(19)	0
Transitional adjustments and other deductions applicable to CET1 capital	131	0	(201)
COMMON EQUITY TIER 1 CAPITAL (CET1)	**30,456**	**30,411**	**29,841**
Equity instruments eligible as AT1 capital	4,100	4,100	8,461
Ineligible AT1 equity instruments qualifying under grandfathering clause	7,463	0	0
Tier 1 or Tier 2 instruments of entities operating mainly in the insurance sector in which the institution has a significant investment deducted from Tier 1 capital	(1,615)	0	(2,156)
Transitional adjustments and other Basel 2 deductions	(242)	0	(3,408)
ADDITIONAL TIER 1 CAPITAL	**9,706**	**4,100**	**2,898**
TIER 1 CAPITAL	**40,162**	**34,511**	**32,739**
Equity instruments and subordinated borrowings eligible as Tier 2 capital	15,378	15,378	19,472
Ineligible equity instruments and subordinated borrowings	3,072	0	0
Surplus provisions relative to expected losses eligible under the internal ratings-based approach and general credit risk adjustments under the standardised approach[3]	1,177	1,177	0
Tier 2 instruments of entities operating mainly in the insurance sector in which the institution has a significant investment deducted from Tier 2 capital	(2,423)	(3,799)	(2,156)
Transitional adjustments and other Basel 2 deductions	182	0	(2,715)
TIER 2 CAPITAL	**17,386**	**12,756**	**14,602**
TOTAL CAPITAL	**57,548**	**47,267**	**47,341**
TOTAL RISK-WEIGHTED ASSETS	**292,989**	**292,989**	**299,569**
CET1 ratio	**10.4%**	**10.4%**	**10.0%**
Tier 1 ratio	**13.7%**	**11.8%**	**10.9%**
Total capital ratio	**19.6%**	**16.1%**	**15.8%**

(1) This line is detailed in the table presented in the section entitled "Composition and change in regulatory capital / Reconciliation of accounting and regulatory capital.

(2) Financial-sector CET1 instruments in which the institution holds a significant stake account for €3,371 million, and the deferred taxes that rely on future profitability arising from temporary differences amount to €566 million on a fully loaded basis as at 31 December 2014.

(3) The transfer to Tier 2 of the surplus provisions relative to eligible expected losses determined in accordance with the internal ratings-based approach is limited to 0.6% of risk-weighted assets under IRB. In addition, general credit risk adjustments gross of tax effects may be included up to 1.25% of risk-weighted assets under the standardised approach.

The fully loaded Common Equity Tier 1 (CET1) capital stood at €30.4 billion at 31 December 2014, up €0.6 billion compared with year-end 2013. The phased-in CET1 capital is very close to the fully loaded CET1 capital.

Major events with an impact on CET1 capital in 2014 include the payment of the 2013 scrip dividend for the share outside of the Group, which impacts issued capital and reserves (+€0.3 billion), the inclusion of the share of the payment of the scrip dividend due to SAS Rue La Boétie for the 2014 financial year (+€0.5 billion in capital and reserves), and the acquisition of 5% of Amundi's minority interests, which decreases the minority interests (-€0.2 billion). The adjustment of the BES equity-accounted value, which went down to zero at 30 June 2014, had a neutral effect on CET1, the lower deduction from capital related to this financial stake offsetting its negative impact on profit:

- capital and reserves, Group share used to calculate the fully loaded ratio rose by €4.3 billion compared with the 2013 year-end, in particular with a retained net profit amounting to €2.0 billion for the financial year, payment of the scrip dividend on 2013 results for the share outside the Group, the inclusion of the share of the payment of the scrip dividend due to SAS Rue La Boétie for 2014, and the significant increase in unrealised gains and losses, as the elimination of some of the prudential filters resulted in capturing gains. Phased-in capital and reserves, Group share were €1.5 billion less than the fully loaded capital and reserves due to filtering of unrealised gains on the banking scope;
- the Tier 1 capital under CRD 3 as agreed by the French Regulatory and Resolution Supervisory Authority (ACPR) representing €958 million in shareholder advances made available to Crédit Agricole S.A. by the Regional Banks was repaid in full. The same applies to the "T3CJs" hybrid equity securities issued by Crédit Agricole S.A. and subscribed by the Regional Banks, which were shown under minority interests and amounted to €470 million. Since these advances and the "T3CJs" are not eligible under CRD4, the full amount was replaced with specific new guarantees, which took effect on 2 January 2014 under the second part of the "Switch" transaction. The second part consists in transferring to the Regional Banks the risk arising from the regulatory requirements associated with Crédit Agricole S.A.'s investment in Crédit Agricole Assurances (CAA). The guarantee amounts to €9.2 billion for CAA;
- fully loaded minority interests amounted to €1.7 billion, lower than the phased-in amount which benefits from the reintegration of 80% of the derecognised minority interests, *i.e.* €1.1 billion;
- the deduction for Prudent valuation was €0.5 billion, deducted from CET1;
- the deductions from capital for goodwill and other intangibles amounted to €15.1 billion on both a fully loaded and phased-in basis, a reduction of €0.2 billion, primarily due to the effective disposal of Crédit Agricole Consumer Finance Nordic entities;
- deferred tax assets that rely on future profitability arising from tax loss carryforwards are an element that is now eliminated from capital. On a fully loaded basis, they amounted to €0.1 billion and 20% of this amount is deducted in the phased-in figure;
- the provision shortfall relative to the expected loss on IRB exposures amounted to €0.3 billion at 31 December 2014 on both a phased-in and fully loaded basis. Under Basel 3, this amount is now deducted from the CET1;
- CET1 instruments of significant financial stakes (over 10%) are lower than under Basel 2 because the latter no longer include the largest part of CET1 investments in the insurance sector, which are covered by the Switch transaction referred to above, or the subordinated insurance claims, which are Tier 2 instruments (at 31 December 2013, they were 50% deducted from Tier 1 and 50% deducted from Tier 2 capital). The CET1 instruments amounted to €3.4 billion. They are subject to the calculation of an exemption threshold, and the amount by which this is exceeded amounted to €0.3 billion on a fully loaded basis and to 20% of this amount on a phased-in basis;
- deferred tax assets that rely on future profitability arising from temporary differences amounted to €0.6 billion at 31 December 2014. Under Basel 3, they are subject to the calculation of an exemption threshold, but they did not exceed this amount at 31 December 2014. Accordingly, they are treated as risk weighted assets and weighted at 250%;

Fully loaded Tier 1 capital, at 34.5 billion euros, came in €1.8 billion above its 31 December 2013 level, while the phased-in Tier 1 capital was €7.4 billion above its 31 December 2013 level. This includes the CET1 capital described above and the Additional Tier 1 capital, which underwent the following changes:

- the hybrid securities included in Tier 1 capital eligible under Basel 3 amounted to €4.1 billion following the issues completed during 2014;
- the entire stock prior to 1 January 2014 was ineligible on a fully loaded basis. On a phased-in basis, the grandfathering provision makes it possible to include, above the Basel 3-eligible instruments, an amount of debt equivalent to a maximum of 80% of the base at 31 December 2012, *i.e.* €7.5 billion, taking into account the calls of instruments ineligible under Basel 3 or falling outside the scope, for a total of €1.5 billion in 2014;
- on a phased-in basis, subordinated loans and receivables from credit institutions and insurance companies, all representative of Tier 2 instruments, were deducted for their share of the deduction from Tier 1 in the amount of €1.6 billion on a phased-in basis. Under Basel 2, the deduction was €2.2 billion.

At €12.8 billion, fully loaded Tier 2 capital was €1.8 billion lower than at 31 December 2013. Phased-in Tier 2 capital was €2.8 billion higher than at 31 December 2013:

- the hybrid securities included in Tier 2 capital eligible for Basel 3 amounted to €15.4 billion following the €0.6 billion dated subordinated debt issue completed in 2014. They include both dated subordinated debt (TSR), undated subordinated debt (TSDI) and a participating note. On a phased-in basis, the grandfathering provision also makes it possible to include an amount of ineligible debt equivalent to a maximum of 80% of the ineligible base at 31 December 2012. At 31 December 2014, this amount consisted of the actual amount of Tier 2 debt, €3.1 billion;
- as under Basel 2.5, this capital tier also includes surplus provisions relative to expected losses eligible under the internal ratings-based approach and, now, general credit risk adjustments under the standardised approach. This item came to €1.2 billion at 31 December 2014. It was zero at 31 December 2013 for the internal ratings-based approach;
- subordinated loans and receivables from credit institutions and insurance companies, all representative of Tier 2 instruments, were deducted for their share of the deduction from Tier 2 in the amount of €3.8 billion on a fully loaded basis and €2.4 billion on a phased-in basis.

In all, fully loaded total capital at 31 December 2014 stood at €47.3 billion, unchanged from the total at 31 December 2013. At 57.5 billion euros, phased-in total capital was €10.2 billion higher than at 31 December 2013.

II. Financial conglomerate ratio

The conglomerate ratio is defined as the ratio of the phased-in total capital of the financial conglomerate to the cumulative total of the bank's capital requirements and insurance company's capital requirements:

- it includes all banking and insurance requirements, restating the share of intragroup transactions related to equity investments from both the numerator and the denominator;
- the insurance subsidiary's capital raised outside of the scope of consolidation is included in the conglomerate's capital.

The minimum requirement for the conglomerate ratio is 100%.

$$\text{Financial conglomerate ratio} = \frac{\text{Total capital of the conglomerate}}{\text{Banking requirements} + \text{Insurance requirements}} > 100\%$$

The "conglomerate" view is the most relevant for a bancassurance group. The conglomerate combines banks and insurance companies, which corresponds to the natural scope of Crédit Agricole S.A. Moreover, the conglomerate ratio reflects the actual risks borne by each of the two activies. Therefore, the conglomerate ratio view is economic, whereas the bank solvency ratio treats insurance as an equity investment. Hence, internal capital (see the section on the composition and change in regulatory capital/evaluation of internal capital below) is assessed on this basis.

At 31 December 2014, Crédit Agricole S.A.'s conglomerate ratio was 239% on a phased-in basis, a level far above the required 100%. The Group therefore has twice the level of capital minimum requirements for banking activities and insurance activities.

III. Leverage ratio

Article 429 of the CRR specifying the methods for calculating the leverage ratio was amended and replaced by the Delegated Act no. 62/2015 of 10 October 2014. The delegated act was published in the *OJEU* on 18/01/2015.

Publication of the ratio at least once a year is mandatory as of 01/01/2015. Institutions can choose to publish a fully loaded ratio, a phased-in ratio or both ratios.

If the institution decides to change its publication choice, at the time of first publication it must reconcile the data for all of the ratios previously published with the data for the new ratios selected for publication.

An observation period has been introduced for the leverage ratio running from 01/01/2014 to 01/01/2017 to monitor the components and the behaviour of the ratio relative to the requirements based on risk. The European Commission must then report to the European Parliament and Council and put forward a regulatory proposal covering the methods for applying and calculating the ratio. The indicative benchmark set by the Basel Committee for the leverage ratio is 3%.

At present, a Pillar 1 requirement is maintained for 01/01/2018.

The leverage ratio is defined as the Tier 1 capital divided by the exposure measure, *i.e.* balance sheet and off-balance-sheet assets after certain restatements of derivatives, intragroup transactions, securities financing transactions, items deducted from the numerator, and off-balance-sheet items.

At end-2014, Crédit Agricole S.A.'s leverage ratio stood at 4.2% on a phased-in Tier 1 basis.

IV. MREL/TLAC ratio

MREL ratio

The MREL (or Minimum Requirement for Own Funds and Eligible Liabilities) ratio, is defined in the European "Bank Recovery and Resolution Directive" (BRRD) published on 12 June 2014 and effective starting 1 January 2015 (except for provisions on bail-in and MREL, which will take effect no later than 1 January 2016).

More generally, the BRRD establishes a framework for the resolution of banks throughout the European Union and with the aim of equipping resolution authorities with shared instruments and powers to pre-emptively tackle banking crises, preserve financial stability and reduce taxpayers' exposure to losses.

The MREL ratio corresponds to the minimum requirement of own funds and eligible liabilities in order to absorb losses in the event of resolution. This minimum requirement is calculated as being the amount of own funds and eligible liabilities expressed as a percentage of the institution's total liabilities and capital. In this calculation, total liabilities takes into account the full recognition of netting rights applicable to derivatives. Regulatory own funds, subordinated notes with a residual maturity of more than one year (including prudentially ineligible own fund instruments and the amortised portion of Tier 2) and certain senior debts with residual maturities of more than one year qualify for inclusion in MREL.

The MREL ratio calibrates an eligible liabilities requirement but does not specify which debt would be called upon to absorb losses in the event of resolution.

Crédit Agricole Group is targeting MREL of 8% excluding senior debt, which would enable recourse to European resolution fund before applying the bail-in to senior debt, creating an additional layer of protection for senior investors. The achievement of this target is based on organic growth of own funds and complementary issuance of Tier 2, partially substituting for senior unsecured debt issues. Crédit Agricole Group, like Crédit Agricole S.A., will be subject to MREL target defined by the supervisor, which could be different from the Group's target of 8%.

TLAC ratio

This ratio, which is still being defined, was established by the Financial Stability Board (FSB) at the request of the G20. In its recent consultation, the FSB has proposed the calculation of a ratio aimed at estimating the adequacy of the loss absorbing and recapitalisation capacities of Global Systemically Important Banks (G-SIBs). Once finalised, this new "Total loss absorbing capacity" ratio will provide resolution authorities with the means to assess whether G-SIBs have sufficient loss absorbing capacity before and during resolution. As a result, the resolution authorities will be able to implement an ordered resolution strategy that minimises impacts on financial stability, ensures the continuity of the G-SIBs' critical economic functions and limits the use of taxpayers' money.

According to the FSB's current proposals, the minimum level of the TLAC ratio would correspond to twice the minimum regulatory requirement (*i.e.* the maximum between twice the leverage ratio and 16% to 20% of the risk weighted assets plus the applicable regulatory buffers). This minimum level could be increased by the resolution authorities.

This ratio will apply solely to Global Systemically Important Institutions, and thus to Crédit Agricole Group, starting in 2019. Crédit Agricole S.A. will not be subject to this ratio, as it is not classified as a G-SIB by the FSB.

The elements that could absorb losses are made up of equity, subordinated notes and debts to which the resolution authority can apply the bail-in.

As we understand the FSB's current proposals, Crédit Agricole Group would have to comply with a TLAC ratio of more than 19.5% (including a capital conservation buffer of 2.5% and a G-SIB buffer of 1%). Crédit Agricole Group aims to comply with these TLAC requirements by 2019, excluding senior debt, subject to changes in methods of calculating risk weighted assets. As at 31 December 2014, the TLAC to risk weighted assets ratio is estimated at 18.7% for Crédit Agricole Group, excluding eligible senior debt.

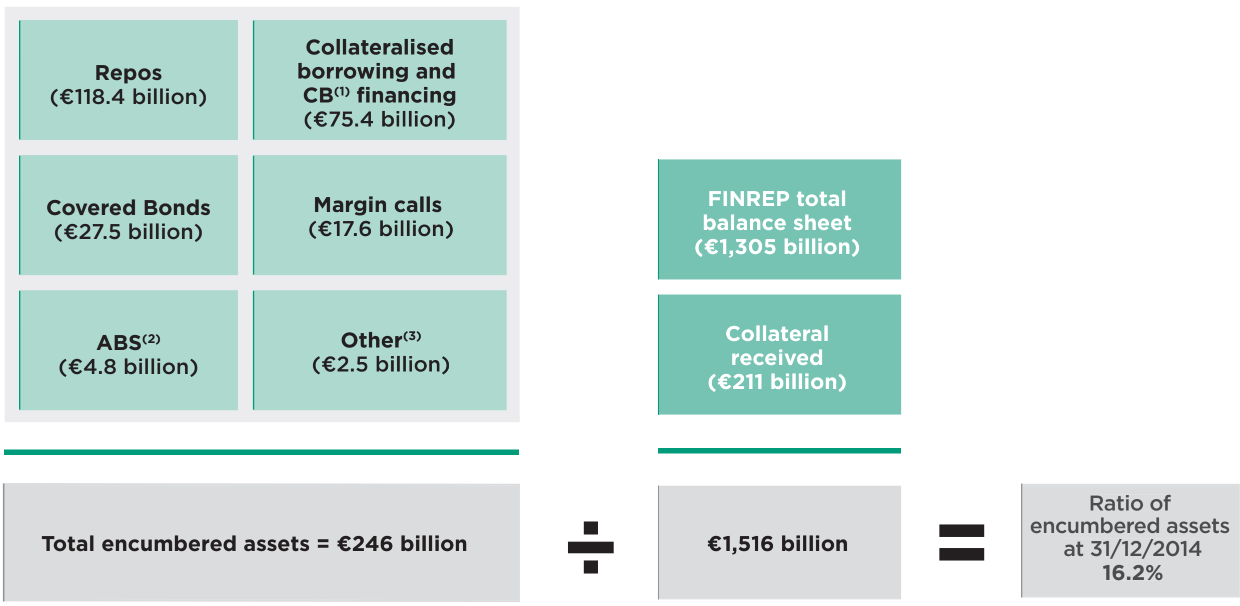
V. Asset encumbrance

Crédit Agricole S.A. monitors and manages the assets pledged in Crédit Agricole Group.

The total asset encumbrance ratio stands at 16.2% at 31 December 2014:

- on loans and receivables due from private customers, assets are pledged to obtain refinancing under advantageous conditions or to constitute reserves that can easily be made liquid if needed. The policy of Crédit Agricole S.A. aims to both diversify the instruments used to improve resistance to liquidity stress, which could affect individual markets differently, and to limit the share of assets pledged in order to retain good quality assets that can be easily liquidated in the market through existing mechanisms in case of stress:
  - covered bonds: assets and collateral received from the Regional Banks are pledged through three issue mechanisms: Crédit Agricole Home Loan SFH, Crédit Agricole Public Sector SCF and Cariparma (€24 billion invested and outstanding for €27.5 billion in encumbered assets and re-used collateral received),
  - collateralised borrowings: encumbered assets and collateral received stem mainly from the financing activities with the Caisse de Refinancement de l'Habitat (CRH) and with French or supranational organisations, funds drawn from the ECB under T-LTROs and Crédit Agricole CIB's ESTER securitisation conduit (€49.6 billion of refinancing for €69.3 billion in encumbered assets and re-used collateral received),
  - securitisations: assets are pledged for securitisation transactions by CA Consumer Finance and placed in the market (€4.8 billion);
- other sources of asset encumbrance relate mainly to securities pledged and consequently cash (mainly for margin calls);
- repos: outstanding encumbered assets and collateral received and re-used for repos amounted to €118 billion, of which €90 billion in securities received as collateral and re-used (composed at 87% of sovereign debt) out of a total of €211 billion of collateral received; CACIB's share of the €118 billion was €102 billion (including €83 billion in collateral received primarily from customers and re-used);
- margin calls: margin calls amounted to €18 billion, mainly related to CACIB's OTC derivatives activities;
- the collateral received included €196 billion in encumbered guarantees received or available to be encumbered and €15 billion in collateral received but not available to be encumbered.

USE OF ENCUMBERED ASSETS AND COLLATERAL RECEIVED



(1) Central Banks.
(2) CACF ABS.
(3) Mainly securities bridging loans.

Data (in millions of euros) at 31/12/2014

ASSETS

	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
	010	040	060	090
010 Assets of the reporting institution	**85,487**		**1,219,396**	
030 Equity instruments	2,553	2,553	6,487	6,487
040 Debt securities	24,642	24,642	132,228	132,228
100 Loans and advances other than loans on demand	41,383		692,268	
120 Other assets	16,909		314,886	

COLLATERAL RECEIVED

	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
	010	040
130 Collateral received by the reporting institution	**160,664**	**35,586**
150 Equity instruments	660	0
160 Debt securities	87,057	35,586
220 Loans and advances other than loans on demand	71,964	0
230 Other collateral received	984	0
240 Own debt securities issued other than own covered bonds or ABSs	0	0

ENCUMBERED ASSETS/COLLATERAL RECEIVED AND ASSOCIATED LIABILITIES

	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
	010	030
010 Carrying amount of selected financial liabilities	**365,371**	**237,652**

COMPOSITION AND CHANGE IN REGULATORY CAPITAL

I. Composition of capital

The table below is presented under the format of Annex IV and VI of Commission Implementing Regulation no. 1423/2013 of 20 December 2013. In order to simplify matters, the headings used below are those of in Annex VI, namely the phased-in headings.

