OPERATING AND FINANCIAL INFORMATION

4

Presentation of Crédit Agricole S.A.'s consolidated financial statements

PRESENTATION OF CRÉDIT AGRICOLE S.A.'S CONSOLIDATED ACCOUNTS

Changes to accounting principles and policies

Changes to accounting principles and policies are described in Note 1 to the consolidated financial statements for the year ended 31 December 2013.

Changes in the scope of consolidation

Changes in the scope of consolidation are described in Note 2.1.1 and in Note 12 to the consolidated financial statements for the year ended 31 December 2013.

ECONOMIC AND FINANCIAL ENVIRONMENT

Global growth declined in 2013. In emerging markets it was stable at 4.5%, although markedly down on the average of 10.7% over the preceding decade. Developed markets managed 1.1%, down from 1.4% in 2011 and in 2012. This was more as a result of the slowdown in the United States, where growth fell back to 1.8% from 2.8% in 2012, than to the Eurozone, which whilst still in recession, saw -0.5% compared with -0.7% in 2012.

This under-performance of the United States was due to a weak start to 2013, following on from a poor end to 2012. The remainder of 2013 was better there, moreover creating a favourable base for 2014. The performance from the Eurozone was achieved despite a slowdown in Germany (0.5% following 0.9% in 2012), thanks to a slight improvement in France (0.2% following 0.0% in 2012) and particularly in Southern Europe, where the recession affecting the four weak countries - Italy, Spain, Portugal and Greece - progressively eased in 2013. However, the erratic economic performance in France and Germany throughout 2013 showed the fragility of this recovery.

The reversal of the long end of the yield curve, which began at end-2012 in the United States, continued and strengthened, and extended to Europe. Contrary to the consensus that anticipated a slight decline in its value against the dollar, the euro fluctuated between 1.28 and 1.38,USD/EUR, trending generally upwards to close on a high. A number of factors underpinned the strength of the euro, despite market concerns regarding the European economy: an expanding credit spread (40 basis points at the beginning of the year, 100 basis points at the end of the year), a significant current account surplus in the balance of payments compared with a US deficit, the abating of concerns as to the viability of the Eurozone whereas the United States on occasion sent somewhat confused messages as to its economic policy ("tapering", "shut-down" in October).

With inflation not being a threat, the opposite in fact being true, the ECB surprised markets with a further cut in its key rate in early November following on from the one in June, signalling its intention to keep monetary conditions ultra accommodating with, if required, further relaxation in liquidity conditions. This monetary easing went hand-in-hand with less budgetary pressure. The factoring in of extraordinary circumstances due to the weakness of the cycle, as well as the progress made cleaning up public finances allowed the countries in the Eurozone periphery to make smaller structural adjustments that did not have such a negative effect on growth. Nevertheless, the channel for monetary policy transmission seized up in Southern Europe and the cut in interest rates failed to encourage credit provision.

CRÉDIT AGRICOLE S.A. OPERATIONS AND CONSOLIDATED INCOME STATEMENTS

(in millions of euros)	2013	2012 Restated[1]	Change 2013-2012
Revenues	**16,015**	**15,954**	**+0.4%**
Operating expenses	(11,277)	(11,624)	(3.0%)
Gross operating income	**4,738**	**4,330**	**+9.4%**
Cost of risk	(2,961)	(3,703)	(20.0%)
Operating income	**1,777**	**627**	**x 2.8**
Share of net income of equity-accounted entities	1,074	503	x 2.1
Net income on other assets	116	177	(34.6%)
Change in value of goodwill	-	(3,027)	n.m.
Pre-tax income	**2,967**	**(1,720)**	**n.m.**
Income tax charge	(140)	(391)	(64.2%)
Net income from discontinued or held-for-sale operations	54	(4,320)	n.m.
Net income	**2,881**	**(6,431)**	**n.m.**
NET INCOME GROUP SHARE	**2,505**	**(6,389)**	**n.m.**
Basic earnings per share *(in euros)*	1.0	(2.6)	n.m.

(1) 2012 results restated for the reclassification pursuant to IFRS 5 of Newedge, Crédit Agricole Bulgaria and CACF's Nordic entities, and reflecting changes in the valuation of a limited number of complex transactions.

2013 was marked by the on-going refocusing and by the fact that the business lines held up and then recovered well. Crédit Agricole S.A. thus disposed of portfolios, interests and subsidiaries that were no longer considered core: completion of the disposal of Emporiki, Cheuvreux, and CLSA and Bankinter shares, reduction of its interest in Eurazeo, preparation for the disposal of Newedge, planned disposal of the Nordic entities of CACF and of CA Bulgaria, disposal of the bulk of the CDOs and of the portfolio with US residential mortgage underlyings. At the same time, the increase in its stake in Amundi (+5 points to 80%) is being finalised.

Business remained satisfactory in the retail banking networks with, in particular, on-balance sheet deposits up 4.5% over the year and outstanding home loans up over 2%. Asset Management and Insurance saw assets under management grow by €47.7 billion, including €13.1 billion in net inflows in 2013. The business lines that saw an active reduction in the scope of their activities, such as Specialised Financial Services and Corporate and Investment Banking, experienced a limited decline in their revenues and rebounded at year-end.

This resilience resulted in a slight increase of 0.4% in Crédit Agricole S.A.'s **revenues** to €16,015 million in 2013. This included a negative impact of €846 million from own debt revaluation resulting from the improvement in Crédit Agricole S.A.'s spreads, loan hedges, Day 1 impact of the application of IFRS 13 on CVA/DVA and DVA running. In 2012, revenues included a -€1,471 million charge associated with own debt revaluation and loan hedges.

Operating expenses were down 3.0% in 2013 compared with 2012, a reduction that was largely due to the cost savings achieved under the MUST programme, which should generate savings of €650 million on IT costs, procurement and real estate. €351 million in savings were achieved in 2012 and 2013, compared with 2011, including €226 million in 2013 alone, €31 million ahead of scheduled operating plan set by the Group in 2011. At 70.4%, the cost/income ratio was up by 2.5 percentage points over the year.

Gross operating income was thus up 9.4% in 2013 compared with 2012 restated, at €4,738 million.

The **cost of risk** totalled €2,961 million in 2013 compared with €3,703 million in 2012. The improvement was mainly due to the reduction in the cost of risk at Agos Ducato in Italy. At end-December 2013, impaired outstanding loans (excluding finance leases with customers) amounted to €15.2 billion, close to the end-2012 level (-1.4%). This represented 3.9% of gross outstanding loans to customers and credit institutions, compared with 3.6%[1] at end-December 2012. The ratio of impaired loans covered by individual provisions was 53.3% at end-December 2013 compared with 57.3%[1] at end-December 2012. Including collective provisions, the coverage ratio of impaired loans was 71.7%.

(1) Restated for the reclassification pursuant to IFRS 5 in 2013 of Newedge, CA Bulgaria and CACF's Nordic entities.

Net income of equity-accounted entities amounted to €1,074 million in 2013, including a €1,064 million contribution from the Regional Banks. For reference, in 2012, this included the impact of the impairment of SAS Rue La Boétie and SACAM international shares and the adjustment to the valuation following the merger of Regional Banks (impact of -€208 million in 2012). It also included a €267 million impairment of BES and the impact of the deconsolidation of Bankinter in August 2012 (-€193 million).

Net gains (losses) on other assets of €115.8 million in 2013 primarily included gains, booked under the Corporate centre, on the disposal of a property in Paris and of Eurazeo securities.

Tax amounted to -€140 million. This notably included €223 million stemming from the tax deduction of losses associated with the last capital increase at Emporiki in January 2013, and a tax gain of €57 million on Cariparma and Agos, stemming from regulatory changes in tax rates and deductibility rules in Italy.

Net income from discontinued or held-for-sale operations amounted to +€54 million in 2013 (-€4,320 million in 2012, primarily due to the disposal of Emporiki). The impact of the disposal of CLSA offset the costs stemming from the planned disposals of Newedge, CA Bulgaria and the CACF's Nordic entities.

Net income Group share of Crédit Agricole S.A. thus amounted to €2,505 million in 2013, compared with -€6,389 million in 2012. The accounting items dragging down the results, such as the issuer spreads, day one CVA/DVA, DVA and running loan hedges, were offset by the gains on disposal and the deduction of losses associated with the January 2013 capital increase at Emporiki. Accounting results and restated results were thus very similar.

Liquidity

Crédit Agricole Group's cash balance sheet totalled €1,039 billion at end-December 2013, compared with €1,032 billion at end-December 2012.

Short term market debt stood at €142 billion at 31 December 2013. It increased by €5 billion between 31 December 2012 and 31 December 2013. Aggregate short term wholesale funds, including repos, amounted to €168 billion at end-2013, a decrease of €3 billion over the year. Balance sheet liquid assets amounted to €239 billion at 31 December 2013, compared with €218 billion at 31 December 2012.

The surplus of long term funding sources over long term applications of funds at 31 December 2013 was €71 billion, an increase of €24 billion compared with 31 December 2012. Long term funding sources increased by €10 billion in 2013, amounting to €871 billion at 31 December 2013. Long term applications of funds amounted to €800 billion at 31 December 2013, down €14 billion compared with 31 December 2012.

Liquidity reserves after haircut rose by €9 billion in 2013, reaching €239 billion. They covered 168% of gross short term debt in both the fourth quarter of 2013 and the fourth quarter of 2012.

The various issuers within Crédit Agricole Group issued €31.7 billion in senior debt in the market and the branch networks in 2013. Crédit Agricole S.A. raised €15.5 billion in senior debt on the market in 2013, exceeding its medium to long term market issuance programme set at €12 billion for the year. This fund-raising had an average maturity of six years compared with 6.3 years in 2012 and an average spread *vs.* mid-swap of 65.9 basis points compared with 122 basis points in 2012. For 2014, the medium to long term senior market issuance programme has been set at €10 billion at least. At 12 February 2013, 40% of the programme had been achieved thanks to €4 billion in senior market issues between 1 January and 12 February 2014. In addition, Crédit Agricole S.A. carried out a USD 1 billion Tier 2 contingent capital issue in September 2013, followed in January 2014 by a USD 1.75 billion Additional Tier 1 issue.

Operations and results by business segment

Crédit Agricole S.A. Group is organised into six business lines:

- French retail banking – Crédit Agricole Regional Banks;
- French retail banking – LCL;
- International retail banking;
- Specialised financial services;
- Asset management and Insurance;
- Corporate and investment banking;

plus the Corporate Centre.

The Group's business lines are defined in Note 5 to the consolidated financial statements for the year ended 31 December 2013 – "Operating segment information". The organisation and activities are described in section 1 of Crédit Agricole S.A.'s registration document.

CONTRIBUTION BY BUSINESS LINE TO CRÉDIT AGRICOLE S.A.'S NET INCOME GROUP SHARE

(in millions of euros)	**2013**	**2012 Restated(1)**
French retail banking – Regional Banks	1,064	824
French retail banking – LCL	599	663
International retail banking	48	(4,880)
Specialised financial services	84	(1,613)
Asset management and Insurance	1,563	1,720
Corporate and investment banking	775	(281)
Corporate Centre	(1,628)	(2,822)
TOTAL	**2,505**	**(6,389)**

(1) *2012 results restated for the reclassification pursuant to IFRS 5 of Newedge, CA Bulgaria and CACF's Nordic entities, and reflecting changes in the valuation of a limited number of complex transactions.*

1. French retail banking – Crédit Agricole Regional Banks

(in millions of euros)	**2013**	**2012**	**Change 2013-2012**
Revenues	**14,172**	**12,870**	**+10.1%**
Operating expenses	(7,658)	(7,652)	+0.1%
Gross operating income	**6,514**	**5,218**	**+24.8%**
Cost of risk	(1,005)	(853)	+17.8%
OPERATING INCOME	**5,509**	**4,365**	**+26.2%**

CONSOLIDATED DATA FOR THE 38 REGIONAL BANKS RESTATED FOR INTRAGROUP TRANSACTIONS

(in millions of euros)	**2013**	**2012**	**Change 2013-2012**
Net income accounted for at equity (approximately 25%)	**906**	**674**	**+34.4%**
Change in share of reserves	158	150	+5.3%
Share of net income of equity-accounted entities	1,064	824	+29.2%
NET INCOME GROUP SHARE	**1,064**	**824**	**+29.2%**

Over the year, the Regional Banks' contribution to the net income of Crédit Agricole S.A., accounted at equity at about 25% of their results, was €1,064 million, an increase of 4.2% compared with 2012 restated for the negative impact of impairment and the value adjustment of securities (-€208 million in 2012 and -€11 million in 2013).

The Regional Banks continued to grow their business in a slightly improving market.

They recorded a good performance in terms of overall deposits, which increased by 3.2% year-on-year to €592.6 billion, driven by on-balance sheet deposits. On-balance sheet deposits totalled €347.8 billion at end-2013, an increase of 4.2% year-on-year, with sustained momentum in both passbook savings accounts (+6.3% year-on-year) and demand deposits (+7.8%). Deposits in home purchase savings plans edged up by 1.9% over the year, while term accounts were down 0.5%. During the same period, off-balance sheet deposits grew by 1.7%, thanks to renewed interest in life insurance in the wake of the lowering of the interest rate on the *Livret A* passbook savings account in 2013 (volumes increased by 3.8% between end-December 2012 and end-December 2013).

Outstanding customer loans amounted to €397.6 billion at 31 December 2013, a slight increase of 0.4% over the year, reflecting contrasting trends. While outstanding home loans grew by 2.5% over the year, consumer finance and lending to small and medium-sized enterprises and small businesses were down 5.5% and 4.7% respectively year-on-year.

The loan-to-deposit ratio was accordingly 121% at end-December 2013, compared with 126% at end-December 2012. It benefited on the one hand from change in on-balance sheet deposits and lending, and on the other hand from the reduction in the rate of centralisation of regulated savings with the Caisse des Dépôts et Consignations.

The revenues of the Regional Banks (restated for intragroup transactions) totalled €14,172 million in 2013, an increase of 5.2% compared with 2012 restated for impairment and value adjustments of SACAM International and SAS Rue La Boétie securities (in negative amounts of €819 million and €45 million in 2012 and 2013 respectively) and the impact of home purchase savings plans in both 2012 and 2013. The net interest margin was driven to a large extent by the lower cost of funds and the significant flow of early repayments. In addition, fee and commission income was stable between 2012 and 2013.

At €7,658 million, operating expenses were virtually unchanged in 2013 compared with 2012 (+0.1%). The cost-income ratio accordingly worked out at 54.0%.

Operating income amounted to €5,509 million in 2013, after cost of risk of €1,005 million. The rate of impaired outstanding loans was 2.5% at end-December 2013, compared with 2.4% at end-December 2012. The coverage ratio (including collective provisions) remained a high 106.9% at end-December 2013, compared with 107.6% at end-December 2012.

2. French retail banking – LCL

(in millions of euros)	2013	2012	Change 2013-2012
Revenues	**3,811**	**3,891**	**(2.0%)**
Operating expenses	(2,514)	(2,522)	(0.3%)
Gross operating income	**1,297**	**1,369**	**(5.3%)**
Cost of risk	(304)	(311)	(2.4%)
Net gains (losses) on other assets	5	1	x4.7
Pre-tax income	**998**	**1,059**	**(5.7%)**
Income tax charge	(368)	(361)	+1.8%
Net income	**630**	**698**	**(9.7%)**
NET INCOME GROUP SHARE	**599**	**663**	**(9.7%)**

LCL maintained good business momentum in 2013, and confirmed its role in financing the French economy. Loans outstanding rose by 0.3% year-on-year to €89.5 billion at 31 December 2013. Growth was driven by home loans, which grew by 2.3% year-on-year to €56.4 billion. During the same period, loans to SMEs and small businesses fell by 2.8% to €26.4 billion, and consumer credit contracted by 3.3% to €6.7 billion at 31 December 2013.

Customer assets continue to grow at a rapid pace, driven by the strength of the network. They totalled €163.2 billion at end-December 2013, an increase of 4.1% year-on-year. On-balance sheet deposits grew by 6.8% year-on-year, driven by 8.3% growth in passbook savings accounts after substantial inflows early in the year, and by demand deposits (+7.0%). Off-balance sheet deposits grew by +1.3% year-on-year, mainly thanks to life insurance, where outstandings grew by 4.2% over the period to €53.4 billion and end-December 2013.

Benefiting from the favourable trend in on-balance sheet deposits and loans, coupled with a cut in the centralisation rate on regulated savings transferred to the Caisse des Dépôts et Consignations, the loan-to-deposit ratio improved by seven percentage points over a year to 109% at end-December 2013.

2013 revenues totalled €3.8 billion, an apparent decline of 2.0% compared with 2012, but a more limited decline of 0.7% when restated for the provision for home purchase savings schemes and the reversal of the Cheque Image Exchange (CIE) fine in 2012. The resilience of revenues reflects the strength of margins on new loans and a 1.0% increase in fee and commission income year-on-year, driven by fees from securities management (+1.7%). The transformation margin contracted in an environment of persistently low interest rates, an impact amplified by an increase in early repayements on home loans.

To adjust to the difficult economic environment, LCL pressed ahead in 2013 with a programme designed to improve the management and control of its expenses, giving priority to projects that improve the quality of customer service. Expenses remained under tight control over the year, with a decline of 0.3%. The cost-income ratio was 65.9%[(1)] in 2013, compared with 65.6%[(1)] in 2012.

The cost of risk was down 2.4% between 2012 and 2013. It represented 31 basis points of loans outstanding for the year 2013, a slight reduction compared with 2012 (33 basis points). The impaired loan ratio to total gross loans outstanding was 2.5%; the impaired loan coverage ratio (including collective provisions) was 74.7% at end-December 2013.

In all net income Group share totalled €599 million in 2013, a decline of 3.9%[(1)] compared with 2012, penalised by the increase in the French corporate income tax rate from 36.1% to 38.0%.

(1) After restatement for the impact of home purchase savings schemes in 2012 and 2013, and the EIC provision reversal in 2012.

3. International retail banking

International retail banking results were marked by normalisation in 2013, after a year impacted by the search for a solution for Emporiki and the impairment of goodwill (Cariparma and CA Egypt) and investments (BES) in 2012. However, the 2013 results include the impact of the planned disposal of Crédit Agricole Bulgaria (-€39 million) and the negative contribution of BES (-€105 million).

Overall, net income Group share was €48 million in International retail banking, and €192 million before the impact of the planned disposal of CA Bulgaria and the contribution of BES.

(in millions of euros)	2013	2012 Restated[1]	Change 2013-2012[1]
Revenues	**2,436**	**2,463**	**(1.1%)**
Operating expenses	(1,517)	(1,696)	(10.6%)
Gross operating income	**919**	**767**	**+19.9%**
Cost of risk	(604)	(515)	+17.4%
Share of net income of equity-accounted entities	(98)	(393)	(75.1%)
Net income (loss) on other assets and change in value of goodwill	9	(1,069)	n.m.
Pre-tax income	**226**	**(1,210)**	**n.m.**
Income tax charge	(91)	(50)	+82.6%
Net income from discontinued or held-for-sale operations	(26)	(3,751)	n.m.
Net income	**109**	**(5,011)**	**n.m.**
NET INCOME GROUP SHARE	**48**	**(4,880)**	**n.m.**

(1) 2012 restated for the reclassification of CA Bulgaria pursuant to IFRS 5

In Italy, the environment was severely influenced by the impact of measures taken to reduce public debt and reform the economic framework: GDP was down by about 2% compared with 2012. The market is affected by the recession and increased risk. Under these circumstances, Cariparma held up well thanks to its status as a regional network based primarily in northern Italy, reporting a limited decline in outstanding loans and a small decline in revenues.

CARIPARMA GROUP'S CONTRIBUTION TO CRÉDIT AGRICOLE S.A.'S INCOME

(in millions of euros)	2013	2013[1]	2012[1][2]	Change 2013-2012[1][2]
Revenues	**1,588**	**1,588**	**1,634**	**(2.8%)**
Operating expenses	(956)	(956)	(1,124)	(14.9%)
Gross operating income	**632**	**632**	**510**	**+23.9%**
Cost of risk	(464)	(425)	(412)	+3.1%
NET INCOME GROUP SHARE	**83**	**104**	**68**	**+52.9%**

(1) After the reclassification, in the fourth quarter 2012, of the additional provision recognised by the Corporate Centre in the fourth quarter of 2012 and in the contribution of Cariparma in the first quarter of 2013.

(2) Before impairment of goodwill in 2012 (impact of €852 million in net income Group share).

At 31 December 2013, outstanding loans totalled €33.1 billion, a decline limited to 0.9% compared with 31 December 2012, in a market which was down 7.3%[1]. Total on-balance sheet customer deposits reached €36.2 billion, an increase of 1.6% year-on-year, in a market down 3.3%[1] Cariparma accordingly recorded surplus liquidity of €3.1 billion, thereby helping finance other Italian entities of the Group (Calit, Agos Ducato, FGA Capital). Moreover, Cariparma's off-balance sheet deposits totalled €50.9 billion at end-December 2013. Life insurance and UCITS enjoyed sustained growth, with assets under management up 9.6% over the year.

Revenues were down 2.8% in 2013, with the good performance in terms of fee and commission income undermined by the narrowing of the Group interest margin.

(1) Source: Associazione Bancaria Italiana.

Expenses were down 14.9% compared with 2012. Excluding the impact of the voluntary departure plan implemented in 2012, for which a cost of €118 million was provisioned, expenses were down 4.9%. This reduction was attributable to constant efforts, as well as the impact of the MUST programme, which applies to real estate and IT spending, as well as to procurement. At 60.2% in 2013, the cost-income ratio improved by 1.3 point compared with 2012, excluding the cost of the voluntary departure plan recognised in 2012, which represents a substantial restructuring effort.

The cost of risk, still affected by the deteriorating economic environment, increased by 3.1% in 2013 compared with 2012, reaching €425 million[1]. The impaired loans ratio represented 10.4% with a coverage ratio of 45.7% including collective provisions (compared with 45.4% at 31 December 2012).

Overall, Cariparma's contribution to net income Group share was a profit of €104[1] million, compared with €68[1] million in 2012, before impairment of goodwill (impact of €852 million in net income Group share).

Together, **the Group's other international entities** reported a surplus of deposits over loans at 31 December 2013, with €10.9 billion in on-balance sheet deposits on gross loans of €10.2 billion. Of these entities, Crédit Agricole Bank Polska had the largest proportion in revenues, with 37%, followed by Crédit Agricole Egypt (22%), Crédit du Maroc (21%) and Crédit Agricole Ukraine (14%).

The combined net income Group share of International retail banking entities other than Cariparma was a loss of €35 million, and a profit of €109 million before taking into account the impact of the planned disposal of CA Bulgaria (-€39 million) and the negative contribution of BES (-€105 million). This includes €43 million for the Polish subsidiary, €37 million for the Ukrainian subsidiary, €27 million for Crédit Agricole Egypt and €19 million for Crédit du Maroc.

Subsequently, Crédit Agricole S.A. signed a contract to sell Crédit Agricole Bulgaria to Bulgarian bank Corporate Commercial Bank AD on 22 January 2014. The completion of this transaction is subject to approval by the relevant regulatory authorities. For Crédit Agricole S.A., the disposal will result in a €160 million reduction in risk weighted assets and a negative impact of less than one basis point on its capital adequacy ratios. This subsidiary has accordingly been reclassified pursuant to IFRS 5 as of 31 December 2013.

Lastly, BNI Madagascar was recognised as a non-current asset held-for-sale.

4. Specialised financial services

(in millions of euros)	2013	2012 Restated[1]	Change 2013-2012
Revenues	**3,218**	**3,364**	**(4.3%)**
Operating expenses	(1,548)	(1,576)	(1.8%)
Gross operating income	**1,670**	**1,788**	**(6.6%)**
Cost of risk	(1,514)	(2,082)	(27.3%)
Share of net income of equity-accounted entities	29	19	+49.2%
Change in value of goodwill	-	(1,495)	n.m.
Pre-tax income	**185**	**(1,770)**	**n.m.**
Income tax charge	(68)	(93)	(25.9%)
Net income from discontinued or held-for-sale operations	(76)	25	n.m.
Net income	**41**	**(1,838)**	**n.m.**
NET INCOME GROUP SHARE	**84**	**(1,613)**	**n.m.**

(1) 2012 restated for reclassification of CACF Nordic subsidiaries pursuant to IFRS 5.

In an increasingly stringent regulatory environment, **Crédit Agricole Consumer Finance** continued its policy of focusing on profitable activities and diversifying its sources of funds. In late 2013, CA Consumer Finance initiated the sale of several Nordic subsidiaries, and sold €2.7 billion of loans, including €1.7 billion of non-performing loans. CA Consumer Finance consolidated loan book totalled €43.3 billion at 31 December 2013, a decline of €4.3 billion compared with December 2012. At the same time, outstandings managed on behalf of third parties increased by €2 billion compared with December 2012, while outstandings managed on behalf of Crédit Agricole Group contracted by €0.9 billion. Total outstandings managed by CA Consumer Finance accordingly amounted to €70.0 billion at 31 December 2013, a decline of €3.2 billion compared with 31 December 2012. Their geographical breakdown was virtually unchanged compared with end-2012, with 38% of outstandings located in France, 33% in Italy (down one percentage point compared with end-2012) and 29% in other countries.

(1) After the reclassification in 2012 of the additional provision recognised by the Corporate Centre in 2012 and in the contribution of Cariparma in 2013.

Likewise, **Crédit Agricole Leasing & Factoring (CAL&F)** saw a continuation of the downward trend in outstandings initiated in 2012 and improved margins. As such, outstandings under management in lease finance were 4.1% lower at 31 December 2013 than at 31 December 2012, amounting to €15.9 billion. In France, they were down 5.4% over the period. Factored receivables amounted to €58 billion in 2013, an increase of 3.1% compared with 2012. In France, the increase was 1.5%.

The revenues of the business line as a whole fell by 4.3% to €3,218 million over the year. Operating expenses are under control, at CA Consumer Finance and CAL&F alike. They were down 1.8% in 2013 compared with 2012. The cost-income ratio accordingly worked out at 48.1%.

The cost of risk is improving, thanks chiefly to the situation of Agos Ducato. The cost of risk at the Italian consumer finance subsidiary continued to ease, totalling €847 million in 2013, compared with €1,379 million a year earlier. At 31 December 2013, the impaired loan ratio at Agos Ducato was 10.5%, with a coverage ratio of 101.7%. The ratio of cost of risk on CA Consumer Finance's outstandings in other countries was 183 basis points in 2013, compared with 176 basis points in 2012.

Finally, the planned disposal of Nordic entities resulted in their reclassification as discontinued operations in a negative amount of €94 million at end-2013, of which €186 million in respect of goodwill.

In total, net income Group share was a profit of €84 million over the year. Excluding the impact of the disposal of the Nordic activities, it was €183 million.

5. Savings management and insurance

The Savings management business line includes asset management, insurance, private banking and investor services.

In 2013, its funds under management increased by €47.7 billion, with net inflows of €10.3 billion over the year for Amundi and €5.4 billion for Crédit Agricole Assurances. In addition to strong business momentum across all segments, the business line benefited from highly favourable market and exchange rate effects (+€29.9 billion). Funds under management totalled €1,144 billion at 31 December 2013.

The business line's net income Group share was €1,563 million in 2013. Restated for the gain on disposal on Hamilton Lane in 2012, and excluding the impact of higher tax rates in France, which represented a cost of €44 million, and the increase in Crédit Agricole Assurances' internal debt (€72 million), net income Group share was stable compared with 2012.

(in millions of euros)	2013	2012	Change 2013-2012
Revenues	**5,130**	**5,160**	**(0.6%)**
Operating expenses	(2,494)	(2,401)	+3.9%
Gross operating income	**2,636**	**2,759**	**(4.4%)**
Cost of risk	(27)	(55)	(51.1%)
Share of net income of equity-accounted entities	16	10	+51.4%
Net gains (losses) on other assets	2	28	n.m.
Pre-tax income	**2,627**	**2,742**	**(4.2%)**
Income tax charge	(901)	(848)	+6.2%
Net income	**1,726**	**1,894**	**(8.9%)**
NET INCOME GROUP SHARE	**1,563**	**1,720**	**(9.2%)**

After growth of 11% in 2012, **Amundi** reported a 5% increase in assets under management to €777.1 billion in 2013 as a result of a high level of inflows (€10.3 billion), a highly favourable market effect (€22.4 billion) and change in scope (€4.7 billion) stemming from the acquisition of Smith Breeden in the third quarter of 2013. The high level of inflows reflects the success of the Amundi's business development policy. Excluding the French networks, inflows accordingly amounted to €20.2 billion, driven by institutional and international networks.

Amundi recorded net inflows of €12.7 billion among institutional investors and insurers, chiefly in France and Asia. A significant amount of this was made possible by new offerings developed by Amundi, such as loan funds and HQLA monetary funds allowing banks to comply with regulatory liquidity ratios. The activity of international networks, which recorded inflows of €4.8 billion, was driven by the strength of the Asian joint ventures (India, Korea, China). Lastly, the "distributors" activity (inflows of €2.8 billion excluding money market products) benefited from the new policy implemented by Amundi: tighter links with global distributors, promotion of a limited number of funds.

Among corporates, inflows amounted to €2.3 billion, despite an adverse market environment and a government measure allowing the early release of employee savings, which resulted in outflows of nearly €0.7 billion.

In the French networks, in a market undergoing a persistent contraction, Amundi recorded outflows of €9.9 billion, a reduction compared with the 2012 level. Activity was much more robust among retail customers, with net outflows down more than a third and investment flows up sharply. Amundi's market share firmed by 0.3 percentage points year-on-year to 26.9%.

In terms of assets, inflows were focused on long term assets (€9.1 billion), with cash products ending the year on a slightly positive note (€1.2 billion) in an environment of low interest rates and a contracting market. In this segment, Amundi's market share has risen sharply over the last two years, both in France (reaching 41% at end-2013, compared with 31.6% at end-2011) and in Europe (12.5% at end-2013, compared with 10.4% at end-2011), thanks to the good performance of its funds. A renowned player in the fixed income segment, Amundi delivered very good performances in areas including high-yield debt (€5 billion) and aggregate (€7 billion). It confirmed its growth in index trackers, becoming the fifth-largest player in European ETFs, with more than €11 billion of assets (+28% year-on-year, compared with European market growth of 13%), after being seventh-largest in 2012. Similarly, in real estate products, inflows of nearly €1 billion took assets up by 12% over the year.

AMUNDI'S CONTRIBUTION TO CRÉDIT AGRICOLE S.A.'S NET INCOME

(in millions of euros)	2013	2012	Change 2013-2012[(1)]
Revenues	**1,438**	**1,456**	**+3.0%**
Operating expenses	(785)	(767)	+2.3%
Gross operating income	**653**	**689**	**+3.8%**
Cost of risk	(8)	3	n.m.
Net income	**444**	**480**	**+5.2%**
NET INCOME GROUP SHARE	**325**	**351**	**+5.0%**

(1) 2012 excluding the gain on disposal of Hamilton Lane.

Amundi recorded strong earnings growth to €444 million in 2013, an increase of 5.2% compared with 2012 restated for the exceptional gain recorded on the disposal of Hamilton Lane in the United States. This growth resulted from an increase in revenues and continued cost control.

Revenues increased by 3.0%, driven by growth in assets and a high level of performance fees. Operating expenses rose by 2.3%. Productivity measures (wage costs, external spending including IT) helped finance international business development investments and higher taxes and social security contributions. Gross operating income accordingly amounted to €653 million (+3.8%), with the cost-income ratio working out at 54.6% (compared with 55.0% in 2012).

The **Insurance** business reported full-year revenue of €26.4 billion in 2013, an increase of 13.9% compared with 2012. The increase was driven by the net upturn in life insurance activity in France since the end of 2012.

Life insurance (restated for BES Vida, sold to BES in the second quarter of 2012) outgrew the market in 2013. In France, 2013 revenue was €18.6 billion, an increase of 14.9% compared with 2012, while the market grew by 6% (source: FFSA, end-2013 data). International life insurance also reported growth, with an increase of 20.4% in revenues in 2013 compared with 2012. This business momentum translated into net inflows in the amount of €5.4 billion in 2013, of which €4.3 billion in France alone. At end-December 2013, assets under management amounted to €235.0 billion, an increase of 4.6% year-on-year, with volumes in unit-linked funds stable year-on-year at 18.4% of the total.

Property and casualty insurance continued to grow, particularly in France, where market-share gains were achieved in 2013. As such, premium income totalled €2.6 billion in France, an increase of 6.2% year-on-year, while the market grew by 2% (source: FFSA, end-2013 data). The claims ratio (net of reinsurance) remained under control: it was 70.9% over the full year in 2013, despite weather events in the summer and at the end of 2013.

Regarding creditor insurance, despite the good performance in housing loans, which provided support for the business, the slowdown in the consumer finance market dampened premium income. Revenue came to €932 million in 2013, compared with €964 million in 2012.

Total premium income on international operations (life insurance and property and casualty, but excluding creditor insurance and restated for BES Vida) was €4.2 billion in 2013, an increase of 19.4% compared with 2012.

CREDIT AGRICOLE ASSURANCES' CONTRIBUTION TO CREDIT AGRICOLE S.A.'S NET INCOME

(in millions of euros)	2013	2012	Change 2013-2012
Revenues	**2,178**	**2,140**	**+1.8%**
Operating expenses	(575)	(541)	+6.4%
Gross operating income	**1,603**	**1,599**	**+0.3%**
Pre-tax income	**1,603**	**1,576**	**+1.7%**
NET INCOME GROUP SHARE	**992**	**1,081**	**(8.3%)**

Insurance business revenues were €2.2 billion in 2013, an increase of 1.8% year-on-year. Operating expenses remained under control, and were down 1.7% excluding the positive one-off impact of the treatment of Greek sovereign debt on the basis for calculating certain taxes (€45 million in 2012) and the impact of the expense stemming from the amended 2012 Finance Act (€16 million).

Pre-tax income reflects good performance of the business in terms of activity. It grew by 1.7% in 2013 compared with 2012. At €992 million, net income Group share in the Insurance business was affected in 2013 by the increase in the tax rate from 36.1% to 38%, representing an additional tax of €35 million. Compared with 2012, it also included the cost of financing on the change of financial structure implemented at end-December 2012. This transaction implemented, to meet Basel 3 requirements, represents €72 million over the year. It is recognised in revenues and is neutral at the Group level. Overall, net income Group share was €992 million in 2013. Restated for the two items mentioned above, it was €1,099 million, an increase of 1.7% compared with 2012.