COMPOSITION OF CAPITAL AT 31/12/2014

Numbering (Phased-in) *(in millions of euros)*		31/12/2014	
		Phased-in	Fully loaded
Common Equity Tier 1 capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	29,068	29,068
	of which: Crédit Agricole S.A. shares	29,068	29,068
	of which: Regional Banks' mutual shares (CCI/CCA)		
	of which: Local Banks' mutual shares		
2	Retained earnings	0	0
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	15,012	15,012
3a	Fund for general banking risk		
4	Amount of qualifying items referred to in Article 484(3) and the related share premium accounts subject to phase out from CET1		
	Public sector capital injections grandfathered until 1 January 2018		
5	Minority interests (amount allowed in consolidated CET1)	2,793	1,689
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	2,036	2,036
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**48,908**	**47,804**
Common Equity Tier 1 capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	(506)	(506)
8	Intangible assets (net of related tax liability) (negative amount)	(15,106)	(15,106)
9	Empty set in the EU		
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38(3) are met) (negative amount)	(143)	(143)
11	Fair value reserves related to gains or losses on cash flow hedges	(826)	(826)
12	Negative amounts resulting from the calculation of expected loss amounts	(287)	(287)
13	Any increase in equity that results from securitised assets (negative amount)		
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	99	99
15	Defined-benefit pension fund assets (negative amount)	(11)	(11)
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	(153)	(153)
17	Holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		
18	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)		
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	(300)	(300)
20	Empty set in the EU		
20a	Exposure amount of the following items which qualify for a RW of 1,250%, where the institution opts for the deduction alternative	(160)	(160)
20b	of which: qualifying holdings outside the financial sector (negative amount)	(160)	(160)
20c	of which: securitisation positions (negative amount)		
20d	of which: free deliveries (negative amount)		
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38(3) are met) (negative amount)		

Numbering (Phased-in) *(in millions of euros)*		31/12/2014 Phased-in	31/12/2014 Fully loaded
22	Amount exceeding the 15% threshold (negative amount)		
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities		
24	Empty set in the EU		
25	of which: deferred tax assets arising from temporary differences		
25a	Losses for the current financial year (negative amount)		
25b	Foreseeable tax charges relating to CET1 items (negative amount)		
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment	(1,058)	
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	(1,606)	
	Of which: unrealised gains (phase out)	(986)	
	Of which: unrealised losses (phase out)		
	Of which: unrealised gains linked to exposures to central administrations (phase out)	(620)	
	Of which: unrealised losses linked to exposures to central administrations (phase out)		
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR	547	
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)		
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(18,452)**	**(17,393)**
29	**Common Equity Tier 1 (CET1) capital**	**30,456**	**30,411**
	Additional Tier 1 (AT1) capital: instruments		
30	Capital instruments and the related share premium accounts	4,100	4,100
31	of which: classified as equity under applicable accounting standards	4,100	4,100
32	of which: classified as liabilities under applicable accounting standards		
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	7,463	
	Public sector capital injections grandfathered until 1 January 2018		
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties		
35	of which: instruments issued by subsidiaries subject to phase out		
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**11,563**	**4,100**
	Additional Tier 1 (AT1) capital: regulatory adjustments		
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)		
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		
39	Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)		
40	Direct and indirect holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)		
41	Regulatory adjustments applied to Additional Tier 1 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) no. 575/2013 (*i.e.* CRR residual amounts)	(1,857)	
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to Article 472 of Regulation (EU) no. 575/2013	(242)	
41b	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to Article 475 of Regulation (EU) no. 575/2013	(1,615)	
41c	Amount to be deducted from or added to Additional Tier 1 capital with regard to additional filters and deductions required pre-CRR		
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)		
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**(1,857)**	**-**
44	**Additional Tier 1 capital (AT1)**	**9,706**	**4,100**
45	**Tier 1 capital (T1=CET1 + AT1)**	**40,162**	**34,510**

Numbering (Phased-in) *(in millions of euros)*		31/12/2014	
		Phased-in	**Fully loaded**
Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	15,378	15,378
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	3,072	
	Public sector capital injections grandfathered until 1 January 2018		
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties		
49	of which: instruments issued by subsidiaries subject to phase out		
50	Credit risk adjustments	1,177	1,177
51	**Tier 2 (T2) capital before regulatory adjustments**	**19,627**	**16,555**
Tier 2 (T2) capital: regulatory adjustments			
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)		
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)		
54a	Of which new holdings not subject to transitional arrangements		
54b	Of which holdings existing before 1 January 2013 and subject to transitional arrangements		
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	(3,799)	(3,799)
56	Regulatory adjustments applied to Tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) no. 575/2013 (*i.e.* CRR residual amounts)	1,559	
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to Article 472 of Regulation (EU) no. 575/2013	(120)	
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to Article 475 of Regulation (EU) no. 575/2013		
56c	Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre-CRR	1,678	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**(2,241)**	**(3,799)**
58	**Tier 2 (T2) capital**	**17,386**	**12,756**
59	**Total capital (TC=T1 + T2)**	**57,548**	**47,266**
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) no. 575/2013 (*i.e.* CRR residual amounts)	12,603	12,603
	Of which: CET1 instruments of financial sector entities not deducted from CET1 (Regulation (EU) no. 575/2013 residual amounts)	11,190	11,190
	Of which: Deferred tax assets that rely on future profitability and arising from temporary differences not deducted from CET1 (Regulation (EU) no. 575/2013 residual amounts)	1,413	1,413
	Of which: AT1 instruments of financial sector entities not deducted from AT1 (Regulation (EU) no. 575/2013 residual amounts)	3	3
	Of which: Tier 2 instruments of financial sector entities not deducted from Tier 2 (Regulation (EU) no. 575/2013 residual amounts)	135	135
60	**Total risk weighted assets**	**292,989**	**292,989**
Capital ratios and buffers			
61	**Common Equity Tier 1 (as a percentage of risk exposure amount)**	**10.39%**	**10.38%**
62	**Tier 1 (as a percentage of risk exposure amount)**	**13.71%**	**11.78%**
63	**Total capital (as a percentage of risk exposure amount)**	**19.64%**	**16.13%**
64	Institution specific buffer requirement (CET1 requirement in accordance with Article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)		
65	of which: capital conservation buffer requirement		

Numbering (Phased-in) *(in millions of euros)*	31/12/2014 Phased-in	Fully loaded
66 of which: countercyclical buffer requirement		
67 of which: systemic risk buffer requirement		
67a of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer		
68 Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)		
69 [non relevant in EU regulation]		
70 [non relevant in EU regulation]		
71 [non relevant in EU regulation]		
Amounts below the thresholds for deduction (before risk weighting)		
72 Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	1,054	1,054
73 Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	3,071	3,071
74 Empty set in the EU		
75 Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	565	565
Applicable caps on the inclusion of provisions in Tier 2		
76 Credit risk adjustments included in Tier 2 in respect of exposures subject to standardized approach (prior to the application of the cap)	434	434
77 Cap on inclusion of credit risk adjustments in T2 under standardized approach	1,120	1,120
78 Credit risk adjustments included in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	765	765
79 Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	742	742
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2013 and 1 January 2022)		
80 Current cap on CET1 instruments subject to phase out arrangements		
81 Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		
82 Current cap on AT1 instruments subject to phase out arrangements	7,463	
83 Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	(2)	
84 Current cap on T2 instruments subject to phase out arrangements	3,294	
85 Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		

As stated in the aforementioned point, CRR/CRD 4 has brought with it some major changes in the composition of capital by tier.

1. Tier 1 capital

This includes Common Equity Tier 1 (CET1) and Additional Tier 1 capital (AT1):

A. COMMON EQUITY TIER 1 (CET1)

They include:

- issued capital;
- reserves, including share premiums, retained earnings, net income after dividend payments (or provision for dividend payments) and accumulated other comprehensive income, including unrealised capital gains and losses on available-for-sale financial assets, as described in section Regulatory background and scope/Reform of solvency ratios;
- minority interests, which, as stated in the point on the reform of solvency ratios, are now partially derecognised or even excluded, depending on whether or not the subsidiary is an eligible credit institution;
- the deductions, apart from the ones stated above in the point on the reform of solvency ratios, include the following items:
  - treasury shares held and valued at their net carrying amount,
  - intangible assets, including start-up costs and goodwill.

B. ADDITIONAL TIER 1 CAPITAL (AT1)

Additional Tier 1 capital eligible under Basel 3 in fully loaded

Additional Tier 1 (AT1) capital eligible under Basel 3 consists of perpetual debt instruments without any redemption incentive or obligation (in particular step-up features).

AT1 instruments are subject to a loss absorption mechanism triggered when the CET1 ratio is below a threshold that must be set at no lower than 5.125%. Instruments may be converted into equity or suffer a reduction in their nominal value. Payments must be totally flexible: no automatic remuneration mechanisms, suspension of coupon payments at the issuer's discretion permitted.

Investments in financial-sector entities related to this tier (AT1) are deducted, as are those resulting from the transitional regime rules.

The following table shows the stock of AT1 with the four issues eligible for Basel 3 completed in 2014, and those in the stock at 31 December 2013, after maturities and redemptions, but excluding the impact of the cap resulting from the grandfathering provision.

The four Basel 3 eligible issues have two loss absorption mechanisms that are triggered when:

- Crédit Agricole S.A. Group's phased-in CET1 ratio drops below 5.125%,
- Crédit Agricole Group's phased-in CET1 ratio falls below 7%.

At 31 December 2014, the phased in ratios of Crédit Agricole Group and of Crédit Agricole S.A. were 12.8% and 10.4% respectively. They thus represent a capital buffer of €28.9 (for the Crédit Agricole Group threshold) and of €15.4 billion (for the Crédit Agricole S.A. threshold) in capital relative to the loss absorption thresholds.

At 31 December 2014, there was no applicable restriction on the payment of coupons.

At 31 December 2014, the potentially distributable items of Crédit Agricole S.A. totalled €25.8 billion, including net income, distributable reserves and €21.3 billion in share premiums.

Additional Tier 1 capital eligible in phased-in

During the transitional phase, the amount of Tier 1 included in the ratios represents

- Additional Tier 1 capital eligible under Basel 3 (AT1); and
- a fraction of the ineligible Tier 1, equal to the lower of:
  - the actual amount of ineligible Tier 1 instruments on the closing date (after amortization, any calls, redemptions, etc.), including preferred shares,
  - 80% (threshold for 2014) of the Tier 1 stock at 31 December 2012. The Tier 1 stock at 31 December 2012 stood at €9,329 million, with a maximum amount of €7,463 million possibly being recognised.

The Tier 1 amount exceeding this regulatory threshold is included in phased-in Tier 2, up to the regulatory threshold applicable to Tier 2 itself.

Deeply subordinated debt and preferred shares at 31 December 2014

To facilitate readability, the capital instruments are listed below in a simplified format. The full version, prepared in accordance with Annex II of European Commission Implementing Regulation no. 1423/2013 of 20 December 2013, can be found on the following website: www.credit-agricole.com/en/Investor-and-shareholder/Financial-reporting/Pillar-3-and-other-regulatory-information

ISIN	Issuer	Date of issue	Amount on issue (in millions)	Currency	Compensation	Call dates	Step-up (Y/N)	Regulatory treatment at 31/12/13 (T1/T2)	Eligibility under CRD 4 (Y/N)	Coupon suspension conditions	Write-down condition	Regulatory amount at 31/12/2014 (in millions of euros)[1]	Regulatory amount at 31/12/2013 (in millions of euros)[1]
Deeply subordinated debt at 31/12/2014													
FR0010161026	Crédit Agricole S.A.	04/02/2005	600	EUR	6% then starting 04/02/2006, 10y CMS +0.025%, cap at 7.75%	04/02/2015 then yearly	N	T1	N	A	C	371	371
FR0010248641	Crédit Agricole S.A.	09/11/2005	600	EUR	4.13% then starting 09/11/2015, E3M +1.65%	09/11/2015 then quarterly	Y	T1	N	A	C	329	329
FR0010291997	Crédit Agricole S.A.	24/02/2006	500	GBP	5.136% then starting 24/02/2016, Libor3M GBP + 1.575%	24/02/2016 then quarterly	Y	T1	N	A	C	255	238
FR0010359794	Crédit Agricole S.A.	11/08/2006	400	CAD	5.5% then starting 11/08/2016, CDOR 3M CAD +1.75%	11/08/2016 then quarterly	Y	T1	N	A	C	42	40
US225313AA37 - USF22797FJ25	Crédit Agricole S.A.	31/05/2007	1,500	USD	6.637% then starting 31/05/2017, Libor3M USD + 1.2325%	31/05/2017 then every 10 years	N	T1	N	A	C	732	644
FR0010533554	Crédit Agricole S.A.	19/10/2007	500	USD	7.375%	19/10/2012 then half-yearly	N	T1	N	A	C	412	363
NZCASD0001S5	Crédit Agricole S.A.	19/12/2007	250	NZD	10.035% then starting 19/12/2012 5.04% then starting 19/12/2017, NZD 3M +1.90%	19/12/2017 then quarterly	N	T1	N	A	C	160	148
FR0010575654	Crédit Agricole S.A.	30/01/2008	400	GBP	7.589% then starting 30/01/2020, Libor 3M GBP +3.55%	30/01/2020 then quarterly	Y	T1	N	A	C	220	206
FR0010603159	Crédit Agricole S.A.	31/03/2008	850	EUR	8.2% then starting 31/03/2018, E3M +4.80%	31/03/2018 then quarterly	Y	T1	N	A	C	847	849
FR0010670422	Crédit Agricole S.A.	30/09/2008	500	EUR	10.653% then starting 30/09/2018, E3M +6.80%	30/09/2018 then quarterly	Y	T1	N	A	C	500	500
FR0010772244	Crédit Agricole S.A.	26/06/2009	1,350	USD	9.75%	26/12/2014 then half-yearly	N	T1	N	A	C	-	977
US225313AB10 - USF22797FK97	Crédit Agricole S.A.	13/10/2009	1,000	USD	8.375% then starting 13/10/2019, Libor 3M USD +6.982%	13/10/2019 then quarterly	Y	T1	N	A	C	821	722
FR0010814418	Crédit Agricole S.A.	26/10/2009	300	GBP	8.125% then starting 26/10/2019, Libor 3M GBP +6.146%	26/10/2019 then quarterly	Y	T1	N	A	C	372	348
FR0010814434	Crédit Agricole S.A.	26/10/2009	550	EUR	7.875% then starting 26/10/2019, E3M +6.424%	26/10/2019 then quarterly	Y	T1	N	A	C	548	548

ISIN	Issuer	Date of issue	Amount on issue *(in millions)*	Currency	Compensation	Call dates	Step-up (Y/N)	Regulatory treatment at 31/12/13 (T1/T2)	Eligibility under CRD 4 (Y/N)	Coupon suspension conditions	Write-down condition	Regulatory amount at 31/12/2014 *(in millions of euros)*(1)	Regulatory amount at 31/12/2013 *(in millions of euros)*(1)
US225313AD75 - USF22797RT78	Crédit Agricole S.A.	23/01/2014	1,750	USD	7.875% then starting 23/01/2024, USD 5 year swap rate +4.898% (revised every 5 years)	23/01/2024 then every 5 years	N	T1	Y	F	C	1,440	-
XS1055037177	Crédit Agricole S.A.	08/04/2014	1,000	EUR	6.5% then starting 23/06/2021, EUR 5 year swap rate +5.12% (revised every 5 years)	23/06/2021 then every 5 years	N	T1	Y	F	C	999	-
XS1055037920	Crédit Agricole S.A.	08/04/2014	500	GBP	7.5% then starting 23/06/2026, GBP 5 year swap rate +4.535% (revised every 5 years)	23/06/2026 then every 5 years	N	T1	Y	F	C	641	-
US225313AE58 - USF22797YK86	Crédit Agricole S.A.	18/09/2014	1,250	USD	6.625% then starting 23/09/2019, USD 5 year swap rate +4.697% (revised every 5 years)	23/09/2019 then every 5 years	N	T1	Y	F	C	1,019	-
-	CACEIS S.A.	28/11/2007	80	EUR	6.315% then starting 28/11/2017, E3M +2.80%	28/11/2017 then quarterly	Y	T1	N	A	C	40	40
XS0406757525	Newedge Group	23/12/2008	205	USD	8.60% then starting 23/12/2013, Libor3M +6.5%	23/12/2013 then quarterly	N	T1	N	A	C	-	74
IT0004743818	Cariparma	29/06/2011	120	EUR	E3M +7.29%	28/06/2016 then quarterly	N	T1	N	D	E	30	29
Preferred shares (equivalent to deeply subordinated debt)(2)													
XS0161441000	CA Preferred Funding LLC	30/01/2003	1,500	USD	7.00%	30/01/2009 then quarterly	N	T1	N	B		1,235	1,088
XS0173838847	CA Preferred Funding LLC	08/08/2003	550	USD	7.00%	30/07/2009 then quarterly	N	T1	N	B		-	399
NL0000113868	CA Preferred Funding LLC	19/12/2003	550	EUR	6.00%	30/07/2009 then quarterly	N	T1	N	B		550	550
TOTAL												**11,565**	**8,463**

(1) Amounts before applying the grandfathering clause under Basel 3. The application of this clause implies that the total of deeply subordinated debt amounts to €7,463 million. The total Tier 1 amount is eligible for grandfathering up to the step-up date for innovative securities or up to the recognition cut-off date indicated in the legislation.

(2) Preferred shares are classified as minority interests for accounting purposes.

Key:

A At the issuer and supervisor's discretion; non-cumulative dividend pusher.

B Non-cumulative dividend pusher.

C When the minimum regulatory or contractual threshold applicable to the total capital ratio is breached downward or upon the intervention of the supervisory authority ("Supervision event"), accrued interest and the notional are impaired up to a maximum of 0.01 unit of the issue currency.

D At the discretion of the issuer and supervisor and non-cumulative dividend stopper on certain junior securites or securities of the same ranking, otherwise dividend pusher.

E At Cariparma's discretion, or in the event that the total capital ratio falls below the 6% threshold or another minimum regulatory threshold as applicable, or upon the intervention of the supervisory authority, the notional is impaired up to a maximum of 0.01 unit of the issue currency.

F At the discretion of the issuer and of the supervisor, and subject to the limitations applying to the issuer's discretionary distributions in the event of a failure to satisfy the overall buffer requirements of Crédit Agricole Group or Crédit Agricole S.A.

2. Tier 2 capital

They include:

- subordinated debt instruments which must have a minimum maturity of 5 years. They must not carry any early repayment incentives. There are no more distinctions between lower and upper Tier 2 capital;
- these instruments are subject to a haircut during the five-year period prior to their maturity date;
- grandfathering as presented for the AT1 capital above;
- net unrealised capital gains on equity instruments included before tax in Tier 2 capital at a rate of 45% (only on a phased-in basis);
- surplus provisions relative to eligible expected losses determined in accordance with the internal ratings-based approach are limited to 0.6% of risk-weighted assets under IRB. In addition, general credit risk adjustments gross of tax effects may be included up to 1.25% of risk-weighted assets under the standardised approach;
- deductions of investments in financial-sector entities related to this tier (predominantly in the insurance sector, since most subordinated banking receivables are not eligible) and those resulting from the transitional regime rules, following phasing of investments deducted at 50% from Tier1 and at 50% from Tier2 under CRD3.

The subordinated debt is presented below with the distinction existing at 31 December 2013 between undated subordinated debt and participating note, on the one hand, and dated subordinated debt, on the other hand.

The amount of Tier 2 included in the ratios represents:

- in fully loaded: CRD 4 eligible Tier 2;
- in phased-in: CRD 4 eligible Tier 2, plus the lower of:
  - ineligible Tier 2 securities and, as applicable, the remainder of Tier 1 securities exceeding the 80% threshold (threshold for 2014) of ineligible Tier 1 securities,
  - 80% of the CRD 4 ineligible Tier 2 stock at 31 December 2012. The CRD 4 ineligible Tier 2 stock at 31 December 2012 stood at €4,118 million, or a maximum amount of €3,294 million possibly being recognised.

UNDATED SUBORDINATED DEBT AND PARTICIPATING NOTE AS AT 31 DECEMBER 2014

ISIN	Issuer	Date of issue	Amount on issue *(in millions)*	Currency	Compensation	Call dates	Step-up (Y/N)	Regulatory treatment at 31/12/13 (T1/T2)	Eligibility under CRD 4 (Y/N)	Regulatory amount at 31/12/2014 *(in millions of euros)*(1)	Regulatory amount at 31/12/2013 *(in millions of euros)*(1)
Undated subordinated debt at 31/12/2014											
-	Crédit Agricole S.A.	20/12/2001	937	EUR	5.641% then starting 20/12/2011, E3M +0.75%	20/12/2011 then quarterly	N	T2	N	937	937
FR0000181307	Crédit Agricole S.A.	07/03/2003	636	EUR	5.2% then starting 07/03/2015, 12-year govt. lending rate +1.50% (revised every 12 years)	07/03/2015 then every 12 years(2)	Y	T2	N	569	583
FR0000475790	Crédit Agricole S.A.	20/06/2003	1,050	GBP	5% then starting 07/03/2015, 12-year govt. lending rate +1.5% (revised every 12 years)	20/06/2018 then every 5 years	Y	T2	N	197	184
FR0000189268	Crédit Agricole S.A.	30/06/2003	497	EUR	4.7% then starting 03/07/2016 until 03/07/2029, 13-year govt. lending rate +1% then starting 03/07/2029, 13-year govt. lending rate +1.25% (revised every 13 years)	03/07/2016 then every 13 years(2)	Y	T2	N	439	447
FR0010036087	Crédit Agricole S.A.	24/12/2003	505	EUR	5% then starting 24/12/2015, 12-year govt. lending rate +0.75% (revised every 12 years)	24/12/2015 then every 12 years(2)	Y	T2	N	423	423
FR0000584997	LCL	04/11/1985	229	EUR	Average of monthly rates of return for payment of govt.-guaranteed and similar loans (INSEE publication) - 0.15%	-	N	T2	N	94	96
FR0000165912	LCL	05/01/1987	305	EUR	Average of monthly rates of return for payment of govt.-guaranteed and similar loans (INSEE publication) - 0.30%	05/01/1994 then yearly	N	T2	N	104	110
Participating note at 31/12/2014											
FR0000140071	LCL	22/10/1984	305	EUR	40% x TMO + 33% x TMO x (Net income for (N-1)/ Net income for 1983)	-	N	T2	Y	120	120
TOTAL										**2,882**	**2,900**

(1) Amounts before applying the grandfathering clause under Basel 3.

(2) Call possible at any time following the first call date under given conditions.

DATED SUBORDINATED DEBT (TSR) AT 31 DECEMBER 2014

ISIN	Issuer	Date of issue	Contractual maturity date	Amount on issue *(in millions)*	Currency	Call dates	Step-up (Y/N)	Regulatory treatment at 31/12/13 (T1/T2)	Eligibility under CRD 4 (Y/N)	Regulatory amount at 31/12/2014 *(in millions of euros)*(1)	Regulatory amount at 31/12/2013 *(in millions of euros)*(1)
Dated subordinated debt at 31/12/2014											
-	Agos S.p.A.	27/12/2005	27/12/2015	34	EUR	27/12/2010 then at each interest payment date	Y	T2	N	7	14
IT0004387046	Agos S.p.A.	30/06/2008	29/06/2018	50	EUR	starting 28/06/2013	Y	T2	N	40	50
-	Agos S.p.A.	23/05/2013	23/05/2023	8	EUR	-	N	T2	Y	8	8
-	Agos S.p.A.	16/12/2013	18/12/2023	2	EUR	-	N	T2	Y	2	-
-	CACEIS Bank France	17/12/2004	14/02/2015	50	EUR	-	N	T2	N	10	20
IT0004505902	Cariparma	30/06/2009	30/06/2016	77	EUR	-	N	T2	N	31	45
IT0004505910	Cariparma	30/06/2009	30/06/2016	223	EUR	-	N	T2	N	90	136
IT0004249881	Carispezia	14/12/2007	14/12/2017	30	EUR	starting 14/12/2012	Y	T2	N	10	18
-	Caisse Régionale Corse	18/11/2004	18/11/2014	1	EUR	-	N	T2	Y	0	0
-	Caisse Régionale Corse	15/11/2005	15/11/2017	2	EUR	-	N	T2	Y	1	1
-	Caisse Régionale Corse	26/06/2008	26/06/2018	2	EUR	-	N	T2	Y	1	2
-	Crealfi	30/12/2004	30/12/2014	1	EUR	30/12/2009 then quarterly	Y	T2	N	0	0
FR0000188302	Crédit Agricole S.A.	06/03/2002	06/03/2014	620	EUR	06/03/2009	N	T2	Y	0	117
FR0011205640	Crédit Agricole S.A.	05/06/2002	06/06/2017(2)	296	EUR	-	N	T2	Y	167	224
FR0000188526	Crédit Agricole S.A.	28/06/2002	28/06/2014	601	EUR	28/06/2009	N	T2	Y	0	117
FR0010138487	Crédit Agricole S.A.	22/12/2004	22/12/2016	396	EUR	22/12/2012	N	T2	Y	154	231
FR0010163444	Crédit Agricole S.A.	28/02/2005	28/02/2017	531	EUR	28/02/2013	N	T2	Y	307	410
FR0010236836	Crédit Agricole S.A.	20/10/2005	20/10/2020	480	EUR	20/10/2012 then yearly	N	T2	Y	469	469
FR0010259473	Crédit Agricole S.A.	22/12/2005	22/12/2020	274	EUR	22/12/2010 then quarterly	N	T2	Y	267	267
FR0010289082	Crédit Agricole S.A.	03/03/2006	03/03/2018	536	EUR	03/03/2012 then quarterly	N	T2	Y	417	521
XS0343877451	Crédit Agricole S.A.	01/02/2008	01/02/2018	2,375	EUR	-	N	T2	Y	1,874	2,343
FR0010567651	Crédit Agricole S.A.	04/02/2008	04/02/2020	417	EUR	04/02/2016 then quarterly	N	T2	Y	408	406
FR0010599209	Crédit Agricole S.A.	16/04/2008	16/04/2020	747	EUR	16/04/2016 then quarterly	N	T2	Y	732	730
FR0010692293	Crédit Agricole S.A.	18/12/2008	18/12/2020	238	EUR	18/12/2016 then quarterly	N	T2	Y	235	234
XS0405953257	Crédit Agricole S.A.	18/12/2008	18/12/2023	450	GBP	-	N	T2	Y	582	544
FR0010694166	Crédit Agricole S.A.	19/12/2008	19/12/2018	500	EUR	-	N	T2	Y	400	500
FR0010743070	Crédit Agricole S.A.	08/04/2009	08/04/2019	200	EUR	-	N	T2	Y	199	198
FR0010743096	Crédit Agricole S.A.	17/04/2009	17/04/2019	975	EUR	-	N	T2	Y	957	955
XS0432092137	Crédit Agricole S.A.	11/06/2009	11/06/2019	1,250	EUR	-	N	T2	Y	1,191	1,194
FR0010762716	Crédit Agricole S.A.	24/06/2009	24/06/2021	716	EUR	24/06/2016 then quarterly	N	T2	Y	697	699
FR0010827030	Crédit Agricole S.A.	22/12/2009	22/12/2019	942	EUR	22/12/2014 then quarterly	N	T2	Y	917	919
FR0010865642	Crédit Agricole S.A.	31/03/2010	31/03/2020	885	EUR	31/03/2015 then quarterly	N	T2	Y	873	861
FR0010905133	Crédit Agricole S.A.	30/06/2010	30/06/2020	1,158	EUR	-	N	T2	Y	1,133	1,137
FR0010941021	Crédit Agricole S.A.	30/09/2010	30/09/2022	719	EUR	30/09/2017 then quarterly	N	T2	Y	710	710
XS0550466469(3)	Crédit Agricole S.A.	19/10/2010	19/04/2021	1,250	EUR	-	N	T2	Y	1,113	1,113
FR0010968354	Crédit Agricole S.A.	22/12/2010	22/12/2022	2	EUR	-	N	T2	Y	1	1
US225313AC92 - USF22797QT87(4)	Crédit Agricole S.A.	19/09/2013	19/09/2033	1,000	USD	19/09/2018 then half-yearly	N	T2	Y	812	718
FR0012304459	Crédit Agricole S.A.	22/12/2014	22/12/2024	642	EUR	-	N	T2	Y	633	0
-	Crédit du Maroc	22/10/2008	22/10/2018	500	MAD	22/10/2013	N	T2	N	37	45
-	Crédit du Maroc	22/10/2008	22/10/2018	500	MAD	22/10/2013	N	T2	N	37	45
-	Crédit du Maroc	29/03/2011	29/03/2021	500	MAD	-	N	T2	N	46	46
-	Menafinance	30/12/2004	30/12/2014	1	EUR	30/12/2009 then quarterly	Y	T2	N	0	0
-	Newedge Group	15/12/1994	15/12/2014	22	EUR	-	N	T2	N	0	4
-	Newedge Group	29/12/2006	15/12/2016	95	USD	-	N	T2	N	0	41
-	Newedge Group	01/01/2008	01/01/2018	25	EUR	-	N	T2	N	0	25
TOTAL										**15,567**	**16,120**

(1) Amounts before applying the grandfathering clause under Basel 3.

(2) Operation extendible at the hand of the subscriber up to 6 June 2017.

(3) If, at any time, the French Prudential and Resolution Supervisory Authority ACPR (or any substituted authority) decides, given the applicable regulatory framework, that the instruments can no longer be recognised as Tier 2 Capital, the issuer can, from 1 January 2013, at its hand and subject to the prior agreement of the ACPR, release a notification concerning the change in status to the holders of the instruments, in accordance with the issuance conditions. As soon as such a notification concerning the change in status is implemented, subordination clauses cease to apply and the instruments automatically become unsubordinated notes.

(4) Contingent capital operation triggered at the threshold of 7% of CET1 ratio.

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II. Reconciliation of accounting and regulatory capital

(in millions of euros)	31/12/2014 Phased-in	31/12/2014 Fully loaded	31/12/2013 Basel 2
EQUITY, GROUP SHARE (ACCOUNTING AMOUNT)	**50,063**	**50,063**	**42,294**
Upcoming dividend payment on result of year Y-1	0	0	0
Expected dividend payment on result of year Y	(395)	(395)	(382)
Filtered unrealised gains/(losses) on change in own credit risk on structured products	177	177	0
Filtered unrealised gains/(losses) on change in own credit risk on derivatives	(15)	(77)	(50)
Filtered unrealised gains/(losses) on cash flow hedges	(826)	(826)	(290)
Unrealised gains/(losses) on available-for-sale equity and debt securities filtered under Basel 2	0	0	(1,189)
Transitional regime applicable to unrealised gains/(losses)	(1,606)	0	0
AT1 instruments included in accounting equity	(3,861)	(3,861)	0
Other regulatory adjustments	2	2	431
Capital and reserves Group share(2)	**43,539**	**45,083**	**40,814**
MINORITY INTERESTS (ACCOUNTING AMOUNT)	**6,053**	**6,053**	**5,597**
(-) preferred shares	(1,785)	(1,785)	(2,036)
(-) items not recognised under regulatory framework	(1,475)	(2,579)	59
Minority interests(2)	**2,793**	**1,689**	**3,620**
Prudent valuation	(506)	(506)	0
Other equity instruments(1)	0	0	958
Deductions of goodwill and other intangible assets	(15,106)	(15,106)	(15,350)
Deferred tax assets that rely on future profitability not arising from temporary differences	(29)	(143)	0
Shortfall in adjustments for credit risk relative to expected losses under the internal ratings-based approach deducted from the CET1	(287)	(287)	0
Amount exceeding the exemption threshold for CET1 instruments of financial stakes in which the institution owns a significant holding and of the deductible deferred tax assets that rely on future profitability arising from temporary differences	(60)	(300)	0
Amount exceeding the exemption threshold for CET1 instruments of financial stakes in which the institution owns an investment of less than 10%	0	0	0
Deduction of UCIT-owned financial institutions	(19)	(19)	0
Other CET1 components	131	0	(201)
TOTAL CET1	**30,456**	**30,411**	**29,841**
AT1 equity instruments (including preferred shares)	11,563	4,100	8,461
Tier 1 or Tier 2 instruments of financial-sector entities in which the institution holds a significant investment deducted from Tier 1 capital	(1,615)	0	(2,156)
Transitional adjustments and Basel 2 deductions	(120)	0	(1,630)
Other components of Tier 1 capital	(122)	0	(1,779)
Total Additional Tier 1	**9,706**	**4,100**	**2,897**
TOTAL TIER 1	**40,162**	**34,511**	**32,738**
Tier 2 equity instruments	18,450	15,378	19,472
Surplus provisions relative to expected losses eligible under the internal ratings-based approach	743	743	0
General credit risk adjustments under the standardised approach	434	434	0
Tier 2 instruments of entities operating mainly in the insurance sector in which the institution has a significant investment deducted from Tier 2 capital	(2,423)	(3,799)	(2,156)
Transitional adjustments and Basel 2 deductions	182	0	(2,715)
TOTAL TIER 2	**17,386**	**12,756**	**14,602**
Participations and investments in entities of the insurance sector	0	0	0
TOTAL CAPITAL	**57,548**	**47,267**	**47,340**

(1) Including at 31 December 2013 the €958 million shareholders' advance of SAS Rue La Boétie to Crédit Agricole S.A.

(2) This item can be found in the table of solvency ratios, section"Indicators and regulatory ratios/Solvency ratios".

III. Assessment of internal capital adequacy

The Group has implemented an internal capital adequacy assessment system covering Crédit Agricole Group, Crédit Agricole S.A. Group and the Group's main French and foreign entities. This approach is designed to meet the requirements of Pillar 2 of the Basel agreement, and more particularly the Internal Capital Adequacy Assessment Process (ICAAP), implemented under the responsibility of individual institutions.

Its main purpose is to ensure that the Group's capital, calculated at the level of the financial conglomerate, and that of its main entities, is adequate for the risks incurred, while ensuring the quality of risk controls and checks.

The risks quantified for the purposes of internal capital are:

- risks covered by Pillar 1 (credit and counterparty risk, market risk and operational risk);
- risks covered by Pillar 2 (interest-rate risk in the banking portfolio and credit concentration risk);
- insurance risks.

With respect to liquidity risk, the Group ensures the quality of the systems used to manage and supervise this risk, as well as the appropriateness of its liquidity continuity plan.

In addition to these risks, the internal capital approach requires banks to ensure that their capital requirements calculated under Pillar 1 adequately cover all residual risk related to risk mitigation techniques and securitisation transactions. Failing that, for internal capital purposes, a risk adjustment to Pillar 1 requirements must be made by any entities exposed to these risks.

The quantitative approach used to calculate internal capital is incremental compared with Pillar 1 requirements. Measures implemented refer to the target rating of the Group. This approach consists in:

- adjusting capital requirements calculated under Pillar 1 so that internal capital adequately reflects, from an economic standpoint, all the risks in each business activity;
- supplementing Pillar 1 requirements to take Pillar 2 risks into account;
- taking into account, on a prudent basis, the impacts of diversification resulting from the broad spread of business activities within the same group, including between banking and insurance.

Internal capital for credit risk exposures excluding retail banking is based on an internal economic capital model, enabling in particular a better comprehension of concentrations in credit portfolios.

Internal capital exposure to retail banking credit risk is calculated on the basis of measurements based on macro-economic scenarios, the severity of which is graded in line with the Group's target rating. This approach is being progressively extended to entities located outside France.

For market risk, which is monitored through VaR, internal capital fully integrates regulatory developments under Pillar 1 (stressed VaR, IRC). The horizon of capital measurement is made consistent with that used for other risks.

In calculating internal capital for interest rate risk in the banking portfolio, Crédit Agricole S.A. Group applies interest rate and inflation shocks, the severity of which is graded in line with the Group's target rating. In respect of the interest rate shocks applied, impacts on all directional, optional and behavioural risks are measured for each of the significant currencies. The calculation of internal capital also includes the offsetting impact provided by the lesser of (i) annual net interest margin and (ii) annual gross operating income, capped at 20% of equity.

Insurance risks are taken into account in the Group's internal capital based on the measures taken under the current and future regimes applicable to insurance companies (Solvency 1, Solvency 2).

Diversification between risks is measured by an internal model to quantify the correlations between the different classes of risk. They were updated in 2013 to reflect the sovereign debt crisis in the Eurozone.

A prospective approach is implemented to measure internal capital requirements, so as to integrate the effects of the Basel 3 reform, both for the calculation of available capital and for measuring capital requirements.

Crédit Agricole S.A. Group entities subject to the requirement to measure internal capital within their scope are responsible for doing so in accordance with standards and methodologies defined by the Group. More specifically, they must ensure that their ICAAP is appropriately organised and managed. Internal capital determined by the entities is reported in detail to Crédit Agricole S.A.

In addition to the quantitative aspect, the Group's approach relies on a qualitative component supplementing the calculation of internal capital with indicators of the business lines' exposure to risk and their permanent controls. The qualitative part of the ICAAP has three objectives:

- regularly assess the appropriateness of the risk management and control mechanisms of the Group's most significant entities;
- continuously improve the system of risk management and permanent control in the business lines;
- complete the analyses in the quantitative section of the ICAAP.

IV. Changes in regulatory capital in 2014

The table below presents regulatory capital changes in 2014. Movements between the 31 December 2013 under Basel 2.5 and 31 December 2014 under Basel 3 phased-in include the different adjustments relative to the transition from Basel 2.5 to Basel 3.

(in millions of euros)	**CHANGE: 31/12/2014 phased-in *vs* 31/12/2013 Basel 2.5**
Core Tier 1 capital under Basel 2.5 at 31/12/2013	**29,841**
Capital increase (Payment of scrip dividends in respect of 2013 earnings)	254
Capital repayment(1)	(958)
Net income/loss for the year before dividend	2,489
Expected dividend	(907)
Inclusion of the share of the payment of scrip dividend due to SAS Rue La Boétie for 2014 financial year	510
Unrealised gains and losses on available-for-sale securities and other unrealised gains and losses	362
Prudent valuation	(506)
Minority interests	(827)
Change in goodwill and other intangibles	244
Shortfall in adjustments for credit risk relative to expected losses under the internal ratings-based approach deducted from the CET1	(287)
Regulatory adjustments(2)	241
COMMON EQUITY TIER 1 CAPITAL UNDER BASEL 3 AT 31/12/2014	**30,456**
Additional Tier 1 capital under Basel 2.5 at 31/12/2013	**2,898**
Issues	4,100
Repayments and withdrawals from scope of consolidation	(1,450)
Regulatory adjustments(2)	4,158
ADDITIONAL TIER 1 CAPITAL UNDER BASEL 3 AT 31/12/2014	**9,706**
TIER 1 CAPITAL AT 31/12/2014	**40,162**
Tier 2 Capital under Basel 2.5 at 31/12/2013	**14,602**
Issues	633
Repayments and withdrawals from scope of consolidation	(304)
Regulatory adjustments including amortisation(2)(3)	2,455
TIER 2 CAPITAL UNDER BASEL 3 AT 31/12/2014	**17,386**
TOTAL CAPITAL AT 31/12/2014	**57,548**

(1) Capital repayment: shareholders' advance.

(2) Description of the various adjustments due to the transition from Basel 2.5 to Basel 3 phased-in can be found in section "Regulatory background and scope/Transitional implementation phase".

(3) Tier 2 instruments are subject to a haircut during the 5-year period prior to their maturity date.

COMPOSITION AND CHANGES IN RISK WEIGHTED ASSETS

Preliminary remark: the introduction, under CRD 4, of new exposure categories, along with changes in allocation rules for existing categories, mean it is impossible to provide a systematic analysis of portfolio changes between 2013 and 2014.

I. Risk weighted assets by type of risk

The risk weighted assets in respect of credit risk, market risk and operational risk were €293.0 billion at 31 December 2014, compared with €299.6 billion at 31 December 2013.

	31/12/2014		31/12/2013	
(in billions of euros)	Risk weighted assets	Capital requirements	Risk weighted assets	Capital requirements
Credit risk	**257.3**	**20.6**	**265.8**	**21.2**
Credit and counterparty risk - Standardised approach	**99.7**	**8.0**	**104.0**	**8.2**
Central governments and central banks	6.5	0.5	2.8	0.2
Institutions	11.5	0.9	10.1	0.8
Corporates	51.0	4.2	52.7	4.2
Retail customers	18.8	1.5	20.1	1.5
Loans to individuals	15.7	1.3		
o/w secured by property	*1.8*	*0.1*		
o/w revolving	*9.8*	*0.9*		
o/w other loans	*4.1*	*0.3*		
Loans to small and medium businesses	*3.1*	*0.2*		
o/w secured by property	*0.3*	*0.0*		
o/w other loans	*2.8*	*0.2*		
Equities	1.0	0.1	1.9	0.2
Securitisations	0.4	0.0	0.2	0.0
Assets other than credit obligation	10.5	0.8	16.2	1.3
Credit and counterparty risk - internal ratings-based approach	**156.4**	**12.5**	**161.8**	**13.0**
Central governments and central banks	2.3	0.2	1.2	0.1
Institutions	11.8	0.9	9.5	0.8
Corporates	72.5	5.9	68.8	5.5
Retail customers	33.0	2.6	32.5	2.6
Loans to individuals	*26.7*	*2.1*		
o/w secured by property	*8.0*	*0.6*		
o/w revolving	*3.2*	*0.3*		
o/w other loans	*15.5*	*1.2*		
Loans to small and medium businesses	*6.3*	*0.5*		
o/w secured by property	*0.7*	*0.1*		
o/w other loans	*5.6*	*0.4*		
Equities	30.5	2.4	45.1	3.6
Simple risk weighting approach	*23.3*	*1.8*	*45.1*	*3.6*
Private equity exposures in sufficiently diversified portfolios (190% weighting)	*1.4*	*0.1*	*2.0*	*0.2*
Listed equity exposures (290% weighting)	*2.7*	*0.2*	*3.4*	*0.3*
Other equity exposures (370% weighting)	*19.2*	*1.5*	*39.7*	*3.1*
Internal models method	*0.0*	-	-	-
Equity investments in significant financial stakes (over 10%) included in the exemption threshold calculation (250% weighting)	*7.2*	*0.6*	-	-
Securitisations	6.3	0.5	4.7	0.4
Assets other than credit obligations	-	-	-	-
Contributions to a CCP default fund	**1.2**	**0.1**	-	-

(in billions of euros)	31/12/2014 Risk weighted assets	31/12/2014 Capital requirements	31/12/2013 Risk weighted assets	31/12/2013 Capital requirements
Credit valuation adjustment risk	**4.9**	**0.4**	-	-
Advanced approach	3.6	0.3	-	-
Standardised approach	1.3	0.1	-	-
Original exposure method	0.0	-	-	-
Market risk	**8.8**	**0.7**	**10.0**	**0.8**
Market risk under standardised approach	**1.6**	**0.1**	**2.3**	**0.2**
Interest rate risk	*0.8*	*0.1*	*0.9*	*0.1*
Equity position risk	*0.0*	*-*	*0.1*	*0.0*
Foreign exchange risk	*0.8*	*0.1*	*1.2*	*0.1*
Commodities risk	*0.0*	*-*	*0.1*	*0.0*
Market risk measured using internal models	**7.2**	**0.5**	**7.7**	**0.6**
VaR	*1.2*	*0.1*	*1.4*	*0.1*
Stressed VaR	*3.1*	*0.2*	*2.7*	*0.2*
IRC	*2.9*	*0.2*	*3.6*	*0.3*
CRM	*0.0*	*-*	*-*	*-*
Of which additional capital requirements arising from exceeding the large exposures limits	0.0	-	-	-
Operational risk	**22.0**	**1.7**	**23.8**	**2.0**
Operational risk under the standardised approach	5.4	0.4	6.9	0.6
Operational risk under the advanced measurement approach	16.6	1.3	16.9	1.4
TOTAL	**293.0**	**23.4**	**299.6**	**24.0**
of which standardised approach	109.2	8.7	113.2	9.0
of which IRB approach	183.8	14.6	186.4	15.0

Risk weighted assets in respect of the exemption threshold weighting are included:

- in credit and counterparty risk - standardised approach - central governments and central banks for the portion relating to deferred tax assets that rely on future profitability arising from temporary differences;
- in credit and counterparty risk - standardised approach - equities and credit and counterparty risk - internal ratings approach - equities for the portion relating to CET1 instruments held in financial stakes over 10%.

II. Risk weighted assets by business line

31/12/2014 *(in millions of euros)*	Credit risk								
	Standardised approach	**Weighting approach IRB[1]**	**IRB approach[2]**	**Contributions to a CCP default fund**	**Credit risk**	**Credit valuation adjustment risk**	**Operational risk**	**Market risk**	**Total risk weighted assets**
French retail banking	6,370	9,404	26,989	0	42,763	9	2,213	2	44,987
International retail banking	27,748	1,486	3,658	0	32,892	67	2,541	171	35,671
Savings management and Insurance	16,396	6,660	671	4	23,731	339	2,900	67	27,037
Specialised financial services	35,558	800	14,460	0	50,818	62	1,959	11	52,850
Corporate and investment banking	11,115	6,487	71,967	1,222	90,791	4,399	11,751	7,836	114,777
Corporate centre	2,498	5,663	8,151	0	16,312	0	595	760	17,667
TOTAL RISK WEIGHTED ASSETS	**99,685**	**30,500**	**125,896**	**1,226**	**257,307**	**4,876**	**21,959**	**8,847**	**292,989**

(1) Corresponds to equities exposures under the IRB approach.
(2) Advanced IRB or Foundation IRB approach depending on the business lines.

31/12/2013 *(in millions of euros)*	Credit risk						
	Standardised approach	**Weighting approach IRB**	**IRB approach[1]**	**Credit risk**	**Operational risk**	**Market risk**	**Total risk weighted assets**
French retail banking	5,630	5,453	27,473	38,556	2,103	2	40,661
International retail banking	27,558	0	4,212	31,770	2,884	93	34,747
Savings management and Insurance	11,444	30,852	699	42,995	3,600	87	46,682
Specialised financial services	36,686	63	14,718	51,467	2,255	22	53,744
Corporate and investment banking	13,188	3,028	67,787	84,003	12,238	8,392	104,633
Corporate centre	9,447	5,620	1,904	16,971	715	1,416	19,102
TOTAL RISK WEIGHTED ASSETS	**103,953**	**45,016**	**116,793**	**265,762**	**23,795**	**10,012**	**299,569**

(1) Advanced IRB or Foundation IRB approach depending on the business lines.