With regard to investments, the Insurance business continued its conservative strategy as regards investments, Crédit Agricole Assurances' exposure to the sovereign debt of Italy, Spain, Ireland and Portugal amounted to €7 billion overall at end-2013, a reduction of €0.9 billion over the year. Furthermore, Crédit Agricole Assurances has reduced its short term investments in favour of bonds. Accordingly, the share of fixed income products was up compared with 2012, accounting for 82.8% of euro-denominated investments in 2013, compared with 79.4% of the total at end-2012. Short term investments were down sharply compared with 2012, accounting for only 2.7%, real estate for 5.3% (buildings, shares in property and property investment companies, etc.), alternative investments for 1.7%, other equities (restated for hedging) for 5.3%, and other products (private equity, convertible bonds, etc.) for 1.7%. Lastly, in 2013, Crédit Agricole Assurances confirmed its major role in financing the French economy alongside the Group's banks by offering financing solutions to corporate customers and local authorities. Crédit Agricole Assurances invested a total of €9 billion in the French economy, including €2.1 billion in innovative financing, primarily for unrated firms and in the form of loans to local authorities.

As regards **Investor services, CACEIS** enjoyed strong momentum, with organic growth built on genuine commercial successes in its two business activities, custody and administration. Funds under administration accordingly increased by 4.7% year-on-year to €1,309 billion. Assets under custody include the impact of the exit of Caisse des Dépôts et Consignations in April 2013, and amounted to €2,254 billion, a decline of 9.5% compared with 31 December 2012. Assets under custody for other customers increased by 5%.

Net income Group share totalled €147.0 million in 2013, virtually unchanged compared with 2012, when it was €147.8 million.

Private Banking held up well in a challenging environment. Assets under management totalled €132.2 billion at 31 December 2013, stable compared with end-December 2012, thanks to a positive market effect (+€4.3 billion), which offset outflows and an adverse currency effect. Accordingly, assets under management rose to €61.8 billion in France, an increase of 2.3% compared with end-2012. In international operations, they fell by 1.9% over the same period to €70.4 billion.

Over the full year, net income Group share was down 29.0% year-on-year at €98.8 million. 2012 was a demanding comparison base, due to cash earnings and provision reversals. In 2013, the result bore the impact of exceptional charges.

6. Corporate and investment banking

The figures below for 2013 and 2012 reflect the reclassification of Newedge pursuant to IFRS 5.

Having met and exceeded the objectives set in the adjustment plan announced in late 2011, Crédit Agricole CIB cemented its strategy in 2013 with the deployment of its Originate-to-Distribute model, focused on distribution and service to priority customers. Crédit Agricole CIB is thus emerging as a refocused Corporate and Investment Bank specialising in fixed income and advisory services provided to a portfolio of strategic customers.

In a persistently uncertain economic and financial environment (pressure on Spain and Italy in the first quarter, announcements by the U.S. Federal Reserve on the gradual tapering of its quantitative easing policy, slower growth in China and emerging markets, signs of economic recovery in the United States, political and social tension in Europe, etc.), Crédit Agricole CIB delivered satisfactory operating results, demonstrating the strength of its core businesses and the pertinence of its "Debt House" model.

(in millions of euros)	2013	2013[1]	2013 of which continuing operations[1]	2012	2012[1]
Revenues	**3,595**	**3,850**	**3,718**	**3,725**	**4,124**
Operating expenses	(2,305)	(2,305)	(2,132)	(2,513)	(2,513)
Gross operating income	**1,290**	**1,545**	**1,586**	**1,212**	**1,611**
Cost of risk	(509)	(509)	(493)	(465)	(313)
Operating income	**781**	**1,036**	**1,093**	**747**	**1,298**
Share of net income of equity-accounted entities	115	115	115	165	164
Net gains (losses) on other assets	18	18	18	28	28
Change in the value of goodwill	-	-	-	(466)	-
Pre-tax income	**914**	**1,169**	**1,226**	**474**	**1,490**
Income tax charge	(279)	(373)	(390)	(171)	(369)
Net income from discontinued or held-for-sale operations	156	-	-	(594)	-
Net income	**791**	**796**	**836**	**(291)**	**1,121**
NET INCOME GROUP SHARE	**775**	**780**	**818**	**(281)**	**1,109**

(1) *Restated for loan hedges and CVA/DVA, and for adjustment plan impacts and goodwill impairment in 2012.*

Financing activities posted robust revenues. The business line maintained its competitive positions in Structured finance, and saw a rebound in its commercial banking activity, with an increase in fee and commission income driven notably by significant transactions at the end of the year. In a persistently challenging environment, the capital markets activities recorded a decline in revenues over the year, affected by a global decline in fixed income business (revenue restated for CVA/DVA, and for adaptation plan impacts and goodwill impairment in 2012).

Operating expenses continued to decline, thanks to the impact of several cost-cutting plans, particularly on personnel expenses, in the business lines and support functions alike, due to attrition.

The cost of risk increased to €493 million in the core businesses in 2013, reflecting a cautious risk management policy and notably integrating a litigation provision of -€80 million and the reinforcement of provisions at the end of the year.

The share of income from equity-accounted entities fell by 30.1% year-on-year due to the lower contribution from Banque Saudi Fransi.

Lastly, net income from discontinued or held-for-sale operations amounted to €156 million in 2013, reflecting the net gain on disposal of brokers CA Cheuvreux, CLSA and Newedge.

As such, after significant refocusing in response to crises in the sector, Crédit Agricole CIB continued its transformation in 2013, staging a return to growth and reporting net income Group share of €775 million for the year.

FINANCING ACTIVITIES

(in millions of euros)	2013	2013[1]	2012	2012[1]	Change 2013[1]-2012[1]
Revenues	**2,057**	**2,077**	**2,092**	**2,128**	**(2.4%)**
Operating expenses	(900)	(900)	(947)	(947)	(4.9%)
Gross operating income	**1,157**	**1,177**	**1,145**	**1,181**	**(0.3%)**
Cost of risk	(381)	(381)	(293)	(293)	+30.1%
Operating income	**776**	**796**	**852**	**888**	**(10.4%)**
Share of net income of equity-accounted entities	115	115	164	164	(30.1%)
Net gains (losses) on other assets	18	18	26	26	(31.6%)
Pre-tax income	**909**	**929**	**1,042**	**1,078**	**(13.9%)**
Income tax charge	(265)	(272)	(278)	(291)	(6.7%)
Net income	**644**	**657**	**764**	**787**	**(16.6%)**
NET INCOME GROUP SHARE	**631**	**644**	**749**	**771**	**(16.6%)**

(1) *Restated for loan hedges and the impact of the adjustment plan in 2012.*

After a year in 2012 impacted by efforts to downsize the balance sheet (assets and liquidity), and as part of its new Originate to Distribute model, the Financing business consolidated its renowed expertise in 2013 and served its key customers, thereby recording significant fee and commission income over the year.

Structured finance revenues edged down slightly in 2013 (-2.3%) after a year characterised by a reduction in outstandings in 2012, although the business line maintained its strong competitive positions. By way of illustration, Crédit Agricole CIB was named "Aircraft Finance House of the Year" by Global Transport Finance magazine, moving up from second to first place in aircraft financing and commercial loans (source: Thomson Financial). Furthermore, Crédit Agricole CIB also headed the largest rail transaction in Europe in 2013, on behalf of Alpha Trains.

Commercial banking reported a 2.4% decline in revenues over the period, but an increase in fee and commission income, with strong business momentum illustrating its real determination to boost sales. As such, the Softbank transaction was named best deal in Japan in 2013 (source: Thomson Financial), and the export credit transaction with Mobily was designated "Murabaha Deal of the Year 2013" and "Trade Finance Deal of the Year 2013" by Islamic Finance News magazine.

Crédit Agricole CIB remained leader in syndication in France (source: Thomson Financial), and again ranked third in syndication in Western Europe (source: Thomson Financial).

Restated for loan hedges, financing activities revenues amounted to €2,077 million in 2013, continuing to firm steadily in proportion to liquidity consumption (0.65% at end-2013, compared with 0.55% a year earlier). While expenses fell by 4.9% over the year, the cost of risk increased by 30.1% between 2012 and 2013 due to increased provisioning at year-end. Lastly, the share of net income of equity-accounted entities fell to €115 million in 2013, notably reflecting the reduced contribution from BSF, whose earnings were impacted by the strengthening of its collective provisions at the request of the local regulator.

Overall, net income Group share in Financing totalled €631 million in 2013. Restated for loan hedges, it amounted to €644 million.

CAPITAL MARKETS AND INVESTMENT ACTIVITIES

(in millions of euros)	2013	2013(1)	2012	2012(1)	Change 2013(1)-2012(1)
Revenues	**1,406**	**1,641**	**1,833**	**1,833**	**(10.5%)**
Operating expenses	(1,232)	(1,232)	(1,272)	(1,272)	(3.2%)
Gross operating income	**174**	**409**	**561**	**561**	**(27.1%)**
Cost of risk	(112)	(112)	5	5	n.m.
Operating income	**62**	**297**	**566**	**566**	**(47.5%)**
Share of net income of equity-accounted entities	-	-	-	-	n.m.
Net gains (losses) on other assets	-	-	-	-	n.m.
Change in the value of goodwill	-	-	(466)	-	n.m.
Pre-tax income	**62**	**297**	**100**	**566**	**(47.5%)**
Income tax charge	(31)	(118)	(132)	(132)	(10.6%)
Net income from discontinued or held-for-sale operations	156	-	(593)	-	n.m.
Net income	**187**	**179**	**(625)**	**434**	**(59.1%)**
NET INCOME GROUP SHARE	**182**	**174**	**(628)**	**418**	**(57.2%)**

(1) Restated for the reclassification of Newedge pursuant to IFRS 5, as well as CVA/DVA impacts in 2013 and goodwill impairment in 2012.

In a challenging environment for fixed income activities, the Capital markets and investment activities saw its revenues (restated for CVA/DVA, and for adaptation plan impacts and goodwill impairment in 2012) fall by 10.5% year-on-year. This decline stemmed from drops in fixed income activities, where revenues contracted by 12.2% year-on-year in a sluggish market, marked notably by the announcement of the tapering of the U.S. Federal Reserve's quantitative easing policy. In contrast, investment banking activities recorded robust performance (revenues up 1.2% year-on-year), driven primarily by primary equity activities. Crédit Agricole CIB ranked second CIB in investment banking in France in 2013 (source: Dealogic). It retained its number two ranking in euro-denominated issues by financial institutions, and also ranked second in euro-denominated agency issues (source: Thomson Financial).

Lastly, Crédit Agricole CIB moved up from second to first place as bookrunner in European ABCP securitisations (source: Thomson Financial).

In addition, in November 2013 Crédit Agricole CIB announced its plan to sell the broker Newedge, thereby sealing its full exit from brokerage activities, following the disposal of Crédit Agricole Cheuvreux in May and CLSA in July 2013.

The revenues of its capital markets activities amounted to €1,641 million in 2013, restated for CVA/DVA, a decline of 10.5% compared with 2012 on a comparable basis (2012 data restated for adaptation plan impacts and goodwill impairment). Operating expenses decreased by 3.2% over the year as a result of savings plans undertaken, and cost of risk remained under control at €112 million over the same period. Net income from discontinued or held-for-sale operations totalled €156 million in 2013, reflecting the impact of the full disposal of the Group's brokerage activities during the year.

Overall, the restated net income Group share of the capital markets activities was €174 million in 2013.

VaR remained under control, standing at a low level of €8 million at 31 December 2013 (€10 million a year earlier), *i.e.* an average VaR of €11 million in fiscal 2013.

DISCONTINUING OPERATIONS

(in millions of euros)	**2013**	**2012**[(1)]	**Change 2013-2012**[(1)]
Revenues	**132**	**163**	**(19.2%)**
Operating expenses	(173)	(294)	(41.1%)
Gross operating income	**(41)**	**(131)**	**(68.2%)**
Cost of risk	(16)	(25)	(37.3%)
Operating income	**(57)**	**(156)**	**(63.3%)**
Net gains (losses) on other assets	-	2	n.m.
Pre-tax income	**(57)**	**(154)**	**(62.7%)**
Income tax charge	17	54	(69.9%)
Net income	**(40)**	**(100)**	**(58.8%)**
NET INCOME GROUP SHARE	**(38)**	**(80)**	**(51.4%)**

(1) Restated for adjustment plan impacts.

During 2013, favourable market conditions allowed the disposal of the bulk of the remaining CDO portfolios and the majority of the portfolio of US residential mortgage underlyings. These disposals generated savings of €8.2 billion in risk weighted assets over the year, with a negligible impact on net income Group share. By contrast, the exit from the commodities (other than precious metals) and equity derivatives businesses was completed in 2013, with the discontinuation of plain-vanilla derivatives activities. Lastly, a partnership agreement was signed with BNPP for discontinuing operations, whereby the management of residual equity derivatives portfolios is outsourced to BNPP.

The negative contribution of discontinued operations continued to decline compared with 2012. With net income Group share amounting to a loss of €38 million for the year, the impact was limited in 2013.

Additional information on the nature of the main exposures is presented in the section entitled "Sensitive Exposures based on the Financial Stability Board Recommendations" under the heading "Risk factors".

7. Corporate Centre

(in millions of euros)	2013	2012 Restated(1)	Change 2013-2012
Revenues	**(2,175)**	**(2,649)**	**(17.9%)**
o/w financing costs	*(2,162)*	*(2,221)*	*(2.6%)*
o/w financial management	*197*	*620*	*(68.3%)*
o/w issuer spreads	*(591)*	*(1,551)*	*(61.9%)*
o/w other	*381*	*503*	*(24.1)*
Operating expenses	(899)	(916)	(1.9%)
Gross operating income	**(3,074)**	**(3,565)**	**(13.8%)**
Cost of risk	(3)	(275)	(98.5%)
Share of net income of equity-accounted entities	(52)	(122)	(57.8%)
Net gains (losses) on other assets	82	123	(32.0%)
Pre-tax income	**(3,047)**	**(3,839)**	**(20.6%)**
Income tax charge	1,567	1,132	+38.4%
Net income	**(1,480)**	**(2,707)**	**(45.3%)**
NET INCOME GROUP SHARE	**(1,628)**	**(2,822)**	**(42.3%)**

(1) Including change in the valuation of a limited number of complex derivatives.

In 2013, the Corporate Centre recorded several non-recurring items, stemming from the Group's action throughout the year to continue adapting to its new environment.

As such, in order to meet the new Basel 3 requirements, the Group changed the financial structure of Crédit Agricole Assurances at the end of 2012. This resulted in an interest income of €100 million in 2013. Over the year, the Group also sold several blocks of Bankinter shares for a total amount of €226 million, recognised as financial management revenues. In January 2014, Crédit Agricole S.A. sold the residual portion of this investment, *i.e.* approximately 0.3%, and therefore no longer holds any Bankinter shares. Other gains on portfolio disposals were also recorded during the year, and helped improve financial management income. The value adjustment of own debt represented a negative impact of €591 million in 2013, compared with a negative impact of €1,551 million in 2012, reflecting an improvement in the context and situation of Crédit Agricole S.A. in 2013. Total revenues were negative in the amount of €2,175 million in 2013, an improvement of 38.1% compared with 2012 revenues restated for the debt buyback which generated a gain of €864 million.

Operating expenses were down 1.9% compared with 2012, reflecting the reduction in the workforce and on-going efforts to reduce in costs under the MUST programme at the Group Head office level.

The Group realised a significant capital gain on real estate by selling a building in Paris for €68 million (€43 million net of tax). It also recorded a gain on disposal of Eurazeo securities in the amount of €20 million (€19 million net of tax). This transaction reduced Crédit Agricole S.A.'s stake in Eurazeo to 14.8%.

Tax includes a gain of €223 million related to the tax deduction on the loss realised on Emporiki short term investment securities acquired at the time of the last capital increase in January 2013. In 2012, by contrast, it included a tax expense of €128 million representing the impact of the exceptional 7% tax on the capitalisation reserve of insurance companies.

Overall, net income Group share for the Corporate Centre was a loss of €1,628 million in 2013. Restated for value adjustment of own debt, gains on disposal of Bankinter and bond portfolios, capital gains on real estate and gains on disposal of Eurazeo securities, net income Group share was a loss of €1,825 million.

CRÉDIT AGRICOLE S.A. CONSOLIDATED BALANCE SHEET

ASSETS

(in billions of euros)	31/12/2013	31/12/2012 Restated[(1)]	Change
Cash, central banks	68.2	42.7	+59.6%
Financial assets at fair value through profit or loss	360.3	399.9	(9.9%)
Hedging derivative instruments	28.8	41.8	(31.3%)
Available-for-sale financial assets	260.8	260.6	+0.1%
Loans and receivables due from credit institutions	369.0	385.6	(4.3%)
Loans and receivables due from customers	301.1	329.8	(8.7%)
Held-to-maturity financial assets	14.7	14.6	+0.4%
Accruals, prepayments and sundry assets	65.6	79.1	(17.1%)
Non-current assets held-for-sale	26.0	21.5	+20.7%
Deferred participation benefits	-	-	-
Investments in equity-accounted entities	19.1	18.5	+2.9%
Fixed assets	9.6	9.3	+4.1%
Goodwill	13.7	14.0	(1.8%)
TOTAL	**1,536.9**	**1,617.4**	**(5.0%)**

LIABILITIES

(in billions of euros)	31/12/2013	31/12/2012 Restated[(1)]	Change
Central banks	2.9	1.1	x2.7
Financial liabilities at fair value through profit or loss	296.9	350.3	(15.2%)
Hedging derivative instruments	31.2	42.4	(26.5%)
Due to credit institutions	153.9	160.6	(4.2%)
Due to customers	484.6	483.6	+0.2%
Debt securities	147.9	150.4	(1.6%)
Accruals, deferred income and sundry liabilities	57.8	82.0	(29.5%)
Liabilities associated with non-current assets held-for-sale	25.3	22.0	+14.9%
Insurance company technical reserves	255.5	244.6	+4.4%
Provisions	4.6	4.8	(4.0%)
Subordinated debt	28.4	30.0	(5.4%)
Total liabilities	**1,489.0**	**1,571.8**	**(4.8%)**
Equity	**47.9**	**45.6**	**+4.8%**
Equity, Group share	42.3	40.1	+5.3%
Non-controlling interests	5.6	5.5	+1.6%
TOTAL	**1,536.9**	**1,617.4**	**(5.0%)**

(1) The 2012 balance sheet has been restated to reflect the effects of offsetting (reduction of the consolidated balance sheet with no impact on net income or shareholders' equity). It also takes into account the change in the valuation of a limited number of complex derivatives and the fair value adjustment of treasury bills and unsubordinated fixed interest securities.

Main changes in the consolidated balance sheet

At 31 December 2012, total assets amounted to €1,617.4 billion, restated to include the netting of derivatives (netting between assets and liabilities in the same currency cleared by the clearing house LCH Clearnet LTD Swapclear). This netting, which had no impact in profit or loss or in shareholders' equity, resulted in a €225.7 billion reduction in total assets in 2012.

In 2013, Crédit Agricole S.A. remained committed to reducing the size of its balance sheet, in addition to these netting effects. At end-2013, Crédit Agricole S.A. had consolidated assets of €1,536.9 billion, compared with €1,617.4 billion as of 31 December 2012 restated, a reduction of €80.6 billion (-5.0 %). This reduction reflects four main items together representing €100 billion:

- change in the market value of derivatives, in the amount of approximately €50 billion;
- optimisation of cash management, in the amount of approximately €16 billion;
- disposals and reductions in activities in the amount of €17 billion;
- reduction in repo outstandings in the amount of €15 billion.

Conversely, Crédit Agricole's internal operations (centralisation of Regional Banks' savings deposits and financing) increased by €7 billion on the assets side, and insurance assets increased by €13 billion.

On the assets side, loans and receivables due from credit institutions and customers represented 43.6% of the overall total, and financial assets at fair value through profit or loss 23.4%. On the liabilities side, amounts due to credit institutions and customers represented 41.5% of the total, financial liabilities at fair value through profit or loss 19.3%, and the technical reserves of insurance companies 16.6%.

Analysis of the main items

Loans and receivables due from customers and credit institutions totalled €670.1 billion, a decline of 6.3% or €45.2 billion compared with 2012.

Loans and receivables due from customers (including lease financing operations) totalled €301.1 billion at 31 December 2013, compared with €329.8 billion at 31 December 2012. This reduction is chiefly attributable to two items, "Securities bought under repurchase agreements", which amounted to €2.1 billion at end-2013 compared with €16.7 billion at end-2012, and "Other customer loans", which declined by €9.1 billion. This reflects Crédit Agricole S.A. Group's continued efforts to adjust to market and regulatory constraints, notably in Corporate and investment banking and in Consumer finance.

Loans and receivables due from credit institutions totalled €369.0 billion at 31 December 2013, a decline of 4.3%. They included €273.5 billion from Crédit Agricole internal transactions which correspond, primarily to term deposits and advances from Crédit Agricole S.A. to the Regional Banks. The components of this item reflect the financial mechanisms that govern the relationships between Crédit Agricole S.A. and the Regional Banks. Amounts due from credit institutions outside the Group declined by €22.8 billion, a decline attributable chiefly to Crédit Agricole CIB, and which incorporates the reclassification of Newedge pursuant to IFRS 5.

Amounts due to credit institutions and customers totalled €638.6 billion at end-2013, a slight decline of 0.9% or €5.7 billion compared with end-2012.

Amounts due to credit institutions decreased by €6.7 billion to €153.9 billion. They included €49.1 billion of internal transactions within Crédit Agricole (fund movements resulting from internal financial relationships between the Regional Banks and Crédit Agricole S.A.).

Amounts due to customers increased by €1 billion, the significant increase in regulated savings more than offsetting the decline in repurchase agreements related to the reclassification of Newedge pursuant to IFRS 5. Due to internal financial mechanisms within Crédit Agricole Group, savings deposited in the Regional Banks (passbook savings accounts, home savings plans, savings bonds and term accounts, time deposits, etc.) are centralised on Crédit Agricole S.A.'s balance sheet. At 31 December 2013, they totalled €205 billion, an increase of approximately €6 billion compared with 2012.

Total financial assets at fair value through profit or loss amounted to €360.3 billion at 31 December 2013, compared with €399.9 billion at 31 December 2012 restated, a decline of 9.9% year-on-year.

The bulk of the portfolio (78.2% or €281.6 billion) consists of financial assets held-for-trading, which were down 14.7% over the year (€48.5 billion). They mainly comprise the positive fair value of derivative financial instruments (€150.3 billion at end-2013, compared with €198.5 billion at end-2012) and securities bought under repurchase agreements (€85.1 billion at end-2013, compared with €82.6 billion at end-2012). The significant decline in "Derivative instruments" mainly reflects the decline in the mark-to-market value of interest rate swaps, recorded mainly at Crédit Agricole CIB.

The remainder of the portfolio (21.8% or €78.7 billion) consists of securities classified as financial assets at fair value through profit or loss as the result of an option taken by Crédit Agricole S.A.; 44% of these are assets backing unit-linked contracts, the increase of which compared with 2012 reflected stronger performances in the financial markets in 2013. This change is reflected symmetrically in the mathematical reserves in the liabilities on the balance sheet.

As of 31 December 2013, **financial liabilities at fair value through profit or loss** totalled €296.9 billion, a decline of €53.3 billion or 15.2% year-on-year. This decline reflects a reduction of €46.8 billion in the fair value of derivative financial instruments held-for-trading, and, conversely, the reclassification in this item of structured debt issued by CACIB, previously classified as financial liabilities held-for-trading, in the amount of €30.5 billion.

Available-for-sale financial assets (net of impairment) were virtually unchanged at €260.8 billion, compared with €260.6 billion at 31 December 2012. Within Crédit Agricole S.A. Group, Predica was the largest holder of such securities, followed by Crédit Agricole S.A. These assets include bonds and other fixed income securities (€174.8 billion), treasury bills and similar securities (€65.1 billion), shares and other variable income securities (€14.8 billion), and non-consolidated equity investments (€6.1 billion).

Total **investments in equity-accounted entities** increased by 2.9% to €19.1 billion at end-2013, compared with €18.5 billion in 2012. The increase was attributable chiefly to rise in the equity-accounted value of the Regional Banks (+€0.8 billion).

In 2012, **non-current assets held-for-sale and associated liabilities** included Emporiki, CLSA and Cheuvreux, sold in 2013, and BNI Madagascar. At 31 December 2013, they included companies subject to disposal plans (Newedge, Nordic entities of CA Consumer Finance, CA Bulgaria, BNI Madagascar) and Crédit Agricole Immobilier, as part of the planned transformation of the Group's operations in the property sector (see Note 2.1.1).

Hedging derivatives instruments declined significantly (-31.3% on the assets side, -26.5% on the liabilities side), reflecting change in the fair value of interest rate swaps, resulting from change in the yield curve.

Insurance companies' technical reserves increased by 4.4% in 2013 compared with 2012, reaching €255.5 billion. The increase reflects the inflows during the year and the valuation of assets.

Equity amounted to €47.9 billion at 31 December 2013, an increase of €2.2 billion compared with 31 December 2012. Equity Group share amounted to €42.3 billion at end-2013, an increase of €2.2 billion over the period, mainly reflecting the inclusion of income for the year for €2.5 billion.

Capital management and regulatory ratios

The amendment to IAS 1 adopted by the European Union on 11 January 2006 requires the disclosure of quantitative and qualitative information on the capital of the issuer and on its management: objectives, policy and procedures of its capital management. This information is provided in Note 3.6 to the financial statements and in "Basel 2 Pillar 3 disclosures", provided below.

RELATED-PARTY TRANSACTIONS

The main transactions entered into with related parties are disclosed in the consolidated financial statements for the year ended 31 December 2013 in the "General framework - Related parties" section.

INTERNAL CONTROL

As required by the French Financial Security Act of 1 August 2003, the Chairman of the Board of Directors must report on the preparation and organisation of the Board's work and on the internal control procedures implemented throughout the Company, on a consolidated basis in a report accompanying the management report.

This report, which is published in the manner set out by the *Autorité des Marchés Financiers* (AMF) and is incorporated into this document (section 3, Chairman's report), contains two parts:

- part I deals with the work of the Board of Directors of Crédit Agricole S.A.;
- part II contains information on the organisational principles underpinning the internal control systems and to the risk management and monitoring procedures in effect within Crédit Agricole Group. It contains descriptions of the risk management and permanent controls, non-compliance risk prevention and control and periodical control systems.

RECENT TRENDS AND OUTLOOK

Outlook

A gradual improvement is expected in 2014 and 2015, although the environment will remain fragile and unfavourable.

Growth is poised to recover virtually across the board in 2014. There will be only a handful of exceptions: China (although still growing by 7.2%), Brazil (down, with growth of only 1.8%), and Japan (with growth stable at 2.0%). The improvement is nevertheless real in most countries, including southern Europe, where all countries could emerge from recession in 2014.

However, the rebound will be moderate, and, more importantly, it could falter in 2015. In the Eurozone, only Germany and Austria are expected to enjoy growth significantly above 1% in 2014. In France, growth is estimated at 0.8% in 2014 and 1.1% in 2015. The lack of normalisation stems from the fact that the global economy has not entered a cycle of self-sustaining growth. In each of the three large regions (Europe, North America and Asia), there is a high risk that growth will not gain pace, or will pick up only slightly in 2015.

The situation is slightly brighter in the United States than in other developed countries. Fiscal efforts are still dampening growth, but prospects for a recovery in household consumption are fairly strong, thanks to declining unemployment and a recovery in residential real estate. Against this backdrop, an increase in long term rates is now likely, even though the U.S. Federal Reserve will take care not to stifle growth.

In the Eurozone, indicators released in late 2013 and early 2014 provided signals backing up cautious optimism. Nevertheless, the recovery remains highly constrained by the on-going adjustment of public and private balance sheets. In this context of a fragile recovery and very low inflation, the European Central Bank can be expected at the very least to maintain a highly accommodative monetary policy. In addition to monetary policy, the ability to continue European integration efforts will remain a critical point for the markets.

In France, a key challenge for economic policy will be to reduce the structural deficit in terms of competitiveness. This is the logic underpinning the introduction of the CICE tax credit in 2014 and further reductions in charges, which should foster a gradual investment recovery. The other challenge will be to continue to reduce public deficits. The French government forecasts that the overall deficit will ease to 3.6% of GDP in 2014, compared with 4.1% in 2013. The structural effort, still focused on tax increases in 2013, will focus on spending cuts starting in 2014. The ratio of public debt, estimated at 95% in 2014, is not expected to start to decline before 2015.

For Crédit Agricole S.A.

Presentation of the Medium Term Plan on 20 March 2014

Summary from the press release "Grow and deliver strong, recurring earnings" issued 20 March 2014 and available for consultation in its entirety on the website: http://www.credit-agricole.com/Investisseur-et-actionnaire/Communiques-de-presse.

Crédit Agricole Group presented its Medium Term Plan, *Crédit Agricole 2016*, in London at an Investor Day on 20 March 2014.

This plan is the result of teamwork, which began 18 months ago, between all the parts of Crédit Agricole Group: the Regional Banks, Crédit Agricole S.A. and its subsidiaries in France and abroad and FNCA[1]. Crédit Agricole 2016 is in line with the Group project announced on 15 December 2010, the medium and long term aim of which is to become the European leader in Universal Customer-focused Banking.

1. CRÉDIT AGRICOLE 2016 MEDIUM TERM PLAN: FOUR STRATEGIC PILLARS TO SUSTAIN GROWTH

1.1 Innovate and transform the retail banking business to better serve the Group's customers and strengthen its leadership in France

The aim is to undertake a transformation tailored to each network to meet new customer expectations, in line with the specific features of each bank and customer group:

- Regional Banks: the multi-channel retail bank, with about 7,000 branches and homogeneous geographical coverage;
- LCL: leading relationship and digital bank in urban areas, with about 1,900 branches and a strong presence in major urban areas;
- BforBank: full online only bank.

Retail banking targets in France in 2016:

- achieve revenues of c. €19.5 billion in 2016;
- gain market share in all customer segments.

1.2 Accelerate revenue synergies across the Group

By 2016, revenue synergies across the Group will increase by about €850 million, the main contributors being Savings management and Insurance.

Bancassurance, a major contributor to developing intragroup synergies:

- life insurance: +10% growth in life insurance assets under management by 2016;
- health, death & disability and creditor insurance: +12% growth in premium income by 2016;
- property & casualty insurance: +29% growth in premium income by 2016;
- international: continue to grow organically in markets where the Group already operates.

Broaden synergies between Specialised services and retail networks:

- Crédit Agricole Consumer Finance: +€3.5 billion in consumer finance loans managed on behalf of the Group's retail banks by 2016;

(1) *Fédération Nationale du Crédit Agricole.*

- Crédit Agricole Leasing & Factoring: increase share of leasing in medium term financing of our corporate clients by 2.5 points and increase share of factoring in short term financing of our corporate clients by 4 points.

1.3 Achieve focused growth in Europe

Three drivers of growth in Europe to achieve +12% revenue growth in Europe excluding France by 2016 (business view):

- continue to deploy the Universal Customer-focused Banking model;
- develop the specialised business lines and support the retail banks' business customers;
- extend the Regional Banks' cross-border business.

By 2016, +14% revenue growth (business view) in Italy, Crédit Agricole's second domestic market:

- continue Cariparma's transformation and accelerate its development;
- develop priority markets through Group synergies: about €500 million by 2016;
- continue to control risks:
  - Cariparma: decrease in cost of risk of c. 60 bp (normalisation of economic conditions, result of lending policies implemented since the crisis),
  - Agos: continued reduction in cost of risk,
  - FGAC: maintain a low cost of risk (c. 80 bp),
  - decrease in cost of risk: c. 40% for Agos and Cariparma.

Accelerate growth in Europe in savings management and insurance:

- Amundi: reach €1,000 billion of assets under management in 2016;
- CACEIS: increase by €300 billion assets under custody in the five new depositary banks (Belgium, Italy, Switzerland, Netherlands, United Kingdom);
- CA Titres: expand internationally, mainly in Belgium and Luxembourg;
- Crédit Agricole Assurances: achieve a revenue growth in Europe excluding France over 15% by 2016;
- Crédit Agricole Private Banking: +€4 billion in assets under management in Belgium, Spain and Italy.

A strategy focused on key countries for Specialised financial services:

- Crédit Agricole Consumer Finance: strong increase in the profitability of European activities, supported by a reduction in the cost of risk;
- Crédit Agricole Leasing & Factoring: €20 million revenue synergies with the Group's international retail banks.

Corporate and Investment Banking: A Distribute-to-Originate debt house, anchored to Europe, serving major borrowers and investors, as well as Crédit Agricole Group:

- Target: revenue growth[(1)] in Europe excluding France by 2016: +11% (business view).

1.4 Invest in human resources, strengthen Group efficiency and mitigate risks

An ambitious investment plan to support our medium term targets:

- about €3.7bn[(2)] of cumulative investment over the plan period, including about two thirds in retail banking, to support business development and improve operational efficiency;
- 35% of investments are non-recurring and will support the Medium Term Plan initiatives;
- three investment priorities:
  - human resources with over €250 million to be invested in human resources from 2014 to 2016 to meet transformation challenges,
  - IT convergence, and
  - cost-cuttings;
- €950 million of cost savings planned by 2016 including €410 million in new initiatives to reach a cost/income ratio down by more than 2 points[(3)] for Crédit Agricole Group and more than 3 points[(1)] for Crédit Agricole S.A. in 2016 compared with 2013.

A responsible risk policy:

- a low impaired loan ratio due to a cautious lending policy and exposure to relatively non-volatile markets;
- a very high coverage ratio, which the Group intends to maintain;
- low exposure of the banking Group to Southern European sovereigns;
- a low VaR, in line with the Group's will to contain its exposure to market risk;
- maintain a comfortable liquidity surplus and limit cross-border funding.

2. FINANCIAL OBJECTIVES OF CRÉDIT AGRICOLE GROUP AND CRÉDIT AGRICOLE S.A.

The Medium Term Plan income estimations are made in a still fragile economic context but reflecting a progressive normalisation of the situation in the eurozone. They are based on the proven resilience of the retail banking and savings management and insurance businesses and a rebound of business lines that have been adjusted to the new environment resulting from the 2011 crisis.

(1) *Business view,* pro forma *for equity accounting of entities under proportionate method in 2013, restated for CVA/DVA and loan hedges.*

(2) *Excluding potential external growth. Investments included in the 2014-2016 financial plan.*

(3) Pro forma *of reclassification under equity accounting of entities under proportionate method in 2013, restated for issuer spreads, CVA/DVA and loan hedges.*

Three areas for improvement underpin the Medium Term Plan:

- financial efficiency with moderate overall revenue targets for Crédit Agricole S.A. but targeted growth according to each business;
- operational efficiency with a cost savings plan to support a cost/income target of below 60% for Crédit Agricole Group and below 64% for Crédit Agricole S.A.;
- continued decrease in the cost of risk, driven by good asset quality and normalisation of the situation in Italy.

The capital management policy is forward-looking, with a continued strengthening of the Regional Banks' capital and Crédit Agricole S.A.'s target fully loaded CET1 ratio exceeding 9.5% as soon as 2015. The capital management policy is forward-looking, with a continued strengthening of the Regional Banks' capital and Crédit Agricole S.A.'s target fully loaded CET1 ratio exceeding 9.5% as early as 2015. With a target exceeding 10.5% at end-2016, Crédit Agricole S.A. has leeway of around 100 bp (*i.e.* over €3 billion).

2016 financial targets: a sound, efficient bank

		Regional Banks	Crédit Agricole Group	o/w Crédit Agricole S.A.
Business	Revenue growth (2013-2016)[1]	~+1% p.a.	~+2% p.a.	~+2,5% p.a.
	Cost/income ratio 2016[1]	<54%	<60%	<64%
	Cost of risk/outstandings (bp)[1]	~25	~40	~55
Profitability	NIGS 2016	>3.7bn€	>6.5bn€	>4bn€
	ROTE 2016			12%
Solvency	CET1 fully loaded		14.0%	>10.5%
	Total capital phased		16.5%	15.5%
	Pay-out ratio (assumption)			50%

(1) Pro forma *of reclassification under equity-accounting of entities under proportionate method in 2013, excl. issuer spreads, CVA, DVA and loan hedges.*

2016 financial targets: indicators by business lines

		Revenues 2013-2016 (CAGR)	Cost/income ratio 2016	ROTE 2016
Retail banking	Regional Banks (100%)	Revenues ~+1% p.a.	<54%	
	LCL	Revenues ~+1% p.a.	<64%[4]	>20%
	International retail banking	Revenues ~+7% p.a.	<55%	~20%
Savings management & Insurance	Savings management (Amundi, CACEIS, Private banking)	AUM>+3% p.a.[3] Revenues ~+2% p.a.	<65%	>35%[1]
	Insurance	Premiums +6% Revenues ~+4% p.a.	<30%	~34%[1]
Financing businesses	Specialied financial services[2]	Revenues ~+1% p.a.	<45%	>10%
	Corporate and investment banking[2]	Revenues ~+3% p.a.	~53%	~12%

(1) ROTE calculated on basis of capital allocated at 9% of risk weighted assets and including the main regulatory deductions from the CET1 numerator. For Amundi, profitability would be 10bp calculated on AUMs and for Insurance, profitability would be 13% calculated on 80% of the solvency margin.

(2) Pro forma *of reclassification under equity-accounting of entities under proportionate method in 2013, excl. CVA, DVA and loan hedges.*

(3) Excluding external growth.

(4) Excluding expenses linked to the investment plan.

Over the plan period, the businesses are expected to generate revenue growth of about 3% a year, balanced between the main core businesses. Two thirds of Crédit Agricole S.A.'s revenue growth will come from retail banking and savings management and insurance. A rebound is expected in International retail banking, Specialised financial services and Corporate and investment banking, activities that were affected by the crisis and the adjustment plan initiated in 2011.

Business line expenses are expected to rise by 0.6% a year, with the cost savings plans already underway offsetting inflation, taxes and the bulk of modernisation expenditure. Crédit Agricole S.A. is expected to make cost savings of €520 million, including €300 million under the MUST programme and €220 million of additional effort.

The cost/income ratio for each business, which is already good, will therefore continue to improve. Crédit Agricole S.A.'s ratio will improve by more than 3 percentage points over the plan period to reach less than 64% in 2016.

The Regional Banks are projecting about €430 million of cost savings over the plan period, including €240 million under the NICE programme. Crédit Agricole Group's overall cost/income ratio, which is already among the best in the industry, should fall below 60% by 2016.

Crédit Agricole S.A.'s profitability, as measured by the income divided by the average tangible accounting equity (ROTE) stood at 9.3% in 2013, with a target of 12% for 2016. Over the plan period, risk weighted assets of the business lines will remain stable as the 5-percentage point reduction at CIB will be offset by an increase at retail banking and savings management and insurance. Business line profitability, calculated on a capital allocation of 9% of risk weighted assets and including the main regulatory deductions from the CET1 numerator, comes to 12% for CIB, over 10% for SFS, about 20% for LCL and IRB and about 35% for asset management and insurance.

As regards solvency, the Group considers that a level of 9.5% for the fully loaded Common Equity Tier 1 (CET1) ratio is appropriate for Crédit Agricole S.A., as it is not considered as systemic and its businesses have been restructured. At the end of the Medium Term Plan, Crédit Agricole S.A. is projecting a fully loaded CET1 ratio of more than 10.5%, generating leeway of 100 bp, *i.e.* more than €3 billion.

The table below shows the planning for the fully loaded Basel 3 CET1 ratio. At the period end, the ratio for Crédit Agricole Group is 14.0%. For Crédit Agricole S.A., these ratios take account of capital and reserves weighting for Crédit Agricole Assurances (at 370%), *i.e.* €35 billion of risk weighted assets (€37 billion for Crédit Agricole Group), Switch guarantees between the Regional Banks and Crédit Agricole S.A. (for €87 billion of risk weighted assets) neutral at Crédit Agricole Group level, and the dividend policy described below.

FULLY LOADED BASEL 3 CET1 RATIO-TARGETS

	01/01/2014	31/12/2014	31/12/2015	31/12/2016
Crédit Agricole S.A.	8.3%	9.0%	9.8%	>10.5%
Crédit Agricole Group	11.2%	12.0%	13.0%	14.0%

Warning: *The ratios shown above are based on a number of underlying assumptions. Achievement of these targets will depend on a number of factors including the future net income of Crédit Agricole S.A. and Crédit Agricole Group, which is by nature uncertain.*

These targets will be achieved mainly through organic capital generation and by asset disposals and balance sheet transactions already identified and partly underway.

The dividend policy is to distribute 35% of 2014 earnings with a scrip dividend option. SAS Rue la Boétie, the majority shareholder, has already announced to elect for payment of a scrip dividend in respect of 2014. For 2015 and 2016, as the 9.5% CET1 threshold will have been exceeded, the solvency ratio planning is calculated on the assumption of a 50% dividend pay-out with 50% payment in cash (subject to approval by the Shareholders' Meeting).

At the end of the plan, the Basel 3 overall solvency ratio (phased) is projected to be 15.5% for Crédit Agricole S.A., including 13.0% Tier 1 phased, and 16.5% for Crédit Agricole Group, including 15.0% Tier 1 phased, based on Crédit Agricole S.A.'s understanding of the CRR/CRD4 rules applicable to French banks supervised by the ACPR.

As regards the leverage ratio, an additional measurement in the analysis of a bank's financial strength, it is relevant at Crédit Agricole Group level given Crédit Agricole's internal operations (accounted for in Crédit Agricole S.A.'s balance sheet). Crédit Agricole Group's leverage ratio at 31 December 2013 is 3.8% based on the CRR definition (CRD4) and 4.4% based on the Basel Committee definition(1). It already exceeds the regulatory minimum, which is 3% at 1 January 2018. Crédit Agricole S.A. will meet the 3% regulatory requirement before then.

In terms of liquidity, Crédit Agricole S.A. already meets and will, at the plan end, meet the LCR regulatory requirements for January 2018 (100%). Crédit Agricole Group will be above 100% at end-2014. For the NSFR, Crédit Agricole Group should meet the regulatory requirement of 100% in 2016, based on its understanding of the regulations, which are not yet final.

The MREL ratio (minimum requirement for eligible liabilities), which measures the sum of equity, hybrid debt and long term senior unsecured debt with a residual maturity of more than one year as a percentage of the total regulatory balance sheet, is estimated at 12% at end-December 2013. In particular, the calculation shows that senior unsecured debt is covered by €82 billion of capital and hybrid debt.

3. AMBITIONS PER BUSINESS LINE IN 2016

Crédit Agricole Regional Banks: multi-channel retail bank close to its customers

Leading retail bank in France and no. 1 bancassurer in France, Crédit Agricole operates in all regions of the country thanks to its unrivalled geographical coverage and its regional banks that contribute to the life and economic development of their local regions. It aims to cover all customer segments.

Strategic focuses:

- implement a multi-channel retail bank model close to its customers:
  - a more practical bank: fully multi-channel and fully digital,
  - a closer, more expert bank offering a customer relationship based on human contact and geographical proximity: maintain a strong nationwide presence and dedicate a multi-channel relationship manager to each customer in order to ensure a better quality of relationship,
  - a more participatory bank whose cooperative values sustainably strengthen the banking relationship and loyalty to the Bank. In particular, Crédit Agricole makes an ongoing commitment to deliver greater customer satisfaction;

(1) *Insurance business to be equity accounted according to the Basel Committee publication of 12 January 2014.*

- win new customers and achieve our ambitions in our areas of excellence:
  - farming & food processing: strengthen our leadership in the farming segment and, in food processing, extend our position as leading player in France to the rest of Europe, finance and support 90% of viable installations for young farmers,
  - housing: maximise synergies between banking, insurance and real estate; be a pioneer in providing finance through digital channels,
  - energy and environment: develop responsible savings with a target of €100 billion in SRI outstandings, support energy and environmental projects in all regions, extend the eco-renovation offer to the whole territory,
  - health and ageing: aim for leadership in retirement savings, become a major player in group insurance, target 5% market share in health insurance;
- strengthen our leading position in operational excellence:
  - the Regional Banks have a three-year €1.8 billion investment plan designed to drive the cost/income ratio to below 54% in 2016,
  - €1.5 billion will be invested in development (transformation of the distribution model, branch refurbishment, etc.),
  - the remainder will be devoted to operational efficiency (optimise customer processes, complete pooling of electronic payments activities and optimise IT and back office management of on-balance sheet savings, optimise purchases and complete the dematerialisation process aiming for "completely paperless" by 2016).

2016 financial targets:

- 2016 revenues c. €15.5 billion;
- leadership in customer recommendation;
- +1 pt in penetration rate in individual market;
- market share gains in all customer segments;
- cost/income ratio <54%;
- 10 million cooperative members.

LCL: Be the leading relationship and digital bank in urban areas

Strategic focuses:

- a relationship model based on a tailored approach and service continuity (a model tailored to the lifestyle and consumer habits of an urban clientele with extended opening hours and a full distance offer; 10 customer relationship centres in addition to the branch network dedicated to dealing with all customer requests 6 days a week until 10pm; differentiated expertise and services depending on expectations of each type of customer);
- a distribution model in tune with new customer behaviours, with an adapted, modern bricks and mortar network; an increase in the number of customer advisors both in the branches or through distance channels; all LCL products and services available for greater speed and simplicity (full online LCL on internet and mobile with improved security);
- improve operational efficiency by simplifying and digitising end-to-end customer transactions; industrial back offices for simple transactions and specialised back offices for high value-added customer segments or complex transactions; partial replacement of natural staff attrition to reach a proportion of 78% of the workforce in contact with customers;
- strong business momentum to gain new individual customers, strengthen its position as no. 2 private bank in France and target a Top 5 ranking in the wealth management market, and become the leading bank for professionals, small businesses and corporates.

LCL has initiated a 5-year managerial, technological and organisational transformation plan to become the leading relationship and digital bank in urban areas. The plan is based on a new value proposition "the whole of LCL à la carte", which offers customers personalisation, service continuity and choice. The plan will make LCL a bank fully in tune with the requirements of an urban clientele seeking a high level of autonomy (use of digital), a quick response and access to experts.

A 3-year €300 million investment plan is implemented (and €400 million over 5 years), with three broad areas of investment to roll out the new model:

- €160 million for new IT developments (digital banking tools and CRM);
- €60 million to refurbish the branch network;
- €80 million to support the transformation (change management, training).

2016 financial targets:

- 2016 revenues: c. €4 billion;
- cost/income ratio: c. 64% (excluding costs related to the investment plan);
- new customers:
  - 360,000 additional individual customers with a focus on young professionals, students, families and high net worth individuals,
  - 18,000 new customers in the small business and professional segments,
  - 40% of major corporates to be customers of LCL;
- productivity:
  - digitisation of 80% of the customer actions,
  - c. 78% of staff to be customer-facing;
- all products and contracts available online.

BforBank: full online banking for busy customers on the move

Strategic focuses:

A bank launched in 2009 with an online savings offer aimed at the more affluent end of the market; BforBank has a solid business franchise with 115,000 customers at end-2013 and €3.2 billion in savings. BforBank plans to roll out a comprehensive range of online banking offer and, as of 2015, plans to broaden the offer to encompass current account banking and in 2016, with a launch of home loans.

2016 financial targets:

- c. 170,000 accounts;
- +25,000 demand deposit accounts a year from 2015;
- €4.5 billion in deposits.

Cariparma: a development plan focusing on market share gains

Strategic focuses:

Cariparma's development plan is designed to gain market share whilst maintaining balance sheet equilibrium. The main goals are:

- step up cross-selling of Group products;
- gain market share in selected customer segments through synergies with other Group businesses: intermediate-sized enterprises, high net worth individuals;
- become the bank of choice for agribusiness in Italy;
- strengthen positions in Veneto and Liguria through regional action plans.

Cariparma's plan also includes adapting the distribution model to meet changing customer expectations (reorganise and modernise the branch network, develop multi-channel distribution, online banking and digital innovations) and continue to industrialise processes. The aim is to centralise some back office functions, automate the branches, industrialise credit and collection processes, and develop Group convergence and transfer know-how. To support these ambitions, Cariparma has launched on a c. €320 million investment plan from 2014 to 2016, with about €180 million in additional investment to support growth.

2016 financial targets:

- loans: +5% from 2013 to 2016;
- deposits: +2% from 2013 to 2016;
- revenues: +5% from 2013 to 2016;
- cost/income ratio: c. 52% in 2016, *vs* 60% in 2013;
- cost of risk: 68 bp in 2016 *vs* 128 bp in 2013;
- +5% in customer numbers over the period.

Outside Italy, focused development of the international retail banks

Strategic focuses:

- recovery in organic revenue growth in Poland after several years of decline in consumer finance origination;
- focused, profitable growth in our other markets: Ukraine, Morocco, Egypt;
- in all countries: support French intermediate-sized enterprises and CACIB's major clients, develop agribusiness;
- improve operational efficiency;
- roll out the MUST programme;
- rationalise processes;
- maintain a deposit surplus to provide a good level of financial autonomy.

2016 financial targets:

- IRB revenues excluding Cariparma: €1.1 billion in 2016, representing +10% growth *per annum* from 2013 to 2016;
- cost/income ratio of IRB subsidiaries excluding Cariparma (Poland, Ukraine, Morocco, Egypt): c. 52% in 2016 *vs* 59% in 2013;
- loan-to-deposit ratio: 95% in 2016 *vs* 93% in 2013.

Crédit Agricole Assurances Group

The ambition is to be the insurer of choice for Crédit Agricole Group customers and contribute to Crédit Agricole Group's growth and leadership in Europe.

Strategic focuses:

- savings/retirement: maintain strong growth momentum in life insurance business by targeting development priorities (new products, high net worth customers);
- death & Disability/Health/Creditor: develop the Group's positions by enhancing its product offers and commercial approaches and by establishing it in the group insurance market;
- property & Casualty: increase the number of products owned by the branch network customers in the individual, farming and small business markets;
- international: continue developing, mainly in Europe.

Crédit Agricole Group Assurances also aims to contribute actively to Crédit Agricole Group's efforts to become a leading player and solutions provider for the ageing population in France.

2016 financial targets:

- premium income: growth of +17% from 2013 to 2016;
- 2016 cost/income ratio: <30%.

Amundi: €1,000 billion of assets under management in 2016

Strategic focuses:

Amundi's development strategy is based on three pillars:

- step up business development: consolidate its leadership in France, accelerate international development in its priority customer targets (partner networks, third-party distributors, institutionals and corporates);
- continue investing to support organic growth (talent, brand, etc.) financed by productivity gains;
- play a key role in consolidation of the asset management sector and pursue a value-creating external growth policy: acquisition of mid-sized players to open up the platform to one or more new distribution networks, targeted acquisitions to accelerate the development of high priority businesses or geographic areas.

2016 targets:

- target of €1,000 billion in assets under management at end-2016, with about 1/3 coming from organic growth, mostly on long term asset classes and international clients, and 2/3 from external growth or strategic partnerships;
- maintain a best-in-class cost/income ratio of less than 60%;
- steady growth in results that can be boosted by potential acquisitions.

CACEIS: strengthen its position as leader in asset servicing in Europe

Strategic focuses:

- broaden the product offer to cover the entire value chain: develop clearing of listed derivatives and offer CIB back-office outsourcing solutions; extend the performance reporting, analysis and metrics offer for customers; strengthen the service offer for private equity, real estate and alternative investment funds;
- strengthen presence in Europe to serve global customers: set up depositary banks in Belgium, Netherlands, Italy, Switzerland and United Kingdom; develop fund administration in Germany;
- improve operational efficiency by sharing operational production centres, particularly for the custody business, while continuing to invest in information systems to serve customers.

2016 financial targets:

- capture €300bn of assets under custody in Belgium, Netherlands, Italy, Switzerland and United Kingdom;
- maintain a high profitability: RoE c. 15%.

CA Private Banking: support our position as one of the European leaders

Strategic focuses:

- in France, step up cross synergies with the Regional Banks in wealth management;
- in Europe, accelerate organic growth in the domestic customer segment:
  - Italy: set up a wealth management business,
  - Belgium/Spain: strengthen the sales and marketing teams;
- outside Europe, strengthen the sales and marketing teams in high-growth areas, particularly in Asia and Latin America;
- play a selective role in sector consolidation.

2016 targets:

- assets under management: €108 billion;
- revenue CAGR +2.5%;
- cost income ratio: -2 pts in 2016 *vs* 2013;
- cost control plan to make cost savings of c. €40 million, which will reinvested in organic growth.

CACF: Reinforce links with Group, focus business, improve profitability by leveraging major partnerships

Strategic focuses:

- strengthen links with the Group's retail banks;
- boost own account business;
- leverage agreements with major partners;
- refocus international operations on self-funded, highly profitable entities;
- build upon digital and customer relationship;
- optimise liquidity management and improve profitability, mainly by strengthening self-funding.

2016 financial targets:

- self-funding rate of more than 70% *vs* 53%[1] in 2013;
- consolidated loan book stabilised at €37 billion at end-2016;
- develop the managed loan book on behalf of the Group's banks (Regional Banks, LCL, Cariparma) by +9% *per annum* to €16 billion;
- revenue growth of about 1% *per annum*;
- decrease in expenses of about 2% *per annum*;
- cost/income ratio under 42%;
- cost of risk on loans reduced to about 250 bp (*vs* 356[1] bp in 2013).

(1) Pro forma *for equity-accounting of entities under proportionate method in 2013.*

CAL&F: Further integrate with the retail banks and increase value creation for the Group and its customers

Strategic focuses:

- keep on integrating the leasing and factoring businesses with the Group's retail banks;
- enhance international intragroup synergies, for the benefit of the Group's retail banks;
- develop servicing offers that do not consume liquidity;
- strengthen relationship excellence with customers and partners.

2016 financial targets:

- 50% increase in the share of leasing and factoring in the financing of retail bank corporate customers;
- synergies with international retail banks: revenues +€20 million;
- cost/income ratio: -4 pts to 53%;
- customer recommendation rate: 80%.

Payments: Consolidate the Group's European leadership in payments

The ambition of the Group's Payments division – which encompasses Crédit Agricole Cards & Payments, CA Paiement and Fia-Net Group – is to consolidate the Group's European leadership in payments in an environment of regulatory, competitive and technological change.

Strategic focuses:

- offer innovative payment services to individuals, originators and retailers, and corporates;
- improve operational efficiency by pooling payment volumes of the entire Group and developing outsourcing services for third-party customers.

2016 financial targets:

- impact from MT Plan initiatives: +€130 million revenues from payments in the Group's retail banks *vs* 2013;
- 30% decrease in the unit processing cost.

Corporate and investment banking

Strategic focuses:

CACIB has been significantly downsized in response to the crises that have hit the sector and, in a reinforcing regulatory climate, continues its transformation to become a distribute-to-originate debt house serving a clientele of borrowers and investors, as well as the Group. CACIB is targeting a ROTE of 12% in 2016, higher than the cost of equity, through three key drivers:

- increase revenues with limited risk:
  - a regional strategy to meet the bank's origination and distribution challenges,
  - strengthen sector-based coverage to help meet ambitious medium term growth targets,
  - Financing activities: strengthen its origination and distribution capability and its position as leader in Structured finance,
  - capital markets and investment banking: boost activity by leveraging the full potential of its product and client franchises,
  - strengthen synergies with the Group;
- improve operational efficiency and aim for excellence: develop industrial partnerships, simplify processes and optimise sourcing, transform CACIB into an industrial platform for Crédit Agricole Group for capital markets activities, develop a loan servicing loan activity for external clients;
- actively manage scarce resources: optimise risk weighted assets in a challenging regulatory environment, continue efforts to rationalise the balance sheet structure, maintain stable liquidity consumption from end-2013 to 2016.

2016 financial targets:

- For total CACIB:
  - revenues: +3% *per annum*[1],
  - cost/income ratio: 53% (among the industry's best peers),
  - VaR limit maintained at €30 million,
  - ROTE: 12% covering the cost of equity;
- For Financing activities:
  - revenues: +2% *per annum*[1],
  - cost/income ratio: 40%,
  - 65% of CIB RWAs;
- For Capital Markets and Investment Banking:
  - revenues: +7% *per annum*[2],
  - cost/income ratio: 64%,
  - 31% of CIB RWAs.

(1) *Including brokerage revenues (CLSA NY and Tokyo) reclassified under IFRS 5 in Q3-13 (€42m in H1-13),* pro forma *for equity accounting of UBAF (proportionate method in 2013), restated for loan hedges and CVA/DVA impacts.*

(2) *Ongoing Capital Markets and Investment Banking, including brokerage revenues (CLSA NY and Tokyo) reclassified under IFRS 5 in Q3-13, restated for CVA/DVA impacts.*

DISCLAIMER

This presentation may include prospective information on the Group, supplied as information on trends. This data does not represent forecasts within the meaning of European Regulation 809/2004 of 29 April 2004 (chapter 1, article 2, § 10).

This information was developed from scenarios based on a number of economic assumptions for a given competitive and regulatory environment. Therefore, these assumptions are by nature subject to random factors that could cause actual results to differ from projections.

Likewise, the financial statements are based on estimates, particularly in calculating market value and asset depreciation.

Readers must take all these risk factors and uncertainties into consideration before making their own judgement.

The figures presented are not audited. The calculations are based on the rules contained in Directive 2013/36/EU of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms and in Regulation (EU) no. 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms (CRD4), as interpreted by Crédit Agricole S.A. at 31 December 2013.

Note:

The **Crédit Agricole Group** scope of consolidation comprises: the Regional Banks, the Local Banks and Crédit Agricole S.A. and their subsidiaries. This is the scope of consolidation used by the French and European regulatory authorities to assess the Group's liquidity and solvency.

Crédit Agricole S.A. is the listed entity. It owns c. 25% of the Regional Banks and the subsidiaries of its business lines (French retail banking, International retail banking, Savings management and Insurance, Specialised financial services, and Corporate and investment banking).

Recent events

Events after the reporting period are disclosed in Note 11 to the consolidated financial statements for the year ended 31 December 2013. In particular, on 22 January 2014, Crédit Agricole S.A. announced the signature of an agreement for the disposal of Crédit Agricole Bulgaria to Corporate Commercial Bank AD.

Information on parent company financial statements (Crédit Agricole S.A.)

ANALYSIS OF CRÉDIT AGRICOLE S.A. (PARENT COMPANY) RESULTS

In 2013, Crédit Agricole S.A. revenues stood at 0, down €3,790 million on 2012. This change was attributable to:

- a €1,073 million drop in the interest margin, in particular, following the reduction in net interest on debt securities resulting from Crédit Agricole S.A.'s buybacks, in February 2012, of deeply subordinated notes and following the drop in interest income relating to the reduction in refinancing granted by Crédit Agricole S.A. to Group subsidiaries (in particular, Crédit Agricole Consumer Finance). These falls were partially offset by the increase in interest income on macro-hedging instruments as a result of rate changes, by the drop in interest and similar expenses on deposits and by repayment of the majority of loans with Société de Financement de l'Économie Française (SFEF);
- a €1,604 million drop in dividends and related income from subsidiaries and associated companies was due to the lack of dividend payment by Crédit Agricole CIB, Delfinances and CA Consumer Finance and the reduced dividends paid by Crédit Agricole Assurances;
- a €27 million increase in net charges on fees and commissions;
- a €37 million increase in net income from the trading book;
- finally, a €1,114 million drop in investment portfolios as a result of a drop in net impairment reversals on short term investment securities and the recognition of a capital loss on the sale of Emporiki subsequent to its recapitalisation (prior to the sale of Emporiki's entire capital to Alpha Bank).

In 2013, Crédit Agricole S.A. recognised €672 million in operating expenses, down €17 million on 2012.

As a result of these changes, gross operating income recorded a loss of €684 million, down €3,770 million on 2012.

The cost of risk fell sharply and stood at €570 million for 2013, down €1,574 million on 2012. This change was attributable to reversals and utilisations of provisions in relation to Emporiki in 2013, compared with allocations to provisions in 2012.

"Net gains (losses) on fixed assets" amounted to €892 million in 2013, a change of €7,918 million from 2012 due, in particular, to the loss on the recapitalisation of Emporiki in 2012 (€3,612 million), reversals recorded in 2013 on Cariparma and Crédit Agricole CIB securities as a result of revised impairment tests (compared with allocations to provisions in 2012), and a positive change in impairment losses on CA Consumer Finance securities.

Tax gains, resulting largely from the tax consolidation mechanism in France, with Crédit Agricole S.A. at the head of the tax group, totalled €2,777 million in 2013, up €2,010 million on 2012. This significant change stemmed from the sharp increase in the total net income of the tax consolidation group. At 31 December 2013, 1,324 entities had signed tax consolidation agreements with Crédit Agricole S.A., compared with 1,311 at 31 December 2012.

The fund for banking liquidity and solvency risks was increased by €32 million in 2013.

Overall, the net income of Crédit Agricole S.A. recorded a gain of €3,531 million, compared with a loss of €4,235 million in 2012.

FIVE YEAR FINANCIAL SUMMARY

	2009	2010	2011	2012	2013
Equity at year end *(in euros)*	**6,958,739,811**	**7,204,980,873**	**7,494,061,611**	**7,494,061,611**	**7,504,769,991**
Number of shares outstanding	2,319,579,937	2,401,660,291	2,498,020,537	2,498,020,537	2,501,589,997
Operations and net income for the period *(in millions of euros)*					
Gross revenues	20,008	16,436	17,854	21,646	16,604
Earnings before tax, employee profit-sharing, depreciation, amortisation and provision expense	1,227	312	1,171	692	(9,884)
Employee profit-sharing	1	1	1	2	1
Income tax charge	(544)	(1,136)	(1,201)	(767)	(2,777)
Earnings after tax, employee profit-sharing, depreciation, amortisation and provision expense	1,066	(552)	(3,656)	(4,235)	3,531
Distributable earnings at the date of the General Meeting of Shareholders	1,044	1,081	-	-	881
Earnings per share *(in euros)*					
Earnings after tax & employee profit-sharing but before depreciation, amortisation and provision expense	0.760	0.600	0.949	0.583	(2.841)[1]
Earnings after tax, employee profit-sharing, depreciation, amortisation and provision expense	0.460	(0.230)	(1.464)	(1.695)	1.412[1]
Ordinary dividend	0.45	0.45	-	-	0.35
Loyalty dividend	-	-	-	-	0.385
Employees					
Average headcount[2]	3,259	3,316	3,295	2,757	2,571
Total payroll for the period *(in millions of euros)*	227	243	239	203	197
Cost of benefits paid during the period (costs and social welfare) *(in millions of euros)*	141	162	117	106	115

(1) Calculated based on the number of shares issued at the General Meeting of Shareholders on 21 May 2014, or 2,501,589,997 shares.

(2) Refers to headquarters employees.

INFORMATION ON ACCOUNTS PAYABLE

Under Article L. 441-6-1 of the French Commercial Code, companies whose parent company financial statements are certified by a Statutory Auditor are required to disclose in their management report the net amounts due to suppliers by due date, in accordance with the terms and conditions set out in Article D. 441-4 of Decree no. 2008-1492.

ACCOUNTS PAYABLE BY DUE DATE

(in millions of euros)	2013	2012
Due	**8** [1]	**8** [2]
Not yet due		
< 30 days	4	4
> 30 days < 45 days	-	1
> 45 days	-	-
TOTAL	**12**	**13**

(1) Including €7 million paid by 31 January 2014.

(2) Including €8 million paid by 31 January 2013.

RISK FACTORS AND PILLAR 3

5

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);
- particular risks attributable to the financial crisis;
- 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 risks: 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 appetite is defined as the level of risk that Crédit Agricole Group is prepared to take as part of its strategy. Risk appetite is defined at the bank's highest level, within the context of risk-taking strategies, or "Risk strategies", determined by business line or by entity. Risk strategies are exhaustive, covering all risk components (credit, market, liquidity, operational risks etc.) and are approved by the Group's executive management. In addition, market risk limits, portfolio strategies and short term liquidity risk are directly overseen by the Board of Directors.

Risk appetite thus defines Crédit Agricole Group's overall medium and long term risk tolerance and makes it possible 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 appetite and to make the risk practices implemented across the Group more consistent;
- monitor the Group's 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.

(1) *These disclosures are an integral part of the consolidated financial statements for the year ending at 31 December 2013 and as such are covered by the Statutory Auditors' Report.*

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 are 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 Group and warns them of any risk of deviation from Development 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): quarterly presentation of the Group's risk management and permanent controls position; annual report and half-yearly information on internal control and risk measurement and supervision;
- the Group Internal Control Committee (CCIG) chaired by the Chief Executive Officer of Crédit Agricole S.A.: quarterly presentation of organisational principles and permanent control outcomes;
- 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 business line; 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), the Group Security Committee (CSG) and the IT Systems Committee (COSI-DRG), chaired by the head of the Group Risk Management and Permanent Controls 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) and the Risk Management and Permanent Controls department's IT systems architecture (COSI);
- 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.

DRG organises a periodic review of the main credit and market risks through quarterly Risk Management Committee Meetings, which address the following main issues: policies on risk-taking, portfolio analysis and analysis of cost of risk, market limits and concentration limits.

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 business line 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, thereby facilitating the mobility of both men and women with this expertise and enriching 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).

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.

In 2013 the Group improved its system for identifying loans restructured as a result of the borrower experiencing financial difficulties and for distinguishing between loans restructured as a result of risk and loans renegotiated for commercial reasons. Following the publication of ITS 2013-03, in 2013 Group entities launched initiatives aimed at defining and identifying, within their IT systems, "loans in forbearance" in accordance with the definition given by the European Banking Authority.

Performing restructured loans are reported in Note 3.1. to the financial statements. 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 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).

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 Group. The Group uses market instruments such as credit derivatives or securitisation mechanisms which reduce and diversify counterparty risk and enable it to optimise its use of capital. Similarly, potential risk concentration is mitigated by syndication of loans with outside banks and use of risk hedging instruments (credit insurance, derivatives, sharing risk with BPI France).

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 an analysis of the risk taken in relation to the expected return. In Corporate and investment banking, an *ex ante* calculation of the transaction's expected return is carried out (on the basis of Raroc – *risk-adjusted return on capital*).

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 backtesting 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 backtesting 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) 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 institutional 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 rating	**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 institutional 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 institutional customers, Crédit Agricole Group entities have common internal rating methodologies. Counterparties are rated, at the latest, when they apply for assistance 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 assistance.

Whether relating to large institutional 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 backtestings.

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 corporate loan 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 current prudential regulation-type risk indicators. For large institutional 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 also makes it possible to consider the different risk reduction factors linked to the use of netting and collateralisation agreements negotiated with counterparties when documentation is drafted prior to transactions being conducted (see paragraph 4 below: "Credit risk mitigation mechanisms"). The risk of change calculated using this methodology is used to manage counterparty credit limits and also to calculate Basel 2 pillar 2 economic capital via the determination of an expected positive exposure which corresponds to an average risk profile using a global portfolio approach.

For other Group entities, the risk basis is the sum of the positive market value of the instrument and an add-on coefficient applied to the nominal amount. This add-on coefficient represents the potential credit risk arising from the change in market value of derivative instruments during their residual lifespan. It is calculated using the type and residual lifespan of the instrument, based on a statistical observation of movements in its underlying instruments. When the netting and collateralisation agreements with the counterparty allow, counterparty risk is measured for the portfolio net of eligible collateral. This method is used for the purposes of internal management of counterparty risk, and it differs:

- from the regulatory approach used to meet the measurement requirements of European and international solvency ratios or for reporting major risks;
- from the accounting policies and principles used to prepare the consolidated financial statements.

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 2013, lending commitments of Crédit Agricole S.A. and its subsidiaries to their ten largest non-sovereign, non-bank customers amounted to 6.8% of the total non-bank portfolio (compared with 6.4% at 31 December 2012). The diversification of the portfolio on an individual basis is still satisfactory, despite a slight increase in concentration.

Moreover, for the Regional Banks and LCL, major counterparty risks on the food-processing sector are monitored also via the Foncaris subsidiary. At 31 December 2013, Foncaris guaranteed 50% of the €7,2 billion outstanding portfolio due to major counterparties for these entities (€8,2 billion at 31 December 2012).

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 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.

The unfavourable economic environment led Crédit Agricole S.A. to maintain 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.