III. Trends in risk weighted assets

The table below shows the change in Crédit Agricole S.A. Group's risk weighted assets in 2014:

(in millions of euros)	**31/12/2013**	**CRD4 impacts at 01/01/2014**	**Application of Art. 49.1 of the CRD 4 directive (Insurance)**	**Switch on insurance**	**02/01/2014 *pro forma***	**Mitigation actions CRD 4 Q1 2014**	**Foreign Exchange effect**	**Organic change and optimisation actions**	**Equity-accounted value Insurance & Regional Banks**	**Scope**	**Method**	**Total change *vis-à-vis* 02/01/2014 *pro forma***	**31/12/2014**
Credit risk	265,762	29,369	4,501	(33,911)	265,721	(4,283)	5,208	(11,994)	8,727	(5,132)	(940)	**(8,414)**	257,307
of which Equity risk	*45,016*	*7,502*	*4,501*	*(33,911)*	*23,108*	*0*	*0*	*(1,335)*	*8,727*	*0*	*0*	**7,392**	*30,500*
CVA	0	15,142			15,142	(10,017)	0	(249)	0	0	0	**(10,266)**	4,876
Market risk	10,012				10,012	0	0	(965)	0	(200)	0	**(1,165)**	8,847
Operational risk	23,795				23,795	0	0	(999)	0	(837)	0	**(1,836)**	21,959
TOTAL	**299,569**	**44,511**	**4,501**	**(33,911)**	**314,670**	**(14,300)**	**5,208**	**(14,207)**	**8,727**	**(6,169)**	**(940)**	**(21,681)**	**292,989**

The start of 2014 was marked by:

- CRD 4, which came into effect on 1 January 2014, resulting in an increase in risk weighted assets of €44.5 billion, falling to €30.2 billion after deduction of actions taken over the first quarter. Risk weighted assets in respect of CVA, initially recorded at €15.1 billion, were reduced to €10 billion *via* the hedging of counterparty risk on derivatives (implementation of the CVA desk) and the extension of the scope of validation of the EPE (expected positive exposure) model, specifically on discontinuing operations. The impact of CRD 4 also takes account of €10.2 billion in respect of the exemption threshold weighting, of which €7.5 billion related to significant financial stakes (over 10%) (recorded in equity risk);

- the application of Article 49.1 of the CRD 4 directive, which gave the entire capital and insurance reserves a 370% risk weighting (under Basel 2.5, the portion representing the retained earnings was not weighted but deducted from Tier 1), leading to an impact of +€4.5 billion; and
- the extension of the Switch guarantees at 2 January 2014, which consist in transferring to the Regional Banks €33.9 billion in risk weighted assets reflecting the regulatory requirements deriving from Crédit Agricole S.A.'s ownership of Crédit Agricole Assurances (CAA).

As such, *pro forma* risk weighted assets at 2 January 2014 stood at €314.7 billion.

Since 2 January 2014, and following the actions taken in the first quarter, Basel 3 risk weighted assets fell by €7.4 billion, to stand at €293.0 billion at 31 December 2014. This 2.5% fall is due in essence to:

- the appreciation of the US Dollar, leading to an increase in risk weighted assets of €5.2 billion;
- organic change that incorporates impacts due to amortisation of Crédit Agricole CIB's discontinuing operations and all regulatory optimisation measures;
- the disposal of Newedge, BNI Madagascar, Crédit Agricole Bulgaria and CAL Hellas for a total impact of -€6.2 billion;
- the increase in the equity-accounted value of investments, of which €5.2 billion in respect of insurance and €3.5 billion in respect of Regional Banks; and
- methodological developments with a global impact of -€0.9 billion (switch to Foundation IRB in LCL's SMEs portfolio and changes to the probability of default on the Corporates portfolio in Corporate and investment banking).

CREDIT RISK

I. Exposure to credit risk

Definitions:

- **probability of default (PD):** the probability that a counterparty will default within a period of one year;
- **exposure at default (EAD)**: exposure amount in the event of default. The concept of exposure encompasses balance sheet assets plus a proportion of off-balance sheet commitments;
- **loss given default (LGD):** ratio between the loss incurred upon counterparty default and the amount of the exposure at the time of default;
- **gross exposure:** amount of the exposure (balance sheet + off-balance sheet), after the impacts of netting and before the application of any credit risk mitigation techniques (guarantees and collateral) and the credit conversion factor (CCF);
- **credit conversion factor (CCF):** ratio between the unused portion of a commitment that will be drawn and at risk at the time of default and the unused portion of the commitment calculated on the basis of the authorised limit or, where applicable, the unauthorised limit if higher;
- **expected losses (EL):** the amount of the average loss the bank expects to have to recognise in its loan book within one year;
- **risk weighted assets (RWA):** risk weighted assets are calculated by applying a weighting ratio to each exposure. The ratio is a function of the characteristics of the exposure and the calculation method used (IRB or standardised);
- **valuation adjustments:** impairment losses on a specific asset due to credit risk, recognised either through a partial write-down or a deduction from the carrying amount of the asset;
- **external credit ratings:** credit ratings provided by an external credit rating agency recognised by Regulation (EC) no. 1060/2009.

Exposures using the standardised approach

The exposure classes under the standardised approach are classified by counterparty type and financial product type, in one of the 17 classes set out in Article 112 of Regulation (EU) 575/2013 of 26 June 2013. The weightings applied to these same assets are calculated in accordance with Articles 114 to 134 of said Regulation.

In the tables below, 17 standardised exposure classes are then pooled to ensure presentation in alignment with IRB exposures.

Exposures using the IRB approach

Credit exposures are classified by counterparty type and financial product type, based on the seven exposure classes shown in the table below and set out in Article 147 of Regulation (EU) 575/2013 of 26 June 2013 on capital requirements applicable to credit institutions and investment firms:

- in addition to exposures to Central governments or central banks, the Central government or central banks class includes exposures to certain regional and local authorities and public sector agencies that are treated as central government agencies, as well as multilateral development banks and international organisations;
- the Institutions class comprises exposure to credit institutions and investment firms, including those recognised in other countries. It also includes some exposures to regional and local authorities, public sector agencies and multilateral development banks that are not classified under central governments;
- the Corporates class is divided into large corporates and small and medium-sized businesses, which are subject to different regulatory treatments;
- the Retail customer class is broken down into loans secured by property granted to individuals and to small and medium businesses, revolving credits, other loans granted to individuals and to small and medium businesses;

- the Equity class comprises exposures that convey a residual, subordinated claim on the assets or income of the issuer or have a similar economic substance;
- the Securitisation class includes exposures to securitisation operations or structures, including those resulting from interest rate or exchange rate derivatives, independently of the institution's role (whether it is the originator, sponsor or investor);
- the Assets other than credit obligations class does not currently show any assets using the internal rating-based (IRB) approach.

In accordance with the regulatory rules in effect, risk weighted assets in the Central governments and central banks, Institutions, Corporate and Retail customers classes are calculated by applying a prescribed formula, the main parameters of which are the EAD, PD, LGD and the maturity associated with each exposure:

- for exposures to Large customers (Central governments and central banks, Institutions and Corporates), the formula is given in Article 153 of EU Regulation 575/2013 of 26 June 2013;
- for exposures to Retail customers, the formula is given in Article 154 of EU Regulation 575/2013 of 26 June 2013.

Risk weighted assets in the Equities category are calculated by applying standardised weightings to the carrying amount of the exposures. These weightings, prescribed in Article 155 of Regulation (EU) 575/2013 of 26 June 2013, are a function of the nature of the relevant equities: 190% for private equity exposures in the case of a diversified portfolio, 290% for exposures to listed equities and 370% for all other "Equities" excluding stakes in financial companies of over 10% included in the exemption threshold calculation (250% weighting).

The calculation of risk weighted assets in respect of Securitisation exposures is set out in the dedicated section below.

Risk weighted assets of "Assets other than credit obligations" exposures are calculated in accordance with Article 156 of Regulation (EU) 575/2013 of 26 June 2013. Parameters used in the formulas cited above are estimated using historical default and loss data collected internally by Crédit Agricole S.A. Group. It should be noted that the definition of default used for the calculation of these parameters has a significant influence on the value thereof.

Exposure at Default (EAD) is the amount of exposure to a counterparty at the time of said counterparty's default. For balance sheet items, EAD corresponds to exposure net of provisions for items covered by the standardised approach to credit risk, and to gross amounts for items covered by internal ratings. In the case of limits and financing commitments not used by the counterparty, a fraction of the total commitment is taken into account by applying a credit conversion factor (CCF). The CCF is estimated using an internal method validated by the supervisory authority for retail banking portfolios. The Internal CCF is estimated on the basis of the average CCF observed in cases of default by class of exposure. For other portfolios, a standard CCF of 20%, 50% or 100% is applied, depending on the nature of the commitment and its term.

For Large customers, default is defined on a customer-by-customer basis. As a result, it factors in the principle of contagion: an exposure to a defaulting customer causes the classification under default of all of the said customer's loans within the entity responsible for the uniformity of the rating and all of its loans within Crédit Agricole Group.

For Retail customers, the default can be recorded at the level of the transaction. When applied to the debtor, it factors in the principle of contagion. Contagion rules are defined and precisely documented by the entity (joint account, outstandings of individuals or professionals, notion of risk group, etc.).

Moreover, the historical default and loss data are themselves highly dependent on the characteristics of the products marketed and the markets in which the Group's various subsidiaries operate. As such, it may be difficult or misleading to compare these parameters between each other or to compare risk weighted assets calculated using these parameters for a given class of exposure.

Differences in market characteristics may be of various kinds:

- maturity of the market: risk parameters in respect of Large customers vary significantly depending on whether the customer or its reference shareholder is located in a developed or an emerging country; in the former, the rating of the counterparty will depend solely on the specific characteristics of the customer or its reference shareholder; in the latter, the rating of the country will be an important factor in the rating (the rating of a counterparty may only be greater than that of the country in which it is based in very specific cases; therefore, the ratings of companies located in emerging markets are generally capped by the rating of the country in question);
- structure of the market: as risk parameters vary depending on the type of products marketed, the risk weighted assets calculated on certain products (*e.g.* home loans) are structurally lower than those calculated on other products (*e.g.* consumer loans) for the same rating class; consequently, in some countries where home loans account for a very significant part of outstandings, the risk weighted assets of subsidiaries located in these countries tend to be below the Group average;
- position in the cycle: as GDP growth cycles are not synchronous in all countries in which the Group operates, the PD and LGD parameters do not necessarily follow the same trend for all subsidiaries; for instance, PD and LGD estimates on home loans will tend to increase for subsidiaries operating in markets experiencing or having experienced a real estate crisis, while remaining stable elsewhere;
- demographic and cultural differences: the place of private property in the culture of a country, the level of per capita income and demographic characteristics are other factors influencing risk parameters; accordingly, for instance, subsidiaries operating in countries in which the population is better off tend to have lower risk weighted assets than elsewhere, due to the fact that debt-to-income ratios will tend to be lower.

Products marketed may also vary from one subsidiary to another or from one country to another, potentially resulting in divergent risk parameters and risk weighted assets for the same type of customer. The type of products marketed can influence risk parameters in various ways:

- nature of the products: products marketed may be very different in nature; as such, home loans may vary from one country to another as a function of their average maturity or the average ratio between the amount of the loan and the value of the financed property (loan-to-value ratio, LTV); the longer the maturity or the higher the LTV, the higher the risk parameters and risk weighted assets;

- business model: Crédit Agricole S.A.'s business model consists in holding loans granted to customers to maturity, whereas other banking models consist in selling large portions of their outstanding loans to securitisation vehicles; Crédit Agricole S.A. consequently keeps all home loans on its balance sheet, where they are generally assigned lower risk parameters and risk weighted assets than other asset classes, resulting in a structurally lower level of average risk weighted assets than for banks that sell this type of loan;
- collateral: loans granted can be secured by collateral or personal guarantees, the value and quality of which will be reflected in lower risk parameters than those of unsecured loans.

In addition, the customer type may also vary significantly depending on the distribution channel used: in the case of revolving credit, for instance, the customer (and the associated risk parameters) will differ depending on whether the products are marketed by Crédit Agricole Group Regional Banks to their customers or through subsidiaries specialising in consumer credit.

The pertinence and reliability of the rating data used are guaranteed by a process consisting in the initial validation and subsequent maintenance of internal models based on a structured and documented organisation implemented throughout the Group and involving entities, the Risk Management and Permanent Controls department and the Audit Group function.

The set of internal models used in Crédit Agricole Group was presented for approval to the Standards and Methodology Committee before internal validation by the Group Control function. The internal validation is deemed to be a pre-validation, as it pre-dates the application for formal approval to the French Prudential and Resolution Supervisory Authority. The process of constructing and validating an internal rating model requires work over a period generally spanning three to five years, involving several on-site pre-validation and validation assignments.

After validation, systems governing internal ratings and the calculation of risk parameters are subject to permanent and periodic control within each Group entity.

In the following paragraphs, back-testing covers all the methods and procedures used to verify the performance and stability of the internal risk models, specifically by comparing forecasts with actual results.

With regard to permanent control, a back-testing Committee has been established within each entity. This Committee (which may, for some entities, be a specific agenda item for the Risk Committee) is chaired by the Risk Management department of the relevant entity and includes a representative from the Group Risk Management and Permanent Controls department. It meets at least twice a year and is the subject of reports to the Chief Executive Officer and the head of the entity's Permanent Control department, as well as the Group Risk Management and Permanent Controls department.

Periodic inspection is conducted annually by the Internal Audit function or any third party specifically authorised by it. The audit plan covers:

- systems for calculating ratings and estimating risk parameters, as well as compliance with minimum requirements;
- systems functioning (correct implementation).

The corresponding reports are sent to the person responsible for monitoring the relevant entity within the Group Risk Management and Permanent Controls department.

The entity performs internal controls (permanent and periodic) on:

- the quality of input and output data within the system;
- the conceptual and technical quality of systems for calculating ratings and estimating risk parameters;
- the completeness of data used for the calculation of risk weighted assets.

Back-testing is critical in maintaining the pertinence and performance of rating models. A first phase of analysis is based chiefly on the quantitative analysis of the predictive model as a whole and its main explanatory variables.

This exercise can also detect significant change in the structure and behaviour of portfolios and customers. Back-testing then results in decisions to adjust or recast models in order to factor in the new structural elements. This allows changes in non-cyclical behaviour or change in the franchise to be identified, revealing the impact of commercial or risk strategies implemented by the Bank.

Across the Group as a whole, each rating method is back-tested at least once a year by the unit responsible for the method (Risk Management and Permanent Controls department or its delegate). This formalises the procedures and operating methods adopted in a precise manner. Back-testing work can be performed in accordance with differing periodicities, depths and times, each with different objectives:

- quarterly back-testing: this type of back-testing, systematically performed on the Large customer scope, has two objectives: the first is to ensure as far upstream as possible the absence of drift in the application of methodologies; the second is to maintain the business of user entities thanks to these results;
- annual back-testing: this analysis conducted in accordance with the requirements of Article 145 *et seq.* of Regulation (EU) 575/2013 of 26 June 2013 aims to ensure that the models used on scopes either authorised or in the process of authorisation yield the anticipated results.

These ex-post controls are performed through-the-cycle on historical data covering as long a period as possible. The results of back-testing are ultimately expressed in a summary document containing critical analysis of the discriminating properties of the rating method and estimated default rates associated with each rating calculated by the model.

This critical analysis of the pertinence of the method and its implementation is performed in reference to the actual scope of application of the methodology in Crédit Agricole Group. It must analyse in sufficient depth to detect and describe any possible dysfunctions.

Three types of analysis are carried out systematically:

- control of the stability of the population;
- monitoring of the performance of the rating system: analysis of the discriminating character of the rating grid, for example through the ROC curve, the Gini index and/or the Kolmogorov-Smirnov curve and index;
- monitoring of deviations in respect of default rates: in particular, the review of default rates among Retail customers by batch and by generation of production is a key factor in assessing the quality of the rating system. The gaps between estimated and actual default rates are recognised and assessed by batch on the basis of a confidence interval.

As such, the back-testing of estimated and actual default rates performed on the Large customer portfolio in 2014 underlines the relevance of the PD models: the estimated one-year PD used in regulatory reporting is in fact compared against the default rates actually observed over the period studied: the comparison shows that the observed values are well below the rates observed, which confirms the conservative nature of the parameters used in regulatory calculations.

The unit responsible for the method submits annually to the Group, *via* the Standards and Methodologies Committee, the result of back-testing after review by an *ad hoc* Committee aimed at confirming the correct application of the statistical methods selected and the validity of the results. The summary document recommends, if necessary, appropriate corrective measures (revision of methodology, recalibration, training effort, control recommendations, etc.).

	Average PD	Average default rate observed over the last available period
Institutions: Corporate and investment banking	0.77%	0.11%
Corporates: Corporate and investment banking	1.00%	0.45%
Corporates: French retail banking	3.60%	2.75%
Local authorities	0.18%	0.00%

1. Breakdown of exposures

1.1 EXPOSURES BY TYPE OF RISK

The table below shows Crédit Agricole S.A. Group's exposure to global risk by exposure class for the standardised and internal ratings based approaches.

EXPOSURE TO OVERALL RISK (CREDIT, COUNTERPARTY, DILUTION, SETTLEMENT) BY APPROACH AND CLASS OF EXPOSURE AT 31/12/2014

	31/12/2014													
	Standardised				IRB				Total					
(in billions of euros)	Gross exposure(1)	Gross exposure(2)	EAD	RWA	Gross exposure(1)	Gross exposure(2)	EAD	RWA	Gross exposure(1)	Gross exposure(2)	EAD	RWA	Capital requirement
Central governments and central banks	34.2	34.2	34.2	6.5	143.4	150.4	148.7	2.3	177.6	184.6	182.9	8.8	0.7
Institutions	311.4	325.5	311.6	11.5	95.0	96.8	89.0	11.8	406.4	422.3	400.6	23.3	1.9
Corporates	108.8	94.3	65.9	51.0	229.8	220.9	180.5	72.5	338.6	315.2	246.4	123.5	10.1
Retail customers	34.9	34.8	27.7	18.8	140.0	140.0	136.2	33.0	174.9	174.8	163.9	51.8	4.1
Equities	1.0		0.8	1.0	31.0		6.8	23.3(3)	32.0		7.6	24.3(3)	1.9
Securitisations	0.8		0.6	0.4	36.4		36.3	6.3	37.2		36.9	6.7	0.5
Assets other than credit obligation	13.0		13.0	10.5	0.0		0.0	0.0	13.0		13.0	10.5	0.8
TOTAL	**504.1**		**453.8**	**99.7**	**675.5**		**597.5**	**149.2**	**1,179.7**		**1051.3**	**248.9**	**20.0**

(1) Initial gross exposure.

(2) Gross exposure after credit risk mitigation (CRM).

(3) Breakdown excluding weighting of significant financial stakes (over 10%) used in the calculation of the exemption threshold (250% weighting) under IRB.

EXPOSURE TO OVERALL RISK (CREDIT, COUNTERPARTY, DILUTION, SETTLEMENT) BY APPROACH AND CLASS OF EXPOSURE AT 31/12/2013

	31/12/2013									
	Standardised			IRB			Total			
(in billions of euros)	Gross exposure	EAD	RWA	Gross exposure	EAD	RWA	Gross exposure	EAD	RWA	Capital requirement
Central governments and central banks	41.4	38.7	2.7	149.6	149.3	1.2	191.0	188.0	3.9	0.3
Institutions	342.6	295.8	10.1	119.0	104.2	9.5	461.6	400.0	19.6	1.6
Corporates	84.9	76.9	52.8	224.7	188.7	68.8	309.6	265.6	121.5	9.7
Retail customers	37.1	28.3	20.1	136.7	132.6	32.6	173.8	160.9	52.7	4.2
Equities	2.2	1.3	1.9	27.9	12.9	45.0	30.1	14.2	46.9	3.8
Securitisations	0.4	0.4	0.2	41.8	41.3	4.7	42.2	41.7	4.9	0.4
Assets other than credit obligation	22.9	22.1	16.2	0.0	0.0	0.0	22.9	22.1	16.2	1.3
TOTAL	**531.5**	**463.5**	**104.0**	**699.7**	**629.0**	**161.8**	**1,231.2**	**1,092.5**	**265.8**	**21.3**

RWA density (defined as the ratio of risk weighted assets / EAD) amounts to 32 % on average for retail customers and 50 % for corporates at 31 December 2014.

The Institutions category, which includes €277.4 billion of internal transactions within Crédit Agricole Group at end-December 2014 (€304.4 billion at end-December 2013) remains, as in previous years, the Group's leading category of exposure. Excluding these internal transactions, gross exposure for the loan book totalled €902 billion at end-December 2014, a reduction of 2.7% year-on-year.

On the gross exposure, the Group's total outstandings saw a moderate fall, primarily due to a reduction in exposure on "Central governments and central banks" and "Institutions" of respectively -7.0% and -12.0%. The policy of reducing the securitisation portfolio initiated in 2012 continued (-12.0% over the year).

The loan book's overall EAD decreased by 3.8% over the year.

Counterparty risk on market transactions

Crédit Agricole S.A. and its subsidiaries calculate counterparty risk for all their exposures, whether in the banking book or the trading book. For items in the trading book, counterparty risk is calculated in accordance with the provisions relating to the regulatory supervision of market risk.

The regulatory treatment of counterparty risk on transactions on forward financial instruments in the banking portfolio is defined on a regulatory basis in Regulation (EU) 575/2013 of 26 June 2013. Crédit Agricole S.A. Group uses the market price method to measure its exposure to counterparty risk on transactions on forward financial instruments in the banking portfolio (Article 274) or the internal model method (Article 283) within the scope of Crédit Agricole CIB.

EXPOSURE TO COUNTERPARTY RISK BY APPROACH AND CLASS OF EXPOSURE AT 31/12/2014

	31/12/2014									
	Standardised			IRB			Total			
(in billions of euros)	Gross exposure	EAD	RWA	Gross exposure	EAD	RWA	Gross exposure	EAD	RWA	Capital requirement
Central governments and central banks	2.7	2.7	0.4	6.6	6.6	0.3	9.3	9.3	0.7	0.1
Institutions	21.3	21.3	1.7	21.0	19.7	4.1	42.3	40.9	5.8	0.5
Corporates	2.1	2.1	1.9	21.2	21.0	7.9	23.3	23.1	9.8	0.8
Retail customers										
Equities										
Securitisations										
Assets other than credit obligation										
TOTAL	**26.1**	**26.1**	**4.0**	**48.8**	**47.3**	**12.3**	**74.9**	**73.4**	**16.3**	**1.4**

EXPOSURE TO COUNTERPARTY RISK BY APPROACH AND CLASS OF EXPOSURE AT 31/12/2013

	31/12/2013									
	Standardised			IRB			Total			
(in billions of euros)	Gross exposure	EAD	RWA	Gross exposure	EAD	RWA	Gross exposure	EAD	RWA	Capital requirement
Central governments and central banks	3.3	3.3	0.2	3.7	3.7	0.2	7.0	7.0	0.4	0.0
Institutions	12.2	12.2	1.5	39.4	27.0	3.0	51.6	39.2	4.5	0.4
Corporates	1.5	1.5	1.6	18.3	18.3	6.2	19.8	19.8	7.8	0.6
Retail customers										
Equities										
Securitisations										
Assets other than credit obligation										
TOTAL	**17.0**	**17.0**	**3.3**	**61.4**	**49.0**	**9.4**	**78.4**	**66.0**	**12.7**	**1.0**

Exposure at default to counterparty was €73.4 billion at 31 December 2014 (€56.8 billion in the form of derivatives, of which 67% is measured using the internal model approach (EPE model) and €16.6 billion in the form of securities financing transactions).