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

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 (margin and volume) are also stress tested to measure the impact on the Group's income statement. The object of this exercise is to estimate the consequences of a downgraded economic scenario over a 2-year period on the Group's profitability and solvency.

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. The time frame of analysis is 18 months, *i.e.* impact measurement at the end of year N+1 starting from the known position at 30/06 of year N.

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 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.

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 strategy, on the basis of Group Risk Management Committee decisions on global exposure limits.

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 manage 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.) 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 forwarded 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 appertaining 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 system of calculating the solvency ratio. This common framework ensures a consistent approach across the Group's various entities. The conditions for prudential consideration and the valuation and revaluation methods of all the credit risk mitigation techniques used are documented: collateral (notably on Financing of Assets: real estate, aircraft, vessels, etc.), personal collateral, public credit insurers for export financing, private credit insurers, financial guarantee bodies, credit derivatives, and cash pledges. 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 on assets that have come into its possession by these means is to sell them as soon as possible.

4.2 USE OF NETTING CONTRACTS

If a "master" contract has been agreed 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 contract signed with the counterparty.

4.3 USE OF CREDIT DERIVATIVES

In managing its 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 2013 was €9.5 billion (€10.8 billion at 31 December 2012). The outstanding notional amount of protection sold by Crédit Agricole CIB was €284 million (€867 million at 31 December 2012).

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.

MAXIMUM EXPOSURE TO CREDIT AND COUNTERPARTY RISK OF CRÉDIT AGRICOLE S.A. GROUP

(in millions of euros)	31/12/2013	31/12/2012 Restated
Financial assets at fair value through profit or loss (excluding equity securities and assets backing unit linked contracts)	312,649	353,509
Hedging derivative instruments	28,750	41,850
Available-for-sale assets (excluding equity securities)	239,831	238,542
Loans and receivables to credit institutions (excluding internal operations)	120,383	118,333
Loans and receivables to customers	306,897	329,756
Held-to-maturity financial assets	14,660	14,602
Exposure of balance sheet commitments (net of impairment)	**1,023,170**	**1,101,494**
Financing commitments given (excluding internal operations)	151,508	149,217
Financial guarantee commitments given (excluding internal operations)	88,115	93,435
Provisions – financing commitments	(300)	(309)
Exposure of off-balance sheet commitments (net of provisions)	**239,323**	**242,343**
Maximum exposure to credit risk	**1,262,493**	**1,338,935**

This information takes netting effects into account (net balance between an asset and a liability on derivatives transacted in the same currency with the clearing house LCH Clearnet LTD Swapclear) which mitigate the amount of exposures.

The 2012 balance sheet was restated for the change in a limited number of complex derivatives and the fair value of treasury bills and unsubordinated fixed rate securities

At 31 December 2013, the maximum exposure to credit and counterparty risk of Crédit Agricole S.A. and its subsidiaries amounted to €1,262 billion (€1,344 billion at 31 December 2012), down 6.1% on 2012.

2. Concentration

An analysis of credit risk on commercial lending commitments excluding Crédit Agricole Group internal transactions and collateral given as part of repurchase agreements (loans and receivables to credit institutions, loans and receivables to customers, financing commitments given and guarantee commitments given for €689 billion) is presented below. In particular, this scope excludes derivative instruments, which are primarily monitored in VaR (see section on Market risks), and financial assets held by insurance companies (€191 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 €677,3 billion at 31 December 2013, compared with €675,8 billion at 31 December 2012. The breakdown reflects the country in which the commercial lending risk is based.

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

Geographic area of exposure	2013	2012
Africa and the Middle East	3%	3%
Central and South America	1%	1%
North America	10%	8%
Asia-Pacific (excluding Japan)	5%	4%
Eastern Europe	3%	3%
Western Europe excluding Italy	14%	18%
France (retail banking)	16%	16%
France (excluding retail banking)	35%	33%
Italy	11%	12%
Japan	2%	2%
TOTAL	**100%**	**100%**

In 2013, commercial lending for France increased to 51% of total commitments (49% in 2012), due in particular to the addition of security deposit accounts on market transactions. The sharp drop observed in Western Europe stems from the sale of Emporiki. Italy, the Group's second largest market reduced its lending slightly to 11% versus 12% in 2012.

Note 3.1 to the financial statements presents the breakdown of loans and receivables and commitments 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 for bank counterparties outside the Group) the scope broken down by business sector amounted to €603.6 billion at 31 December 2013 versus €630.6 billion at 31 December 2012. These breakdowns reflect the business sector in which the commercial lending risk to customers is based.

BREAKDOWN OF COMMERCIAL LENDING BY BUSINESS SECTOR OF CRÉDIT AGRICOLE GROUP

Business sector	2013	2012
Air/Space	2%	2%
Agriculture and Food processing	2%	2%
Insurance	1%	1%
Automobile	3%	3%
Other financial activities (Non-banking)	5%	5%
Other industries	1%	2%
Other transportation	2%	2%
Banks	8%	8%
Construction	2%	2%
Retail/Consumer goods industries	3%	3%
Other	3%	3%
Energy	8%	8%
Real estate	3%	3%
Heavy industry	2%	2%
IT/Technology	1%	1%
Maritime	3%	3%
Media/Publishing	1%	1%
Healthcare/Pharmaceuticals	1%	1%
Non-trading services/Public sector/Collective	18%	16%
Telecommunications	1%	1%
Tourism/Hotels/Restaurants	1%	1%
Retail banking customers	29%	30%
TOTAL	**100%**	**100%**

Well diversified, the commercial lending portfolio breakdown by business sector continued to remain stable for 2013. The "Retail banking customers" business is the Group's leading business at 29%, compared to 30% in 2012. The "non-trading services/public sector/collective" industry, in second place, increased from 16% to 18%.

2.3 BREAKDOWN OF LOANS AND RECEIVABLES OUTSTANDING BY CUSTOMER TYPE

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 (€408 billion at 31 December 2013), fell by 11.5% in 2013 (from €461 billion at 31 December 2012). It is split mainly between large corporates and retail customers (respectively, 34.4% and 36.1%, compared with 31.4% and 32.8% at 31 December 2012). The proportion of institutions other than banks and credit institutions fell to 25.4% of these outstandings at 31 December 2013, compared with 29.2% at 31 December 2012.

2.2 EXPOSURE TO COUNTRY RISK

As anticipated at year-end 2012, the year 2013 saw a return to modest growth, albeit too slow but real in several countries, particularly in the United States, England and Japan in a context of full resilience in the emerging countries, although weaker than in previous years. Europe continues to be the weak link in global growth, even though after contracting for several quarters, business is showing some signs of recovery, aided by sensible management by the European Central Bank and the initial results of the stabilization measures taken in the countries of Southern Europe, in particular.

During 2013, socio-political tensions continued, primarily in several countries of the Middle East and between the countries bordering the China Sea, underscoring the importance of the risk policy in the country risk approach. Lastly, most commodities prices fell over the course of the same year, limiting the resources of the exporting countries by the corresponding amount.

Crédit Agricole Group's commercial lending (on and off balance sheet) to customers at risk in emerging counties 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 2013, commercial lending (including to bank counter-parties) excluding the weak countries of Western Europe (Italy, Spain, Portugal, Greece, Cyprus, Ireland and Iceland) totalled €49.2 billion versus €45.9 billion as of 31 December 2012.

The concentration of outstandings on emerging countries was slightly up in 2013. the top 20 countries accounted for 90.5% of the lending portfolio at year-end 2013 versus 88.3% at year-end 2012.

There are three predominant geographic areas. Middle East/North Africa, Eastern Europe and Asia They are following by Latin America and Sub-Saharan Africa.

The Middle East and North Africa

The Middle East and North Africa comprise the primary major area in terms of exposure to the emerging countries, with 31.1% at 31 December 2013 (€15.3 billion outstanding) versus 34.4% at 31 December 2012 (€15.8 billion outstanding). The exposures are concentrated in Morocco, Egypt, the United Arab Emirates, Saudi Arabia and Algeria (80% of Middle Eastern and North African exposures). The decline noted in Q1 2013 is the result of the serious on-going crisis in several countries in the region.

Eastern Europe

Lending in this region accounted for 29.1% of emerging country risks with €14.3 billion. Lending is still focused on five countries (92% of the total outstandings in the region for Poland, Russia, Ukraine, Serbia and Hungary). At 31 December 2012, this region accounted for 29.6% of emerging country risks, or €13.6 billion.

Asia

Asia represented the third largest exposure among the emerging countries with 26.8% of outstandings at year-end 2013 (23.9% at year-end 2012) or €13.2 billion outstanding at year-end 2012 versus €11 billion at 31 December 2012. Business remained concentrated on two countries: China and India.

Latin America

At year-end 2013, this region accounted for 10.2% of emerging country exposure with outstandings of €5 billion (versus 8.7% at year-end 2012 with €4 billion), up 26.5% over year-end 2012, related to the increase in loans outstanding to Brazil and Mexico.

Sub-Saharan Africa

This region represented exposure at year-end 2013 of €1.4 billion or 2.8% of emerging country risks, around 30% of which on South Africa (versus €1.6 billion at year-end 2012 and 32.1% on South Africa). This slight decline was due largely to the closing of the local Crédit Agricole CIB entity and the resulting slowdown in business.

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)*	**31/12/2013**	**31/12/2012**
Neither past due nor impaired	384,602	436,542
Past due but not impaired	6,938	7,011
Impaired	16,936	17,349
TOTAL	**408,476**	**460,902**

The portfolio of loans and receivables at 31 December 2013 consisted for 94.2% of amounts that were neither past due nor impaired (94.7% at 31 December 2012).

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 91% of past due but not impaired loans.

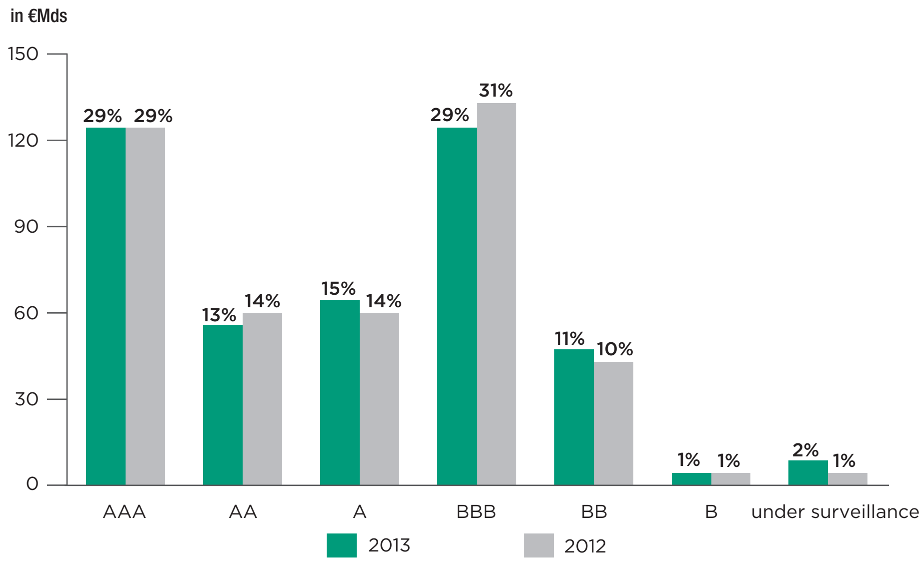
Details of financial assets that were past due or impaired are presented in Note 3.1 to the consolidated financial statements.

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 (€506.7 billion at 31 December 2013, compared with €503.7 billion at 31 December 2012), rated borrowers accounted for 74% of the total (compared with 75% at year-end 2012) (€375.6 billion at 31 December 2013, compared with €375.8 billion at 31 December 2012). 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 CRÉDIT AGRICOLE S.A. GROUP BY INDICATIVE S&P EQUIVALENT OF 2013 INTERNAL RATING



This breakdown reflects a good quality loan book with a risk profile that changed marginally between 2012 and 2013. At 31 December 2013, 86% of exposures related to borrowers with investment-grade ratings (rating that is equal to or greater than BBB; 88% at 31 December 2012), and only 2% related to borrowers on watch.

3.3 IMPAIRMENT AND HEDGING OF RISK

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, in the main, 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 2013, impaired lending commitments as a whole amounted to €16.9 billion versus €17.3 billion at 31 December 2012, down 2%. These consist of non-performing loans and commitments on which the Group sees potential non-recovery. Impaired assets accounted for 4% of the Group's gross recorded outstandings (3.8% at 31 December 2012). They were hedged by €9.1 billion in individual impairment allowances or 54% (€9.9 billion at 31 December 2012), including lease finance transactions but not including collective impairment allowances.

Performing loans and receivables that were renegotiated amounted to €2.5 billion at 31 December 2013 (€2.4 billion at 31 December 2012).

4. Cost of risk

The cost of risk to Crédit Agricole Group was €3 billion at 31 December 2013 versus €3.7 billion in 2012, or a decline of around 20%.

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. At 31 December 2013, the exposures of Crédit Agricole Group to counterparty risk on derivative instruments are presented in Note 3.1 to 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;
- foreign exchange: 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 is 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 equity 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 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.

The system hedges all market risk from market transactions. The investment portfolios of the Finance department are monitored and supervised appropriately.

In 2013, the Group continued to apply a prudent market risk management policy.

Moreover, its subsidiary Crédit Agricole CIB continued its plan to adapt and convert its model. In particular, Crédit Agricole Corporate and Investment Bank transferred the market risk from the equity derivatives activity to BNP Paribas. This business had been managed in run-off since the conversion plan was announced.

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 statement;
- at the local level, for each Crédit Agricole 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: proposed limits, which are validated by the Market Risk Committee and monitored for compliance, analysis of limits breached as well as significant changes in earnings, which are referred to 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 net income 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 system, cross-functional teams are responsible for coordinating methods and treatments between income lines and units. This team is responsible for reporting regulatory indicators produced independently by the RMD. This includes the following:

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

The computer 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 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 market risk management 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.

III. Market risk measurement and management 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 draws principally on Value at Risk, stress scenarios and complementary indicators (risk factor sensitivity, combined qualitative and quantitative indicators). Moreover, following regulatory changes relating to the measurement of capital requirements for market risks, Crédit Agricole CIB has put in place indicators relating to the CRD 3 directive (stressed VaR, Incremental Risk Charge, Comprehensive Risk Measure).

The measurement system for the indicators relies on a process of evaluating positions for each entity that is subject to market risk. The permanent control process includes procedures for validating models and also procedures for structuring the back-testing of 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 Group uses a confidence level of 99%, a timeframe of one day, and 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 main method used to measure VaR is the historical VaR method. The Monte Carlo method is used only for a marginal portion of Crédit Agricole CIB's commodity-related activities.

The internal VaR model of Crédit Agricole CIB, which is the main contributor to the VaR of Crédit Agricole 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 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. In 2012, the mark-to-market measurement of positions backed by CSAs (Collateral Service Agreements) was improved by recognising collateral cost.

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 excludes any losses that may occur after that period: hence VaR is a risk indicator under normal market conditions and excluding exceptional movements;
- 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 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, two exceptions were seen at the level of regulatory VaR in 2013.

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, developed in collaboration with economists, anticipate the most likely shocks; they are hypothetical scenarios of an economic recovery (with rising equity and commodity markets, flattening interest rate curves, appreciation of the US dollar and narrowing credit spreads); liquidity crunch (with flattening interest rate curves, widening credit spreads and 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 interest rate curves, fall of US dollar against other currencies, widening credit spreads).

The stress scenarios are calculated weekly.

The risk levels of Crédit Agricole Group assessed through historical and hypothetical stress scenarios at year-end 2013 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 Corporate and Investment Bank, 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 INDICATORS RELATED TO THE CRD 3 DIRECTIVE

Stressed VaR

So-called stressed VaR is intended to correct the pro-cyclical nature of the Company's historical VaR. This 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 2013, for Crédit Agricole Corporate and Investment Bank it corresponded to the period from July 2007 to July 2008. Under the CRD 3 directive, the equity requirement for the VaR is thus supplemented by an equity requirement for the stressed VaR.

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 3 directive.

Its purpose is to quantify any unexpected losses caused by credit events on the issuers, *i.e.* default and migration of rating (and in 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 CRD3 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.

2. Use of credit derivatives

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

Nearly all the US RMBS underlying products, which were managed in run-off by Crédit Agricole CIB, were sold as at 31 December 2013.

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 Group is calculated by incorporating the impacts of diversification between the different entities of the Group.

Crédit Agricole CIB's capital market activities are taken to be those within the scope of the regulatory VaR measure (measured using an internal ACPR-approved model).

The change in VaR on the capital markets activities of Crédit Agricole Group between 31 December 2012 and 31 December 2013, broken down by major risk factor, is shown in the table below:

BREAKDOWN OF VAR (99%, ONE DAY)

(in millions of euros)	31/12/13	Minimum	Maximum	Average	31/12/12
Fixed income	7	4	11	7	7
Credit	6	4	11	7	4
Foreign Exchange	2	-	4	2	2
Equities	1	1	3	1	3
Commodities	-	-	-	-	-
Netting	(7)	-	-	(5)	(7)
VAR OF CRÉDIT AGRICOLE GROUP	**9**	**6**	**18**	**12**	**9**
For reference: Total VaR of all entities	14	8	21	14	11

At 31 December 2013 the Group's VaR stood at €9 million, stable compared with 31 December 2012. The netting offset (-€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 €14 million (of which €8 million for Crédit Agricole Corporate and Investment Bank).

The "fixed income" VaR calculated on the scope of cash and fixed income derivative activities was stable at 31 December 2013 at €7 million in the context of rates that remained low. The main risk factor at 31 December 2013 for the Group's capital market activities was the rate factor.

The "Credit" VaR, calculated for credit market activities, increased to €6 million. This increase was related mainly to the development during 2013 of the risk management operations related to the CVA (Credit Valuation Adjustment).

"Equity" and "Exchange rate" VaRs made a more marginal contribution and, at 31 December 2013, stood at €1 million and €2 million respectively.

The Crédit Agricole Corporate and Investment Bank commodities activities had been sold in 2012.

The graph below shows the change in VaR during 2013, reflecting the maintaining of a conservative strategy in a period of significant market uncertainty:

CREDIT AGRICOLE S.A. GROUP VAR BETWEEN 01/01/2013 AND 31/12/2013

Stressed VaR

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

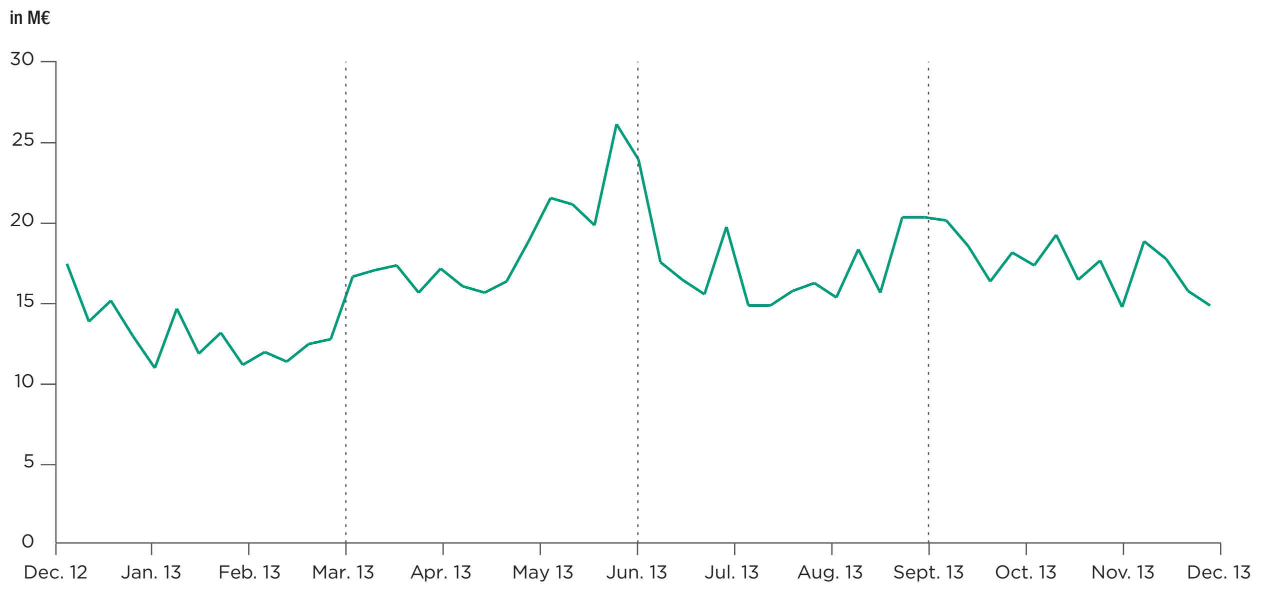
The table below shows the change in the regulatory stressed VaR on the market activities of Crédit Agricole CIB, between 31 December 2012 and 31 December 2013:

CHANGE IN THE STRESSED VAR (99%, ONE DAY)

(in millions of euros)	31/12/13	Minimum	Maximum	Average	31/12/12
Stressed VaR of Crédit Agricole CIB	15	11	26	17	17

The graph below shows the change in the regulatory stressed VaR of Crédit Agricole Corporate and Investment Bank over the 2013 financial year:

REGULATORY STRESSED VAR OF CREDIT AGRICOLE CIB BETWEEN 01/01/2013 AND 31/12/2013



At 31 December 2013 the regulatory stressed VaR of Crédit Agricole CIB was €15 million, down from 31 December 2012. The increase in the VaR observed in the second quarter comes from the widening credit spreads and the increase in US and European interest rates.

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 2012 and 31 December 2013:

(in millions of euros)	31/12/13	Minimum	Maximum	Average	31/12/12
IRC	291	291	835	629	489

Changes in the IRC during the year 2013 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 2013 are shown in the table in section IV above. Equity VaR was €1 million at 31 December 2013 (€3 million at 31 December 2012).

2. Equity risk from other activities

A number of Crédit Agricole Group entities hold portfolios of available-for-sale financial assets that are invested partly in equities and structured products whose market value depends on prices of underlying equities and equity indices. At 31 December 2013, total outstandings exposed to equity risk via these portfolios primarily

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

comprise available-for-sale financial assets for €20.7 billion (including insurance company portfolios for €17.9 billion) and financial assets at fair value through profit or loss held by insurance companies for €8.5 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”.

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 2013 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 2013, holdings of treasury shares amounted to 0.24% of share capital, compared with 0.29% at 31 December 2012 (see Note 8 to the parent company financial statements and Note 6.20 to the consolidated financial statements).

Details of the 2013 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 Group’s consolidated financial statements at 31 December 2013. 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**	**Discount**	**Collective provisions**	**Net exposure**	**Accounting category**	**Gross exposure**	**Discount**	**Net exposure**	**Accounting category**
RMBS	132	(15)	(16)	101	(1)	77	(38)	39	
CMBS	50	(3)	(15)	32		2	0	2	
Unhedged super senior CDOs	584	(564)	(20)	0		1,098	(1,088)	10	(3)
Unhedged mezzanine CDOs	51	(51)	0	0	(2)	345	(345)	0	
Unhedged CLOs	1,296	(15)	(11)	1,270		285	(5)	280	
Protection acquired from monolines						142	(102)	40	(4)
Protection acquired from CDPC						11	(1)	10	

(1) *Loans and receivables to credit institutions and to customers – Securities not listed on an active market (see Note 5.3 to the consolidated financial statements).*
(2) *Loans and receivables to customers – Securities not listed on an active market (see Note 5.3 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 5.1 to the consolidated financial statements).*
(4) *Financial assets at fair value through profit or loss – Derivatives (see Note 5.1 to the consolidated financial statements).*

II. Mortgage Asset Backed Securities (ABS)

(in millions of euros)	United States		United Kingdom		Spain	
RMBS	**31/12/2013**	**31/12/2012**	**31/12/2013**	**31/12/2012**	**31/12/2013**	**31/12/2012**
Recognised under loans and receivables						
Gross exposure	27	339	56	181	49	100
Discount[1]	(21)	(161)	(5)	(32)	(5)	(26)
Net exposure in millions of euros	**6**	**178**	**51**	**149**	**44**	**74**
Recognised under assets measured at fair value						
Gross exposure	37	109	35	40	5	6
Discount	(33)	(97)	(5)	(5)	(0)	(1)
Net exposure in millions of euros	**4**	**12**	**30**	**35**	**5**	**5**
% underlying subprime on net exposure	100%	95%				
Breakdown of gross exposure, by rating						
AAA		5%				
AA		4%				
A		3%	100%	79%	97%	58%
BBB		5%			3%	13%
BB		3%		21%		
B		5%				7%
CCC		3%				
CC		3%				
C	14%	43%				
Not rated	86%	26%				22%

(in millions of euros)	United States		United Kingdom		Other	
CMBS	**31/12/2013**	**31/12/2012**	**31/12/2013**	**31/12/2012**	**31/12/2013**	**31/12/2012**
Recognised under loans and receivables						
Net exposure[1]			10	25	22	68
Recognised under assets measured at fair value						
Net exposure			0	5	2	3

(1) including a collective provision of €31 million at 31 December 2013, compared with €106 million at 31 December 2012.

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

- 31 December 2013: nominal = €59 million; fair value = €51 million;
- 31 December 2012: nominal = €93 million; fair value = €79 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 on loans at the end of their term are:

- determined on the basis of the quality and origination date of each residential loan;
- expressed as a percentage of the nominal amount. In particular, this approach enables the assessment of loss assumptions on the basis of the risks present on the Bank's statement of financial position.

	Loss rates on subprime produced in		
Closing date	**2005**	**2006**	**2007**
31/12/2012	50%	60%	60%
31/12/2013	**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 2013, Crédit Agricole CIB's net exposure to unhedged super senior CDOs was €10 million (after taking into account a collective provision of €20 million).

1. Breakdown of super senior CDOs

(in millions of euros)	**Assets at fair value**	**Asset under loans and receivables**
Nominal	**1,098**	**584**
Discount	1,088	564
Collective provisions	-	20
Net amount	**10**	**0**
Net amount at 31/12/2012	*18*	*744*
Discount rate[(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 2013

(in millions of euros)	Nominal	Discount	Collective provisions	Net
Unhedged CLOs measured at fair value	285	(5)		280
Unhedged CLOs recognised in loans and receivables	1,296	(15)	(11)	1,270
Unhedged Mezzanine CDOs measured at fair value	345	(345)		0
Unhedged Mezzanine CDOs recognised in loans and receivables[(1)]	51	(51)		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 2013

1.1 EXPOSURES TO MONOLINE COUNTERPARTY RISKS

	Monolines covering				
(in millions of euros)	US residential CDOs	Corporate CDOs	CLOs	Other underlying	Total protection acquired from monolines
Gross notional amount of purchased protection	58	1 317	264	302	1 941
Gross notional amount of hedged items	58	1 317	264	302	1 941
Fair value of hedged items	35	1 317	252	195	1 799
Fair value of protection before value adjustments and hedges	**23**	**-**	**12**	**107**	**142**
Value adjustments recognised on protection	(1)	-	(11)	(90)	(102)
Residual exposure to counterparty risk on monolines	**22**	**-**	**1**	**17**	**40**

1.2 BREAKDOWN OF NET EXPOSURE TO MONOLINES

Lowest rating issued
by Standard & Poor's or Moody's
at 31 December 2013

Baa1 & Baa2: Assured Guaranty
B+: Radian
B3: MBIA
N/R: CIFG

2. Protection purchased from CDPC (Credit Derivative Product Company)

At 31 December 2013 the net exposure to CDPC was €10 million (compared with €89 million at 31 December 2012), mainly on corporate CDOs, after taking into account a discount of €1 million (compared with €48 million at 31 December 2012).

ASSET/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 organising 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 at 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 conventions and flow models 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

Global interest rate risk management aims to protect the net asset value of Group entities and optimise and stabilise their interest margins over time.

Net asset value and interest margins vary according to the sensitivity of net present values of cash flows of financial instruments, held on or off the balance sheet, to changes in interest rates. This sensitivity arises when the interest rate reset dates on assets and liabilities do not coincide.

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 Corporate and Investment Bank;
- 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.

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 Risks Committee.

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. managed 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 reference gap is the gap observed at the end of the reporting period. This is the "static" gap. Forecasts of loan production can then be employed to generate a projected gap.

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 of the residual position. A portion of these risks is hedged using other option-based products, however.

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 interest 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 interest rate shock 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 2013 are as follows:

GAPS IN EUROS (AT 31 DECEMBER 2013)

(in billions of euros)	2014	2015-2019	2020-2024	> 2024
Gaps in euros	(3.6)	(4.5)	(5.4)	(1.3)

In terms of revenues sensitivity during the first year (2014), Crédit Agricole S.A. Group is exposed to a hike in interest rates (EONIA) in the eurozone and would lose €36.2 million in the event of a sustained hike of 100 basis points, giving a revenues sensitivity of 0.23% (reference revenues: €16.015 billion).

At 31 December 2012, in terms of revenues sensitivity in the first year (2013), Crédit Agricole S.A. Group was exposed to a hike in the eurozone interest rates (EONIA) and would have lost €10.8 million in the event of a sustained drop of 100 basis points, giving a revenues sensitivity of 0.07% (reference revenues of €15.954 billion).

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 2.2% of Crédit Agricole S.A. Group's regulatory capital (Tier 1+Tier 2) after deduction of equity investments.

OTHER CURRENCY GAPS (AT 31 DECEMBER 2013)

(in billions of euros)	2014	2015-2019	2020-2024	> 2024
Other currency gaps[1]	2.6	0.8	0.4	0.1

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

The aggregate sensitivity of the 2014 revenues to a change (primarily to a rise) in interest rates across all other currencies amounts to 0.16% of the reference (2013) revenues of Crédit Agricole S.A. Group. The main foreign currencies to which Crédit Agricole S.A. Group had exposure were the US dollar, the Polish zloty, the GBP and the EGP.

At 31 December 2012, the aggregate sensitivity of the revenues over the first year to a change (primarily to a rise) in interest rates across all other currencies amounted to 0.29% of the reference revenues.

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 2013, 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 a risk of not having sufficient funds to honour its commitments. This risk may materialise, for example, in the event of massive withdrawals of customer deposits, a crisis of confidence or a general shortage of liquidity in the market (limited access to inter-bank and money markets).

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 a severe, prolonged liquidity crisis.

The Group relies on a system for assessing and monitoring liquidity risk based on maintaining liquidity reserves, organising its refinancing seeking to curb short term refinancing, achieve an appropriate long term refinancing timeframe and diversify sources of refinancing, and ensuring a balanced development between loans and deposits.

The system is underpinned by a series of limits, indicators and procedures.

It is applied consistently across Crédit Agricole Group, thereby allowing liquidity risk to be assessed and managed on a consolidated basis.

This system was approved by the Board of Directors of Crédit Agricole S.A. in February 2010. It aims to organise the funding of Crédit Agricole Group by bringing its structure (volume, components, maturities) into line with the liquidity risk tolerance thresholds the Group sets for itself. These tolerance thresholds are expressed by the Group's duration of resistance to different stresses. There are three aggregate limits on the liquidity risk relating to short term debt and one aggregate limit on long and medium term debt.

This internal approach complies with the liquidity ratio set out in the ministerial order of 5 May 2009 on identifying, measuring, monitoring and managing liquidity risks. This order applies to all of the Group's credit institutions. It also covers future compliance with the LCR and NSFR liquidity ratios defined by Basel and the European authorities.

2. Risk management

Crédit Agricole S.A. is responsible for rolling out and consolidating the risk management system across the entire Crédit Agricole Group.

Within Crédit Agricole S.A., this responsibility falls to both the Financial Management department which manages refinancing at an operational level, monitors reserves and coordinates Treasury departments; and the Risk Management department, which validates the risk management system and ensures that limits and other rules are respected.

The management of short term refinancing involves:

- 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;
- monitoring and forecasting cash positions.

The management of long term refinancing involves:

- surveying needs for long term funds and tradeoffs that might be made;
- 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. The main ones are shown, in detail, in item 3 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.

The Group Risk Management Committee, chaired by the Chief Executive Officer of Crédit Agricole S.A., is responsible for approving aggregate liquidity limits.

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. This Committee continued to meet in 2013, but on a less frequent basis suited to the liquidity risk issues that now affect the Group's management in the long-run.

3. Funding conditions in 2013

The funding conditions, which were good in early 2013, once again showed some volatility during the first half of the year, with the crisis in Cyprus followed by worries surrounding the FED's Quantitative Easing policy. The volatility and the level of spreads dropped sharply in the second half of the year, allowing the funding conditions at end-2013 to return to the level seen at end-2010. In this generally favourable context, the Group continued to follow a prudent liquidity management policy and took into account the new standards issued since the 2008 crisis: cash balance sheet long term sources surplus, adaptation of entities' balance sheets to satisfy LCR constraints in advance. The Group also continued its medium and long term refinancing policy. Thus, in 2013, Crédit Agricole S.A. realised 129% of its senior market issuance programme, set at €12 billion for the year. Issues therefore exceeded the initial programme of €3.5 billion.

The Group continued its diversification policy on the various debt markets, launching the inaugural issue under its new Samurai program, which affords it better access to the Japanese market, in June 2013.

The senior unsecured debt issued by Crédit Agricole S.A. (EMTN, USMTN, Samurai, currency placements and private placements in euros) came to €11.1 billion, with an average maturity of 4.6 years.

In addition, debt issues and senior refinancing operations guaranteed by collateralised receivables represented €4.4 billion and had an average maturity of 9.4 years. These included:

- Crédit Agricole Home Loan SFH (formerly Crédit Agricole Covered Bonds): €1.5 billion;
- Crédit Agricole Public Sector SCF: €1 billion;
- CRH (*Caisse de refinancement de l'habitat*): €1.2 billion;
- Supranational organisations (CDC, EIB, CEDB): €0.7 billion.

As part of its plan to strengthen the Group's capital base, in September 2013, Crédit Agricole S.A. completed a contingent capital issue eligible for Tier 2 under CRD4, in the amount of US$1 billion dollars. This issue of hybrid securities, with a maturity of 20 years, includes an early redemption clause from the fifth year, at the initiative of Crédit Agricole S.A. This issue comes with a permanent depreciation clause on the total amount of the securities in the event that the 7% threshold of Crédit Agricole Group's fully phased-in Basel 3 Common Equity Tier 1 regulatory ratio is not met.