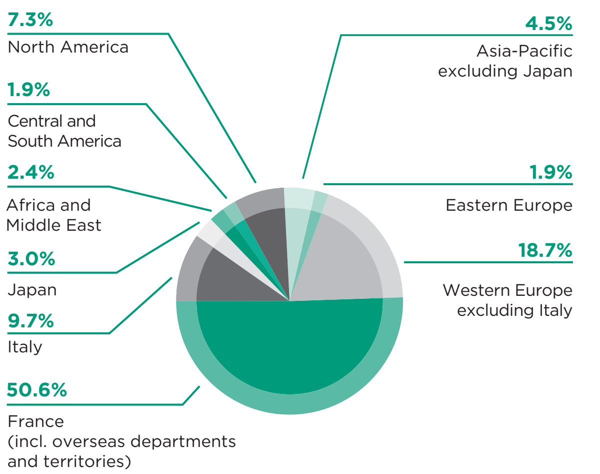
Information on exposure to transactions on forward financial instruments is also provided in Note 3.1 "Credit risk" to the consolidated financial statements.

1.2 EXPOSURES BY GEOGRAPHIC AREA

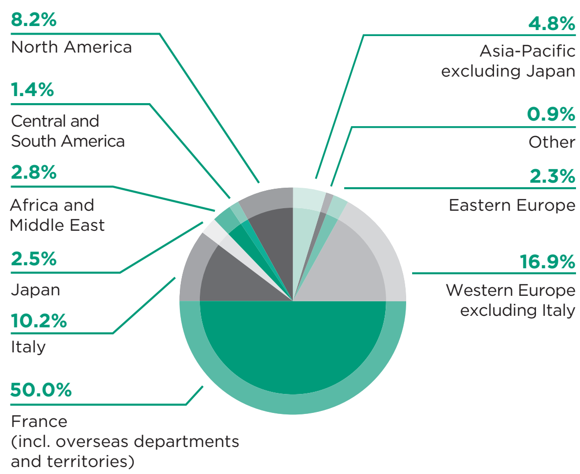
The breakdown by geographic area includes all Crédit Agricole S.A. Group exposures except for securitisation transactions and assets other than credit obligations.

At 31 December 2014, total gross exposure for the scope defined above was €852.0 billion (excluding Crédit Agricole Group internal transactions), compared with €861.9 billion at 31 December 2013.

AT 31 DECEMBER 2014



AT 31 DECEMBER 2013



Geographic area of exposure *(in %)*	**Central governments and central banks**		**Institutions**		**Corporates**		**Retail customers**		**Equities**	
	31/12/2014	**31/12/2013**	**31/12/2014**	**31/12/2013**	**31/12/2014**	**31/12/2013**	**31/12/2013**	**31/12/2013**	**31/12/2014**	**31/12/2013**
France (incl. overseas departments and territories)	48.5%	52.2%	44.7%	49.9%	43.7%	41.8%	63.2%	61.7%	93.4%	84.6%
Western Europe excluding Italy	20.8%	13.5%	32.1%	28.0%	20.6%	19.9%	6.2%	5.9%	3.3%	2.4%
North America	11.7%	15.8%	5.3%	5.9%	10.1%	9.2%	0.0%	0.0%	0.3%	2.7%
Italy	9.8%	4.1%	3.2%	2.9%	7.2%	8.4%	25.1%	26.4%	2.6%	6.2%
Japan	5.0%	5.7%	2.4%	2.4%	1.5%	2.0%	0.0%	0.0%	0.3%	1.5%
Other	-	3.7%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Asia-Pacific (excluding Japan)	1.8%	2.5%	6.9%	6.2%	7.4%	8.1%	0.5%	0.5%	0.0%	0.0%
Africa and Middle East	1.5%	1.1%	2.6%	2.4%	3.4%	4.6%	1.6%	2.0%	0.1%	2.0%
Eastern Europe	0.8%	0.7%	0.8%	1.5%	2.4%	2.4%	3.1%	0.3%	0.0%	0.0%
Central and South America	0.1%	0.7%	2.0%	0.8%	3.7%	3.6%	0.3%	3.2%	0.0%	0.6%
TOTAL	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

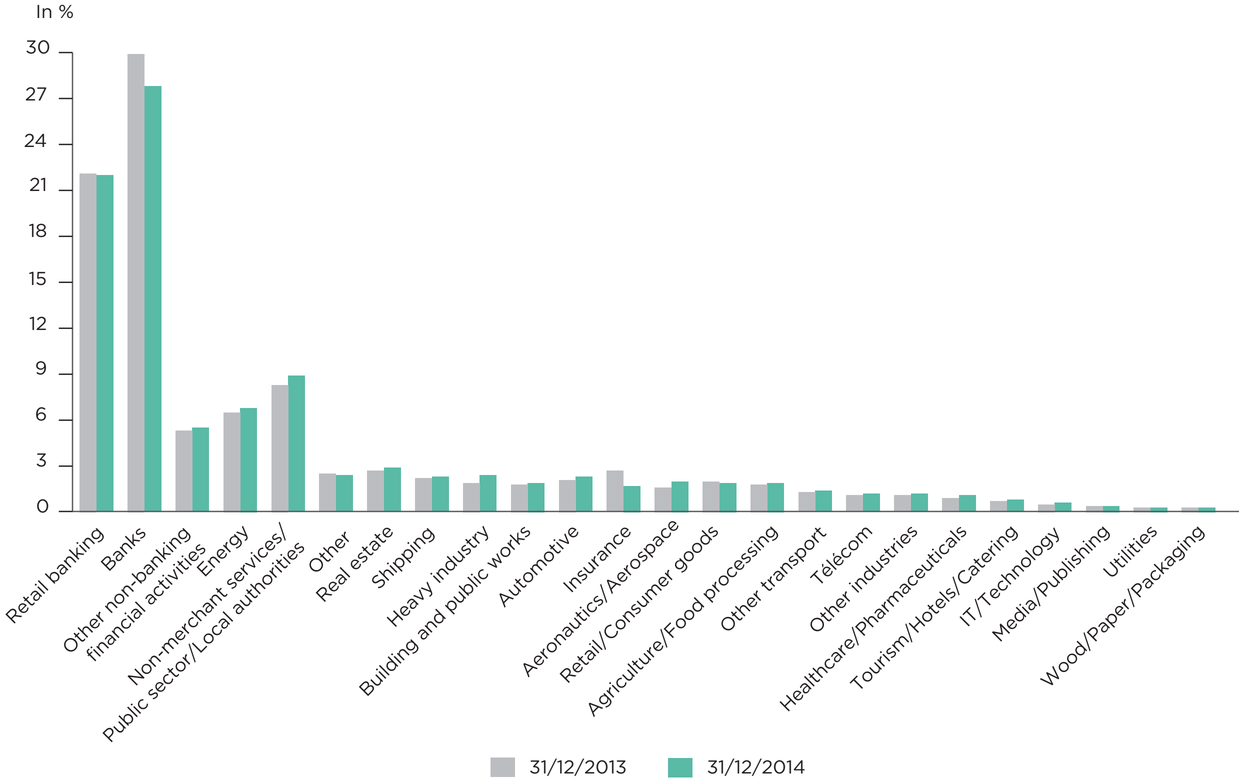
Refocusing of the loan book on France continued through 2014 (50.6% compared with 50.0% in 2013). The main change concerns the "Western Europe excluding Italy" sector, which increased from 16.9% to 18.7% of the total portfolio at 31 December 2014.

In retail banking, over 80% of the Group's exposures focus on 2 countries: France and Italy. The Central governments and central banks, Institutions and Corporates portfolios show higher geographical diversification, with significant weight in the areas of Western Europe excluding Italy, and North America, representing more than 30% of exposures.

1.3 EXPOSURES BY BUSINESS SECTOR

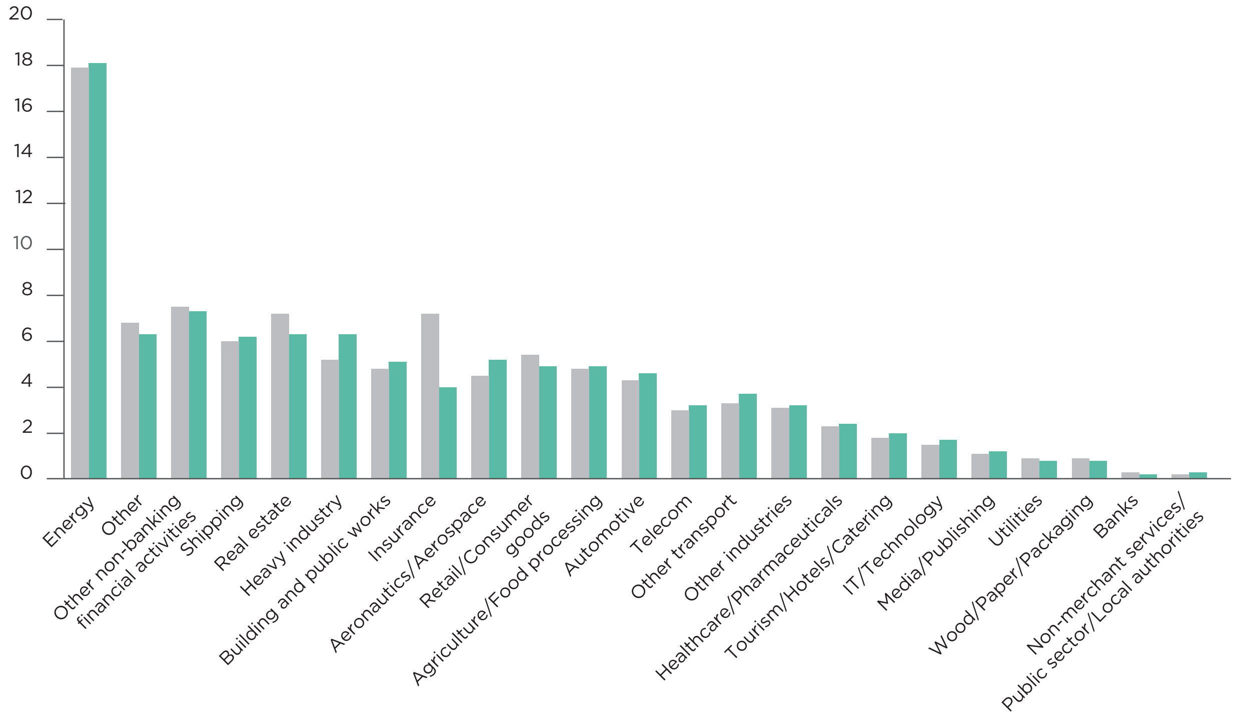
The breakdown by business sector covers Crédit Agricole S.A. Group's exposures to Central governments and central banks, Institutions, Corporates and Retail customers. The Retail customer portfolio is also broken down by Basel sub-portfolio (home loans, revolving credit, other small business loans, farmers and other retail).

At 31 December 2014, total exposure for the scope defined above was €820.0 billion (excluding Crédit Agricole Group internal transactions), compared with €831.7 billion at 31 December 2013. The amount allocated by business sector was €796.3 billion at 31 December 2014, compared with €785.8 billion at 31 December 2013.



The breakdown of the loan book by business sector changed little in 2014, and still shows a good level of risk diversification. Excluding Retail customers and the financial and public sectors, the Corporate loan book shows a satisfactory level of risk diversification.

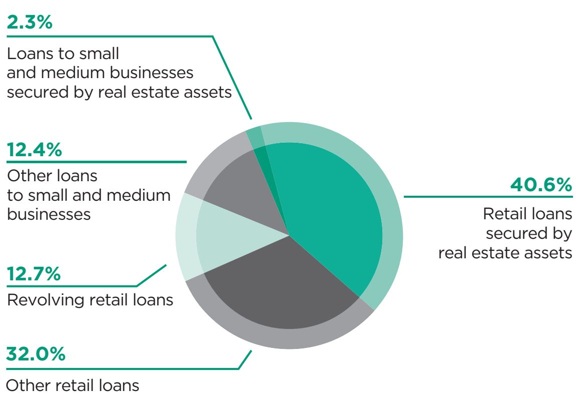
The sectors whose relative proposition changed the most in 2014 are the banking and insurance sectors, whose share of total sector fell from respectively from 29.9% and 2.7% in 2013 to 27.8% and 1.7% in 2014.



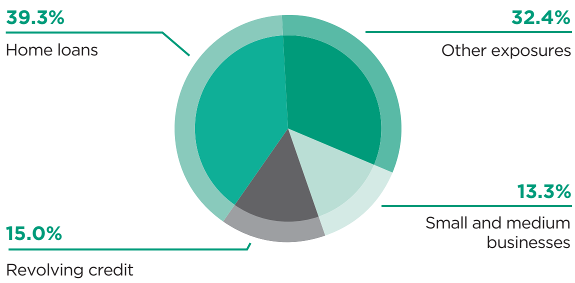
Breakdown of exposures – Retail customer portfolio

The chart below shows a breakdown of Crédit Agricole S.A.'s Retail customer portfolio exposures by Basel sub-portfolio (outstandings of €174.8 billion at 31 December 2014 compared with €173.8 billion at 31 December 2013, an increase of +0.6% over the year).

RETAIL CUSTOMERS AT 31 DECEMBER 2014



RETAIL CUSTOMERS AT 31 DECEMBER 2013



The introduction of new exposure classes under CRD 4 in 2014 does not allow changes to be measured on exposures to small and medium businesses, and assets secured on property. However, it is possible to observe the continued reduction in the weight of revolving loans to individuals since 2012 (12.7% of retail customer assets in 2014 compared to 15.0% in 2013) alongside the stabilisation of consumer loans in the retail banking portfolio.

1.4 EXPOSURES BY RESIDUAL MATURITY

The breakdown of exposures by residual maturity and by financial instrument is disclosed on an accounting basis in Note 3.3 to the consolidated financial statements on "Liquidity and financing risk".

2. Quality of exposures

2.1 QUALITY OF EXPOSURES IN STANDARDISED APPROACH

Credit risk exposure in standardised approach

For Central governments and central banks and Institutions in the standardised approach, Crédit Agricole S.A. Group has chosen to use Moody's ratings for the sovereign risk and the correspondence grid with the French Prudential Supervisory and Resolution Authority's (ACPR) credit quality assessment scale.

The Group does not use external credit rating agencies for Corporate exposures. As a result, in accordance with Article 121 of EU Regulation 575/2013 of 26 June 2013, companies are weighted at 20%, 50%, 100% or 150% except within the LCL scope, where the standardised method uses the Bank of France scales.

Breakdown of exposures and exposures at default by credit quality level

CENTRAL GOVERNMENTS AND CENTRAL BANKS

	31/12/2014		31/12/2013	
Credit quality level *(in billions of euros)*	**Exposure amount**	**Exposure at risk**	**Exposure amount**	**Exposure at risk**
1	22.1	22.1	31.3	28.6
2	0.8	0.8	0.7	0.7
3	8.7	8.7	7.5	7.5
4	0.7	0.7	0.5	0.5
5	0.1	0.1	0.2	0.2
6	1.8	1.8	1.2	1.2
TOTAL	**34.2**	**34.2**	**41.4**	**38.7**

Continuing the trend observed since 2012, reduction in exposure to Central governments and central banks under the standardised approach accelerated in 2014 (-17.4%). The top credit quality level continued to account for the vast majority of the portfolio (64.6%), while the proportion represented by levels 5 and 6 remained very low, accounting for less than 6% of total exposures.

INSTITUTIONS

	31/12/2014		31/12/2013	
Credit quality level *(in billions of euros)*	**Exposure amount**	**Exposure at risk**	**Exposure amount**	**Exposure at risk**
1	308.0	308.7	338.0	291.3
2	0.6	0.6	0.2	0.2
3	0.2	0.1	3.4	3.4
4	0.0	0.0	0.2	0.2
5	1.9	1.7	0.1	0.1
6	0.7	0.5	0.7	0.6
TOTAL	**311.4**	**311.6**	**342.6**	**295.8**

Exposure to institutions under the standardised approach is still, as in previous years, nearly solely concentrated on the top credit quality level, reflecting the scale of business done with top-rated institutions: only 1.1% of institutions have a credit quality rating of 2 or worse.

2.2 QUALITY OF EXPOSURES UNDER THE INTERNAL RATINGS-BASED APPROACH (IRB)

Presentation of the internal ratings system and procedure

The internal ratings systems and procedures are described in the section entitled "Risk Factors – Credit Risk – Risk Measurement methods and systems".

As exposure to Retail customers' credit risk categories does not use the same internal ratings as the other categories, they are presented separately.

The breakdown of the Large customer portfolios (exposure class: Central governments and central banks, Institutions and Corporates) by internal rating continues to reflect very good overall quality: more than 80% of exposures are classified as investment grade (internal rating of A+ to C-).

EXPOSURE TO CREDIT RISK BY TYPE OF EXPOSURE AND INTERNAL RATING AT 31 DECEMBER 2014.

(in millions of euros)	Internal rating of counterparty	Probability of default	Gross exposure[1]	EAD	EAD Balance sheet	EAD Off-balance sheet	RWA	Average LGD *(in %)*	Average RW *(in %)*	Expected Losses (EL)
Central governments and central banks	A+	0.00%	124,535.5	123,805.6	121,637.5	2,168.1	0.1	21.7%	0.0%	-
	A	0.01%	11,524.4	11,471.5	11,372.2	99.3	182.9	9.1%	1.6%	0.1
	B+	0.02%	3,416.8	2,938.7	2,682.1	256.6	6.9	1.2%	0.2%	0.0
	B	0.06%	6,303.3	6,053.1	5,303.0	750.0	611.3	19.8%	10.1%	0.7
	C+	0.16%	1,305.7	1,286.1	1,168.6	117.5	158.9	16.0%	12.4%	0.3
	C	0.30%	2,617.5	2,465.8	2,397.5	68.3	653.0	21.9%	26.5%	1.6
	C-	0.60%	328.3	315.3	278.8	36.6	53.8	10.7%	17.1%	0.2
	D+	0.75%	138.3	166.8	144.7	22.1	187.6	53.4%	112.5%	0.5
	D	1.25%	100.1	96.3	96.3	-	121.4	45.0%	126.0%	0.5
	D-	1.90%	14.9	21.6	12.2	9.4	26.7	61.2%	123.8%	0.2
	E+	5.00%	13.9	13.4	11.7	1.7	32.4	59.6%	242.1%	0.4
	E	12.00%	28.5	19.7	16.6	3.1	32.3	77.5%	163.8%	3.6
	E-	20.00%	59.9	58.2	53.3	4.9	215.4	62.2%	370.1%	7.2
	F,Z	100.00%	16.0	16.0	16.0	-	0.0	45.0%	0.0%	13.4
Subtotal		**0.03%**	**150,403.1**	**148,728.1**	**145,190.5**	**3,537.6**	**2,282.7**	**20.3%**	**1.5%**	**28.9**
Institutions	A+ to B+	0.03%	65,399.2	60,972.9	56,301.0	4,672.1	2,271.8	8.8%	3.7%	1.7
	B	0.06%	16,325.6	14,744.1	12,266.5	2,477.6	2,535.3	26.9%	17.2%	2.7
	C+	0.16%	5,252.6	4,996.1	4,778.1	218.0	1,921.7	39.2%	38.5%	3.1
	C	0.30%	6,086.4	5,194.2	4,240.5	953.6	2,655.6	37.4%	51.1%	5.8
	C-	0.60%	1,209.2	1,031.0	879.0	152.0	803.3	43.6%	77.9%	2.6
	D+	0.75%	1,240.6	902.7	555.6	347.1	682.2	36.0%	75.6%	2.4
	D	1.25%	426.9	355.6	325.3	30.3	387.8	43.0%	109.1%	1.9
	D-	1.90%	262.6	217.1	167.0	50.1	247.0	35.3%	113.8%	1.7
	E+	5.00%	85.3	81.2	77.5	3.7	104.2	36.8%	128.3%	1.5
	E	12.00%	9.0	4.1	0.7	3.4	16.4	77.8%	400.3%	0.4
	E-	20.00%	84.6	50.7	42.9	7.8	172.0	72.0%	339.0%	5.6
	F,Z	100.00%	427.3	427.3	426.4	0.8	0.9	45.0%	0.2%	420.6
Subtotal		**0.58%**	**96,809.3**	**88,977.0**	**80,060.5**	**8,916.5**	**11,798.2**	**16.3%**	**13.3%**	**450.0**
Corporates	A+ to B+	0.03%	44,137.9	36,957.5	22,255.7	14,701.7	4,537.4	32.5%	12.3%	3.3
	B	0.06%	42,918.7	30,874.7	14,898.3	15,976.3	6,606.4	41.6%	21.4%	7.2
	C+	0.16%	32,513.1	27,682.7	18,644.6	9,038.2	9,036.3	35.7%	32.6%	14.6
	C	0.30%	40,457.0	32,811.1	22,747.3	10,063.8	14,248.6	34.7%	43.4%	38.8
	C-	0.60%	20,445.9	16,900.2	11,446.7	5,453.5	10,232.7	34.9%	60.5%	32.7
	D+	0.75%	12,873.5	11,505.0	8,443.6	3,061.4	7,615.5	34.8%	66.2%	27.1
	D	1.25%	10,155.5	7,867.8	5,316.4	2,551.4	6,382.5	36.6%	81.1%	32.3
	D-	1.90%	6,576.2	5,624.8	4,243.2	1,381.6	5,439.7	36.3%	96.7%	37.4
	E+	5.00%	2,728.6	2,564.2	2,196.2	368.0	2,633.7	30.1%	102.7%	36.9
	E	12.00%	2,543.1	2,258.2	1,760.5	497.7	2,489.2	22.8%	110.2%	59.9
	E-	20.00%	2,160.5	1,947.2	1,605.2	342.0	3,099.6	34.9%	159.2%	106.6
	F,Z	100.00%	3,430.0	3,366.2	3,245.2	121.1	143.0	40.4%	4.2%	1,637.4
Subtotal		**2.62%**	**220,940.0**	**180,359.6**	**116,802.9**	**63,556.7**	**72,464.6**	**35.6%**	**40.2%**	**2,034.2**
TOTAL		**1.26%**	**468,152.4**	**418,064.7**	**342,053.9**	**76,010.8**	**86,545.5**	**26.1%**	**20.7%**	**2,513.0**

(1) *Exposure after Credit risk mitigation (CRM).*

In the Institutions and Corporates portfolios, categories A+ to B+ are grouped together as the regulatory probability of default is subject to a floor of 0.03%.