At the same time, the Group is developing access to additional funding, via its retail networks and specialised subsidiaries:

- the issue of Crédit Agricole S.A. bonds in the networks of the Regional Banks amounted to €2.6 billion in 2013 with an average maturity of 9.5 years;
- the issues carried out by LCL and Cariparma in their networks amounted to €2.2 billion in 2013;
- Crédit Agricole CIB issued €6.5 billion in 2013, mainly in structured private placements with its international customers;
- Crédit Agricole Consumer Finance raised €5 billion in 2013.

4. Methodology

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

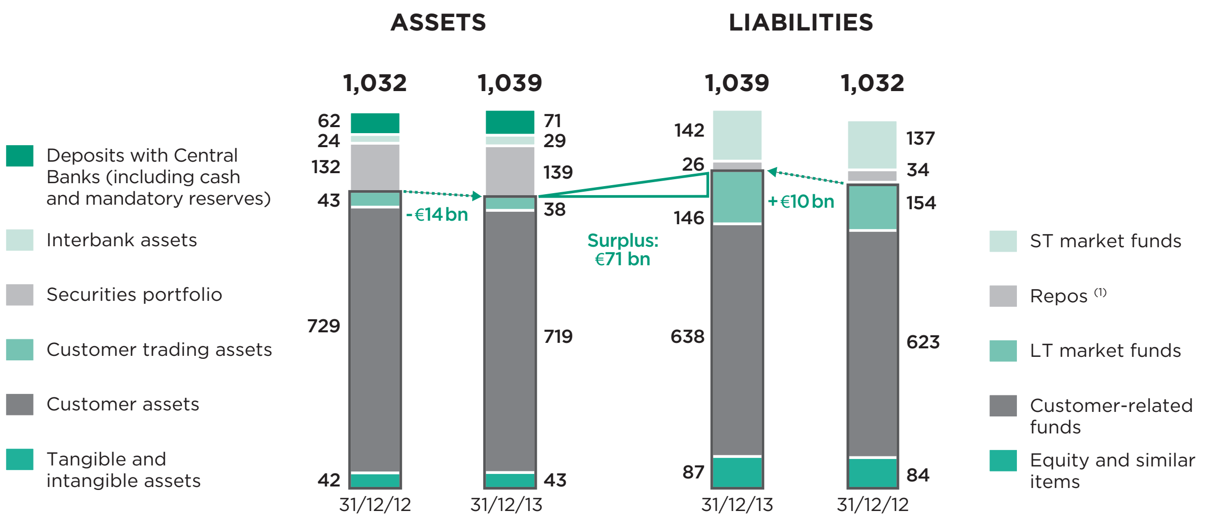
- short term indicators derived largely from simulations of crisis scenarios. The purpose of these is to schedule maturities and volumes of short term refinancings as a function of liquidity reserves, cash flow from commercial business and repayment of long term borrowings;
- long term indicators used to assess the risk of a rise in Crédit Agricole issue *spreads* and to schedule maturities of long term debt so as to anticipate Group funding requirements;
- diversification indicators which are used to limit concentration in sources of funding;
- cost indicators used to measure the short term and long term trends in the Group's issue spreads and evaluate the impact of a higher or lower liquidity cost.

The definition of these indicators and the way in which they are to be managed are set out in a series of standards which were reviewed and validated by the appropriate Group bodies.

In order to provide simple, pertinent and auditable information on the Group's liquidity situation, a new indicator has been defined: the cash balance sheet long term sources surplus.

CRÉDIT AGRICOLE GROUP'S BANK CASH BALANCE SHEET AT 31 DECEMBER 2012 AND 2013

(in billions of euros)



(1) Net of repos and reverse repos including Central Bank refinancing transactions.

This 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 chart of accounts and the sections of the cash balance sheet as they appear above, the definition of which corresponds to that commonly accepted.

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 €128 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.

A third restatement stage between the balance sheet sections was carried out to correct the outstandings that the accounting classification allocated to one section where they belong to another in a financial sense. The outstanding debt with the SFEF, posted under customer deposits, was restated to appear as *LT market funds* instead of *Customer deposits*.

5. Change in Crédit Agricole Group's bank cash balance sheet

Crédit Agricole Group's cash balance sheet totalled €1,039 billion at end-December 2013, compared with €1,032 billion at end-December 2012.

Short term debt, corresponding to outstanding debt due within a maximum of 369 days raised by the Group from market counterparties, excluding the netting of repos and excluding Central Bank refinancing (in the amount of €26 billion at end-2013 and €34 billion at end-2012), was €142 billion at 31 December 2013. It increased by €5 billion in 2013. All short term market funds, including repos, amounted to €168 billion at end-2013, a decrease of €3 billion over the year.

Balance sheet liquid assets, primarily deposits with Central Banks, interbank assets and the securities portfolio, came to €239 billion at end-2013, compared with €218 billion at end-2012.

Long term funding sources comprised long term market funds, customer-related funds and equity (and similar items). Long term funding sources increased by €10 billion in 2013, amounting to €871 billion at 31 December 2013.

Long term uses of funds corresponded to funding requirements relating to customer trading assets, customer assets and tangible and intangible assets. They amounted to €800 billion at 31 December 2013, down by €14 billion compared with 31 December 2012.

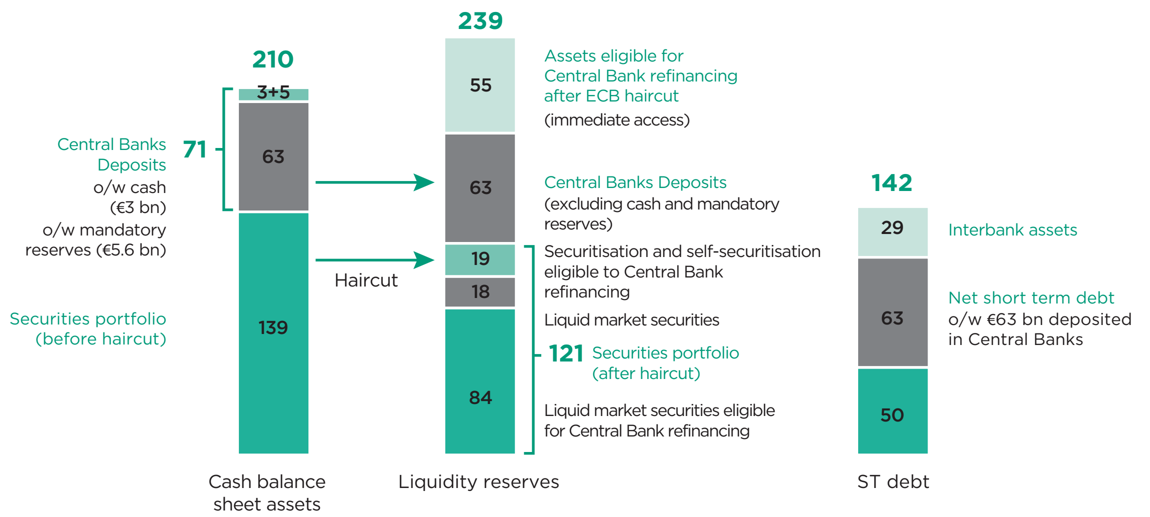
The surplus of long term sources of funds over long term uses of funds at 31 December 2013 was €71 billion, an increase of €24 billion compared with 31 December 2012.

6. Change in Crédit Agricole Group's liquidity reserves

Liquidity reserves after haircut rose by €9 billion in 2013, reaching €239 billion. They covered 168% of gross short term debt at both end-2013 and end-2012.

LIQUIDITY RESERVES AT 31 DECEMBER 2013

(in billions of euros)



Available liquidity reserves at end-2013 comprised assets eligible for Central Bank refinancing in the amount of €55 billion after European Central Bank (ECB) haircut; they decreased by €3 billion over the year. These reserves also comprised deposits with Central Banks (excluding cash and mandatory reserves) in the amount of €63 billion at end-2013, an increase of €10 billion compared with 31 December 2012. Finally, they included a securities portfolio of €121 billion after haircut at end-2013, compared with €119 billion at end-2012. At 31 December 2013, this portfolio consisted of liquid market securities eligible for Central Bank refinancing for €84 billion, liquid market securities for €18 billion and securitisations and self-securitisations eligible to Central Banks, amounting to €19 billion once liquefied.

7. Liquidity ratios

Credit institutions in France are subject to the "standard" liquidity ratio set out in the ministerial order of 5 May 2009 and introduced in June 2010. This liquidity ratio is the ratio of cash and other short term assets to short term liabilities. It is calculated monthly, on a company basis, with the minimum figure being 100%. At 31 December 2013, the liquidity ratio of Crédit Agricole S.A. was 139%, compared with 150% at 31 December 2012.

As regards the LCR, Crédit Agricole Group pursued its convergence according to the planned schedule: Crédit Agricole S.A. Group's LCR was above 100% at 31 December 2013 (estimate based on the calculation process designated for declarations to the French Prudential Supervisory and Resolution Authority (ACPR) with effect from 31 March 2014). Crédit Agricole Group as a whole (including the Regional Banks) aims to have an LCR of 100% by the end of 2014. At that date, the regulatory limitation will be 60%.

V. Hedging policy

Within Crédit Agricole 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. As mentioned above, these derivatives are recognised in the trading portfolio by default, even though they represent economic hedging of 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 31/12/2013			
Remaining time to maturity	**< 1 year**	**1 year to 5 years**	**≥ 5 years**	**Total**
Hedged cash flows	50	439	1,614	2,103

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

The Crédit Agricole Assurances Group markets savings, death and disability, property & casualty and creditor insurance in its French and foreign subsidiaries.

Four types of risks are monitored and managed by Crédit Agricole Assurances Group entities:

- market risks, mainly ALM related: interest rate, equity, foreign exchange, liquidity or redemption risks. These risks are measured based on the guarantees given to the customer (guaranteed minimum return, floor rate, etc.);
- counterparty risks on portfolio assets (issuer credit quality) and on reinsurers;
- technical risks associated with the insurance business, which vary depending on levels of claims and premiums. These mainly depend on pricing, marketing and medical screening. Part of these risks can be reinsured by paying a premium to reinsurance entities;
- operational risks, particularly in process execution. These risks may be specific to insurance, but are monitored and managed in accordance with Crédit Agricole S.A. Group standards and procedures.

Crédit Agricole Assurances Group risks are monitored under the current regulatory framework for solvency requirements, known as "Solvency I", which applies at entity level as well as at consolidated level. Crédit Agricole Assurances Group is in compliance with all applicable solvency requirements.

The adjusted solvency ratio calculated on the basis of the consolidated financial statements is reported annually to the French Prudential Supervision and Resolution Authority (ACPR).

At the same time, Crédit Agricole Assurances Group is preparing itself for "Solvency II".

It has planned and launched projects, at subsidiary and Group level, to implement the new rules and monitor their smooth progress towards full compliance with the directive.

All the French entities of Crédit Agricole Assurances Group took part in a preparation exercise bearing on the 2012 financial statements in 2013, at the initiative of the ACPR. Preparation exercises are designed to gradually prepare the market for future regulatory requirements. In this perspective, bodies subject to Solvency II were asked to deliver a selection of prudential reports and a qualitative questionnaire by 6 September 2013.

The main entities of Crédit Agricole Assurances Group took part in the European long term guarantees assessment (LTGA) on the financial statements for the year ended 31 December 2012, at the initiative of the European regulator, EIOPA. The aim of this assessment was to quantify the impact of various counter-cyclical measures on long term guarantees.

The simulations applied to the financial statements at 31 December 2012 showed that capital qualifying under the transitional rules covers the capital requirements defined by Solvency II.

I. Risk monitoring and management

1. Risk strategy

Crédit Agricole Assurances Group risks are managed as part of Crédit Agricole Group's insurance business risk strategy for common and uniform risks. Each entity in France and abroad applies it in order to draw up its risk strategy, based on a schematic mapping of its major risk exposures (market, technical, counterparty and operational risks specific to their business) and their valuation.

These risk strategies, coordinated at the level of the Crédit Agricole Assurances (CAA) holding company by its head of Risk Management and Permanent Controls, are the formal expression of the different policies used by entities to manage their risks (financial, subscription, pricing, provisioning, reinsurance, claims management policies, etc.). They notably fix global limits in between which these risk exposures are kept (through asset allocation, counterparty limits, hedging rules, for instance) and prescribe management and supervision procedures. They are reported to Crédit Agricole S.A.'s Group Risk Management department (DRG) in a process coordinated with Crédit Agricole Assurances' heads of Risk Management and Permanent Controls (RCPR) at each entity. They are submitted for validation to the Group Risk Management Committee chaired by Crédit Agricole S.A.'s CEO.

2. Operational risk management

Risk management policies defined by each company are reviewed at least once a year and approved by their Board of Directors.

Operational management of the risks specific to each entity's business is based around regular Committees (financial or investment Committees, ALM Committees in life insurance, technical Committees, reinsurance Committees in property & casualty, etc.). These Committees are responsible for monitoring the risk situation, based on the reporting system of the particular business line (investment, actuarial items, ALM reports, etc.), and presenting analyses to support the risk management process. If necessary, they can draw up proposals for action, which are then submitted to the Board of Directors.

Crédit Agricole Assurances has also drawn up a set of standards for foreign subsidiaries to be applied in each subsidiary. These define limits on the scope of decentralised decisions and lay down rules for the decision process.

3. Risk monitoring

Risk monitoring procedures within the entities implement the directives of Crédit Agricole S.A. Group as they apply to the insurance business. They are examined during meetings of the Internal Control or Risk Management and Permanent Control Committees, in light of the permanent and periodic control reports. The same Committees also examine the risk scoreboards which report relevant indicators for each risk type and monitor compliance with limits. The head of Risk Management and Permanent Controls can submit operational limits and alert thresholds to the Committees, in addition to the global limits set by the Risk strategy. Any alteration to these global limits must be resubmitted for approval to Crédit Agricole Group's Risk Management and Permanent Controls department.

Whenever execution of financial management is entrusted to investment service providers, delegation agreements are signed setting out in detail the risk management and control procedures as well as the monitoring methods (limit monitoring, monitoring of risk strategy targets, etc.).

Crédit Agricole Assurances has set up a group-wide Risk Management and Permanent Control Committee to make high-level policy for Risk Management and Permanent Controls in the insurance business and to monitor risks at consolidated level. Crédit Agricole Assurances thus produces a Group Risk scorecard on a quarterly basis, which is updated with entities' management indicators and provides an overall, consolidated view of the Group's risks.

Crédit Agricole Assurances has also strengthened its system with the establishment of a Risk Monitoring Committee Meeting twice monthly, providing a shared RCPR forum. This Committee analyses the occurrence of, and changes in, risks on an *ad hoc* basis and submits a summary report to the Crédit Agricole Assurances Executive Committee. In addition, the heads of Risk Management and Permanent Controls in Companies dealing with a major risk area play a cross-functional role as risk specialists for their area of expertise.

Lastly, as part of its consolidated supervision process, Crédit Agricole S.A. Group carries out quarterly risk reviews of the entities belonging to Crédit Agricole Assurances Group based on reports from the RCPRs to the Crédit Agricole S.A. Risk Department (DRG). Committees organised by DRG meet several times a year with each subsidiary. They are attended by the local CEO, local RCPRs and Crédit Agricole Assurances RCPRs to examine risk management and control processes, as well as any current risk issues affecting the entity. The RCPRs alert DRG of any breaches to global limits. An action plan is then drawn up to rectify the breach.

4. Risk measurement tool for the savings and retirement business

In the savings and retirement business, risk measurement relies on modelling to assess the entity's risks by simulating its asset-liability matching on the basis of economic methods. This modelling is used to make MCEV (Market Consistent Embedded Value) and capital requirement calculations under Solvency 2. This modelling tool is used in the main entities outside France active in savings and in the death and disability business (Italy, Greece and Japan).

It replicates the insurer's policy choices in different market environments (asset allocation, contract revaluation, fees charged, etc.) and the behaviour of policyholders (mortality tables, simulation of structural and cyclical redemption patterns, etc.). It also takes into account the regulatory constraints (minimum policyholder profit participation, technical provisions, asset class limits, etc.). Simulations carried out using this tool inform the major decisions made by each company, whether commercial (products, rates paid), financial (asset allocation, hedging, etc.) or underwriting (reinsurance) and fuel debate on governance issues.

II. Market risk

In each Crédit Agricole Assurances Group entity, transactions on financial markets are governed by policies appropriate to the entity's asset portfolio and matching of their liabilities (ALM). These take into account regulatory limits, internal limits (those approved under the Risk strategy or operational limits set by the entity), financial diagnosis based on the market outlook in a range of probable economic scenarios, and stress scenarios.

Crédit Agricole Assurances Group is continuously aware of the need to manage financial risks. Its strategy of diversifying allocations across all asset classes (fixed income, equities, alternative investment, real estate) allows it to control the total volatility of the value of its investment portfolio. Depending on portfolio size, profit targets and risk profiles, some types of investment may be forbidden or only authorised under certain conditions, e.g. via collective investment vehicles.

Crédit Agricole Assurances Group's savings, pension and death and disability businesses are particularly affected by market risks owing to the very large volume of financial assets held to cover policyholder liabilities. Market risks are tested under stress scenarios to see how changes in the main risk factors would impact profitability (policyholder participation in company profit or loss) and solvency: fall in equities, rise in rates, looking at their consequences for new inflows and redemptions (based on laws used in the internal modelling tool).

1. Interest rate risk

Interest rate risk is the risk of a change in the value of the fixed income portfolio due to interest rates level. Investments at floating rates expose the Group to fluctuations in future cash flows, whereas investments at fixed rates expose it to variations in the fair value of portfolio instruments.

A fall in rates may reduce the profitability of portfolios and ultimately create problems in meeting guaranteed minimum returns. A rate rise could make Crédit Agricole Assurances Group's savings policies less competitive and create a risk of mass redemptions (potentially leading to forced sales of part of the fixed income portfolio in unfavourable market conditions and at a loss).

The bond portfolio (excluding units and securities issued by Crédit Agricole S.A.) amounted to €191 billion at 31 December 2013, compared with €176 billion at 31 December 2012.

To address this risk, Crédit Agricole Assurances Group has drawn up the following hedging and management rules:

- risk of decline in interest rates, owing to the presence of liabilities that feature a minimum guaranteed return superior to zero: this risk is managed by setting a minimum allocation for bonds, and a minimum share in fixed rate bonds and hedging instruments (swaps, swaptions, floors);
- in France, regulation calls for recognition of a "provision for financial hazard" if the return on assets becomes insufficient to meet the insurer's liabilities to policyholders on guaranteed returns. No such provision was recognised by Crédit Agricole Assurances Group at 31 December 2013 or at 31 December 2012;
- risk of rate rises, to protect the entity against the risks of policyholders redeeming their policies in the event of a sharp and lasting rise in long term yields making savings policies uncompetitive compared with other savings vehicles. This risk is managed by caps against a rise in rates, which at end-2013 covered more than a quarter of assets managed under the fixed income portfolio and by keeping 16% of the portfolio invested in assets that can be quickly mobilised (liquid assets with low capital risk).

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

	31/12/2013		31/12/2012	
(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	(25)	(814)	(18)	(720)
100 bp decline in risk-free rates	12	788	18	704

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.

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

- savings reserves (over 90% of technical reserves 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.

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

2. Equity risk

Equity market risk is the risk of a decline in the value of investments in equities consequent to a decline in stock market indices.

Falls in equity asset values can have multiple consequences: a negative impact on income if values are significantly impaired, with implications for future profitability, guaranteed minimum return reserves and withdrawals.

Asset allocation studies performed on a regular basis have led the Group to cap the proportion of diversification assets based on the implied volatility of the equity markets. The optimal long term allocation is estimated accordingly.

Crédit Agricole Assurances Group has also defined rules for hedging and managing risks relative to the valuation of diversification assets and can use options to partially hedge the risk of a fall in equity markets.

Investments in equities (including mutual funds and excluding assets of unit-linked contracts) amounted to €26.5 billion at 31 December 2013, compared with €26 billion at 31 December 2012.

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):

	31/12/2013		31/12/2012	
(in millions of euros)	Impact on net income	Impact on equity	Impact on net income	Impact on equity
10% rise in equity markets	59	91	60	95
10% decline in equity markets	(55)	(91)	(65)	(93)

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

Foreign exchange risk is the risk of a change in the fair value of a financial instrument due to a change in exchange rates.

Crédit Agricole Assurances has one subsidiary that operates using a foreign currency: Crédit Agricole Life Insurance Japan. This investment is partially hedged by a loan denominated in yen.

The residual exposure to foreign exchange risk of this investment is negligible.

Furthermore, the diversification of investments to international financial markets (equities, fixed income) automatically creates exposure to foreign exchange risk. For dollar, yen and sterling pounds assets held through dedicated mutual funds, a minimum coverage ratio is set for each currency. Fixed income mutual funds are systematically hedged against foreign exchange risk, and direct holdings of securities (bonds, equities) are denominated in euros as a matter of course.

At year-end 2013, residual foreign exchange exposure was low.

4. Liquidity risk

Liquidity risk is the risk of not being able to cover liabilities when due, as a result of a mismatch between the cash requirement and the Group's available cash. It is a concern mainly for entities conducting savings and death and disability insurance business.

Liquidity risk can result from:

- illiquid investments. To deal with this risk, Crédit Agricole Assurances Group entities pay specific attention to liquidity when selecting their investments. Most are securities listed on liquid regulated markets. The valuation of other asset classes – private equity, over-the-counter derivatives, etc. – is monitored by the investment managers to whom responsibility has been delegated;
- a mismatch between the maturity schedules of investments (assets) and insurance contracts (liabilities). Crédit Agricole Assurances Group entities have established a prudential framework for managing liquidity as part of their ALM policy.

Furthermore, life entities have defined a "reactivity" ratio intended to reflect the entity's ability to come up with short term liquidity without risking loss of value. This indicator is calculated as the ratio of assets maturing in less than two years to the total portfolio. Liquid assets maturing in less than two years include cash, money-market mutual funds, fixed income mutual funds whose sensitivity is controlled, floating-rate and inflation-indexed bonds, as well as hedges on two- to five-year CMS indices and fixed rate bonds with a remaining maturity of less than two years. Also, a payability test analyses the ability of each subsidiary to meet massive outflows (tripling of historical redemptions).

Against a backdrop of significant uncertainty in terms of business and, therefore, net inflows, liquidity management may be adapted by setting targets for amounts of liquidity to be held in the very short term (weeks and months).

In the non-life business, internal simulations are also carried out to quantify any liquidity risk following shocks to liabilities (increase in claims) and/or assets (deterioration of financial markets).

III. Credit or counterparty risk

A second dimension of the policy for containing financial risks is containment of counterparty risk, that is, the risk of payment default by one or more issuers of instruments held in the investment portfolio. Counterparty risk on reinsurers is treated in the section on reinsurance (see section that follows).

As with market risks, each Crédit Agricole Assurances Group's entity has a policy on controlling credit or counterparty risks tailored to its own portfolio profile, covering both overall risk to the fixed-income portfolio and individual risks.

Accordingly, counterparty risk is contained in the first instance by aggregate limits based on issuer credit ratings (Solvency II rating corresponding to the second best of the three S&P, Moody's and Fitch ratings) defining allocation by rating levels.

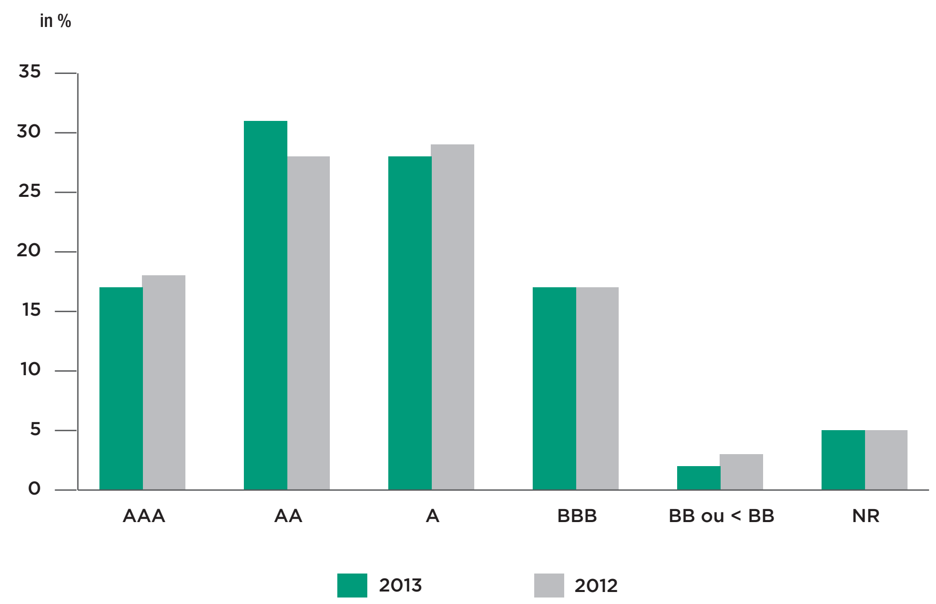
Crédit Agricole Assurances's rules do not allow direct holdings of securities rated lower than BBB, save in the exceptional case of a downgrade that occurred after the acquisition, and provided the repayment capacity of the issuer involved remains intact. Indirect investments via a specialist fund in high-yield securities, when permitted by investment rules, are subject to strict weighting constraints.

At 31 December 2013, non-investment grade bonds held either directly or indirectly made up 2% of Crédit Agricole Assurances Group's total portfolio, compared with 3% at end-2012.

In addition, this year some subsidiaries began to extend their bond investments to issuers not rated by at least one of the rating agencies (local authorities and mid-caps) but with an internal Crédit Agricole S.A. investment grade rating as a minimum requirement. These investments, which were minor in 2013 (€9.1 billion) are managed using specific risk policies.

In addition to the concentration ratios imposed by local regulations, entities have also defined risk limits for each name, calibrated against the portfolio's exposures in line with its credit quality.

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



Additional diversification rules may be imposed (on sectors, bank deposits, etc.).

Crédit Agricole Assurances Group's investment policy remained very conservative in 2013.

Investments were focused on fixed rate bonds of corporate issuers of good standing. As such, €2.1 billion of innovative investments was invested in the financing of unrated local authorities or businesses, via private placements and funds. This strategy perfectly illustrates Crédit Agricole Group's goal of supporting the development of its territories.

Moreover, the residual exposure to the sovereign debt of weakened eurozone countries is set out in Note 6.8 to the consolidated financial statements.

IV. Technical risks

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

Risks related to reinsurance are treated separately in the section below.

1. Technical risks from personal insurance

In the life business, underwriting risk results from the pricing of risks associated with the length of a human life and the hazards of life at the time the policy is written. It can also arise from mortality shocks (such as a pandemic).

The main businesses concerned are savings and death and disability insurance and creditor insurance as regards the death benefit feature of the policies.

Underwriting risk arises from the assumptions underlying the pricing of the benefits and the financial options that the policyholder can exercise.

These mainly consist of:

- four elementary biometric risks:
  - mortality risk (benefit paid in the event of death),
  - longevity risk (benefit paid in the event of survival, as on a life annuity or whole life policy, etc.),
  - morbidity risk (benefit paid in the event of disability and need for long term care),
  - disability risk (benefit paid in the event of inability to work);
- a behavioural risk is the risk of early redemption (or prorogation, arbitration, termination, etc.) of insurance policies compared with the expected level;
- the risk that expense charges will be insufficient to cover operating expenses and commission paid to distributors.

Underwriting risk is measured on the basis of observed gaps in these factors between the pricing elements used when the policy was written and the actual annual results on the policy portfolio:

- for biometric risks, statistical tables are established either from national or international statistics or from insurance portfolio statistics (experience tables);
- for redemption risk, probability criteria are constructed on the basis of observation on the portfolio (for structural redemptions) and primarily on expert opinion (for cyclical redemptions not amenable to statistical observation);
- for loading risk, the relevant gap is the difference between expenses actually charged and expenses borne by the insurer.

To limit behavioural risk, the policy compensation strategy, which is partly discretionary, takes into account market conditions on a forward-looking basis. The participation payout strategy relies on tests of sensitivity to market conditions or loss experience. Regularly conducted stress tests are used to evaluate different remuneration rate policies over the course of the next five years based on analyses of the impacts on earnings, reserves and solvency.

Similarly, modelling of policyholder behaviour and ex post analysis of their actual behaviour are used to adjust the duration of assets to the duration of liabilities at regular intervals, so as to limit the risk of an unexpected deviation in redemptions.

Given the weight and the general physiognomy of the portfolios (mass risk, average capital), only catastrophe risk is liable to have any real impact on results in individual or group death and disability insurance. The French life insurance subsidiary's portfolio benefits from BCAC cover (Bureau Commun des Assurances Collectives), both on Group death benefits (insured loans) and individual death and disability benefits (open group), as well as, in part, supplementary cover of disability risk.

As regards unit-linked contracts, variations in the value of the underlying assets are borne by the policyholders, provided there is no floor guarantee benefit payable under the policy. In the event that the insured dies, this guarantee entitles the beneficiaries to receive at least the amount invested by the insured, regardless of the value of the unit-linked account at the date of death. The insurer is thus exposed to a composite risk determined by (i) the probability of death of the insured and (ii) the financial risk on the value of the unit-linked account. A technical provision is recognised for the floor guarantee. It is measured using an economic model incorporating the two components.

The performance of unit-linked funds is monitored on a regular basis, via comparison with the competition for funds available on the open market, and in terms of how to apply formula-based funds.

As regards reinsurance, Crédit Agricole Group entities in the savings and death and disability business in France and internationally make little use of reinsurance. As it is:

- the bulk of their business is in individual savings products;
- the death and disability risk policies that they distribute are made up of a very large number of small risks, with the exception of the long term care policies;
- strong financials and prudent management enable them to exceed the minimum required solvency ratio by a comfortable margin.

2. Technical risks from property & casualty and creditor insurance

This mainly concerns the property & casualty business and non-life benefits included in creditor insurance policies.

The main risks from property & casualty and creditor insurance are as follows:

- poor selection of risks and under-priced premiums;
- claims management;
- concentration and catastrophe risks.

The technical risk is managed by means of six policies:

- underwriting policy, which is specific to each market or type of policy and which sets the rules that partners must apply in distributing policies;
- pricing policy, which is governed by the entity's development strategy, and for which pricing rules and procedures are formalised as part of the strategy;
- commercial policy, which is part of the Risk Strategy for managing the entity's financial equilibrium and long term solvency;
- partner compensation policy, which is governed by management agreements;
- claims management policy, which depends on manuals of procedures and controls to be applied by those in charge of managing claims;
- reinsurance policy.

The technical result on non-life business is measured mainly using the claims ratio, which is the ratio of claims paid to premiums earned on the business.

Claims ratios are calculated every month by product line. They are analysed by actuaries in terms of their variation from one quarter to the next and their closeness to the initial targets. They are presented to the relevant Management Committees.

Tracking claims ratios serves to identify products that are structurally unprofitable and therefore require solutions to improve underwriting results (new rate schedule, redefinition of the target customer or the underwriting rules, restriction of policy benefits, etc.), and to identify where efforts must be made on pricing, for example, when a product's sales volume is not satisfactory.

Monitoring of underwriting risk is supplemented by the analysis of portfolios from the standpoint of production over time (policyholder profile, etc.), breakdown of claims (frequency, average cost, etc.) and the trend in claims by year of occurrence.

Concentration risk in non-life insurance relates to a concentration of risks resulting in an aggregation of liabilities arising from a single claim.

Two types of concentration risks should be distinguished:

- underwriting concentration risk in which policies are written by one or more Group entities on the same risk;
- claim concentration risks, 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, civil liability claims, serial risks, unemployment, etc.). The reinsurance policy thus seeks to achieve a high level of protection against systemic and/or exceptional events, thereby reducing the volatility of net income and protecting capital (through a general hedge of retentions and any overruns in individual reinsurance agreements covering each type of risk).

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.

Risk containment measures have been implemented along four lines:

- monitoring the adequacy of reinsurance cover relative to the commitments to insurers;
- monitoring the reinsurers' credit rating;
- monitoring the dispersion of risk across reinsurers;
- monitoring results on each reinsurance agreement.

Reinsurance policy seeks to optimise protection through a good "cover/price" ratio.

The terms and conditions of reinsurance (premium rates, nature of cover, types of limits, etc.) are for the most part reset annually when reinsurance agreements are renewed.

The reinsurance plan is reviewed annually by the Board of Directors at subsidiary level.

Since the entity will be left to pick up the liabilities of any reinsurer who defaults, financial robustness is a prime criterion in selecting reinsurers. Similarly, limits on the share of risks taken on by each reinsurer both globally and under each agreement, where possible, tends to reduce the impact of a default.

Net outstandings ceded to reinsurers (ceded reserves and current accounts with reinsurers net of cash deposits received) totalled €0.5 billion at 31 December 2013 and €0.4 billion at 31 December 2012, an increase of 19% compared with end-2012.

Their breakdown by rating is as follows:

V. Operational risk and non-compliance risk

Operational risk is the risk of loss resulting from shortcomings or failure in internal procedures, human error, information systems or external events. It includes legal risk but not strategic or reputational risk.

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.

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

The operational risk management system is thus comprised of the following components:

- identification of the associated operational risks and processes, including a qualitative and quantitative assessment (cost) of each known or potential risk event. This mapping is updated annually by the entities that have already completed the roll-out;
- inventorying of losses arising from the realisation of an operational risk and early-warning system to report significant incidents. The roll-out of this collection process is complete in virtually all entities.

The Risk Management and Permanent Controls function and, more specifically, the Operational Risks Manager, under the responsibility of the RCPR (Risk Management and Permanent Controls Officer), coordinate this system in liaison with operational managers, and track progress on identified action plans in order to mitigate the impact of exceptional risks and the frequency of recurring risks. They may use the Crédit Agricole Group tools designed for operational risk management.

Summaries of the results of this system are presented to Management at the internal Control or Risk Management and Permanent Controls Committee.

Non-compliance risks are an integral part of operational risk mapping within entities. Within each entity the Compliance Officer is responsible for the dedicated monitoring system, which 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. In this respect, the new business and new products Committee (NAP) present in all entities is tasked with approving all new businesses and products.

VI. Legal risks

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

Operational risk is the risk of loss resulting from shortcomings or failure in internal procedures, human error, information systems or external events. It includes legal risk but not strategic or reputational risk.

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 Group 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 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 Group's risk profile is mainly focused on incidents relating to the following categories: "Execution, delivery, process management", followed by "Customers, products, commercial practices", followed by "External fraud", with a downgrade for "Customers, products, commercial practices" and an upgrade for the two other categories.

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).

With respect to the **identification and qualitative assessment of risks component**, as every year, the risk mapping campaign was completed in 2013. The results of these risk mapping efforts will be analysed by each entity in the course of the first quarter of 2014 and will be 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". In response to the regulatory changes arising from CRD 4, the new COREP statuses relating to operational risk were adapted.

The RCP (Operational Risk and Permanent Control) platform contains the three essential elements (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.).

Lastly, concerning the **calculation and allocation of computer system regulatory capital** component, after the securing and automation work carried out in 2011 and 2012, investment this year focused on managing the obsolescence of technical components. Alongside this, the upgrade plan for the operational risk computer system was continued in 2013, with a project to secure the reference systems and new features added to the backtesting tool.

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.

III. Methodology

The main entities of Crédit Agricole Group use the Advanced Measurement Approach (AMA): Crédit Agricole CIB, Amundi Group, LCL, Crédit Agricole Consumer Finance, Agos and all Regional Banks. The use of the AMA for these entities was approved by the French Prudential Supervision and Resolution 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 81% 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 to their subsidiaries 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 in 2013.

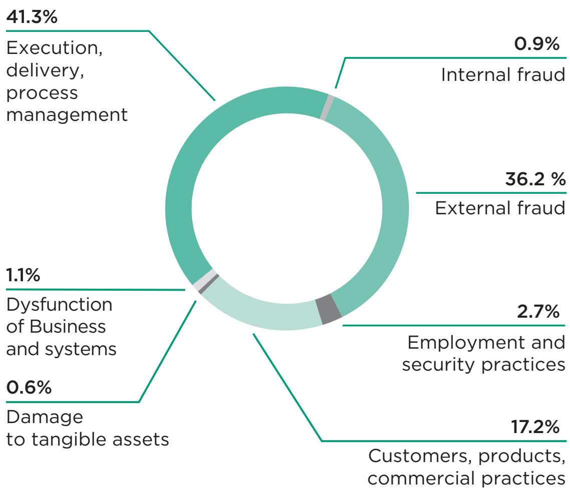
The model was designed and developed according to the following principles:

- 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 French Prudential Supervision and Resolution Authority (ACPR) in 2012, which evaluated progress made by the Group and areas for improvement. These areas underwent in-depth methodological studies in 2013.

IV. Exposure

BREAKDOWN (BY VALUE) OF OPERATIONAL LOSSES BY BASEL RISK CATEGORY (2011 TO 2013)



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

- still overwhelming exposure to the Execution risk category, due to processing errors inherent in all activities;
- still significant exposure to external fraud, notably in connection with credit boundary operational risk which reflects the importance of the retail banking activity, including consumer finance;
- exposure to legal risks (commercial disputes).

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 2013.

“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 Group ultimately through its captive reinsurance subsidiary (Crédit Agricole Réassurance CARE), and represent around 7.5% of the annual limit 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 2012 management report. The cases presented below are those that have evolved since 15 March 2013, the date on which registration document no. D. 13-0141 was filed with the AMF.

Any legal risks outstanding at 31 December 2013 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;
- adjourned the case until 17 June 2014 for closure and 9 September 2014 for hearings.

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 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, to begin in autumn 2014 at the earliest.

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 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 §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 defence, 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 French Competition Authority filed an appeal with the Supreme Court on 23 March 2012. The French Supreme Court has not yet handed down its decision.

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) on certain foreign countries, individuals and entities. The Department of Justice, the office of the District Attorney of New York County and other American governmental authorities would like to know how certain financial institutions made payments denominated in US dollars involving countries, individuals or entities that had been sanctioned.

Crédit Agricole S.A. and Crédit Agricole CIB Group are currently conducting 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 requests.

It is currently not possible to know the outcome of these internal reviews and requests, nor the date when they will be concluded. If the US regulatory authorities deem it necessary based on the 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 Intesa Sanpaolo

On 9 April 2012, Intesa Sanpaolo S.p.A ("Intesa") sued Crédit Agricole CIB, Crédit Agricole Securities (USA), a number of Magnetar Group companies and The Putnam Advisory Company LLC in the Federal Court of New York regarding a CDO structured by Crédit Agricole CIB, called Pyxis ABS CDO 2006-1.

Intesa, which had agreed a Credit Default Swap for a notional amount of US$180 million with Crédit Agricole CIB on the super senior tranche of the CDO, argues that it has suffered damage because of structuring of the CDO and is seeking US$180 million in compensation, plus interest on this sum as well as compensatory and punitive damages, repayment of fees, these sums not yet having been calculated. In September 2013, the Federal Court of New York rejected Intesa's claim and Intesa did not appeal.

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 Rates) rate in a number of currencies, the Euribor (Euro Interbank Offered Rate) 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 these various authorities. This work will continue in 2014. It is not possible to predict the outcome of said work, nor the date at which it will end.

In Singapore, at the request of the Monetary Authority of Singapore (MAS), Crédit Agricole CIB has carried out a review of communications with other banks in relation to its contributions to local indices (SOR and SIBOR), as well as NDFs (Non-Deliverable Forwards) concerning certain regional currencies for the period from January 2007 to December 2011. On 14 June 2013, the MAS asked Crédit Agricole CIB and 19 other banks to reinforce their procedures regarding organisation and control of contributions to indices and involvement in the NDFs market. It also demanded that these banks increase their deposits in its books. The freeing up of these additional reserves is subject to the implementation of this organisational and control programme in a way that is satisfactory for the MAS.

Moreover, in October 2013, Crédit Agricole S.A. and Crédit Agricole CIB refused a settlement offered by the European Commission, further to its anti-competition investigation on the Euribor. Crédit Agricole S.A. and Crédit Agricole CIB are likely to receive a statement of objections from the European Commission.

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 residents 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 liquidators of Bell Group companies that owed money to a consortium of some twenty banks (the Banks), including Crédit Agricole S.A., LCL and Crédit Agricole CIB, brought proceedings in 1995 in order to challenge payments made to the Banks out of the proceeds of the sale of Bell Group assets given as collateral to said Banks.

In June 2013, the banking pool and Bell's liquidators reached an amicable final settlement agreement covering both the legal proceedings instigated in 1995 and the liquidation of Bell.

This agreement was signed on 19 September 2013. All conditions precedent have been lifted, with the exception of the requirement to obtain the consent of the bondholders.

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 2 Pillar 3 disclosures

The decree of 20 February 2007 transposing Basel 2 regulations into French law requires relevant financial institutions (mainly 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 information in a separate section from its Risk Factors. This section provides information on capital requirements, constituents of capital and exposures to credit risk, market risk and operational risk.

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

In September 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.

In response to these recommendations, Crédit Agricole 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.

CROSS-REFERENCE TABLE

		Registration document			
		Management report and others	Risk factors	Pillar 3	Consolidated financial statements
Introduction	Cross-reference table			p. 279	
	Risk terminology and measurement, key parameters used		Defined in the sections concerned	p. 295	
	Presentation of main risks and/or emerging risks		p. 232 to 277		p. 365 to 382
	New solvency regulatory framework and Group targets	p. 219 to 227		p. 280 and 285	
Risk management governance and strategy	Organisation of risk management and control	p. 114 to 116, 124 to 133	p. 232 to 234		
	Risk management strategy and implementation	p. 114 to 116, 124 to 133	p. 232 and 234		
	Risk mapping by business line			p. 293	
	Governance and management of internal credit and market stress testing process	p. 115	p. 234, 238 to 240, 247 and 248		
Capital requirements and risk weighted assets	Capital requirements by type of risk			p. 292 and 293	
	Reconciliation of accounting and regulatory balance sheets			p. 281 and 282	
	Reconciliation of accounting equity and regulatory capital			p. 291	
	Change in regulatory capital			p. 284, 288 and 289, 291	
	Capital planning and targeted ratios under CRD4	p. 219 to 227		p. 285	
	Risk weighted assets by business line and risk type			p. 293	
	Risk weighted assets and capital requirement by method and type of exposure			p. 292 to 294	
	Exposure to credit risk by type of exposure and internal rating		p. 235	p. 299 to 310	
	Change in risk weighted assets by type of risk			p. 292 to 294	
	Description of back-testing models and their reliability	p. 129	p. 235 and 236, 246 and 247, 272	p. 297, 298, 312	
Liquidity	Management of liquidity and cash balance sheet		p.259 to 262		
	Breakdown of financial assets and liabilities by contractual maturity				p. 434 and 435
	Management of liquidity and funding risks		p. 259		
Market risk	Market risk measurement		p. 245 to 249		
	Market risk management techniques		p. 246 and 249		
Credit risk	Maximum exposure, breakdown and diversification of credit risks		p. 234 to 245		p. 365 to 369
	Impairment and risk coverage policy	p. 203			p. 370, 371, 388
	Counterparty risk on derivative instruments		p. 236 and 245	p. 300	
	Credit risk mitigation mechanisms		p. 239 and 240	p. 313 and 314	
Operational Risks and legal risks	Other risks: risks in the insurance sector, operational risks and legal risks, security of IT systems and business continuity plans	p. 114 to 116	p. 266 to 277		
	Stated risks and ongoing actions with respect to operational and legal risks		p. 274 to 276		

REGULATORY BACKGROUND

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

Credit institutions and investment firms are subject to solvency and large exposure ratios on an individual and, where applicable, sub-consolidated basis, although they may have an exemption under the provisions of Article 4 of Regulation no. 2000-03 of 6 September 2000, amended on 10 May 2013.

The French Prudential and Resolution Supervisory Authority (*Autorité de contrôle prudentiel et de résolution* – ACPR) has agreed that some of Crédit Agricole 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, in accordance with the provisions of Article 4.2 of the aforesaid Regulation no. 2000-03.

II. Reform of solvency ratios

The decree of 20 February 2007, amended on 23 November 2011, transposing the European Capital Requirements directive (CRD 3) into French law, sets out the "capital requirements applicable to credit institutions and investment firms". In accordance with these provisions, Crédit Agricole S.A. Group has incorporated the impacts of the implementation of this directive into the management of its capital and its risks.

The French Prudential and Resolution Supervisory Authority ensures that the capital of credit institutions and investment firms is at least equal to 80% of the amount calculated using the Basel 1 ratio. The solvency ratio, calculated in accordance with the European Capital Requirements directive 3, is based on the assessment of weighted assets of credit risk, of market risk and of operational risk. The resulting capital requirements for each type of risk are set out below in the section entitled "Capital requirements by type of risk".

In accordance with the decree of 20 February 2007, exposure to credit risk is measured using two methods:

- 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 use all their internal estimates of the risk components: probability of default, loss given default, exposure given default, 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 Corporate exposures throughout almost all of its consolidation scope. In particular, at end-2013, the French Prudential and Resolution Supervisory Authority, in cooperation with the Bank of Italy, approved the use of the advanced IRB approach on all the "Retail banking" portfolios of Cariparma and FriulAdria in Italy.

In the Pillar 3 tables, LCL's portfolios have been included in the IRB scope, even where ratings have been obtained using Group's ratings methodology. The reason for this presentation choice is to provide precise information on the risk structure of LCL's portfolios. It should be noted, however, that these portfolios are risk weighted using the standardised method. An adjustment is then made to risk weighted assets to incorporate the difference between the two approaches and this adjustment is reported under the Pillar 3 standardised heading.

In addition, the ACPR has since 1 January 2008 authorised Crédit Agricole S.A.'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 2013 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;
- some portfolios and foreign subsidiaries of Crédit Agricole Consumer Finance;
- the real estate professionals portfolio;
- the corporate portfolio on the LCL scope.

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 ACPR.

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.

RISK MANAGEMENT

The policies and procedures for managing each category of risk are described under "Risk factors".

REGULATORY RATIOS

I. Regulatory scope

Crédit Agricole S.A. Group is required to provide the French Prudential and Resolution Supervisory Authority, ACPR, with consolidated regulatory reporting. That is why the Pillar 3 report is compiled on a consolidated basis in accordance with regulations. Information on these entities and their consolidation method for accounting purposes is provided in Note 12 to the consolidated financial statements, "Scope of consolidation at 31 December 2013".

In fact, the consolidated financial statements include the financial statements of Crédit Agricole S.A. and those of all companies over which, in compliance with IAS 27, IAS 28 and IAS 31, Crédit Agricole S.A. exercises control. This control is presumed when Crédit Agricole S.A. holds, directly or indirectly, at least 20% of existing or potential voting rights.

Difference between the accounting and regulatory scopes of consolidation

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

Type of equity investment	Accounting treatment	Basel 2 prudential treatment
Subsidiaries with financial operations	Fully or proportionally consolidated	Capital requirement in respect of the subsidiary's operations.
Subsidiaries with insurance operations	Fully or proportionally consolidated	End of the transitional method relating to the treatment of equity investments in insurance companies for financial conglomerates: ● deduction of the consolidated reserves and OCI at 100% from Tier 1 and subordinated notes and available-for-sale securities, 50% from Tier 1 and 50% from Tier *2*. This new treatment makes it possible to move close to the future treatment of these notes during the CRD4 phase-in period; ● capital requirement for the difference between the equity-accounted value and consolidated reserves and OCI weighted as an "equity" exposure. In turn, as in the past, Crédit Agricole S.A. Group is 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 from capital (50% Tier 1 and 50% Tier 2).
Equity investments less than or equal to 10% with operations that are financial in nature	Equity investments and available-for-sale securities	Capital requirement, up to a limit of 10% of total capital before the deduction of equity investments.

TABLE 2: RECONCILIATION BETWEEN THE STATED AND REGULATORY CONSOLIDATED BALANCE SHEETS

Insurance companies consolidated in the financial statements are not included in the regulatory scopes of consolidation. These insurance companies do not present a lack of capital.

(in millions of euros)	Accounting scope	Regulatory adjustments[1]	Regulatory scope[2]
Cash, central banks	68,184	(7)	68,177
Financial assets at fair value through profit or loss	360,325	(69,753)	290,572
Hedging derivative instruments	28,750	(118)	28,632
Available-for-sale financial assets	260,775	(168,338)	92,437
Loans and receivables due from credit institutions	369,035	(3,848)	365,187
Loans and receivables due from customers	301,111	3,685	304,796
Revaluation adjustment on interest rate hedged portfolios	10,650	-	10,650
Held-to-maturity financial assets	14,660	(14,341)	319
Current and deferred tax assets	4,737	466	5,203
Accruals, prepayments and sundry assets	50,226	(4,124)	46,102
Non-current assets held-for-sale	25,951	(4)	25,947
Investments in equity-accounted entities	19,096	10,747	29,843
Fixed assets	9,639	(4,023)	5,616
Goodwill	13,734	(1,199)	12,535
ASSETS	**1,536,873**	**(250,857)**	**1,286,016**
Central banks	2,852	-	2,852
Liabilities at fair value through profit or loss	296,944	1,577	298,521
Hedging derivative instruments	31,172	199	31,371
Due to credit institutions	153,940	(8,750)	145,190
Due to customers	484,620	(357)	484,263
Debt securities	147,933	15,826	163,759
Revaluation adjustment on interest rate hedged portfolios	7,323	(608)	6,715
Current and deferred tax liabilities	2,126	14	2,140
Accruals, deferred income and sundry liabilities	48,398	(4,249)	44,149
Liabilities associated with non-current assets held-for-sale	25,290	-	25,290
Insurance company technical reserves	255,457	(255,457)	-
Provisions	4,575	(160)	4,415
Subordinated debt	28,354	1,013	29,367
Total liabilities	**1,488,984**	**(250,952)**	**1,238,032**
Total equity	**47,889**	**95**	**47,984**
Equity, Group share	42,294	132	42,426
Non-controlling interests	5,595	(37)	5,558
EQUITY AND LIABILITIES	**1,536,873**	**(250,857)**	**1,286,016**

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

(2) *FINREP disclosures.*

II. Regulatory ratios at 31 December 2013

The table below shows the European CRD solvency ratio and details Crédit Agricole S.A. Group's risk weighted assets and the regulatory capital requirements calculated in accordance with the applicable regulations.

The total solvency ratio is calculated as the ratio between total regulatory capital and the sum of:

- credit risk weighted assets;
- regulatory capital requirements for market and operational risks multiplied by 12.5.

(in millions of euros)	31/12/2013	31/12/2012
TIER 1 CAPITAL (A)	**38,303**	**36,358**
Equity capital and reserves Group share	40,814	38,594
Tier 1 capital as agreed by the French Prudential and Resolution Supervisory Authority	958	958
Non-controlling interests (excluding hybrid)	3,620	3,351
Hybrid instruments included in Tier 1 capital as agreed by the French Prudential and Resolution Supervisory Authority	8,462	9,329
Deduction from Tier 1 capital including intangible assets	(15,551)	(15,874)
TIER 2 CAPITAL (B)	**19,472**	**20,304**
TIER 3 CAPITAL	**-**	**-**
DEDUCTIONS FROM TIER 1 AND 2 CAPITAL	**(10,434)**	**(4,898)**
Deductions from Tier 1 capital (C)	(5,564)	(2,171)
Deductions from Tier 2 capital (D)	(4,870)	(2,727)
Including equity investments in credit and financial institutions amounting to more than 10% of their capital (excluding subordinated debt) or which provide significant influence over these institutions (at 100%)	*(3,295)*	*(3,650)*
Including subordinated debt and other capital items held in credit or financial institutions amounting to more than 10% of their capital	*(487)*	*(483)*
Including equity investments in insurance companies	*(1,244)*	-
Including other capital items held in insurance companies	*(4,256)*	-
Including securitisation exposures weighted at 1,250%	*(64)*	*(714)*
Including, for institutions using IRB approaches, the negative difference between the sum of valuation adjustments and collective impairment losses on the relevant exposures and the expected losses	*(1,088)*	*(51)*
DEDUCTIONS OF INSURANCE COMPANIES' CAPITAL	**-**	**(13,176)**
TOTAL NET AVAILABLE CAPITAL	**47,341**	**38,588**
Tier 1 (A+C)	*32,739*	*34,187*
Tier 2 (B+D)	*14,602*	*17,577*
Tier 3	-	-
TOTAL RISK WEIGHTED ASSETS	**299,569**	**293,132**
Credit risk	265,762	257,134
Market risk	10,012	13,134
Operational Risk	23,795	22,864
TIER 1 SOLVENCY RATIO	**10.9%**	**11.7%**
TOTAL SOLVENCY RATIO	**15.8%**	**13.2%**

At 31 December 2013, Crédit Agricole S.A. Group's total CRD solvency ratio under Basel 2 was 15.8%, including a Tier 1 ratio of 10.9% after deduction of the relevant equity investments (Tier 1), compared with ratios of 13.2% and 11.7%, respectively, at 31 December 2012.

Changes in the various components of the ratio, particularly impacted by new treatment for insurance companies, are analysed below:

- **net available capital** totalled €47.3 billion at 31 December 2013, up €8.8 billion compared with 31 December 2012:
  - Tier 1 capital amounted to €32.7 billion at 31 December 2013, a decline of €1.4 billion compared with end-2012,
  - equity capital and reserves Group share rose €2.2 billion, with the major impact being the €2.4 billion regulatory result for the period. Furthermore, there is a fall in unrealised gains and losses of a little less than €0.1 billion.

    Since 31 March 2008, this item has included a shareholders' advance made available to Crédit Agricole S.A. by the Regional Banks. It has amounted to €958 million since 23 December 2011, when part of it was repaid with the implementation of the first tranche of the "Switch" transaction, which reduced the regulatory requirements on Crédit Agricole S.A. in respect of the 25% minority interest held in the capital of the Regional Banks. As neither this advance nor the "T3CJs" were eligible under CRD4, they were fully replaced with new guarantees that took effect on 2 January 2014,
  - Tier 1 capital also includes non-controlling interests in equity investments held, which rose by €0.3 billion. For reference, it notably includes the "T3CJs" (see Note 6.11 to the consolidated financial statements), hybrid capital securities issued by Crédit Agricole S.A. and subscribed for by the Regional Banks. Outstandings amounted to €470 million since 23 December 2011, when part of it was repaid with the implementation of the first tranche of the Switch transaction,
  - hybrid securities included in Tier 1 capital as agreed by the ACPR decreased by €0.9 billion due mainly to the repayment on 27 June 2013 of a deeply subordinated note issued by Crédit Agricole S.A. for €650 million, the remainder being basically due to translation adjustments,
  - intangible assets and other Tier 1 deductions decreased by €0.3 billion as a result in particular of a €0.2 billion reduction in the deduction for return on correlation book and a €0.1 billion change in other intangible assets,
  - deductions for equity investments rose €5.5 billion:
  - deductions for equity investments in insurance companies were presented in 2013 as Tier 1 and Tier 2 deductions for a total of €5.5 billion. As indicated previously, it includes, as a result of the end of the transitional method for insurance holdings, i) the consolidated reserves and OCI for insurance companies totalling €1.2 billion and which are deducted in full from Tier 1, and ii) the subordinated notes held in the insurance companies, which at end-2013 were 50% deducted from Tier 1 and 50% from Tier 2. At end-December, this amounted to €4.3 billion,[1]
  - in addition, the deductions for banking investments decreased by €0.4 billion, of which €0.3 billion as a result of the disposal of Bankinter (equity investment of over 10% at end-2012),
  - securitisation exposures decreased a substantial €0.7 billion through the disposal and amortisation of US CDOs and RMBSs (CDO with residential underlyings) at Crédit Agricole CIB,
  - finally, the negative difference between the sum of valuation adjustments and collective impairment losses on the relevant exposures and the expected losses increased €1 billion under the CRD3 calculation, as a result of the roll out to the IRB approach of Cariparma's Retail portfolio and an adjustment to the calculation parameters within the Agos scope,
  - Tier 2 capital decreased €0.8 billion overall. The main changes stemmed from the €0.5 billion redemption of perpetual subordinated notes (TSDI) and the issue of contingent capital securities totalling €0.7 billion that will qualify for Tier 2 under CRD4. The remainder consisted of regulatory discounts and maturity dates,
  - Tier 3 capital was zero at 31 December 2013, following the repayment of the debt on 31 March 2010,
  - Crédit Agricole S.A. Group no longer deducts the capital of insurance companies from total capital following, as discussed above, the end of the transitional method relating to the treatment of equity investments in insurance companies for financial conglomerates. The impact of this change on total capital, aside from the deduction of the consolidated reserves and OCI and subordinated notes discussed above, is thus the cancellation of the deduction which, at 31 December 2012, amounted to €13.2 billion;
- Basel 2 risk weighted assets totalled €299.6 billion at 31 December 2013, up 2.2% on the assets at end-December 2012 (€293.1 billion):
  - credit risk, which totalled €265.8 billion at 31 December 2013, rose by €8.6 billion over the period. This increase was due to the risk weighting of insurance holdings for €31.0 billion (end of the transitional method for insurance holdings at 31 December 2012) partly offset by the disposal of Emporiki finalised on 1 February (-€15.5 billion) and the realisation of methodological gains (-€4.8 billion) primarily due to the effect of rolling out the Cariparma Retail customer portfolio to the IRB approach,

(1) *With the change to CRD4, on 1 January 2014 these deductions were removed in favour of a weighting, which resulted in a guarantee from the Regional Banks on 2 January 2014.*

- market risk, which totalled €10.0 billion at 31 December 2013, recorded a reduction of €3.1 billion over the year, attributable mainly to the impact of hedging designed to reduce the sensitivity of the IRC by means of CDSs, undertaken in the Corporate and investment bank,
- operational risk, which totalled €23.8 billion, was up slightly on 2012.

The risk weighted assets associated with investments in the Regional Bank's CCIs/CCAs increased by €2.7 billion compared with 31 December 2012 in line with the increase in the equity-accounted value of the Regional Banks.[1]

III. Basel 3 solvency

Summary of the main changes introduced by Basel 3 (CRD4) compared with Basel 2

Strengthening the regulatory framework, Basel 3 raises the quality and level of required regulatory capital and adds new risks to the regulatory framework. The legislation governing 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 and Regulation (EU) no. 575/2013 of the European Parliament and of the Council) and will apply from 1 January 2014 on the basis of the transitional provisions provided for in the legislation.

1) **Solvency ratio numerator**: Basel 3 defines three levels of capital:

- Common Equity Tier 1 (CET1);
- Tier One which is comprised of Common Equity Tier One and additional Tier 1 capital;
- capital consisting of Tier 1 and Tier 2 capital.

CET1 is calculated having regard to the following changes, which will be introduced on a "phased" basis:

- the elimination of most prudential filters, in particular as regards unrealised gains and losses on equity instruments and other available-for-sale financial assets (*i.e.* debt securities), except for sovereign debt securities as long as IAS 39 is in force;
- deduction of deferred tax assets for loss carryforwards (previously risk weighted at 0%);
- deduction of negative amounts resulting from any shortfall of provisions compared with expected losses (they were previously deducted 50% from Tier 1 and 50% from Tier 2);
- deduction of deferred tax assets arising from temporary differences (previously risk weighted at 0%) above a threshold below which they are included in risk weighted assets;
- deduction of financial investments (these were previously deducted 50% from Tier 1 and 50% from Tier 2) above the thresholds below which they are included in risk weighted assets.

Tier 1 and Tier 2 capital includes instruments that must satisfy more demanding criteria before being recognised under Basel 3. For the purposes of calculating the phased-in ratio they benefit from a grandfathering provision should they not be eligible under Basel 3, such that they are progressively eliminated from capital over a period of ten years.

2) **Solvency ratios denominator**: Basel 3 makes changes to the calculation of credit and counterparty risk weighted assets, and in particular factors in:

- the risk of market price movements as a result of the credit rating of the counterparty (CVA "Credit Valuation Adjustment");
- central counterparty risks (clearing houses);
- external ratings for weighting financial counterparties under the standardised method;
- an increase in the correlation of default of large financial sector entities for treatment under the Internal Rating Based approach;
- preferential treatment of exposures on small and medium-sized firms (SME).

Furthermore, risk weighted assets include, for the validated conglomerate scope, the equity-accounted value of insurance investments, weighted at 370%.

3) **Overall, under Basel 3, three levels of solvency ratio are calculated** (a CET1 ratio, a Tier 1 ratio, a total capital ratio). The calculation of these ratios will be phased-in so as to progressively manage the transition from Basel 2 calculation rules to those under Basel 3.

In addition to the mandatory minimum ratio levels, "capital buffers" will be progressively introduced. They are designed to strengthen the resilience of the banking sector. They include in particular the capital conservation buffer, the countercyclical buffer and the systemic risk buffer for institutions of systemic importance.

Basel 3 ratios

With a view to the Medium Term Plan that will be the subject of an investor day on 20 March 2014, Crédit Agricole S.A. presented on 7 November 2013, in tandem with the publication of its financial statements at end-September 2013, its capital structure and solvency trajectory under CRD4 both for Crédit Agricole S.A. and Crédit Agricole Group. They reflect the ongoing goal to make all parts of the Group more financially sound.

(1) This increase does not give rise to the updating of the guarantee given by the Regional Banks in respect of the first "Switch" contracts.

Since 1 January 2014, Crédit Agricole S.A. has exceeded its own target of a non-phased Common Equity Tier 1 ratio (CET1) of between 7.8% and 8%. The non-phased CRD4 Common Equity Tier 1 ratio was thus calculated at 8.3% *pro forma* in early January 2014, the date on which the new regulations came into force. This level reflects:

- the weighting at 370% of the capital and reserves of Crédit Agricole Assurances;
- specific guarantees (Switch)[1], under which the Regional Banks undertake to bear the regulatory requirements resulting from Crédit Agricole S.A.'s equity investments in the Regional Banks and their extension in early 2014 to Crédit Agricole S.A.'s equity investment in Crédit Agricole Assurances (CAA);
- a target payout ratio of 35%, and the undertaking by SAS Rue La Boétie to opt for the payment of scrip dividends.

CAPITAL, CAPITAL REQUIREMENTS AND CAPITAL ADEQUACY

I. Composition of capital

Regulatory capital is calculated in accordance with Regulation no. 90-02 of 23 February 1990, amended by the decree of 23 November 2011, published by the *Comité de la réglementation bancaire et financière* related to capital. It is divided into three categories: Tier 1 capital, Tier 2 capital and Tier 3 capital, from which various types of deductions are made.

Categories of capital are broken down on the basis of the following criteria: decreasing degree of robustness and stability, duration, degree of subordination.

1. Tier 1 capital

This includes:

A. PERMANENT EQUITY (CAPITAL, RESERVES, NON-CONTROLLING INTERESTS) AFTER DEDUCTIONS

- issued capital;
- reserves, including revaluation adjustments and other comprehensive income.

  Unrealised gains or losses on available-for-sale financial assets are recognised for accounting purposes in other comprehensive income and are restated as follows:

  - for equity instruments, net unrealised gains are deducted from Tier 1 capital, net of the amount of tax already deducted for accounting purposes, and are then added, before tax, to Tier 2 capital in the amount of 45%. Net unrealised losses are not restated;
  - other comprehensive income from cash flow hedges are neutralised;
  - other comprehensive income from other financial instruments, including debt instruments or loans and receivables, are also neutralised;
  - impairment losses on available-for-sale assets recognised through profit or loss are not restated;
  - finally, other comprehensive income representing own credit risk recognised for issues designated as at fair value through profit or loss are neutralised;
- share and merger premiums;
- retained earnings;
- net earnings for the current financial year, *i.e.* net income Group share, less a provision for estimated dividends (unless a dividend payment is not planned);
- funds deemed by the French Prudential and Resolution Supervisory Authority (ACPR) to fulfil the conditions for inclusion in Tier 1 capital, and which are not hybrid instruments such as those referred to below. At 31 December 2013, Crédit Agricole S.A.'s Tier 1 capital included a shareholders' advance from the Regional Banks, partly repaid (see comment above);

(1) *By the amendment signed on 19 December 2013, Crédit Agricole S.A. and the Regional Banks decided to extend the guarantee base granted by the Regional Banks to Crédit Agricole S.A. on 23 December 2011 to Crédit Agricole S.A.'s equity investment in Crédit Agricole Assurances. The new guarantees were effective from 2 January 2014 and now allow the transfer of regulatory requirements related to the shares held by Crédit Agricole S.A. in Regional Banks (CCI/CCA) and in Crédit Agricole Assurances. The guarantee amounts to €14.7 billion for CCI/CCA and €9.2 billion for Crédit Agricole Assurances.*

At the same time, on 2 January 2014, Crédit Agricole S.A. repaid the entire remaining balance on the shareholder advance agreed by the Regional Banks and the hybrid capital securities "T3CJ", i.e. a total of €1.4 billion.

- non-controlling interests: these include the non-controlling interests in Crédit Agricole S.A.'s equity investments as well as the T3CJs (see Note 6.11 to the consolidated financial statements), which the ACPR has exempted from inclusion in the hybrid securities category below (see comment above);
- the following items are deducted:
  - treasury shares held, valued at their net carrying amount,
  - intangible assets including start-up costs and goodwill.

B. HYBRID INSTRUMENTS (INCLUDING PREFERRED SHARES)

These include non-innovative capital instruments and innovative capital instruments, the latter with a strong repayment incentive notably via a step-up mechanism. Hybrid instruments consist of the deeply subordinated notes issued under the terms of Article L. 228-97 of the French Commercial Code, as amended by the French Financial Security Act of 1 August 2003, and preferred securities issued under UK and US laws, which come from the consolidation of *ad hoc* vehicles for the indirect issue of hybrid instruments.

Note 6.20 to the consolidated financial statements "Equity" presents, in particular, the capital composition and details of the preferred shares. Hybrid instruments are subject to certain limits relative to Tier 1 capital:

- "innovative" hybrid instruments, as defined above, are limited to 15% of Tier 1 capital subject to prior approval from the SGACPR, provided they meet the criteria for eligibility as Tier 1 capital;
- total hybrid instruments – both innovative and non-innovative – may not exceed 35% of Tier 1 capital;
- hybrid instruments (including the aforementioned preferred shares), and the aforementioned minority interests, taken collectively, may not exceed 50% of Tier 1 capital.

DEEPLY SUBORDINATED NOTES AND PREFERRED SHARES AT 31 DECEMBER 2013

ISIN	Issuer	Date of issue	Amount on issue (in millions)	Currency	Compensation	Description Call	Step-up (Y/N)	Regulatory treatment	Eligible under CRD4 (Y/N)	Coupon suspension conditions	Write-down condition	Regulatory amount at 31/12/2013 (in millions of euros)(1)	Regulatory amount at 31/12/2012 (in millions of euros)(1)
Deeply subordinated notes at 31/12/2013													
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 annual	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, Libor 3M GBP +1.575%	24/02/2016 then quarterly	Y	T1	N	A	C	238	243
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	40	45
US225313AA37	Crédit Agricole S.A.	31/05/2007	1500	USD	6.637% then starting 31/05/2017, Libor 3M USD +1.2325%	31/05/2017 then every ten years	N	T1	N	A	C	644	673
FR0010533554	Crédit Agricole S.A.	19/10/2007	500	USD	7.375%	19/10/2012 then semi-annually	N	T1	N	A	C	363	379
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	148	155
FR0010564161	Crédit Agricole S.A.	27/12/2007	650	EUR	7.625% then starting 27/12/2012, E3M +3.10%	27/12/2012 then quarterly	N	T1	N	A	C	-	650
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	206	210
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	849	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	499
FR0010772244	Crédit Agricole S.A.	26/06/2009	1350	USD	9.75%	26/12/2014 then semi-annually	N	T1	N	A	C	977	1,020
USF22797FK97	Crédit Agricole S.A.	13/10/2009	1000	USD	8.375% then starting 13/10/2019, Libor 3M USD +6.982%	13/10/2019 then quarterly	Y	T1	N	A	C	722	754
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	348	355
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	547
-	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, Libor 3M +6.5%	23/12/2013 then quarterly	N	T1	N	A	C	74	78
IT0004743818	Cariparma	29/06/2011	120	EUR	E3M +7.29%	28/06/2016 then quarterly	N	T1	N	D	E	29	29
Preferred shares (equivalent to deeply subordinated notes)													
XS0161441000	CA Preferred Funding LLC	30/01/2003	1500	USD	7.00%	30/01/2009 then quarterly	N	T1	N	B		1,088	1,137
XS0173838847	CA Preferred Funding LLC	08/08/2003	550	USD	7.00%	30/07/2009 then quarterly	N	T1	N	B		399	417
NL0000113868	CA Preferred Funding LLC	19/12/2003	550	EUR	6.00%	30/07/2009 then quarterly	N	T1	N	B		550	550
TOTAL												**8,463**	**9,330**

(1) *Amounts used for the Corep declaration.*

NB: *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.*

Key:

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

B *Non-cumulative dividend pusher.*

C *When the minimum regulatory 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 units 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 units of the issue currency.*

2. Tier 2 capital

This includes in particular:

- funds from subordinated debt instruments that meet the conditions set out in Article 4c of Regulation no. 90-02 on capital (perpetual subordinated notes and participating securities);
- funds from subordinated debt instruments that meet the conditions set out in Article 4d of Regulation no. 90-02 (redeemable subordinated notes);
- 45% of net unrealised gains on equity instruments transferred before tax into Tier 2 capital;
- the positive difference between the sum of valuation adjustments and collective impairment related to these exposures and expected losses calculated using the internal ratings-based approach, capped at 0.6% of the risk weighted assets.