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EXPOSURE TO CREDIT RISK BY TYPE OF EXPOSURE AND INTERNAL RATING AT 31 DECEMBER 2013.

(in millions of euros)	Internal rating of counterparty	Probability of default	Gross exposure	EAD	EAD Balance sheet	EAD Off-balance sheet	RWA	Average LGD *(in %)*	Average RW *(in %)*	Expected Losses (EL)
Central governments and central banks	A+ to B+	-	142,167.0	143,342.4	140,008.7	3,333.7	47.8	19.8%	0.0%	0.0
	B	0.06%	3,455.2	3,456.0	3,435.6	20.4	297.7	16.9%	8.6%	0.4
	C+	0.16%	665.7	791.2	548.0	243.2	89.2	13.7%	11.3%	0.2
	C	0.30%	1,738.3	718.9	558.6	160.3	84.7	11.0%	11.8%	0.2
	C-	0.60%	502.8	434.1	367.4	66.7	63.1	10.0%	14.5%	0.3
	D+	0.75%	494.0	280.8	164.2	116.6	188.4	39.0%	67.1%	0.7
	D	1.25%	13.3	7.5	0.3	7.2	8.9	45.0%	119.3%	0.0
	D-	1.90%	194.4	163.4	79.7	83.7	194.2	45.3%	118.8%	1.4
	E+	5.00%	92.2	15.7	15.7	-	37.0	56.7%	235.1%	0.4
	E	12.00%	134.1	13.2	6.9	6.3	42.2	65.4%	319.3%	1.0
	E-	20.00%	91.9	19.0	18.4	0.6	111.0	94.6%	585.6%	3.6
	F,Z	100.00%	17.6	17.6	16.2	1.4	0.9	45.0%	5.0%	14.9
Subtotal		**0.03%**	**149,566.5**	**149,259.8**	**145,219.7**	**4,040.1**	**1,165.1**	**19.7%**	**0.8%**	**23.1**
Institutions	A+ to B+	-	82,698.9	70,577.4	58,334.9	12,242.5	1,639.4	8.1%	2.3%	1.3
	B	0.06%	16,510.8	16,117.8	7,133.3	8,984.5	1,737.9	25.1%	10.8%	2.2
	C+	0.16%	8,596.8	8,070.8	4,948.7	3,122.1	2,034.6	33.5%	25.2%	4.4
	C	0.30%	6,004.4	5,377.2	3,371.4	2,005.8	2,048.9	33.9%	38.1%	5.5
	C-	0.60%	2,120.4	1,755.6	765.9	989.7	796.2	35.7%	45.4%	3.1
	D+	0.75%	1,149.5	755.9	271.4	484.5	517.0	41.6%	68.4%	2.4
	D	1.25%	618.0	528.6	254.4	274.2	332.4	30.7%	62.9%	2.0
	D-	1.90%	408.0	332.3	105.0	227.3	239.3	29.2%	72.0%	1.8
	E+	5.00%	66.5	17.0	0.1	16.9	28.3	52.0%	166.2%	0.4
	E	12.00%	8.8	20.8	15.0	5.8	19.6	87.9%	94.2%	7.5
	E-	20.00%	266.3	237.4	3.3	234.1	104.9	25.0%	44.2%	3.7
	F,Z	100.00%	583.4	422.4	421.1	1.3	13.1	45.0%	3.1%	404.4
Subtotal		**0.54%**	**119,031.8**	**104,213.2**	**75,624.5**	**28,588.7**	**9,511.6**	**15.2%**	**9.1%**	**438.7**
Corporates	A+ to B+	-	36,606.8	42,193.1	19,224.4	22,968.7	2,392.5	27.8%	5.7%	1.5
	B	0.06%	49,003.1	36,687.8	14,241.8	22,446.0	6,870.2	39.5%	18.7%	7.2
	C+	0.16%	32,597.6	28,317.5	16,543.1	11,774.4	8,733.3	34.6%	30.8%	15.4
	C	0.30%	37,539.7	29,602.4	18,244.7	11,357.7	12,222.9	32.6%	41.3%	28.6
	C-	0.60%	21,961.9	15,659.2	9,527.7	6,131.5	9,220.4	33.3%	58.9%	30.8
	D+	0.75%	15,679.5	11,365.9	7,166.2	4,199.7	7,567.9	34.8%	66.6%	27.5
	D	1.25%	10,962.4	8,563.3	5,347.0	3,216.3	7,039.2	35.9%	82.2%	38.6
	D-	1.90%	8,340.4	6,327.5	4,432.7	1,894.8	6,053.6	35.6%	95.7%	42.6
	E+	5.00%	3,452.7	2,758.8	2,372.6	386.2	2,969.4	31.0%	107.6%	42.8
	E	12.00%	2,039.5	1,618.7	1,292.8	325.9	2,018.3	26.0%	124.7%	49.8
	E-	20.00%	2,365.1	1,849.9	1,046.9	803.0	3,403.0	36.3%	184.0%	116.1
	F,Z	100.00%	4,197.2	3,801.7	3,384.3	417.4	325.4	45.0%	8.6%	2,042.5
Subtotal		**2.32%**	**224,745.9**	**188,745.8**	**102,824.2**	**85,921.6**	**68,816.1**	**33.8%**	**36.5%**	**2,443.4**
TOTAL		**1.28%**	**493,344.2**	**442,218.8**	**323,668.4**	**118,550.4**	**79,492.8**	**24.7%**	**18.0%**	**2,905.2**

EXPOSURE TO CREDIT RISK FOR RETAIL CUSTOMERS BY TYPE OF EXPOSURE AND INTERNAL RATING AT 31 DECEMBER 2014

Internal rating of counterparty	Probability of default	Average PD	Gross exposure	EAD	EAD Balance sheet	EAD Off-balance sheet	Average CCF	RWA	Average LGD *(in %)*	Average RW *(in %)*	Expected Losses (EL)
Retail loans secured by real estate assets											
1	0.03%<PD<0.04%	0.00%	-	-	-	-	-	-	-	-	-
2	0.04%<PD<0.08%	0.00%	-	-	-	-	-	-	-	-	-
3	0.08%<PD<0.17%	0.10%	27,104.6	27,104.6	26,283.3	821.2	100.0%	794.6	11.5%	2.9%	3.2
4	0.17%<PD<0.32%	0.22%	3,059.6	3,059.6	3,056.4	3.3	100.0%	243.3	17.4%	8.0%	1.2
5	0.32%<PD<0.64%	0.45%	15,245.1	15,245.1	14,767.5	477.6	100.0%	1,295.4	11.2%	8.5%	7.6
6	0.64%<PD<0.96%	0.84%	651.6	651.6	645.3	6.4	100.0%	125.2	16.2%	19.2%	0.9
7	0.96%<PD<1.28%	1.05%	5,910.7	5,910.7	5,522.1	388.6	100.0%	894.2	11.0%	15.1%	6.9
8	1.28%<PD<2.56%	1.99%	7,353.3	7,353.3	7,029.1	324.2	100.0%	1,665.7	11.0%	22.7%	16.2
9	2.56%<PD<5.12%	4.37%	4,612.4	4,612.4	4,026.7	585.7	100.0%	1,665.5	11.2%	36.1%	22.4
10	5.12%<PD<15%	9.24%	1,605.3	1,605.3	1,540.7	64.6	100.0%	934.6	12.6%	58.2%	18.5
11	15%<PD<22%	21.79%	110.3	110.3	110.3	-	-	120.7	18.1%	109.4%	4.3
12	22%<PD<34%	22.26%	212.5	212.5	209.6	2.9	100.0%	143.7	11.1%	67.6%	5.3
13	34%<PD<65%	49.87%	119.5	119.5	118.7	0.8	100.0%	72.7	11.4%	60.9%	6.8
14	65%<PD<99%	73.60%	1.0	1.0	1.0	-	-	0.4	13.9%	44.1%	0.1
15	99%<PD<100%	100.00%	943.0	943.0	941.4	1.6	100.0%	-	33.5%	0.0%	315.5
Subtotal		**2.60%**	**66,928.9**	**66,928.9**	**64,252.1**	**2,676.8**	**100.0%**	**7,956.0**	**12.0%**	**11.9%**	**408.9**
Revolving retail loans											
1	0.03%<PD<0.04%	0.00%	0.0	0.0	0.0	0.0	100.0%	0.0	66.9%	1.5%	-
2	0.04%<PD<0.08%	0.07%	1,196.9	236.8	0.1	236.8	19.8%	6.4	58.3%	2.7%	0.1
3	0.08%<PD<0.17%	0.10%	1,697.7	1,069.0	124.3	944.7	60.0%	49.3	73.2%	4.6%	0.8
4	0.17%<PD<0.32%	0.24%	1,352.8	330.5	58.8	271.8	21.0%	23.2	53.4%	7.0%	0.4
5	0.32%<PD<0.64%	0.46%	1,309.7	972.5	208.6	763.9	69.4%	146.1	67.7%	15.0%	3.1
6	0.64%<PD<0.96%	0.76%	353.0	146.0	104.0	42.0	16.9%	25.4	53.0%	17.4%	0.6
7	0.96%<PD<1.28%	1.05%	361.7	336.4	123.6	212.8	89.4%	94.3	66.6%	28.0%	2.4
8	1.28%<PD<2.56%	1.81%	1,537.9	1,189.6	709.5	480.1	58.0%	451.1	59.2%	37.9%	13.1
9	2.56%<PD<5.12%	3.99%	1,814.1	1,765.1	1,315.4	449.5	90.2%	1,195.8	60.9%	67.7%	43.4
10	5.12%<PD<15%	9.50%	677.1	672.4	567.4	105.1	95.7%	753.5	58.2%	112.1%	38.1
11	15%<PD<22%	20.85%	128.6	123.4	118.4	5.0	48.8%	223.7	64.2%	181.4%	16.6
12	22%<PD<34%	22.69%	25.7	27.1	18.1	9.0	118.6%	54.1	68.7%	199.3%	4.2
13	34%<PD<65%	41.33%	86.9	82.1	80.6	1.5	24.1%	154.1	58.1%	187.7%	19.7
14	65%<PD<99%	76.63%	37.5	36.8	36.7	0.1	16.9%	39.2	56.1%	106.4%	15.9
15	99%<PD<100%	100.00%	451.7	449.7	449.6	0.1	3.2%	-	80.3%	0.0%	361.0
Subtotal		**9.56%**	**11,031.1**	**7,437.5**	**3,915.1**	**3,522.4**	**49.5%**	**3,216.2**	**63.9%**	**43.2%**	**519.4**
Other retail loans											
1	0.03%<PD<0.04%	0.04%	856.9	856.9	856.9	-	-	5.9	6.0%	0.7%	0.0
2	0.04%<PD<0.08%	0.07%	2,937.8	2,937.8	2,936.2	1.5	96.6%	21.2	3.9%	0.7%	0.1
3	0.08%<PD<0.17%	0.10%	7,064.2	7,055.9	6,832.5	223.5	96.5%	292.0	16.7%	4.1%	1.2
4	0.17%<PD<0.32%	0.22%	1,797.0	1,792.6	1,759.9	32.7	88.0%	203.3	25.3%	11.3%	1.0
5	0.32%<PD<0.64%	0.48%	3,797.8	3,796.0	3,658.6	137.3	98.7%	939.8	33.1%	24.8%	6.2
6	0.64%<PD<0.96%	0.81%	2,186.3	2,185.1	2,172.6	12.5	91.4%	853.2	40.1%	39.0%	7.0
7	0.96%<PD<1.28%	1.10%	2,201.3	2,207.3	2,122.4	84.9	107.6%	985.1	39.7%	44.6%	9.7
8	1.28%<PD<2.56%	1.95%	5,226.0	5,243.7	5,066.1	177.6	111.0%	2,824.5	40.0%	53.9%	41.2
9	2.56%<PD<5.12%	3.87%	8,179.3	8,181.3	8,087.4	94.0	102.4%	5,920.7	47.9%	72.4%	150.2

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Internal rating of counterparty	Probability of default	Average PD	Gross exposure	EAD	EAD Balance sheet	EAD Off-balance sheet	Average CCF	RWA	Average LGD (in %)	Average RW (in %)	Expected Losses (EL)
10	5.12%<PD<15%	9.38%	3,207.2	3,207.0	3,187.4	19.6	98.9%	2,392.9	42.6%	74.6%	125.2
11	15%<PD<22%	19.59%	254.6	254.6	252.5	2.0	98.4%	221.9	37.2%	87.2%	18.6
12	22%<PD<34%	28.29%	542.1	542.1	541.4	0.7	101.6%	333.2	23.4%	61.5%	35.2
13	34%<PD<65%	43.93%	478.1	478.1	477.7	0.4	101.0%	537.0	40.7%	112.3%	222.5
14	65%<PD<99%	76.94%	122.0	122.0	122.0	-	-	102.6	49.3%	84.1%	46.4
15	99%<PD<100%	100.00%	3,232.4	3,232.3	3,230.0	2.4	95.1%	15.6	66.4%	0.5%	2,110.6
Subtotal		**10.77%**	**42,082.9**	**42,092.7**	**41,303.6**	**789.1**	**101.3%**	**15,649.0**	**35.2%**	**37.2%**	**2,775.1**
Loans to small and medium businesses secured by real estate assets											
1	0.03%<PD<0.04%	0.00%	0.0	0.0	-	-	-	-	0.0%	-	-
2	0.04%<PD<0.08%	0.00%	0.0	0.0	-	-	-	-	0.0%	-	-
3	0.08%<PD<0.17%	0.11%	122.9	122.9	122.4	0.6	100.0%	4.4	17.2%	3.6%	0.0
4	0.17%<PD<0.32%	0.22%	313.8	313.8	309.8	3.9	100.0%	16.9	15.3%	5.4%	0.1
5	0.32%<PD<0.64%	0.55%	804.1	804.1	797.5	6.5	100.0%	82.4	15.3%	10.3%	0.7
6	0.64%<PD<0.96%	0.90%	303.4	303.4	302.0	1.4	100.0%	41.6	14.5%	13.7%	0.4
7	0.96%<PD<1.28%	1.04%	114.8	114.8	114.8	-	-	20.3	17.0%	17.7%	0.2
8	1.28%<PD<2.56%	1.67%	436.9	436.9	428.2	8.7	100.0%	90.4	14.6%	20.7%	1.1
9	2.56%<PD<5.12%	3.61%	467.4	467.4	457.7	9.6	100.0%	147.2	14.2%	31.5%	2.4
10	5.12%<PD<15%	8.71%	355.5	355.5	348.6	6.8	100.0%	177.8	14.6%	50.0%	4.6
11	15%<PD<22%	19.62%	87.2	87.2	83.2	4.0	100.0%	58.9	14.9%	67.6%	2.6
12	22%<PD<34%	28.56%	36.9	36.9	36.9	-	-	29.8	17.1%	80.6%	1.8
13	34%<PD<65%	43.30%	44.7	44.7	43.3	1.4	100.0%	32.4	16.5%	72.5%	3.2
14	65%<PD<99%	0.00%	0.0	0.0	-	-	-	-	0.0%	-	-
15	99%<PD<100%	100.00%	235.7	235.7	235.7	0.0	100.0%	-	44.0%	0.0%	103.6
Subtotal		**10.44%**	**3,323.3**	**3,323.3**	**3,280.1**	**42.9**	**100.0%**	**702.1**	**17.1%**	**21.1%**	**120.7**
Other loans to small and medium businesses											
1	0.03%<PD<0.04%	0.03%	0.2	0.2	-	0.2	100.0%	0.0	89.5%	7.2%	0.0
2	0.04%<PD<0.08%	0.00%	0.0	0.0	-	-	-	-	0.0%	-	-
3	0.08%<PD<0.17%	0.11%	69.9	68.4	66.1	2.3	60.0%	5.7	36.5%	8.4%	0.0
4	0.17%<PD<0.32%	0.22%	2,152.0	2,124.2	2,013.7	110.5	79.9%	404.2	29.3%	19.0%	1.4
5	0.32%<PD<0.64%	0.56%	3,791.9	3,770.0	3,648.4	121.6	84.7%	1,089.4	31.2%	28.9%	6.5
6	0.64%<PD<0.96%	0.91%	1,264.4	1,260.8	1,231.7	29.1	89.0%	386.8	26.3%	30.7%	3.0
7	0.96%<PD<1.28%	1.02%	529.8	516.7	490.0	26.7	67.2%	175.4	40.9%	33.9%	2.2
8	1.28%<PD<2.56%	1.64%	2,186.6	2,171.8	2,071.5	100.4	87.2%	835.4	29.9%	38.5%	10.8
9	2.56%<PD<5.12%	3.53%	2,386.5	2,351.5	2,240.5	111.0	76.0%	1,048.3	27.9%	44.6%	23.2
10	5.12%<PD<15%	8.22%	1,673.9	1,663.0	1,604.5	58.5	84.3%	968.8	31.7%	58.3%	43.7
11	15%<PD<22%	19.05%	528.9	528.5	510.0	18.5	97.8%	396.5	31.2%	75.0%	31.5
12	22%<PD<34%	28.22%	116.4	114.1	111.8	2.3	50.0%	94.4	40.7%	82.7%	13.1
13	34%<PD<65%	43.60%	195.5	193.7	189.3	4.4	71.9%	161.9	38.1%	83.6%	32.1
14	65%<PD<99%	78.76%	2.6	2.5	2.5	0.0	3.3%	1.7	55.0%	69.4%	1.1
15	99%<PD<100%	100.00%	1,700.1	1,698.2	1,679.1	19.1	90.8%	-	75.4%	0.0%	1,280.8
Subtotal		**13.46%**	**16,598.7**	**16,463.6**	**15,859.1**	**604.6**	**81.7%**	**5,568.5**	**35.0%**	**33.8%**	**1,449.4**
TOTAL		**7.01%**	**139,964.9**	**136,245.9**	**128,610.0**	**7,635.9**	**67.2%**	**33,091.7**	**24.9%**	**24.3%**	**5,273.5**

The disparities between customer types seen in prior years in the retail banking portfolio were again apparent in 2014. The distribution of observed PD levels in loans secured by real estate assets is significantly narrower than for other types of asset. For instance, 68% of gross exposures to the “Retail loans secured by real estate assets” book were internally rated 1-5 (PD of less than 0.64%), while this figure falls to 36% for “Other loans to small and medium businesses” in the IRB portfolio - the Group’s retail banking arm.

Differences in PD are still clearer looking at the contributions to expected loss due to the significant gaps in LGD for each portfolio: exposures to “Retail loans secured by real estate assets” make up 49.1% of total EAD to retail customers but just 7.7% of expected losses.

EXPOSURE TO CREDIT RISK FOR RETAIL CUSTOMERS BY TYPE OF EXPOSURE AND INTERNAL RATING AT 31 DECEMBER 2013

Internal rating of counterparty	Probability of default	Average PD	Gross exposure	EAD	EAD Balance sheet	EAD Off-balance sheet	Average CCF	RWA	Average LGD *(in %)*	Average RW *(in %)*	Expected Losses (EL)
Home loans											
1	0.03%<PD<0.04%	-	-	-	-	-	-	-	-	-	-
2	0.04%<PD<0.08%	0.07%	17.1	17.1	16.1	1.0	100.0%	0.4	12.4%	2.4%	0.0
3	0.08%<PD<0.17%	0.10%	27,985.5	27,985.5	27,108.4	877.1	100.0%	811.8	11.7%	2.9%	3.2
4	0.17%<PD<0.32%	0.21%	4,331.9	4,331.9	4,325.7	6.2	100.0%	352.1	18.5%	8.1%	1.7
5	0.32%<PD<0.64%	0.45%	15,427.5	15,427.5	14,940.8	486.7	100.0%	1,342.7	11.3%	8.7%	8.0
6	0.64%<PD<0.96%	0.82%	28.2	28.2	28.2	-	-	6.4	19.4%	22.6%	0.0
7	0.96%<PD<1.28%	1.04%	5,051.0	5,051.0	4,788.3	262.7	100.0%	744.3	10.8%	14.7%	5.7
8	1.28%<PD<2.56%	1.93%	6,064.2	6,064.2	5,840.4	223.8	100.0%	1,392.6	11.5%	23.0%	13.3
9	2.56%<PD<5.12%	4.21%	3,162.3	3,162.3	2,831.1	331.2	100.0%	1,173.4	11.8%	37.1%	15.5
10	5.12%<PD<15%	9.19%	1,168.6	1,168.6	1,142.3	26.3	100.0%	767.6	14.3%	65.7%	15.2
11	15%<PD<22%	18.71%	117.7	117.7	117.7	0.0	100.0%	118.2	23.7%	100.5%	3.6
12	22%<PD<34%	22.80%	148.9	148.9	147.2	1.7	100.0%	108.1	11.9%	72.6%	4.1
13	34%<PD<65%	43.73%	195.6	195.6	193.6	2.0	102.9%	174.3	15.4%	89.1%	12.7
14	65%<PD<99%	65.45%	1.7	1.7	1.7	-	-	1.3	19.3%	78.0%	0.2
15	99%<PD<100%	100.00%	997.4	997.4	995.5	1.9	100.0%	-	34.8%	0.0%	346.9
Subtotal	**2.56%**		**64,697.6**	**64,697.6**	**62,477.0**	**2,220.6**	**100.0%**	**6,993.2**	**12.4%**	**10.8%**	**430.1**
Revolving credit											
1	0.03%<PD<0.04%	0.04%	3.0	2.3	0.1	2.2	77.4%	0.0	41.1%	1.0%	-
2	0.04%<PD<0.08%	0.07%	1,569.1	489.0	0.0	489.0	31.2%	13.0	55.1%	2.7%	0.2
3	0.08%<PD<0.17%	0.10%	1,446.8	883.6	149.2	734.4	56.6%	43.2	76.7%	4.9%	0.7
4	0.17%<PD<0.32%	0.22%	1,393.7	373.2	80.1	293.1	22.3%	24.4	53.3%	6.5%	0.4
5	0.32%<PD<0.64%	0.47%	1,559.5	942.7	301.0	641.7	51.0%	136.9	65.0%	14.5%	2.9
6	0.64%<PD<0.96%	0.76%	307.3	123.6	84.3	39.3	17.6%	22.4	55.1%	18.2%	0.5
7	0.96%<PD<1.28%	1.03%	430.5	365.5	152.5	213.0	76.6%	98.0	64.5%	26.8%	2.4
8	1.28%<PD<2.56%	1.75%	1,611.3	1,236.5	778.4	458.1	55.0%	448.2	58.2%	36.2%	12.9
9	2.56%<PD<5.12%	3.79%	1,789.0	1,695.4	1,338.1	357.3	79.2%	1,066.8	58.6%	62.9%	38.1
10	5.12%<PD<15%	9.08%	673.6	665.6	586.4	79.2	90.8%	693.1	55.6%	104.1%	34.5
11	15%<PD<22%	20.03%	135.2	133.0	125.2	7.8	78.2%	229.7	62.0%	172.6%	16.6
12	22%<PD<34%	25.09%	20.5	20.7	16.8	3.9	103.6%	36.9	60.2%	178.2%	3.1
13	34%<PD<65%	42.26%	114.1	111.4	110.0	1.4	35.1%	200.2	56.7%	179.8%	26.2
14	65%<PD<99%	78.45%	31.9	31.7	31.6	0.1	30.6%	34.9	59.2%	110.2%	14.6
15	99%<PD<100%	100.00%	547.8	545.3	545.2	0.1	2.8%	-	81.6%	0.0%	445.1
Subtotal	**10.59%**		**11,633.3**	**7,619.5**	**4,298.9**	**3,320.6**	**45.3%**	**3,047.7**	**62.6%**	**40.0%**	**598.2**