PERPETUAL SUBORDINATED NOTES AND PARTICIPATING NOTES AS AT 31 DECEMBER 2013

ISIN	Issuer	Date of issue	Amount on issue *(in millions)*	Currency	Compensation	Description Call	*Step-up* (Y/N)	Regulatory treatment	Eligible under CRD4 (Y/N)	Regulatory amount at 31/12/2013 *(in millions of euros)*(1)	Regulatory amount at 31/12/2012 *(in millions of euros)*(1)
Perpetual subordinated notes at 31/12/2013											
-	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	Y	T2	N	583	583
FR0000475790	Crédit Agricole S.A.	20/06/2003	1,050	GBP	5% then starting 20/06/2018, 5 Y UKT +0.97% +1%	20/06/2018 then every five years	Y	T2	N	184	187
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	Y	T2	N	447	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	Y	T2	N	423	422
FR0010353151	Crédit Agricole S.A.	30/06/2006	500	EUR	4.61% then starting 30/06/2011 until 30/06/2016, E3M +1.29%, then starting 30/06/2016, E3M +2.04%	June 2011 then quarterly	Y	T2	N	-	500
FR0000584997	LCL	04/11/1985	229	EUR	Average of average monthly rates of return for payment of govt.-guaranteed and similar loans (INSEE publication) -0.15%	-	N	T2	N	96	97
FR0000165912	LCL	05/01/1987	229	EUR	Average of average monthly rates of return for payment of govt.-guaranteed and similar loans (INSEE publication) -0.30%	05/01/1994 then annual	N	T2	N	110	115
Participating notes											
FR0000140071	LCL	22/10/1984	305	EUR	40% TMO +33% TMO x (Net income for (N-1)/Net income for 1983)	-	N	T2	Y	120	142
TOTAL										**2,900**	**3,430**

(1) *Amounts used for the Corep declaration.*

In addition, subordinated debts at 31 December 2013 also include (see Note 6.11 to the consolidated financial statements "Debt securities in issue and subordinated debt"):

- mutual security deposits;
- participating notes and loans;
- redeemable subordinated notes (TSR).

3. Deductions from capital

Deductions are described in Articles 6, 6 bis and 6 quater of Regulation no. 90-02 on capital. They include equity investments representing more than 10% of the equity capital of a credit institution or investment firm, as well as subordinated debt holdings and any other equity-based instruments. 50% of the amounts concerned is deducted from Tier 1 capital and 50% from Tier 2 capital.

Since 31 December 2010, the equity-accounted interests held by Crédit Agricole S.A. in the capital of the Regional Banks are no longer included in deductions under the terms of Article 67 of the "New methods of calculating solvency ratios", which, since 2011, has stipulated that Article 6 III of Regulation no. 90-02 applies to intra-group investments by cooperative and mutual banks held in the form of cooperative investment certificates (CCI) and cooperative associate certificates (CCA). Consequently, Crédit Agricole S.A. no longer deducts 50% of the amount of its interests in the Regional Banks and their financial subsidiaries from Tier 1 capital and 50% from Tier 2 capital, but adds them to the total risk weighted assets after applying weightings.

At the end of 2011, Crédit Agricole S.A. set up the first tranche of the "Switch" transaction, reducing the prudential requirements on Crédit Agricole S.A. for the 25% minority interests held in the Regional Banks.

In return, Crédit Agricole S.A. repaid 74.5% of the shareholder advance agreed by the Regional Banks and 74.5% of the hybrid capital securities "T3CJ", *i.e.* a total of €4.2 billion.

In accordance with Article 6 bis of the aforementioned Regulation no. 90-02, the deductions include securitisation exposures weighted at 1,250% held by institutions subject to that regulation when these exposures are not included in the calculation of risk weighted assets.

Finally, these deductions also include the deduction for expected losses on the share portfolio, and, where relevant, the negative difference for institutions using internal ratings-based approaches between the collective impairments and the expected losses.

Tier 1 consists of Tier 1 capital after the relevant deductions. Symmetrically, Tier 2 consists of supplementary capital after the related relevant deductions.

On the other hand, Crédit Agricole S.A.'s equity investments in insurance companies, as well as its subordinated debt holdings and any other equity-based instruments are no longer wholly deducted from total capital. Since 1 January 2013, an institution identified as being a financial conglomerate by the ACPR applies the regulatory treatment defined in the table in sub-section I of the "regulatory ratios" section.

4. Tier 3 capital

This includes subordinated debt with an initial term equal to or more than two years, within the regulatory limits imposed. The Group no longer holds any Tier 3 capital.

5. Reconciliation of accounting and regulatory capital

(in millions of euros)	31/12/2013	31/12/2012 Restated
EQUITY, GROUP SHARE (CARRYING AMOUNT)[1]	**42,294**	**40,174**
Non-controlling and assimilated interests		
Non-controlling interests (carrying amount)	5,597	5,505
Deduction of preferred shares reclassified as "other components of Tier 1 capital"	(2,036)	(2,104)
Regulatory adjustments to Tier 1 capital	-	-
Anticipated dividend payment	(382)	-
Other equity instruments[2]	1,428	1,428
Goodwill and intangible assets	(15,551)	(15,874)
Unrealised gains/losses on cash flow hedges	(290)	(507)
Unrealised gains/(losses) on available-for-sale equity and debt securities	(1,189)	(1,167)
Expected losses (50% of the total on Tier 1)	(544)	(26)
Deduction of securitisation exposures (50% of the total on Tier 1)	(32)	(357)
Deductions in respect of investments in credit or financial institutions (Tier 1 portion)[4]	(1,630)	(1,788)
Deductions of differences in equity-accounted interests in insurance entities (100% Tier 1)	(1,230)	-
Deduction of subordinated debt of insurance companies (50% of the total on Tier 1)	(2,128)	-
Other regulatory adjustments	(29)	(425)
Other components of Tier 1 capital		
Hybrid equity instruments	6,425	7,225
Preferred shares	2,036	2,104
Total Tier 1 capital	**32,739**	**34,187**
Tier 2 funds		
Items, securities and borrowings complying with Articles 4b and 4c (perpetual) of Regulation no. 90-02	3,040	3,565
Securities and borrowings complying with Articles 4d (fixed term) of Regulation no. 90-02	16,120	16,330
Regulatory adjustments to Tier 2 capital		
Regulatory adjustments to other equity instruments[3]	312	297
Surplus of collective impairment expense in relation to expected losses	-	112
Deduction of securitisation exposures (50% of the total on Tier 2)	(32)	(357)
Expected losses (50% of the total on Tier 2)	(544)	(26)
Deductions in respect of investments in credit or financial institutions (Tier 2 portion)[4]	(2,166)	(2,344)
Deduction of subordinated debt of insurance companies (50% of the total on Tier 2)	(2,128)	-
Total Tier 2 capital	**14,602**	**17,577**
Investments in insurance companies	**-**	**(13,176)**
TOTAL COMPREHENSIVE CAPITAL	**47,341**	**38,588**

(1) The valuation adjustment of a limited number of complex derivatives impacted the consolidated reserves for -€252 million in the year ended 31 December 2012 and net income for the year for €82 million in the year ended 31 December 2012. The fair value adjustment at 31 December 2012 of treasury bills and unsubordinated fixed income securities classified as available-for-sale financial assets impacted gains and losses recognised directly in equity for €617 million.

(2) Includes the SAS Rue La Boétie shareholders' advance to Crédit Agricole S.A. in the amount of €958 million and super-subordinated loan notes issued by Crédit Agricole S.A. in favour of the Regional Banks in the amount of €470 million, which received the special approval of the French Prudential and Resolution Supervisory Authority.

(3) Regulatory adjustment to Upper Tier 2 capital of 45% of unrealised gains on available-for-sale equity securities.

(4) Includes equity interests of more than 20% in insurance companies.

The variations in the above table are described in the table of regulatory ratios contained in the "Regulatory ratios" section, in point II, "Regulatory ratios at 31 December 2013". The following points should also be noted:

- the anticipated dividend includes the dividend payable in respect of the financial year, subject to approval by the General Meeting of Shareholders of 21 May 2014, and reflects SAS Rue La Boétie's commitment to opt for the payment of its dividend in shares;
- all unrealised gains and losses are included in statutory capital, whereas they are for the most part filtered out of regulatory capital;
- in the line "Other regulatory adjustments", revenues stemming from own credit risk on certain Crédit Agricole Corporate and Investment Bank structured products are subject to prudential filters that affect net income.

II. Capital requirements by type of risk

The capital requirements set out below by risk type, by approach and by exposure class (for credit risk) correspond to 8% of the risk weighted assets set out in the table of prudential ratios, which represents the regulatory minimum. Risk weighted assets are calculated by applying a weighting ratio to each exposure at risk.

The risk weighted assets in respect of credit risk, market risk and operational risk were €299.6 billion at 31 December 2013, compared with €293.1 billion at 31 December 2012.

1. Capital requirements and risk weighted assets under Pillar 1

	31/12/2013		31/12/2012	
(in billions of euros)	Risk weighted assets	Capital requirements	Risk weighted assets	Capital requirements
Credit risk	**265.8**	**21.2**	**257.1**	**20.6**
Market risk – standardised approach	**104.0**	**8.2**	**128.7**	**10.3**
Central governments and central banks	2.8	0.2	2.4	0.2
Institutions	10.1	0.8	10.7	0.9
Corporates	52.7	4.2	62.4	5.0
Retail customers	20.1	1.5	36.6	2.9
Small and medium businesses	*3.0*	*0.2*	*7.1*	*0.6*
Revolving credit	*5.5*	*0.4*	*6.6*	*0.5*
Home loans	*1.4*	*0.1*	*7.8*	*0.6*
Other exposures	*10.2*	*0.8*	*15.1*	*1.2*
Equities	1.9	0.2	2.2	0.2
Securitisations	0.2	-	0.2	-
Other non-credit obligation assets	16.2	1.3	14.2	1.1
Market risk – internal ratings-based approach	**161.8**	**13.0**	**128.4**	**10.3**
Central governments and central banks	1.2	0.1	2.0	0.2
Institutions	9.5	0.8	10.5	0.8
Corporates	68.8	5.5	71.5	5.7
Retail customers	32.5	2.6	26.9	2.2
Small and medium businesses	6.8	0.5	5.0	0.4
Revolving credit	*3.0*	*0.2*	*3.1*	*0.2*
Home loans	*7.0*	*0.6*	*5.7*	*0.5*
Other exposures	*15.7*	*1.3*	*13.1*	*1.1*
Equities	45.1	3.6	10.5	0.8
Simple risk weighting approach	45.1	3.6	10.5	0.8
Private equity exposures in sufficiently diversified portfolios (190% weighting)	*2.0*	*0.2*	*1.9*	*0.2*
Listed equity exposures (290% weighting)	*3.4*	*0.3*	*3.4*	*0.3*
Other equity exposures (370% weighting)	*39.7*	*3.1*	*5.2*	*0.3*
Internal models method	-	-	-	-
Securitisations	4.7	0.4	7.0	0.6
Other non-credit obligation assets	-	-	-	-

(in billions of euros)	31/12/2013 Risk weighted assets	31/12/2013 Capital requirements	31/12/2012 Risk weighted assets	31/12/2012 Capital requirements
Market risk	**10.0**	**0.8**	**13.1**	**1.1**
Market risk under standardised approach	**2.3**	**0.2**	**3.3**	**0.3**
Interest rate risk	*0.9*	*0.1*	*1.6*	*0.2*
Equity position risk	*0.1*	-	*0.1*	-
Foreign exchange risk	*1.2*	*0.1*	*1.5*	*0.1*
Commodities risk	*0.1*	-	*0.1*	-
Market risk measured using internal models	**7.7**	**0.6**	**9.8**	**0.8**
VaR	*1.4*	*0.1*	*1.4*	*0.1*
Stressed VaR	*2.7*	*0.2*	*2.3*	*0.2*
IRC	*3.6*	*0.3*	*6.1*	*0.5*
CRM	-	-	-	-
of which additional capital requirements arising from exceeding the large exposures limits				
Operational risk	**23.8**	**2.0**	**22.9**	**1.8**
Operational risk under the standardised approach	6.9	0.6	8.5	0.7
Operational risk under the advanced measurement approach	16.9	1.4	14.4	1.1
TOTAL	**299.6**	**24.0**	**293.1**	**23.5**
of which standardised approach	113.2	9.0	140.5	11.3
of which IRB approach	186.4	15.0	152.6	12.2

2. Risk weighted assets by business line

31/12/2013 *(in millions of euros)*	Credit risk Standardised approach	Credit risk Foundation IRB	Credit risk Advanced IRB	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	-	4,212	31,770	2,884	93	34,747
Specialised financial services	36,686	63	14,718	51,467	2,255	22	53,744
Savings management and insurance	11,444	30,852	699	42,995	3,600	87	46,682
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**

31/12/2012 *(in millions of euros)*	Credit risk Standardised approach	Credit risk Foundation IRB	Credit risk Advanced IRB	Credit risk	Operational Risk	Market risk	Total risk weighted assets
French retail banking	7,119	2,989	28,427	38,535	1,964	2	40,501
International retail banking	52,104	-	-	52,104	3,850	305	56,259
Specialised financial services	38,162	59	12,422	50,643	2,495	52	53,190
Savings management and insurance	12,227	-	505	12,732	3,821	102	16,655
Corporate and investment banking	9,362	2,355	74,073	85,790	10,004	11,295	107,089
Corporate centre	9,796	5,082	2,452	17,330	730	1,378	19,438
TOTAL RISK WEIGHTED ASSETS	**128,770**	**10,485**	**117,879**	**257,134**	**22,864**	**13,134**	**293,132**

3. Change in risk weighted assets

The table below shows change in Crédit Agricole S.A. Group's risk weighted assets in 2013:

(in billions of euros)	**Amount**
Risk weighted assets at 31 December 2012	**293.1**
Disposal of Emporiki	(15.5)
Classification of insurance in risk weighted assets	31.0
Foreign exchange effect (USD)	(1.4)
Updating of models and methodological developments	(4.8)
Organic change[1]	(2.8)
Risk weighted assets at 31 December 2013	**299.6**

(1) Change in exposures and credit migration.

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.

Liquidity risk is not included in the assessment as the Group takes a qualitative approach to liquidity risk through its management and supervision systems, as well as to 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 material 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, for the French scope, 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 will be 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 income 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.

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 portfolio 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 the French Prudential and Resolution Supervisory Authority (ACPR).

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 40-1 of the decree of 20 February 2007 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 home loans, revolving credits, other retail loans and small businesses loans;
- 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 Other non-credit obligation assets class mainly includes fixed assets and accruals, prepayments and sundry assets.

In accordance with Basel 2, 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 47 of the Order dated 20 February 2007;
- for exposures to Retail customers, the formula is given in Article 54-1 of the Order dated 20 February 2007.

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 58-1 of the Order dated 20 February 2007, are a function of the nature of the relevant equities: 190% for capital investment exposures in the case of a diversified portfolio, 290% for exposures to listed equities and 370% for all other "Equities".

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

Risk weighted assets relating to exposures in respect of "Other assets not corresponding to a credit obligation" are calculated by applying a standardised weighting of 100% to the carrying amount of the exposures in question.

Parameters that fall into the formulas cited above are estimated using historical default and loss data collected internally by Crédit Agricole S.A. 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. It accordingly factors in the principle of contagion: an exposure to a defaulting customer causes the classification under default of all of the said customer's assets within the entity responsible for the uniformity of the rating and all of its debts to 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 individual, 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 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 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, the ratings of companies located in emerging markets are generally capped by the rating of the country in question);
- structure of the market: 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 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 blended with the lower risk parameters and risk weighted assets of 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 type of customers may also vary significantly depending on the distribution channel: 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 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.

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 Risk Management 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) bear 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 annually 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: the analysis conducted in accordance with the requirements of Article 145 *et seq.* of the Order of 20 February 2007 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 default rates are recognised and assessed by batch on the basis of a confidence interval.

As such, the back-testing of estimated and real default rates performed on Crédit Agricole CIB's corporate banking portfolio in 2013 underlines the pertinence of the PD models: the estimated one-year PD is confirmed by, or even higher than default rates observed over the period under review.

(in millions of euros)	EAD	RWA	Estimated PD	Observed default rates in 2013
Corporates	156,247	52,637	1.08%	0.73%
Banks	61,321	7,045	0.26%	0.29%

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.).

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. This exposure is the amount of gross exposure after the impact of netting and before the application of any credit risk mitigation techniques (guarantees and collateral).

GLOBAL RISK EXPOSURE (CREDIT, COUNTERPARTY, DILUTION, SETTLEMENT AND DELIVERY) BY CATEGORY AND METHOD 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 requirements
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
Other non-credit obligation assets	22.9	22.1	16.2	-	-	-	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**

GLOBAL RISK EXPOSURE (CREDIT, COUNTERPARTY, DILUTION, SETTLEMENT AND DELIVERY) BY CATEGORY AND METHOD OF EXPOSURE AT 31/12/2012

	31/12/2012									
	Standardised			IRB			Total			
(in billions of euros)	Gross exposure	EAD	RWA	Gross exposure	EAD	RWA	Gross exposure	EAD	RWA	Capital requirements
Central governments and central banks	43.0	40.1	2.4	148.2	147.8	2.0	191.2	187.9	4.4	0.3
Institutions	344.2	287.8	10.7	124.1	112.6	10.5	468.3	400.4	21.2	1.7
Corporates	97.3	81.7	62.4	237.4	199.9	71.5	334.7	281.6	133.9	10.7
Retail customers	72.8	55.9	36.6	118.0	113.7	26.9	190.8	169.6	63.5	5.1
Equities	3.4	1.7	2.2	18.9	3.6	10.5	22.3	5.3	12.7	1.0
Securitisations	0.5	0.5	0.2	56.3	55.6	7.0	56.8	56.1	7.2	0.6
Other non-credit obligation assets	45.1	44.2	14.2	-	-	-	45.1	44.2	14.2	1.1
TOTAL	**606.3**	**511.9**	**128.7**	**702.9**	**633.2**	**128.4**	**1,309.2**	**1,145.1**	**257.1**	**20.5**

The Institutions category, which includes €304.4 billion of internal transactions within Crédit Agricole Group at end-December 2013 (€300.4 billion at end-December 2012) remains, as in 2012, the Group's leading category of exposure. Excluding these internal transactions, gross exposure for the loan book totalled €927 billion at end-December 2013, a reduction of 8.1% year-on-year.

In terms of gross exposure, the Group's overall outstandings fell significantly, notably due to the disposal of Emporiki finalised in 2013. Outstanding loans on the Retail customer and Corporate portfolios were reduced significantly (by -8.9% and -7.5% respectively). The policy of reducing the securitisation portfolio initiated in 2012 was continued (-25.6%).

The loan book's overall EAD decreased by 4.6% 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 future derivative financial instruments in the banking portfolio is defined in the French transposition (decree of 20 February 2007) of the European directive. Crédit Agricole S.A. Group uses the market price method to measure its exposure to counterparty risk on future derivative financial instruments in the banking portfolio.

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

	31/12/2013									
	Standardised			IRB			Total			
(in billions of euros)	Gross exposure	EAD	RWA	Gross exposure	EAD	RWA	Gross exposure	EAD	RWA	EFP
Central governments and central banks	3.3	3.3	0.2	3.7	3.7	0.2	7.0	7.0	0.4	-
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							-	-	-	-
Other non-credit obligation assets							-	-	-	-
TOTAL	**17.0**	**17.0**	**3.3**	**61.4**	**49.0**	**9.4**	**78.4**	**66.0**	**12.7**	**1.0**

EXPOSURE TO COUNTERPARTY RISK BY APPROACH AND CLASS OF EXPOSURE AT 31 DECEMBER 2012

	31/12/2012									
	Standardised			IRB			Total			
(in billions of euros)	Gross exposure	EAD	RWA	Gross exposure	EAD	RWA	Gross exposure	EAD	RWA	EFP
Central governments and central banks	11.8	11.8	0.2	3.2	3.2	0.2	15.0	15.0	0.4	-
Institutions	24.0	24.0	2.4	41.0	33.1	4.2	65.0	57.1	6.6	0.5
Corporates	10.3	10.3	2.5	25.1	24.3	9.3	35.4	34.6	11.8	0.9
Retail customers							-	-	-	-
Equities							-	-	-	-
Securitisations							-	-	-	-
Other non-credit obligation assets							-	-	-	-
TOTAL	**46.1**	**46.1**	**5.1**	**69.3**	**60.6**	**13.7**	**115.4**	**106.7**	**18.8**	**1.4**

Securities exposed to counterparty risk were valued at €66 billion at 31 December 2013 (€46.6 billion in the form of derivatives and €19.4 billion in the form of securities financing transactions).

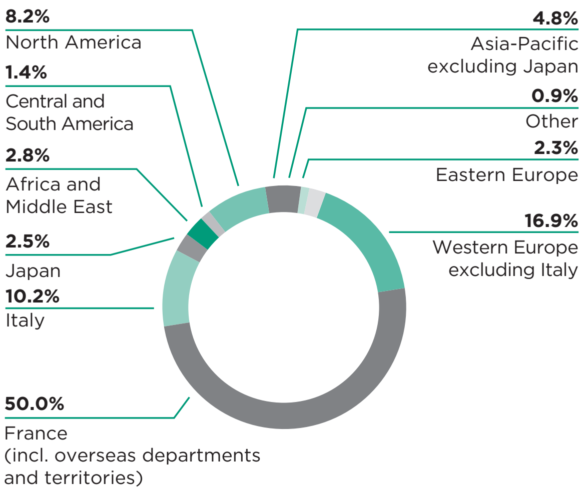
Information on exposure to forwards/futures is also provided in Note 3.1 "Credit risk" to the consolidated financial statements.

1.2 EXPOSURE BY GEOGRAPHIC AREA

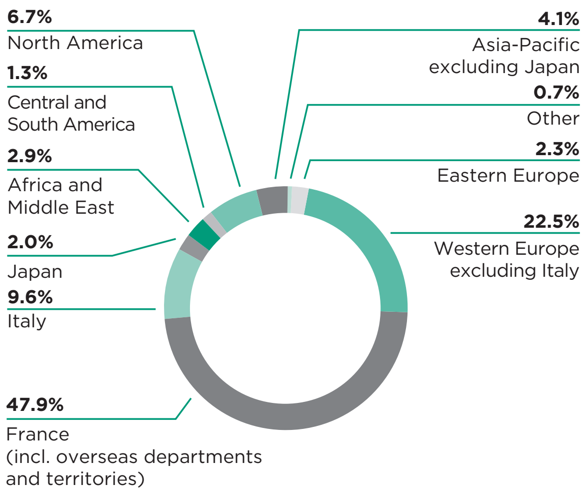
The breakdown by geographical area includes all Crédit Agricole S.A. Group's exposures except for securitisations assets and other non-credit obligation assets.

At 31 December 2013, total exposure for the scope defined above was €861.9 billion (excluding Crédit Agricole Group internal transactions), compared with €906.9 billion at 31 December 2012. The amount allocated by geographical area was €822.6 billion, compared with €880.9 billion at 31 December 2012.

BREAKDOWN OF THE CRÉDIT AGRICOLE S.A. GROUP SCOPE AT 31 DECEMBER 2013



BREAKDOWN OF THE CRÉDIT AGRICOLE S.A. GROUP SCOPE AT 31 DECEMBER 2012



(in %) Geographic area of exposure	Central governments and central banks		Institutions		Corporates		Retail customers		Equities	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012
France (incl. Overseas departments and territories)	52.2	58.0	49.9	48.7	41.8	36.0	61.7	57.2	84.6	79.9
Western Europe excluding Italy	13.5	14.3	28.0	32.9	19.9	27.6	5.9	13.0	2.4	8.0
North America	15.8	11.5	5.9	5.5	9.2	8.5	-	-	2.7	2.0
Italy	4.1	4.2	2.9	1.7	8.4	8.2	26.4	24.6	6.2	4.1
Japan	5.7	4.1	2.4	2.7	2.0	1.5	-	-	1.5	0.5
Other	3.7	3.3	-	-	-	-	-	-	-	-
Asia-Pacific excluding Japan	2.5	1.7	6.2	4.7	8.1	7.2	0.5	0.5	-	5.1
Africa and Middle East	1.1	1.3	2.4	2.5	4.6	4.9	2.0	1.4	2.0	0.2
Central and South America	0.7	1.0	1.5	0.4	2.4	2.6	0.3	0.3	-	-
Eastern Europe	0.7	0.6	0.8	0.9	3.6	3.5	3.2	3.0	0.6	0.2
	100.0	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

The proportion of the credit portfolio represented by France increased in 2013 (50.0%). The proportion represented by Italy also increased, from 9.6% to 10.2% of the total portfolio at 31 December 2013.

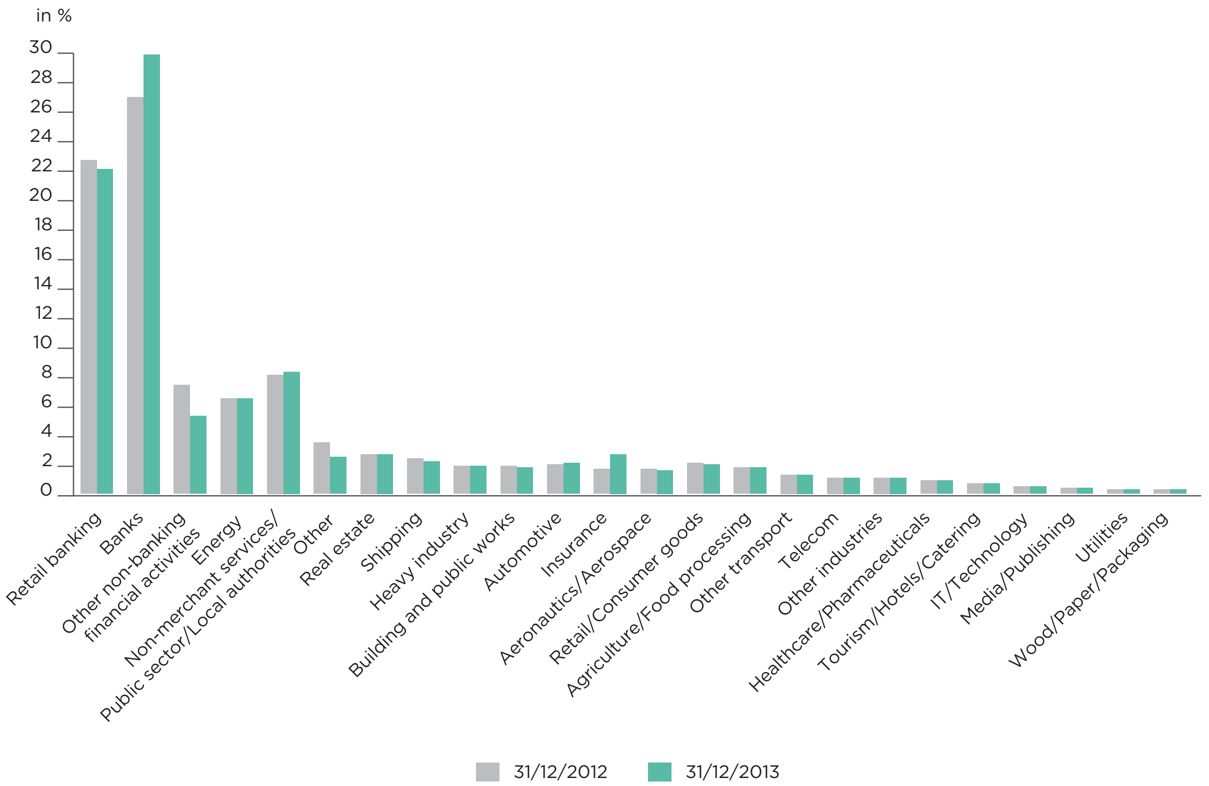
Retail customers account for 25.9% of total exposure in France (+0.2 percentage point year-on-year) and Corporates 31.6% (+2.9 percentage points year-on-year). In Italy, Crédit Agricole Group's second largest foreign market, the Retail customer loan book accounted for 54.4% of total exposure and Corporates 31.1%.

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 2013, total exposure for the scope defined above was €831.7 billion (excluding Crédit Agricole Group internal transactions), compared with €884.7 billion at 31 December 2012. The amount allocated by business sector was €785.8 billion at 31 December 2013, compared with €836.3 billion at 31 December 2012.

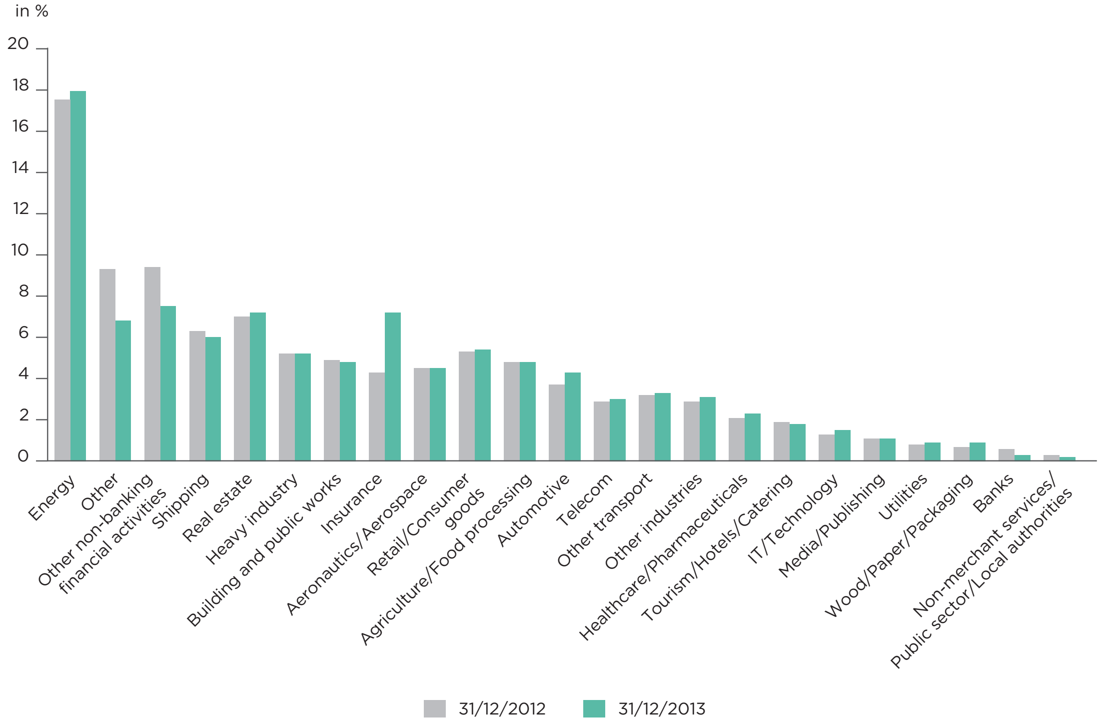
BREAKDOWN OF CRÉDIT AGRICOLE S.A. GROUP PORTFOLIO



Regulatory scope defined above, including Central governments and central banks, Institutions, Corporates and Retail customers.

The breakdown of the loan book by business sector changed little in 2013, 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.

BREAKDOWN OF CORPORATE PORTFOLIO

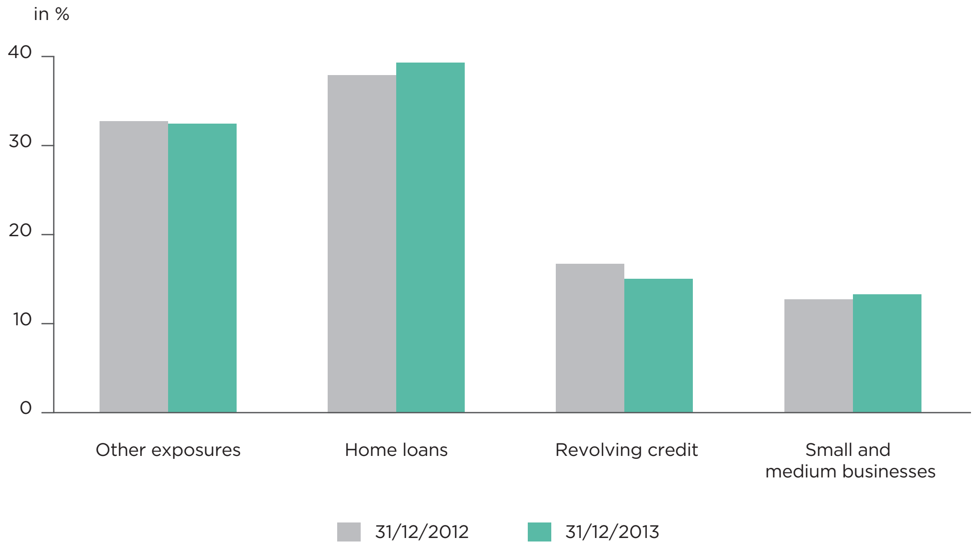


Within the Corporate portfolio, which has shown an overall decrease, the sectors whose relative proposition fell most sharply in 2013 were non-banking financial activities.

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 €173.8 billion at 31 December 2013 compared with €190.8 billion at 31 December 2012, a reduction of 8.9%).

BREAKDOWN OF RETAIL CUSTOMERS PORTFOLIO



The breakdown of the Retail customer portfolio by Basel sub-portfolio was marked by an increase in the share of home loans and loans to small and medium businesses, to the detriment of consumer loans ("other exposures" class) and revolving credit, which saw a sizeable fall in outstandings in 2013 (-18.3%).