Internal rating of counterparty	Probability of default	Average PD	Gross exposure	EAD	EAD Balance sheet	EAD Off-balance sheet	Average CCF	RWA	Average LGD *(in %)*	Average RW *(in %)*	Expected Losses (EL)
Other exposures											
1	0.03%<PD<0.04%	0.04%	678.5	678.3	677.5	0.8	76.5%	3.8	5.8%	0.6%	0.0
2	0.04%<PD<0.08%	0.07%	2,404.4	2,404.4	2,403.2	1.2	94.4%	21.9	4.7%	0.9%	0.1
3	0.08%<PD<0.17%	0.10%	6,426.7	6,415.6	6,184.5	231.1	95.4%	291.2	17.7%	4.5%	1.1
4	0.17%<PD<0.32%	0.22%	2,369.0	2,363.0	2,313.8	49.2	89.1%	279.8	26.0%	11.8%	1.4
5	0.32%<PD<0.64%	0.51%	4,539.4	4,536.7	4,398.0	138.7	98.1%	1,146.7	32.9%	25.3%	7.7
6	0.64%<PD<0.96%	0.84%	1,173.2	1,173.1	1,155.4	17.7	99.1%	435.7	37.4%	37.1%	3.7
7	0.96%<PD<1.28%	1.10%	2,806.9	2,811.5	2,737.9	73.6	106.7%	1,253.0	39.7%	44.6%	12.3
8	1.28%<PD<2.56%	2.16%	7,147.5	7,160.5	7,023.4	137.1	110.5%	4,453.8	44.8%	62.2%	71.1
9	2.56%<PD<5.12%	4.32%	5,543.8	5,545.2	5,483.8	61.4	102.2%	3,942.7	46.1%	71.1%	112.0
10	5.12%<PD<15%	8.95%	3,203.7	3,203.4	3,185.8	17.6	98.0%	2,487.8	44.9%	77.7%	127.3
11	15%<PD<22%	18.74%	487.8	486.7	481.0	5.7	83.4%	306.1	27.2%	62.9%	25.4
12	22%<PD<34%	29.71%	489.8	489.8	489.2	0.6	101.7%	309.1	23.7%	63.1%	33.6
13	34%<PD<65%	42.19%	563.9	563.9	563.5	0.4	110.7%	633.2	40.6%	112.3%	95.6
14	65%<PD<99%	74.73%	154.6	154.6	154.6	-	0.0%	136.8	48.5%	88.5%	56.2
15	99%<PD<100%	100.00%	3,623.0	3,622.6	3,617.4	5.2	92.4%	47.5	67.3%	1.3%	2,506.8
Subtotal	**11.95%**		**41,612.2**	**41,609.3**	**40,869.0**	**740.3**	**99.6%**	**15,749.1**	**36.4%**	**37.8%**	**3,054.3**
Small and medium businesses											
1	0.03%<PD<0.04%	0.03%	0.2	0.2	0.0	0.2	100.0%	0.0	89.5%	9.4%	0.0
2	0.04%<PD<0.08%	-	-	-	-	-	-	-	-	-	-
3	0.08%<PD<0.17%	0.13%	725.2	701.3	643.6	57.7	70.7%	86.6	39.1%	12.4%	0.3
4	0.17%<PD<0.32%	0.22%	2,031.5	2,027.3	1,924.5	102.8	96.0%	429.3	29.2%	21.2%	1.3
5	0.32%<PD<0.64%	0.52%	4,565.4	4,528.4	4,379.3	149.1	80.1%	1,375.4	31.9%	30.4%	7.3
6	0.64%<PD<0.96%	0.92%	1,397.0	1,391.6	1,358.8	32.8	85.9%	441.8	25.5%	31.7%	3.2
7	0.96%<PD<1.28%	1.15%	560.4	550.4	506.4	44.0	81.6%	268.9	42.7%	48.9%	2.7
8	1.28%<PD<2.56%	1.71%	2,292.3	2,283.0	2,211.2	71.8	88.5%	1,003.3	28.5%	43.9%	11.7
9	2.56%<PD<5.12%	3.53%	2,411.9	2,408.8	2,277.7	131.1	97.7%	1,076.7	24.5%	44.7%	20.9
10	5.12%<PD<15%	7.75%	2,012.7	2,003.0	1,926.0	77.0	88.8%	1,196.7	29.7%	59.7%	45.5
11	15%<PD<22%	18.79%	806.0	803.1	765.0	38.1	92.9%	675.9	32.1%	84.2%	48.3
12	22%<PD<34%	28.96%	34.1	34.0	32.0	2.0	96.5%	40.4	40.9%	118.8%	4.0
13	34%<PD<65%	38.24%	226.9	224.2	219.2	5.0	65.3%	244.1	38.5%	108.9%	32.6
14	65%<PD<99%	79.77%	1.9	1.9	1.9	0.0	-	1.6	55.8%	84.2%	0.9
15	99%<PD<100%	100.00%	1,691.8	1,687.5	1,662.4	25.1	85.6%	-	73.2%	0.0%	1,234.5
Subtotal	**12.14%**		**18,757.3**	**18,644.7**	**17,908.0**	**736.7**	**86.7%**	**6,840.7**	**34.0%**	**36.7%**	**1,413.2**
TOTAL	**7.32%**		**136,700.4**	**132,571.1**	**125,552.9**	**7,018.2**	**63.0%**	**32,630.7**	**25.9%**	**24.6%**	**5,495.8**

PD AND AVERAGE LGD BY TYPE OF PERFORMING EXPOSURE UNDER THE A-IRB APPROACH BY GEOGRAPHIC AREA
The LGDs in this table are regulatory and may be subject to floors on certain portfolios.

		A-IRB approach	
Type of exposure	Geographic area	PD	LGD
Central governments and central banks	**All geographic areas**	**0.04%**	**1.68%**
	Africa and Middle East	0.15%	9.37%
	North America	0.00%	1.00%
	Asia-Pacific (excluding Japan)	0.07%	2.49%
	Eastern Europe	0.18%	45.00%
	Western Europe excluding Italy	0.04%	1.66%
	France (incl. overseas departments and territories)	0.07%	2.27%
	Italy	0.14%	10.00%
	Japan	0.00%	1.00%
Institutions	**All geographic areas**	**0.15%**	**20.51%**
	Africa and Middle East	0.14%	26.35%
	North America	0.08%	10.96%
	Asia-Pacific (excluding Japan)	0.19%	26.05%
	Eastern Europe	0.50%	25.75%
	Western Europe excluding Italy	0.11%	13.87%
	France (incl. overseas departments and territories)	0.17%	23.28%
	Italy	0.12%	13.31%
	Japan	0.11%	23.87%
Corporates	**All geographic areas**	**0.76%**	**33.85%**
	Africa and Middle East	1.34%	51.12%
	North America	0.79%	37.02%
	Asia-Pacific (excluding Japan)	0.37%	35.52%
	Eastern Europe	0.50%	51.33%
	Western Europe excluding Italy	1.02%	37.57%
	France (incl. overseas departments and territories)	0.65%	29.51%
	Italy	1.75%	45.97%
	Japan	0.69%	26.02%
Retail loans			
o/w secured by real estate assets	**All geographic areas**	**1.21%**	**11.66%**
	France (incl. overseas departments and territories)	1.25%	10.66%
	Italy	0.98%	17.38%
o/w revolving	**All geographic areas**	**3.74%**	**62.87%**
	France (incl. overseas departments and territories)	2.83%	62.09%
	Italy	6.54%	65.25%
o/w other	**All geographic areas**	**3.35%**	**32.61%**
	Western Europe excluding Italy	1.40%	16.46%
	France (incl. overseas departments and territories)	3.70%	32.07%
	Italy	4.73%	49.60%
Loans to small and medium businesses			
o/w other loans	**All geographic areas**	**3.50%**	**30.36%**
	France (incl. overseas departments and territories)	3.15%	27.08%
	Italy	4.58%	40.46%
o/w secured by real estate assets	**All geographic areas**	**3.60%**	**15.05%**
	France (incl. overseas departments and territories)	3.02%	13.68%
	Italy	4.43%	16.98%

In addition, only France has IRBF exposure on the following portfolios: Central governments and central banks, Institutions and Corporates.

3. Exposures at default and valuation adjustments

EXPOSURES AT DEFAULT AND VALUATION ADJUSTMENTS AT 31 DECEMBER 2014

(in billions of euros)	Gross exposure	Exposures at default: Standardised approach	IRB approach	Total	Individual valuation adjustments	Collective valuation adjustments
Central governments and central banks	177.6	0.0	0.0	0.0	0.0	0.0
Institutions	406.4	0.0	0.5	0.5	0.6	0.1
Corporates	338.6	4.3	3.7	8.0	4.1	1.7
Retail customers	174.9	2.0	6.6	8.6	4.7	1.0
Retail loans	*149.1*	*1.5*	*4.7*	*6.2*	*3.5*	*1.0*
o/w secured by real estate assets	*71.0*	*0.2*	*0.9*	*1.1*	*0.3*	*0.0*
o/w revolving	*22.2*	*0.4*	*0.5*	*0.9*	*0.6*	*0.1*
o/w other	*56.0*	*0.9*	*3.3*	*4.2*	*2.6*	*0.9*
Loans to small and medium businesses	*25.7*	*0.5*	*1.9*	*2.4*	*1.2*	*0.0*
o/w secured by real estate assets	*4.0*	*0.1*	*0.2*	*0.3*	*0.1*	*0.0*
o/w other loans	*21.7*	*0.4*	*1.7*	*2.1*	*1.1*	*0.0*
TOTAL	**1097.5**	**6.3**	**10.8**	**17.1**	**9.4**	**2.8**

EXPOSURES AT DEFAULT AND VALUATION ADJUSTMENTS AT 31 DECEMBER 2013

(in billions of euros)	Gross exposure	Exposures at default: Standardised approach(1)	IRB approach	Total	Individual valuation adjustments	Collective valuation adjustments
Central governments and central banks	191.0	0.0	0.0	0.0	0.0	-
Institutions	461.6	0.1	0.6	0.7	0.5	-
Corporates	309.7	4.2	4.2	8.4	3.7	-
Retail customers	173.8	2.5	6.9	9.4	5.4	-
Small and medium businesses	*23.0*	*0.4*	*1.7*	*2.1*	*1.1*	-
Revolving credit	*26.0*	*0.7*	*0.6*	*1.3*	*0.9*	-
Home loans	*68.5*	*0.2*	*1.0*	*1.2*	*0.3*	-
Other exposures	*56.3*	*1.2*	*3.6*	*4.8*	*3.1*	-
TOTAL	**1136.1**	**6.8**	**11.7**	**18.5**	**9.6**	**2.1**

(1) More than 90 days past due.

Exposures at default, which were €17.1 billion at 31 December 2014, continue to fall (-7.6% compared to December 2013) reflecting the Group's improving risk profile.

At the same time, individual valuation adjustments fell by 2.1%, while the accrued total of collective valuation adjustments increased by €0.7 billion versus end-December 2013.

EXPOSURES AT DEFAULT AND VALUATION ADJUSTMENTS BY GEOGRAPHIC AREA

31/12/2014 *(in billions of euros)*	Exposures at default		Individual valuation adjustments	Collective valuation adjustments
	Standardised approach	Internal ratings approach		
Africa and Middle East	0.3	0.6	0.7	0.0
Central and South America	0.0	0.1	0.3	0.0
North America	0.0	0.1	0.0	0.0
Asia-Pacific (excluding Japan)	0.0	0.6	0.0	0.0
Eastern Europe	0.6	0.2	0.1	0.0
Western Europe excluding Italy	0.3	1.3	0.9	0.0
France (incl. overseas departments and territories)	1.3	4.1	4.1	2.2
Italy	3.8	3.8	3.3	0.5
Japan	0.0	0.0	0.0	0.0
TOTAL	**6.3**	**10.8**	**9.4**	**2.8**

31/12/2013 *(in billions of euros)*	Exposures at default	
	Standardised approach[1]	Internal ratings approach
Africa and Middle East	0.4	0.8
Central and South America	0.0	0.3
North America	0.0	0.2
Asia-pacific (excluding Japan)	0.0	0.3
Eastern Europe	1.1	0.1
Western Europe excluding Italy	0.7	1.5
France (incl. overseas departments and territories)	1.5	4.1
Italy	3.1	4.1
Japan	0.0	0.1
TOTAL	**6.8**	**11.5**

(1) More than 90 days past due.

Total exposures at default (using the standardised and IRB approaches) remain concentrated in Italy, France and Western Europe excluding Italy, which contribute 44.4%, 31.6% and 9.4% of the total, respectively. Total exposure in default fell by 6.6% since end-2013 with a reduction in all the Group's main geographical areas except Italy.

4. Comparison between estimated and actual losses

The ratio of Expected Losses (EL) to Exposure at Default (EAD) was 1.77% at 31 December 2014, an improvement on the 1.86% ratio registered at 31 December 2013. This ratio is calculated for the Central government and central banks, Institutions, Corporates, Retail customer and Equity portfolios.

The Pillar 3 working group of the European Banking Federation (EBF) "suggests comparing the EL/EAD ratio with the amount of provisions as a percentage of gross exposure" (see "Final Version of the EBF Paper on Alignment of Pillar 3 Disclosures"). The latter ratio was 1.54% at 31 December 2014, compared to 1.63% in 2013.

5

II. Credit risk mitigation techniques

Definitions:

- **collateral:** a security interest giving the bank the right to liquidate, keep or obtain title to certain amounts or assets in the event of default or other specific credit events affecting the counterparty, thereby reducing the credit risk on an exposure;
- **personal guarantee:** undertaking by a third party to pay the sum due in the event of the counterparty's default or other specific credit events, therefore reducing the credit risks on an exposure.

1. Collateral management system

The main categories of collateral taken by the bank are described in the section entitled "Risk Factors – Credit Risk – Collateral and guarantees received".

When a credit is granted, collateral is analysed to assess the value of the asset, its volatility and the correlation between the value of the collateral and the quality of the counterparty financed. Regardless of collateral quality, the first criterion in the lending decision is always the borrower's ability to repay sums due from cash flow generated by its operating activities, except for specific trade finance transactions.

For financial collateral, a minimum exposure coverage ratio is usually included in loan contracts, with readjustment clauses. Financial collateral is revalued according to the frequency of margin calls and the variability of the underlying value of financial assets transferred as collateral or quarterly, as a minimum.

The minimum coverage ratio (or the haircut applied to the value of the collateral under Basel 2) is determined by measuring the pseudo-maximum deviation of the value of the securities on the revaluation date. This measurement is calculated with a 99% confidence interval over a time horizon covering the period between each revaluation, the period between the default date and the date on which asset liquidation starts, and the duration of the liquidation period. This haircut also applies for currency mismatch risk when the securities and the collateralised exposure are denominated in different currencies. Additional haircuts are applied when the size of the stocks position implies a block sale or when the borrower and the issuer of the collateral securities belong to the same risk group.

The initial value of real estate assets granted as collateral is based on acquisition or construction cost. It may subsequently be revalued using a statistical approach based on market indices, or on the basis of an expert appraisal performed at least annually.

For retail banking (LCL, Cariparma), revaluation is automatic based on changes in the property market indices. Conversely, for project-type property financing, assets are mainly revalued on the basis of an expert appraisal combining various approaches (asset value, rental value, etc.) and including external benchmarks.

For minimum coverage ratios (or the haircut applied to the collateral value under Basel 2), Crédit Agricole CIB projects the value of the real estate asset between the revaluation date and the date on which the collateral is realised by modelling the asset value, and includes the repossession costs over that period. Assumptions regarding liquidation periods depend on the type of financing (project, property investment companies, property developers, etc.).

Other types of asset may also be pledged as non recourse financial assets. This is notably the case for certain activities such as aircraft, shipping or commodities financing. These businesses are conducted by middle offices, which have specific expertise in valuing the assets financed.

2. Protection providers

Two major types of guarantee are mainly used (other than intra-Group guarantees): export credit insurance taken out by the Bank and unconditional payment guarantees.

The main guarantee providers (excluding credit derivatives – see section below) are export credit agencies, most of which enjoy a good quality sovereign rating. The most important ones are Coface (France), Sace S.p.A. (Italy), Euler Hermes (Germany) and Korea Export Insur (Korea).

FINANCIAL HEALTH RATINGS AVAILABLE FROM EXPORT CREDIT AGENCIES

	Moody's	Standard & Poor's	Fitch Ratings
	Rating [outlook]	Rating [outlook]	Rating [outlook]
Coface S.A.	A2 [stable]		AA- [stable]
Euler Hermès	Aa3 [stable]	AA- [stable]	
Sace S.p.A.			A- [stable]

Moreover, the guarantees received from mutual guarantee companies cover a substantial portion of the loans in the Group's "residential real estate" portfolio in France (see table -hereinafter). These outstandings are backed by guarantees granted by Crédit Logement (rated Aa3 stable by Moody's) or by the Group's subsidiary insurance company, CAMCA (rated A- by Fitch). The guarantors themselves are supervised by the French Prudential and Resolution Supervisory Authority (ACPR) and are subject to prudential regulation applying to either financing companies, for Crédit Logement, or insurance companies (Solvency 1 and 2), for CAMCA.

AMOUNTS IN OUTSTANDING PROPERTY LOANS GUARANTEED BY CAMCA AND *CRÉDIT LOGEMENT*

	Outstandings at 31/12/2014		Outstandings at 31/12/2013	
(in millions of euros)	Amount in outstandings guaranteed	% of guaranteed loans in the "residential real estate loans" portfolio in France	Amount in outstandings guaranteed	% of guaranteed loans in the "residential real estate loans" portfolio in France
Coverage by financial guarantee insurance companies (Crédit Logement, CAMCA)	44,894	80.2%	43,810	82.6%

Where *Crédit Logement* is concerned, the guarantee granted covers, with no deductible, the payment of all amounts legally due by defaulting borrowers in principal, interest, insurance premiums and costs. When the guarantee is granted, the guarantor applies an independent selection policy in addition to that already implemented by the bank. Where CAMCA is concerned, the guarantee mechanism is broadly similar to that of *Crédit Logement,* with the difference that the payments made by CAMCA with respect to the guarantee arise once the bank's means of recourse against the borrower have been exhausted. In the end, these guarantee provisions significantly enhance the quality of the property loans guaranteed and constitute a full transfer of risk in respect of these outstandings.

3. Use of credit derivatives for hedging purposes

Credit derivatives used for hedging purposes are described in the section entitled "Risk Factors – Credit Risk – Credit Risk Mitigation Mechanisms – Use of Credit Derivatives".

III. Securitisation transactions

The credit risk on securitisation transactions is presented in the Securitisation chapter below.

IV. Equity exposures in the banking portfolio

Crédit Agricole S.A. Group's equity exposures, excluding the trading book, consist of securities "that convey residual, subordinated claims on the assets or income of the issuer or have a similar economic substance". These mainly include:

- listed and non-listed equities and shares in investment funds;
- options implicit in convertible, redeemable or exchangeable bonds;
- stock options;
- deeply subordinated securities.

Non-consolidated equity interests are acquired for management purposes (financial assets at fair value through profit or loss or designated as at fair value through profit or loss or held-for-trading, available-for-sale financial assets, held-to-maturity investments, loans and receivables) as described in Note 1.3 to the financial statements entitled "Accounting policies and principles".

The accounting policies and valuation methods used are described in Note 1.3 to the financial statements "Accounting policies and principles".

GROSS EXPOSURE AND EXPOSURE AT DEFAULT BY EXPOSURE CLASS

	31/12/2014		31/12/2013	
(in billions of euros)	Gross exposure	Exposure at default	Gross exposure	Exposure at default
Equity exposures under the internal ratings-based approach	**31.0**	**6.8**	**27.9**	**12.9**
Private equity exposures in sufficiently diversified portfolios	0.7	0.7	1.0	1.0
Listed equity exposures	2.2	0.9	2.5	1.2
Other equity exposures	28.1	5.2	24.4	10.7
Equity exposures under the standardised approach	**1.0**	**0.8**	**2.2**	**1.3**
TOTAL EQUITY EXPOSURE	**32.0**	**7.6**	**30.1**	**14.2**

Equity exposures under the internal ratings based approach mainly consist of the portfolios of Crédit Agricole S.A., Crédit Agricole CIB and Crédit Agricole Investissement et Finance.

The value of the equity exposures under the internal ratings based approach amounted to €31.0 billion at 31 December 2014 (compared with €27.9 billion at 31 December 2013).

The cumulative amount of realised gains or losses on sales and settlements over the period under review is presented in Note 4 to the financial statements "Notes to the income statement".

SECURITISATION

I. Definitions

Crédit Agricole Group carries out securitisation transactions as an originator, arranger or as an investor according to the Basel 3 criteria.

The securitisation transactions, listed below, consist of transactions defined in the CRD 4 and CRR in force since 1 January 2014. The directive and regulations incorporate into European law the international Basel 3 reforms (issued in December 2010) introducing, among other things, new requirements for bank solvency and oversight of liquidity risk. They cover transactions or schemes under which the credit risk associated with an exposure or pool of exposures is sub-divided into tranches with the following features:

- payments depend on the performance of the underlying exposure or pool of exposures;
- the subordination of tranches determines how losses are distributed over the life of the transaction or scheme.

Securitisation transactions include:

- Traditional securitisations: imply the economic transfer of the securitised exposures. This means the transfer of ownership of the securitised exposures by the reporting originating institution directly to a securitisation vehicle or *via* a vehicle's sub-investment in the securitised exposures. Notes issued by the securitisation vehicle do not constitute payment obligations for the reporting originating institution;
- synthetic securitisations: the credit risk is transferred through the use of credit derivatives or guarantees and the pool of securitised exposures is kept on the balance sheet of the reporting originating institution.

The securitisation exposures detailed below cover all securitisation exposures (recorded on or off-balance sheet) that generate risk weighted assets (RWA) and capital requirements with respect to the Group's regulatory portfolio, according to the following typologies:

- originator programmes, deemed efficient under Basel 3 insofar as there is a significant transfer of risks;
- programmes as arranger/sponsor, in which the Group has maintained positions;
- programmes issued by third parties in which the Group has invested;
- securitisation swap positions (exchange or interest rate hedges) offered to securitisation vehicles.

The securitisation transactions on own account carried out as part of non-derecognised collateralised financing operations, are not described below. Their impact on the consolidated financial statements is detailed in Notes 2.3 and 6.6 "securitisation transactions" and "transferred assets not derecognised or derecognised with on-going involvement" to the financial statements.

It should be noted that most securitisation transactions on behalf of European customers involve Ester Finance Titrisation, a fully-owned banking subsidiary of Crédit Agricole CIB, which finances the purchase of receivables. By definition, securitisation transactions on behalf of customers using this structure are classified under the role of originator.

II. Purpose and strategy

1. Securitisation transactions on own account

Crédit Agricole Group's securitisation transactions on own account are the following:

COLLATERALISED FINANCING TRANSACTIONS

These transactions are designed for the issue of securities and, where appropriate, can be wholly or partially placed with investors, sold under repurchase agreements or kept on the issuer's balance sheet as liquid securities reserves that can be used to manage refinancing. This activity relates to several of the Group's entities, mainly CA Consumer Finance and its subsidiaries.

ACTIVE MANAGEMENT OF CRÉDIT AGRICOLE CIB'S CORPORATE FINANCING PORTFOLIO

This activity consists of using securitisations and credit derivatives to manage the credit risk of Crédit Agricole CIB's corporate financing portfolio. It entails purchasing credit derivatives on single exposures (see section on Risk factors – Credit risks section – Use of credit derivatives) and protections on asset portfolio tranches to reduce the risk. It also entails selling credit derivatives and senior tranches for the purpose of diversification and to reduce the sensitivity of the protection portfolio.

Such credit risk management aims at reducing the concentration of outstanding loans to companies, freeing up resources to favour origination and cutting loss levels. This business is managed by Crédit Agricole CIB's Credit Portfolio Management team. The approach used to calculate the risk weighted exposures on proprietary securitisation positions is the regulatory formula approach. In this business, the bank does not systematically purchase protection on all tranches of a portfolio, as the management goal is to cover some of the more risky financing portfolio tranches whilst keeping part of the overall risk.

CRÉDIT AGRICOLE CIB DISCONTINUING ACTIVITIES

These consist of investments in securitisation tranches that are either managed in run-off, or exposures for which the risk is considered to be low and that Crédit Agricole CIB is willing to carry for the long term. These were segregated into a dedicated regulatory banking book in 2009. These activities generate no market risk.

2. Securitisation transactions carried out on behalf of customers as arranger/sponsor, intermediary or originator

Within Crédit Agricole Group, only Crédit Agricole CIB carries out securitisation transactions on behalf of customers.

Securitisation transactions on behalf of customers within Global Markets activities allow Crédit Agricole CIB to raise funds or manage a risk exposure on behalf of its customers. When carrying out these activities, Crédit Agricole CIB can act as an originator, sponsor/arranger or investor:

- as a sponsor/arranger, Crédit Agricole CIB structures and manages securitisation programmes that refinance assets of the bank's customers, mainly *via* the ABCP (Asset Backed Commercial Paper) conduits, LMA in Europe and Atlantic in the United States. These special purpose vehicles are bankruptcy-remote and consolidated at Group level since IFRS 10 came into effect on 1 January 2014. The roles of Crédit Agricole CIB Group as a sponsor of the conduits and a manager and provider of liquidity facilities bestow it with power directly linked to the variability of the activity's yields. The liquidity facilities protect the investors against credit risk and guarantee the liquidity of the conduits;

- as an originator, Crédit Agricole CIB participates directly or indirectly in the original agreement on the assets, which are subsequently used as underlyings for the securitisation transaction, mainly for the purpose of refinancing. This is the case for the securitisation programmes involving Ester Finance Titrisation;
- as an investor, the Group invests directly in certain securitisation exposures and is a liquidity provider or counterparty of derivative exposures (*i.e.* exchange or interest rate swaps).

2.1 ACTIVITIES CARRIED OUT AS ARRANGER/SPONSOR, INTERMEDIARY OR ORIGINATOR

Crédit Agricole CIB carries out securitisation transactions on behalf of its customers. At 31 December 2014, there were two active consolidated multi-seller vehicles (LMA and Atlantic), structured by the Group on behalf of third parties. This ABCP conduits activity finances the working capital requirements of some of the Group's customers by backing short term financing with traditional assets, such as commercial or financial loans. The amount of the assets held by these vehicles and financed through the issuance of marketable securities amounted to €16.1 billion at 31 December 2014 (€14.1 billion at 31 December 2013).

The default risk on the assets held by these vehicles is borne by the sellers of the underlying receivables through credit enhancement or by insurers for certain types of risk upstream of the ABCP conduits. Crédit Agricole CIB bears the risk for the two ABCP conduits *via* €21.9 billion of liquidity facilities at 31 December 2014 (€18.5 billion at 31 December 2013). It should be noted that the Securitisation business has never sponsored any SIVs (Structured Investment Vehicles).

2.1.1 Activities carried out as arranger/sponsor

The conduits activity was sustained throughout 2014 and the newly securitised outstandings mainly relate to commercial and financial loans.

For part of this conduits activity, Crédit Agricole CIB acts as the originator insofar as the structures involve the entity Ester Finance Titrisation, which is a consolidated Group entity.

Thus, by excluding this part of the transactions, the amount committed to liquidity facilities granted to LMA and Atlantic, as arrangers and sponsors, amounted to €11.5 billion at 31 December 2014 (€11.2 billion at 31 December 2013).

2.1.2 Activities carried out as originator

This activity relates to all securitisation programmes on behalf of customers for which the underlying receivables are transferred to Ester Finance Titrisation, which is a consolidated Group entity. Although the financing is carried out *via* ABCP conduits, as described above, the fact that the receivables are accounted for through the Group's balance sheet allows Crédit Agricole to be classed as an originator for these transactions.

This activity is carried out in Europe only and the exposure amount was €10.4 billion at 31 December 2014 (€7.3 billion at 31 December 2013).

2.2 ACTIVITIES CARRIED OUT AS INVESTOR

As part of its sponsor activities, the Group can grant guarantees and liquidity facilities to securitisation vehicles or act as a counterparty for derivatives in *ad hoc* securitisation transactions. These are mainly exchange rate swaps provided to the ABCP conduits and interest rate swaps for some ABS issues. These activities are recorded in the banking portfolio as investor activities.

Moreover, Crédit Agricole CIB may be called upon to directly finance on its balance sheet some securitisation transactions on behalf of its customers. In this case, Crédit Agricole CIB is deemed to be an investor. Overall, this activity corresponded to outstandings of €1.5 billion at 31 December 2014 (€1.8 billion at 31 December 2013), including €1.2 billion in acquired securities.

2.3 INTERMEDIATION TRANSACTIONS

Crédit Agricole CIB participates in pre-securitisation financing, in the structuring and in the placement of securities, backed by client asset pools and to be placed with investors.

In this business, the bank retains a relatively low risk *via* the possible contribution of back-up lines to securitisation vehicles or *via* a share of the notes issued.

III. Risk monitoring and recognition

1. Risk monitoring

The management of risks related to securitisation transactions follows the rules established by the Group, according to which these assets are recorded in the banking portfolio (credit and counterparty risk) or in the trading book (market and counterparty risk).

Outside Crédit Agricole CIB, the Group's only securitisation transactions are standard securitisations that the Group carries out on own account as an originator, as part of collateralised financing transactions. The monitoring of the risk in respect of the underlying assets is not modified by these transactions.

The development, sizing and targeting of securitisation transactions are periodically reviewed by Portfolio Strategy Committees specific to those activities and the countries to which they relate.

Risks on securitisation transactions are measured against the capacity of the assets transferred over to financing structures to generate sufficient flows to cover the costs, mainly, financial of these structures.

Crédit Agricole CIB's securitisation exposures are treated in accordance with the IRB-securitisation framework approach, *i.e.*:

- Ratings-Based Approach (RBA) for exposures with a public external rating (directly or inferred) from an agency approved by the Committee of European Banking Supervisors (CEBS). The external agencies used are Standard & Poor's, Moody's, Fitch Ratings and Dominion Bond Rating Services (DBRS);
- Internal Assessment Approach (IAA): internal rating methodology approved by Crédit Agricole S.A.'s Standards and Methodology Committee for the main asset classes (particularly commercial loans) when there are no agency ratings for the exposure under consideration;
- Supervisory Formula Approach (SFA): in residual cases where there are neither public external ratings nor any possibility of applying the IAA method for exposures with no public external rating.

These ratings cover all types of risks generated by these securitisation transactions: intrinsic risks on receivables (debtor insolvency, payment delays, dilution, offsetting of receivables) or risks on the structuring of transactions (legal risks, risks relating to the receivables collection circuit, risks relating to the quality of information supplied periodically by managers of transferred receivables, etc.).

These critically examined ratings are only a tool for making decisions pertaining to these transactions; such decisions are taken by credit Committees at various levels.

Credit decisions relate to transactions that are reviewed at least once a year by the same Committees. Committee decisions incorporate varying limits according to the evolution of the acquired portfolio (arrears rate, loss rate, rate of sector-based or geographical concentration, rate of dilution of receivables or periodic valuation of assets by independent experts, etc.); non-compliance with these limits may cause the structure to become stricter or place the transaction in early amortisation.

These credit decisions also include, in liaison with the Bank's other credit Committees, an assessment focusing on the risk generated by the sellers of the receivables and the possibility of substituting the manager by a new one in the event of a failure in the management of those receivables.

Like all credit decisions, these decisions include aspects of compliance and "country risk".

The liquidity risk associated with securitisation activities is monitored by the business lines in charge, but also centrally by Crédit Agricole CIB's Market Risk and Asset and Liability Management departments. The impact of these activities is incorporated into the Internal Liquidity Model indicators, mainly stress scenarios, liquidity ratios and liquidity gaps. The management of liquidity risk is described in more detail in the paragraph entitled "Liquidity and financing risk" of the Risk Factors section in this chapter.

The management of structural currency risk with respect to securitisation activities does not differ from that of the Group's other assets. As regards interest rate risk management, securitised assets are refinanced through *ad hoc* vehicles according to interest rate matching rules similar to those applying to other assets.

For assets managed in run-off mode, each transfer of position is first approved by Crédit Agricole CIB's Market Risk department.

Crédit Agricole CIB had no secondary securitisation positions at 31 December 2014 and therefore carries out no specific monitoring of this activity.

2. Accounting policies

Under securitisation transactions, a derecognition test is carried out with respect to IAS 39.

In the case of synthetic securitisations, the assets are not derecognised in that they remain under the control of the institution. The assets are still recognised according to their classification and original valuation method.

The standard securitisations of its financial assets that the Group carries out on own account are performed as part of collateralised financing operations that are not derecognised (neither from an accounting nor a regulatory perspective). Their impact on the consolidated financial statements is detailed in Notes 12.1.3 and 6.7 to the financial statements "securitisation transactions and dedicated funds" and "transferred assets not derecognised or derecognised with on-going involvement".

Moreover, investments made in securitisation instruments (cash or synthetic) are recognised according to their classification and the associated valuation method.

These elements are presented in Note 1.3 to the consolidated financial statements, on accounting principles and methods.

The securitisation exposures can be classified in the following accounting categories:

- "Loans and receivables": these securitisation exposures are measured following initial recognition at amortised cost based on the effective interest rate and may, if necessary, be impaired;
- "Available-for-sale financial assets": these securitisation exposures are remeasured at fair value on the closing date and any changes in fair value are recognised in other comprehensive income;
- "Financial assets at fair value through profit or loss": these securitisation exposures are remeasured at fair value on the closing date and any changes in fair value are recognised through profit or loss under "Net gains (losses) on financial instruments at fair value through profit or loss".

Gains (losses) on the disposal of these securitisation exposures are recognised in accordance with the rules of the original category of the exposures sold.

So, for exposures classified under loans and receivables and under available-for-sale financial assets, gains (losses) on disposal are recognised through profit or loss on the "Net gains (losses) on available-for-sale financial assets" respectively on the "Gains (losses) on disposal of loans and receivables" and "Gains (losses) on disposal of available-for-sale financial assets" lines.

For exposures classified at market value through profit or loss, gains (losses) on disposal are recognised under "Net gains (losses) on financial instruments at fair value through profit or loss".

At 31 December 2014, Crédit Agricole CIB had no assets awaiting securitisation.

IV. Summary of activity on behalf of customers in 2014

Crédit Agricole CIB's Securitisation activity in 2014 was characterised by:

- support of the development of the public ABS market in the United States and its reopening in Europe. Crédit Agricole CIB structured and organised the placement (arranger and bookrunner) of a significant number of primary ABS issues on behalf of its major "Financial institution" customers, in particular in the car industry and consumer financing;
- on the ABCP conduits market, Crédit Agricole CIB maintained its ranking as one of the leaders on this segment, both in Europe and in the American market. This was achieved *via* the renewal and implementation of new securitisation operations for commercial or financial loans on behalf of its mainly Corporate customers, while ensuring that the profile of risks borne by the Bank remained good. The strategy of Crédit Agricole CIB, focused on the financing of its customers, is well perceived by investors and resulted in financing conditions that remained competitive.

At 31 December 2014, Crédit Agricole CIB had no early-redemption securitisation programmes, no assets awaiting securitisation and no re-securitisation exposures.

At 31 December 2014, Crédit Agricole CIB did not support any securitisation programmes within the meaning of Article 248 paragraph 1, of regulation (EU) no.575/2013 of 26 June 2013.

V. Exposures

1. Exposure at default to securitisation operation risks in the Banking Book that generate risk weighted assets

1.1 SECURITISATION TRANSACTIONS USING INTERNAL RATING-BASED APPROACH

Exposure at default of securitisation transactions by role

Underlyings *(in millions of euros)*	Securitised EAD at 31/12/2014						
	Traditional			Synthetic			
	Investor	Originator	Sponsor	Investor	Originator	Sponsor	TOTAL
Residential real estate loans	204.7	1,373.5	129.7	12.3	20.0		1,740.1
Commercial real estate loans	24.2		11.5	5.0			40.7
Credit card loans	0.3						0.3
Leasing	13.9		2,051.3				2,065.2
Loans to corporates and SMEs	675.0	376.4		9,312.3	819.5		11,183.2
Personal loans	68.3	281.2	2,737.3				3,086.7
Trade receivables	21.5	10,056.8	3,932.2				14,010.5
Other	3.7	382.5	3,817.6	9.3			4,213.1
TOTAL	**1,012**	**12,470**	**12,680**	**9,339**	**839**	**-**	**36,340**

Exposure at default of securitisation transactions by weighting approach

Underlyings *(in millions of euros)*	Securitised EAD at 31/12/2014			
	SFA	IAA	RBA	TOTAL
Residential real estate loans			1,740	1,740
Commercial real estate loans			41	41
Credit card loans				
Leasing		1,898	167	2,065
Loans to corporates and SMEs	10,010		1,173	11,183
Personal loans		2,663	424	3,087
Trade receivables	203	13,805	3	14,011
Other	1,439	515	2,259	4,213
TOTAL	**11,652**	**18,881**	**5,807**	**36,340**

Exposure at default of securitisation transactions by accounting treatment

Underlyings *(in millions of euros)*	Securitised EAD at 31/12/2014		
	Balance sheet	Off-balance sheet	TOTAL
Residential real estate loans	1,541	199	1,740
Commercial real estate loans	8	33	41
Credit card loans		0	0
Leasing		2,065	2,065
Loans to corporates and SMEs	521	10,662	11,183
Personal loans	5	3,082	3,087
Trade receivables	86	13,925	14,011
Other	1,062	3,151	4,213
TOTAL	**3,223**	**33,117**	**36,340**

Exposure at default of securitisation transactions by approach and by weighting

Weighting (in millions of euros)	31/12/2014 Exposure at default (EAD)[1] Securitisation	31/12/2014 Capital requirements Securitisation	31/12/2013 Exposure at default (EAD)[1] Securitisation	31/12/2013 Capital requirements Securitisation
External ratings based approach	**5,807**	**244**	**4,875**	**144**
Weighting 6-10%	0	10	2,441	23
Weighting 12-35%	2,129	21	1,968	25
Weighting 40-75%	73	5	118	5
Weighting 100-650%	689	164	271	46
Weighting 1,250%	1,422	45	77	45
Internal Assessment Approach	**18,881**	**169**	**16,624**	**118**
Average weighting	11.19%	11.19%	8.84%	8.84%
Supervisory Formula Approach	**11,652**	**88**	**18,529**	**112**
Average weighting	9.41,%	9.41%	7.58%	7.58%
Transparency approach	**-**	**-**	**-**	**-**
BANKING PORTFOLIO TOTAL	**36,340**	**501**	**40,028**	**374**

(1) Exposure at default of exposures subject to weightings.

Exposure at default to securitisation transaction risks on own account and on behalf of third parties

The value at risk of securitisation transactions amounted to €12,157 million on own account and €24,083 million on behalf of third parties at 31 December 2014.

Underlyings (in millions of euros)	Securitised EAD at 31/12/2014 Own account Traditional	Own account Synthetic	On behalf of third parties Traditional	On behalf of third parties Synthetic	TOTAL
Residential real estate loans	1,541	32	167	-	1,740
Commercial real estate loans	8	5	28	-	41
Credit card loans	-	-	0	-	0
Leasing	-	-	2,065	-	2,065
Loans to corporates and SMEs	521	10,132	530	-	11,183
Personal loans	5	-	3,082	-	3,087
Trade receivables	-	-	14,011	-	14,011
Other	4	9	4,200	-	4,213
TOTAL	**2,079**	**10,178**	**24,083**	**-**	**36,340**

1.2 SECURITISATION TRANSACTIONS USING THE STANDARDISED APPROACH

TOTAL SECURITISATION EXPOSURES

(in millions of euros)	31/12/2014	31/12/2013
TOTAL SECURITISATION EXPOSURES	**781.7**	**438.1**
Traditional securitisations	781.7	438.1
Synthetic securitisations	-	-

EAD OF SECURITISATION TRANSACTIONS HELD OR ACQUIRED (EXPOSURE AT DEFAULT)

(in millions of euros)	31/12/2014	31/12/2013
AGGREGATE OF SECURITISATION EXPOSURES HELD OR ACQUIRED	**632.8**	**364.9**
With external credit rating	**604.6**	**358.4**
20% weighting	75.9	173.3
40% weighting		
50% weighting	518.6	174.9
100% weighting	7.6	6.9
225% weighting		
350% weighting	2.5	3.3
650% weighting		
Weighting = 1,250%	**11.4**	**6.5**
Transparency approach	**16.8**	**-**

2. Exposure at default to securitisation operation risks in the Trading Book generating risk weighted assets under the standardised approach

2.1 EXPOSURE AT DEFAULT OF SECURITISATION TRANSACTIONS BY ROLE USING THE STANDARDISED APPROACH

	Securitised EAD at 31/12/2014						
	Traditional			Synthetic			
Underlyings *(in millions of euros)*	Investor	Originator	Sponsor	Investor	Originator	Sponsor	TOTAL
Residential real estate loans	46						46
Commercial real estate loans	2						2
Credit card loans							
Leasing							
Loans to corporates and SMEs	15						15
Personal loans							
Trade receivables							
Secondary securitisation							
Other	581	99					680
TOTAL	**644**	**99**					**743**

Exposure at default only concerns traditional securitisation.

5

2.2 EXPOSURE AT DEFAULT OF SECURITISATION TRANSACTIONS BY APPROACH AND BY WEIGHTING

	31/12/2014			31/12/2013		
Risk weighting tranche *(in millions of euros)*	**Long positions**	**Short positions**	**Capital requirements**	**Long positions**	**Short positions**	**Capital requirements**
EAD subject to weighting						
7 - 10% weightings	73			5		
12 - 18% weightings	10					
20 - 35% weightings	83			320		1
40 - 75% weightings	2			356		
100% weightings	5			6		
150% weightings	165					
200% weightings						
225% weightings						
250% weightings	6			11		
300% weightings	36			55		
350% weightings				0		
425% weightings	12		1	13		1
500% weightings	168					
650% weightings						
750% weightings						
850% weightings						
1,250% weightings	183		13	223		11
Internal Assessment Approach	**743**		**14**	**989**		**13**
Supervisory Formula Approach						
Transparency approach						
NET TOTAL DEDUCTIONS FROM CAPITAL						
1,250% / Positions deducted from capital						
TRADING BOOK TOTAL	**743**		**14**	**989**		**13**

2.3 CAPITAL REQUIREMENTS RELATING TO SECURITISATIONS HELD OR ACQUIRED

	31/12/2014				31/12/2013			
(in millions of euros)	**Long positions**	**Short positions**	**Total weighted positions**	**Capital requirements**	**Long positions**	**Short positions**	**Total weighted positions**	**Capital requirements**
EAD subject to weighting	**743**		**292**	**14**	**989**		**266**	**13**
Securitisation	133		30		410		43	5
Secondary securitisation	610		262		579		223	8
Deductions from capital								
TRADING BOOK TOTAL	**743**		**292**	**14**	**989**		**266**	**13**

MARKET RISK

I. Internal model market risk measurement and management methodology

Market risk measurement and management internal methods are described in the section entitled "Risk factors – Market risk – Market risk measurement and management methodology".

II. Rules and procedures for valuing the trading book

The rules for valuing the various items in the trading book are described in Note 1.3 to the financial statements, "Accounting policies and principles".

Measurement models are reviewed periodically as described in the section entitled "Risk factors – Market risk – Market risk measurement and management methodology".

III. Interest rate risk from transactions other than those included in the trading book – Global interest rate risk

The nature of interest rate risk, the main underlying assumptions retained and the frequency of interest rate risk measurements are described in the section entitled "Risk factors – Asset/Liability Management - Global interest rate risk".

OPERATIONAL RISK

I. Advanced measurement approach

The scope of application of the advanced measurement and standardised approaches and a description of the advanced measurement approach methodology are provided in the section entitled "Risk factors – Operational risk - Methodology".

II. Insurance techniques for reducing operational risk

The insurance techniques used to reduce operational risk are described in the section entitled "Risk factors - Operational risk Insurance and coverage of operational risks".

COMPENSATION POLICY

The information on the compensation policy required pursuant to EU Regulation 575-2013 (CRR) can be found in Chapter 3 of this registration document.