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. Consequently, in accordance with the applicable regulation, Corporate exposures are assigned a 100% weighting or a 150% weighting when exposure to the country in which the Company is based has a 150% weighting, with the exception of the LCL scope, for which calculation of additional capital requirements under the standardised approach factors in the ratings provided by the Bank of France.

Breakdown of exposures and exposures at default by credit quality level

CENTRAL GOVERNMENTS AND CENTRAL BANKS

(in billions of euros)	31/12/2013		31/12/2012	
Credit quality level	**Exposure amount**	**Exposure at risk**	**Exposure amount**	**Exposure at risk**
1	31.3	28.6	32.7	30.0
2	0.7	0.7	0.4	0.4
3	7.5	7.5	7.2	7.2
4	0.5	0.5	0.6	0.6
5	0.2	0.2	1.5	1.5
6	1.2	1.2	0.6	0.5
TOTAL AMOUNT	**41.4**	**38.7**	**43.0**	**40.2**

Pursuing the trend observed in 2012, exposure to Central governments and central banks under the standardised approach recorded a slight drop in 2013 (-3.7%). The top credit quality level continued to account for the vast majority of the portfolio (75.6%), while the proportion represented by levels 5 and 6 remained very low, accounting for less than 4% of total exposures.

INSTITUTIONS

(in billions of euros)	31/12/2013		31/12/2012	
Credit quality level	**Exposure amount**	**Exposure at risk**	**Exposure amount**	**Exposure at risk**
1	338.0	291.3	340.8	284.7
2	0.2	0.2	-	-
3	3.4	3.4	1.7	1.7
4	0.2	0.2	0.3	0.3
5	0.1	0.1	0.9	0.8
6	0.7	0.6	0.5	0.3
TOTAL AMOUNT	**342.6**	**295.8**	**344.2**	**287.8**

Exposure to Institutions under the standardised approach remained, as in previous years, almost entirely concentrated on the top credit quality level, reflecting the extent of business with institutions of very high quality institutions: the percentage of institutions ranked level 2 and above was 1.3%.

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".

EXPOSURE TO CREDIT RISK BY CLASS 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%	-	-
	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%	-
	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 BY CLASS OF EXPOSURE AND INTERNAL RATING AT 31 DECEMBER 2012

(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+	-	139,433.9	140,554.2	137,408.4	3,145.8	50.6	20.2%	-	-
	B	0.06%	4,375.7	4,536.6	4,383.0	153.6	492.1	21.2%	10.8%	0.6
	C+	0.16%	1,187.5	1,113.7	703.6	410.1	269.6	32.3%	24.2%	0.6
	C	0.30%	1,627.9	516.4	203.9	312.5	132.9	23.9%	25.7%	0.4
	C-	0.60%	475.8	407.1	375.3	31.8	123.0	20.8%	30.2%	0.5
	D+	0.75%	500.8	387.9	338.9	49.0	322.5	42.8%	83.2%	1.2
	D	1.25%	60.3	18.6	2.0	16.6	20.2	45.0%	108.6%	0.1
	D-	1.90%	211.1	151.3	48.1	103.2	197.2	45.0%	130.4%	1.3
	E+	5.00%	187.5	29.5	19.7	9.8	69.8	59.2%	236.5%	0.9
	E	12.00%	17.6	0.5	0.5	-	1.5	60.0%	309.5%	-
	E-	20.00%	127.1	65.7	42.3	23.4	316.4	77.6%	481.7%	10.2
	F, Z	100.00%	17.0	17.0	17.0	-	0.5	45.0%	3.0%	16.2
Subtotal		**0.03%**	**148,222.2**	**147,798.5**	**143,542.7**	**4,255.8**	**1,996.3**	**20.5%**	**1.4%**	**32.0**
Institutions	A+ to B+	-	84,066.6	76,332.6	58,718.5	17,614.1	1,792.5	35.5%	2.3%	1.2
	B	0.06%	20,296.0	19,611.2	8,939.3	10,671.9	2,153.1	25.8%	11.0%	2.7
	C+	0.16%	7,806.2	6,793.2	2,822.4	3,970.8	1,597.7	30.6%	23.5%	3.3
	C	0.30%	5,195.1	4,682.0	2,611.2	2,070.8	1,695.0	33.8%	36.2%	9.3
	C-	0.60%	2,831.2	2,294.7	1,039.0	1,255.7	960.7	26.2%	41.9%	3.8
	D+	0.75%	1,135.3	717.9	240.6	477.3	444.9	36.9%	62.0%	1.9
	D	1.25%	834.3	700.0	241.6	458.4	462.7	28.6%	66.1%	2.5
	D-	1.90%	691.1	538.0	165.0	373.0	235.2	17.0%	43.7%	1.7
	E+	5.00%	122.7	43.4	0.8	42.6	54.1	40.8%	124.7%	0.9
	E	12.00%	2.2	7.8	6.8	1.0	2.3	82.8%	29.0%	1.1
	E-	20.00%	579.9	369.0	89.0	280.0	1,074.2	49.6%	291.1%	36.6
	F, Z	100.00%	610.2	545.2	542.6	2.6	17.7	45.0%	3.2%	549.1
Subtotal		**0.64%**	**124,170.8**	**112,635.0**	**75,416.8**	**37,218.2**	**10,490.1**	**33.2%**	**9.3%**	**614.1**
Corporates	A+ to B+	-	40,384.5	46,816.6	21,790.6	25,026.0	2,667.1	26.8%	5.7%	2.9
	B	0.06%	48,227.4	38,098.9	12,943.1	25,155.8	6,343.5	37.9%	16.7%	7.0
	C+	0.16%	38,755.1	31,422.6	17,697.4	13,725.2	9,675.5	35.0%	30.8%	16.8
	C	0.30%	39,100.7	29,371.6	18,321.4	11,050.2	12,018.5	34.3%	40.9%	27.6
	C-	0.60%	26,737.9	19,827.0	12,354.2	7,472.8	11,874.1	32.0%	59.9%	37.5
	D+	0.75%	12,860.6	9,954.5	6,518.0	3,436.5	6,962.9	36.6%	69.9%	26.2
	D	1.25%	11,973.4	9,116.5	6,187.7	2,928.8	7,416.2	34.5%	81.3%	38.3
	D-	1.90%	7,897.0	5,987.7	4,261.1	1,726.6	5,734.8	35.6%	95.8%	39.9
	E+	5.00%	3,739.2	2,582.1	2,158.4	423.7	2,822.6	31.3%	109.3%	39.9
	E	12.00%	1,251.1	1,141.1	973.7	167.4	1,344.6	26.7%	117.8%	36.9
	E-	20.00%	2,641.6	2,263.0	1,208.9	1,054.1	4,409.3	34.4%	194.8%	154.2
	F, Z	100.00%	3,792.7	3,328.4	3,093.0	235.4	181.8	46.0%	5.5%	2,061.2
Subtotal		**2.32%**	**237,361.2**	**199,910.0**	**107,507.5**	**92,402.5**	**71,450.9**	**33.4%**	**35.7%**	**2,488.4**
TOTAL		**1.17%**	**509,754.2**	**460,343.5**	**326,467.0**	**133,876.5**	**83,937.4**	**29.2%**	**18.2%**	**3,134.5**

As exposure to Retail customers credit risk categories do not use the same internal ratings as the other categories, they are presented separately.

The breakdown of the Large corporates portfolios (exposure class: Central governments and central banks, Institutions and Corporates) by internal rating continues to reflect good overall quality: almost 90% of exposures are classified as investment grade (internal rating of A to C).

EXPOSURE TO RETAIL CUSTOMER CREDIT RISK BY EXPOSURE CLASS 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%	-
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%	-
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	-	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%	-	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%	-	41.1%	1.0%	-
2	0.04%<PD<0.08%	0.07%	1,569.1	489.0	-	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%	-	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%	-
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	-	-	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	-	0.2	100.0%	-	89.5%	9.4%	-
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	-	-	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%	-	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**

EXPOSURE TO RETAIL CUSTOMER CREDIT RISK BY EXPOSURE CLASS AND INTERNAL RATING AT 31 DECEMBER 2012

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%	-	-	-	-	-	-	-	-	-	-
3	0.08%<PD<0.17%	0.11%	22,230.7	22,230.7	21,267.0	963.7	100.0%	608.0	10.1%	2.7%	2.5
4	0.17%<PD<0.32%	0.25%	180.4	180.4	174.8	5.6	100.0%	12.4	13.8%	6.9%	0.1
5	0.32%<PD<0.64%	0.39%	8,612.1	8,612.1	8,269.4	342.7	100.0%	618.9	10.3%	7.2%	3.5
6	0.64%<PD<0.96%	0.64%	4,759.7	4,759.7	4,581.6	178.1	100.0%	472.1	10.1%	9.9%	3.1
7	0.96%<PD<1.28%	1.10%	5,023.5	5,023.5	4,749.3	274.2	100.0%	716.8	10.1%	14.3%	5.6
8	1.28%<PD<2.56%	2.09%	6,301.2	6,301.2	6,033.1	268.1	100.0%	1,360.7	10.3%	21.6%	13.4
9	2.56%<PD<5.12%	4.70%	3,503.7	3,503.7	3,159.7	344.0	100.0%	1,197.8	10.1%	34.2%	16.7
10	5.12%<PD<15%	9.77%	1,022.7	1,022.7	993.4	29.3	100.0%	501.5	10.3%	49.0%	10.3
11	15%<PD<22%	16.46%	3.9	3.9	3.8	0.1	100.0%	4.3	19.3%	110.3%	0.1
12	22%<PD<34%	23.47%	197.1	197.1	194.2	2.9	100.0%	123.3	10.2%	62.5%	4.7
13	34%<PD<65%	52.48%	136.9	136.9	135.8	1.1	100.0%	72.6	10.3%	53.0%	7.4
14	65%<PD<99%	65.51%	0.5	0.5	0.5	-	-	0.4	21.0%	84.6%	0.1
15	99%<PD<100%	100.00%	568.8	568.8	566.8	2.0	100.0%	-	25.8%	-	146.8
Subtotal	**2.34%**		**52,541.2**	**52,541.2**	**50,129.4**	**2,411.8**	**100.0%**	**5,688.8**	**10.3%**	**10.8%**	**214.3**
Revolving credit											
1	0.03%<PD<0.04%	0.03%	3.2	2.9	0.1	2.8	90.3%	-	41.0%	1.0%	-
2	0.04%<PD<0.08%	0.07%	1,505.4	504.5	-	504.5	33.5%	13.6	54.5%	2.7%	0.2
3	0.08%<PD<0.17%	0.11%	1,635.6	1,024.2	146.3	877.9	58.9%	52.2	72.1%	5.1%	0.8
4	0.17%<PD<0.32%	0.22%	1,286.4	341.5	48.4	293.1	23.7%	21.3	52.1%	6.2%	0.4
5	0.32%<PD<0.64%	0.42%	1,804.5	856.3	312.9	543.4	36.4%	103.9	60.0%	12.1%	2.1
6	0.64%<PD<0.96%	0.70%	790.5	481.0	215.7	265.3	46.2%	88.0	60.0%	18.3%	2.0
7	0.96%<PD<1.28%	1.16%	952.2	668.8	394.9	273.9	49.1%	164.2	54.5%	24.5%	4.2
8	1.28%<PD<2.56%	1.94%	1,135.8	994.7	529.9	464.8	76.7%	376.5	56.7%	37.9%	11.1
9	2.56%<PD<5.12%	3.83%	2,016.4	1,940.2	1,487.0	453.2	85.6%	1,052.1	50.2%	54.2%	37.8
10	5.12%<PD<15%	8.94%	798.1	797.6	684.1	113.5	99.6%	734.0	50.1%	92.0%	35.9
11	15%<PD<22%	19.27%	147.1	144.1	135.4	8.7	74.4%	180.2	45.7%	125.1%	12.7
12	22%<PD<34%	25.21%	34.4	36.1	27.2	8.9	123.6%	62.7	58.1%	173.6%	5.2
13	34%<PD<65%	42.15%	130.7	127.4	125.2	2.2	40.0%	190.5	47.5%	149.5%	25.6
14	65%<PD<99%	77.08%	39.4	39.2	39.1	0.1	33.3%	35.7	48.2%	91.0%	14.6
15	99%<PD<100%	100.00%	628.6	626.2	626.0	0.2	7.8%	-	75.5%	-	472.4
Subtotal	**10.82%**		**12,908.3**	**8,584.7**	**4,772.2**	**3,812.5**	**46.9%**	**3,074.9**	**57.5%**	**35.8%**	**625.0**

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%	0.03%	425.7	425.7	425.5	0.2	100.0%	1.5	3.8%	0.3%	-
2	0.04%<PD<0.08%	0.07%	2,185.7	2,184.8	2,183.8	1.0	52.6%	21.2	5.5%	1.0%	0.1
3	0.08%<PD<0.17%	0.11%	5,565.8	5,563.8	5,328.2	235.6	99.2%	187.4	12.1%	3.4%	0.7
4	0.17%<PD<0.32%	0.23%	1,817.6	1,817.1	1,786.1	31.0	98.4%	131.5	13.4%	7.2%	0.6
5	0.32%<PD<0.64%	0.50%	3,640.4	3,640.9	3,568.5	72.4	100.7%	858.0	30.9%	23.6%	5.7
6	0.64%<PD<0.96%	0.77%	1,785.3	1,788.1	1,741.7	46.4	106.4%	509.8	29.5%	28.5%	4.2
7	0.96%<PD<1.28%	1.11%	2,846.3	2,851.8	2,791.0	60.8	109.9%	1,136.1	35.4%	39.8%	11.2
8	1.28%<PD<2.56%	2.15%	7,357.0	7,371.8	7,227.1	144.7	111.4%	3,650.8	35.8%	49.5%	57.3
9	2.56%<PD<5.12%	4.41%	5,822.0	5,835.8	5,730.0	105.8	115.0%	3,311.8	36.8%	56.8%	94.3
10	5.12%<PD<15%	9.03%	3,493.1	3,493.3	3,473.7	19.6	101.0%	2,248.7	37.2%	64.4%	115.3
11	15%<PD<22%	18.48%	259.9	259.9	255.9	4.0	100.0%	132.3	22.2%	50.9%	10.8
12	22%<PD<34%	28.00%	694.3	694.3	693.2	1.1	100.0%	524.5	28.7%	75.5%	55.4
13	34%<PD<65%	45.26%	387.8	387.8	387.1	0.7	100.0%	331.8	31.2%	85.6%	54.8
14	65%<PD<99%	74.89%	124.5	124.5	124.5	-	-	90.7	40.2%	72.9%	37.5
15	99%<PD<100%	100.00%	3,393.8	3,393.8	3,390.3	3.5	99.7%	45.1	56.3%	1.3%	2,212.4
Subtotal	**11.83%**		**39,799.2**	**39,833.4**	**39,106.6**	**726.8**	**104.9%**	**13,181.2**	**30.5%**	**33.1%**	**2,660.3**
Small and medium businesses											
1	0.03%<PD<0.04%	0.03%	0.4	0.4	-	0.4	100.0%	-	88.4%	9.3%	-
2	0.04%<PD<0.08%	-	-	-	-	-	-	-	-	-	-
3	0.08%<PD<0.17%	0.14%	16.0	15.6	14.6	1.0	71.4%	2.9	30.9%	18.8%	-
4	0.17%<PD<0.32%	0.25%	1,729.8	1,728.0	1,634.0	94.0	98.1%	390.1	29.2%	22.6%	1.3
5	0.32%<PD<0.64%	0.63%	2,618.9	2,616.5	2,537.0	79.5	97.1%	870.4	27.1%	33.3%	4.5
6	0.64%<PD<0.96%	0.65%	59.0	57.7	51.0	6.7	83.8%	13.3	22.3%	23.1%	0.1
7	0.96%<PD<1.28%	1.00%	1,075.4	1,073.7	1,049.6	24.1	93.4%	327.4	22.3%	30.5%	2.4
8	1.28%<PD<2.56%	1.75%	1,928.4	1,926.7	1,859.8	66.9	97.5%	744.0	23.8%	38.6%	8.1
9	2.56%<PD<5.12%	3.71%	2,308.5	2,306.8	2,177.1	129.7	98.7%	1,048.6	24.4%	45.5%	20.7
10	5.12%<PD<15%	7.96%	1,733.6	1,730.9	1,669.5	61.4	95.8%	1,036.9	27.8%	59.9%	37.2
11	15%<PD<22%	19.48%	602.8	602.8	574.9	27.9	100.0%	500.5	29.2%	83.0%	34.2
12	22%<PD<34%	27.45%	9.3	9.4	5.3	4.1	102.5%	10.5	41.9%	111.6%	1.1
13	34%<PD<65%	46.93%	63.3	63.3	59.2	4.1	100.0%	56.3	31.7%	89.0%	9.4
14	65%<PD<99%	76.34%	1.9	1.9	1.9	-	-	1.9	57.7%	99.7%	0.8
15	99%<PD<100%	100.00%	588.5	588.0	574.7	13.3	96.4%	-	64.5%	-	379.4
Subtotal	**8.08%**		**12,735.8**	**12,721.7**	**12,208.6**	**513.1**	**97.3%**	**5,002.8**	**27.9%**	**39.3%**	**499.2**
TOTAL	**6.95%**		**117,984.5**	**113,681.0**	**106,216.8**	**7,464.2**	**63.4%**	**26,947.7**	**22.9%**	**23.7%**	**3,998.8**

The breakdown of the Retail customer portfolio exposures by credit quality level confirmed its stability in 2013, showing the same disparities between the Retail customer categories already observed in previous years: 74% of the gross exposures for "home loans" are in internal ratings 1 to 5 (PD of less than 0.64%), whilst this figure is 39% for small and medium businesses in the Group's IRB – retail portfolio.

As in previous years, there were significant disparities in the Retail portfolio processed using the IRB method in terms of contribution to total expected losses; this was due in particular to significant adjustments in the LGD level by portfolio: exposures to residential real estate accounted for 47.3% of total retail customer exposure but 7.8% of expected losses (EL).

3. Impaired exposures and valuation adjustments

IMPAIRED EXPOSURES AND VALUATION ADJUSTMENTS AT 31 DECEMBER 2013

	31/12/2013					
		Impaired exposures				
(in billions of euros)	Gross exposure	Standardised approach(1)	IRB approach	Total	Individual valuation adjustments	Collective valuation adjustments
Central governments and central banks	191.0	-	-	-	-	
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	**1,136.1**	**6.8**	**11.7**	**18.5**	**9.6**	**2.1**

(1) More than 90 days past due.

IMPAIRED EXPOSURES AND VALUATION ADJUSTMENTS AT 31 DECEMBER 2012

	31/12/2012					
		Impaired exposures				
(in billions of euros)	Gross exposure	Standardised approach(1)	IRB approach	Total	Individual valuation adjustments	Collective valuation adjustments
Central governments and central banks	191.3	0.1	-	0.1	-	
Institutions	468.3	0.1	0.6	0.7	0.7	
Corporates	334.7	5.8	3.8	9.6	4.9	
Retail customers	190.8	10.5	5.2	15.7	9.3	
Small and medium businesses	*24.2*	*2.1*	*0.6*	*2.7*	*1.5*	
Revolving credit	*31.8*	*2.0*	*0.6*	*2.6*	*1.9*	
Home loans	*72.4*	*2.9*	*0.6*	*3.5*	*1.0*	
Other exposures	*62.4*	*3.5*	*3.4*	*6.9*	*4.9*	
TOTAL	**1,185.1**	**16.5**	**9.6**	**26.1**	**14.9**	**1.9**

(1) More than 90 days past due.

Impaired exposure amounted to €18.5 billion at 31 December 2013, a substantial decrease of 29.1% compared to December 2012 and significantly higher than the change in gross exposure, which fell by 4.1% over the period. Impaired exposure on Retail customers saw a very high drop (-40.2%), mainly caused by the exit of Emporiki from the Group's regulatory scope of consolidation.

At the same time, individual valuation adjustments fell by 35.6%, while collective valuation adjustments rose by €0.2 million.

IMPAIRED EXPOSURES AND VALUATION ADJUSTMENTS BY GEOGRAPHIC AREA

31/12/2013 *(in billions of euros)*	Standardised approach	Internal ratings approach
	Past due	Exposure at default
Africa and Middle East	0.4	0.8
Central and South America	-	0.3
North America	-	0.2
Asia-Pacific excluding Japan	-	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	-	0.1
TOTAL	**6.8**	**11.5**

31/12/2012 *(in billions of euros)*	Standardised approach	Internal ratings approach
	Past due	Exposure at default
Africa and Middle East	0.3	0.8
Central and South America	-	0.3
North America	-	0.5
Asia-Pacific excluding Japan	-	0.2
Eastern Europe	0.7	0.3
Western Europe excluding Italy	9.4	1.0
France (Incl. Overseas departments and territories)	1.8	3.8
Italy	4.3	2.5
Japan	-	0.1
TOTAL	**16.5**	**9.5**

Total exposure in default (using the standardised and IRB approaches) is mainly concentrated in Italy, France and Western Europe excluding Italy. These regions account for 39%, 31% and 12% respectively of the total amount of this type of exposure. Total exposure in default fell by 30% compared with end-2012, with a sharp decrease in the Western Europe excluding Italy (-79%) mainly due to the exit of Emporiki from the Group's regulatory scope of consolidation.

4. Comparison between estimated and actual losses:

The ratio of Expected Losses (EL) to Exposure at Default (EAD) was 1.86% at 31 December 2013, an increase on the 1.58% ratio registered at 31 December 2012. 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 1.63% at 31 December 2013, compared to 1.67% in 2012.

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 three major 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 [negative]	AA- [stable]	
Sace Spa			A- [negative]

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 AA by S&P) 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*

(in millions of euros)	Outstandings at 31/12/2013		Outstandings at 31/12/2012	
	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)	43,810	82.6%	41,697	80.4%

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

(in billions of euros)	31/12/2013		31/12/2012	
	Gross exposure	Exposure at default	Gross exposure	Exposure at default
Equity exposures under the internal ratings-based approach	**27.9**	**12.9**	**18.9**	**3.6**
Private equity exposures in sufficiently diversified portfolios	1.0	1.0	1.0	1.0
Listed equity exposures	2.5	1.2	2.5	1.2
Other equity exposures	24.4	10.7	15.4	1.4
Equity exposures under the standardised approach	**2.2**	**1.3**	**3.4**	**1.7**
TOTAL EQUITY EXPOSURE	**30.1**	**14.2**	**22.3**	**5.3**

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 €27.9 billion at 31 December 2013 (compared with €18.9 billion at 31 December 2012).

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 2.5 criteria (Basel 2 rules incorporating the requirements of CRD 3).

The securitisation transactions listed below are transactions as defined in the decree of 20 February 2007, transposing the CRD (Capital Requirements Directive) into French law. They cover operations or structures 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 collected cash flows realised from the underlying exposure or pool of exposures;
- the subordination of tranches determines how losses are allocated over the life of the operation or structure.

Securitisation transactions include:

- traditional securitisations: imply the economic transfer of the securitised exposures to a special purpose vehicle that issues notes. The operation or structure implies the transfer of ownership of the securitised exposures by the reporting originating bank or via a sub-participation. The notes issued do not represent payment obligations for the reporting originating bank;
- synthetic securitisations: the credit risk is transferred through the use of credit derivatives or guarantees and the pool of exposures is kept on the balance sheet of the reporting originating bank.

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 2.5 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.

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 to the financial statements "Securitisation transactions".

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

Depending on the cases, these transactions 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 CACF 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, 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 BUSINESSES IN RUN-OFF

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 establishes and manages a securitisation programme that refinances assets of the bank's customers, mainly via ABCP (Asset Backed Commercial Paper) conduits, LMA in Europe and Atlantic in the United States. These specific entities are bankruptcy-remote and are not consolidated at Group level with respect to the SIC12 criteria of standard IAS 27, applicable as at 31 December 2013. Standard IFRS 10, which came into force on 1 January 2014, supersedes IAS 27 and SIC 12 and introduces a common framework for analysing control. The main impact of the first-time application of IFRS 10 was the entry into the scope of consolidation of the two multi-seller ABCP conduits, LMA and Atlantic. 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. The entry of these entities into the scope of consolidation will lead to an increase in the size of the balance sheet of less than €10 billion (estimate at 1 January 2013), with the resulting impact deemed non-material;
- 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.

2.1 ACTIVITIES CARRIED OUT AS ARRANGER/SPONSOR

Crédit Agricole CIB carries out securitisation transactions on behalf of its customers. At 31 December 2013, there were two active non-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 €14.1 billion at 31 December 2013 (€13.6 billion at 31 December 2012).

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 part of the risk, through credit enhancement by granting letters of credit in the amount of €436 million (€490 million at 31 December 2012) for Atlantic and via liquidity facilities in the amount of €18.5 million at the same date (€17 million at 31 December 2012) for the two ABCP conduits. It should be noted that the Securitisation business has never sponsored any SIVs (Structured Investment Vehicles)).

The conduits activity was sustained throughout 2013 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 €11.2 billion (€9.8 billion at 31 December 2012).

2.2 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 €7.3 billion at 31 December 2013 (€7.2 billion at 31 December 2012).

2.3 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 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 €1.8 billion, at 31 December 2013 (€2.3 billion at 31 December 2012), including €1.1 billion in acquired securities.

2.4 INTERMEDIARY ACTIVITIES

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 he 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): the Bank's 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.

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).

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.

IV. Summary of activity on behalf of customers in 2013

Crédit Agricole CIB's Securitisation activity in 2013 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 institutions" 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 2013, Crédit Agricole CIB had no early-redemption securitisation programmes and no assets awaiting securitisation.

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 TO SECURITISATION OPERATION RISKS BY ROLE

Underlyings *(in millions of euros)*	Securitised EAD at 31/12/2013						
	Traditional			Synthetic			
	Investor	Originator	Sponsor	Investor	Originator	Sponsor	Total
Residential real estate loans	174	-	216	143	-	-	533
Commercial real estate loans	25	39	138	42	-	-	244
Credit card loans	-	-	-	-	-	-	-
Leasing	-	-	1,923	-	-	-	1,923
Loans to corporates and SMEs	330	1,120	-	17,346	145	-	18,941
Personal loans	14	492	1,927	-	-	-	2,433
Trade receivables	-	6,749	5,434	-	-	-	12,183
Secondary securitisation	70	104	30	25	-	-	229
Other assets	8	389	3,078	67	-	-	3,542
TOTAL	**621**	**8,893**	**12,746**	**17,623**	**145**	**-**	**40,028**

EXPOSURE AT DEFAULT TO SECURITISATION OPERATION RISKS BY RISK WEIGHTING APPROACH

Underlyings *(in millions of euros)*	Securitised EAD at 31/12/2013			
	SFA	IAA	RBA	Total
Residential real estate loans	-	-	533	533
Commercial real estate loans	-	-	244	244
Credit card loans	-	-	-	-
Leasing	-	1,586	337	1,923
Loans to corporates and SMEs	17,227	-	1,714	18,941
Personal loans	-	2,186	247	2,433
Trade receivables	106	12,077	-	12,183
Secondary securitisation	-	-	229	229
Other assets	1,196	775	1,571	3,542
TOTAL	**18,529**	**16,624**	**4,875**	**40,028**

EXPOSURE AT DEFAULT TO SECURITISATION OPERATION RISKS BY ACCOUNTING CLASSIFICATION

Underlyings (in millions of euros)	Securitised EAD at 31/12/2013		
	Balance sheet	Off-balance sheet	Total
Residential real estate loans	213	320	533
Commercial real estate loans	36	208	244
Credit card loans	-	-	-
Leasing	-	1,923	1,923
Loans to corporates and SMEs	1,456	17,485	18,941
Personal loans	14	2,419	2,433
Trade receivables	81	12,102	12,183
Secondary securitisation	204	25	229
Other assets	1,093	2,449	3,542
TOTAL	**3,097**	**36,931**	**40,028**

EXPOSURE AT DEFAULT TO SECURITISATION OPERATION RISKS BY APPROACH AND BY RISK WEIGHTING APPROACH

Weighting (in millions of euros)	31/12/2013		31/12/2012	
	Exposure at default (EAD)[1]	Capital requirements	Exposure at default (EAD)[1]	Capital requirements
	Securitisation	Securitisation	Securitisation	Securitisation
External ratings based approach	**4,875**	**144**	**7,156**	**250**
Weighting 6-10%	2,441	23	4,123	24
Weighting 12-35%	1,968	25	1,984	28
Weighting 40-75%	118	5	384	17
Weighting 100-650%	271	46	580	126
Weighting 1,250%	77	45	85	55
Internal Assessment Approach	**16,624**	**118**	**15,907**	**125**
Average weighting	8.84%	8.84%	9.98%	9.98%
Supervisory Formula Approach	**18,529**	**112**	**30,132**	**185**
Average weighting	7.58%	7.58%	7.67%	7.67%
Transparency approach	**-**	**-**	**-**	**-**
BANKING PORTFOLIO TOTAL	**40,028**	**374**	**53,195**	**560**

(1) *Exposure at default of exposures subject to weightings.*

EXPOSURE AT DEFAULT TO SECURITISATION OPERATION RISKS ON OWN ACCOUNT AND ON BEHALF OF THIRD PARTIES

The exposure at default to securitisation operation risks amounted to €19,566 million on own account and €20,462 million on behalf of third parties at 31 December 2013.

Underlyings *(in millions of euros)*	Securitised EAD at 31/12/2013				
	Own account		On behalf of third parties		
	Traditional	Synthetic	Traditional	Synthetic	Total
Residential real estate loans	174	143	216	-	533
Commercial real estate loans	36	42	166	-	244
Credit card loans	-	-	-	-	-
Leasing	-	-	1,923	-	1,923
Loans to corporates and SMEs	1,450	17,491	-	-	18,941
Personal loans	14	-	2,419	-	2,433
Trade receivables	-	-	12,183	-	12,183
Secondary securitisation	174	25	30	-	229
Other assets	8	9	3,467	58	3,542
TOTAL	**1,856**	**17,710**	**20,404**	**58**	**40,028**

TOTAL EXPOSURE HELD DEDUCTIBLE FROM BASEL 2.5 CAPITAL

At 31 December 2013, the total exposure held deductible from Basel 2.5 capital amounted to €64 million.

1.2 SECURITISATION TRANSACTIONS USING THE STANDARDISED APPROACH

TOTAL SECURITISATION EXPOSURES

(in millions of euros)	31/12/2013	31/12/2012
TOTAL SECURITISATION EXPOSURES	**438.1**	**528.5**
Traditional securitisations	438.1	528.5
Synthetic securitisations	-	-

AGGREGATE OF SECURITISATION EXPOSURES HELD OR ACQUIRED (EXPOSURE AT DEFAULT)

(in millions of euros)	31/12/2013	31/12/2012
AGGREGATE OF SECURITISATION EXPOSURES HELD OR ACQUIRED	**364.9**	**499.4**
With external credit rating	**358.4**	**493.6**
Weighting 20%	173.3	381.8
Weighting 40%	-	-
Weighting 50%	174.9	105.4
Weighting 100%	6.9	4.3
Weighting 225%	-	-
Weighting 350%	3.3	2.1
Weighting 650%	-	-
Weighting 1,250%	**6.5**	**5.8**
Transparency approach	**-**	**-**

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 TO SECURITISATION OPERATION RISKS BY ROLE UNDER THE STANDARDISED APPROACH

Underlyings (in millions of euros)	Securitised EAD at 31/12/2013						
	Traditional			Synthetic			
	Investor	Originator	Sponsor	Investor	Originator	Sponsor	Total
Residential real estate loans	47	-	-	-	-	-	47
Commercial real estate loans	7	-	-	-	-	-	7
Credit card loans	-	-	-	-	-	-	-
Leasing	-	-	-	135	-	-	135
Loans to corporates and SMEs	58	-	-	-	143	-	201
Personal loans	-	-	-	-	-	-	-
Trade receivables	-	-	-	-	-	-	-
Secondary securitisation	129	2	-	463	-	-	594
Other assets	5	-	-	-	-	-	5
TOTAL	**246**	**2**	**-**	**598**	**143**	**-**	**989**

2.2 EXPOSURE AT DEFAULT TO SECURITISATION OPERATION RISKS BY APPROACH AND BY WEIGHTING

Risk weighting tranche (in millions of euros)	31/12/2013			31/12/2012		
	Long positions	Short positions	Capital requirements	Long positions	Short positions	Capital requirements
EAD subject to weighting						
Weightings 7-10%	5	-	-	18	-	-
Weightings 12-18%	-	-	-	3	-	-
Weightings 20-35%	320	-	1	395	-	1
Weightings 40-75%	356	-	-	368	-	-
Weightings 100%	6	-	-	8	-	-
Weightings 150%	-	-	-	-	-	-
Weightings 200%	-	-	-	-	-	-
Weightings 225%	-	-	-	-	-	-
Weightings 250%	11	-	-	7	-	-
Weightings 300%	55	-	-	80	-	-
Weightings 350%	-	-	-	-	-	-
Weightings 425%	13	-	1	15	-	1
Weightings 500%	-	-	-	-	-	-
Weightings 650%	-	-	-	-	-	-
Weightings 750%	-	-	-	-	-	-
Weightings 850%	-	-	-	-	-	-
Weightings 1250%	223	-	11	239	-	9
Internal Assessment Approach	**989**	**-**	**13**	**1,133**	**-**	**11**
Supervisory Formula Approach	-	-	-	-	-	-
Transparency approach	-	-	-	-	-	-
NET TOTAL DEDUCTIONS FROM CAPITAL						
1,250%/Positions deducted from capital	**-**	**-**	**-**	**-**	**-**	**-**
TRADING BOOK TOTAL	**989**	**-**	**13**	**1,133**	**-**	**11**

2.3 CAPITAL REQUIREMENTS RELATING TO SECURITISATIONS HELD OR ACQUIRED

(in millions of euros)	31/12/2013				31/12/2012			
	Long positions	Short positions	Total weighted positions	Capital requirements	Long positions	Short positions	Total weighted positions	Capital requirements
EAD subject to weighting	**989**	**-**	**266**	**13**	**1,133**	**-**	**292**	**11**
Securitisation	410	-	43	5	478	-	48	5
Secondary securitisation	579	-	223	8	655	-	244	6
Deductions from capital	-	-	-	-	-	-	-	-
TRADING BOOK TOTAL	**989**	**-**	**266**	**13**	**1,133**	**-**	**292**	**11**

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".