

Banque Fédérative
Crédit  Mutuel



ANNUAL REPORT
to the
**Annual General Meeting of
Shareholders, May 7, 2008**

Financial 2007

Copies of the present document are available on request at no charge from the headquarters of Banque Fédérative du Crédit Mutuel.

Banque Fédérative du Crédit Mutuel – *Société Anonyme* (Public Limited Company) with capital of €1,302,192,250
Headquarters: 34 rue du Wacken – B.P. 412 – 67002 Strasbourg Cedex – Tel 03 88 14 88 14
Telegraph address: CREDIMUT – Telex: CREMU X 880 034 F – Facsimile: 03 88 14 67 00
SWIFT address: BFCM FR 2A – R.C.S. Strasbourg B 355 801 929

CONTENTS

<i>Chapter I MEMBERS OF THE ORGANS OF MANAGEMENT, December 31, 2007</i>	5
<i>Chapter II MANAGEMENT REPORT</i>	6
1. Economic assessment 2007	6
2. Board of Directors	7
3. Main activities of BFCM	8
4. Information on the activity and results of the subsidiaries and companies under BFCM control (article L 233-6 of Code de Commerce)	11
5. Developments and prospects	17
6. Financial items relating to the financial statements of Banque Fédérative du Crédit Mutuel, as parent company	17
7. Financial elements relating to the consolidated financial statements of Banque Fédérative du Crédit Mutuel	19
8. Appendix to the management report: list of offices and responsibilities exercised during the financial year 2007– article L 225-102-1 of Code de Commerce	25
<i>Chapter III REPORT ON THE OPERATIONS OF THE BOARD AND INTERNAL CONTROL PROCEDURES</i>	30
<i>Chapter IV RISK REPORT</i>	40
<i>Chapter V REPORT ON THE PROCESS TO COMBAT MONEY LAUNDERING</i> . <i>Erreur ! Signet non défini.</i>	
<i>Chapter VI REPORT OF THE STATUTORY AUDITORS</i>	62
<i>Chapter VII FINANCIAL STATEMENTS</i>	71
1. Parent company financial statements	71
2. Consolidated financial statements	105
<i>Chapitre VIII RESOLUTIONS TO ORDINARY MEETING OF SHAREHOLDERS</i>	147

<u><i>Manager of the Annual Financial Statements</i></u>	149
<u><i>Certificate of the Manager of the Annual Financial Statements</i></u>	149
<u><i>Fees of the Statutory Auditors</i></u>	149

Chapter I

MEMBERS OF THE ORGANS OF MANAGEMENT December 31, 2007

Board of Directors:

Etienne PFLIMLIN, Président
Michel LUCAS, Directeur Général
Jacques HUMBERT, Vice-président
Marie-Paule BLAISE
Jean-Louis BOISSON
Maurice CORGINI
Gérard CORMORECHE
Roger DANGUEL
Jean-Louis GIRODOT
Robert LAVAL
Jean-Paul MARTIN
Pierre NEU
Gérard OLIGER
Albert PECCOUX
Eckart THOMÄ, représentant de la SAS CLOE,
Alain TETEDOIE

Censeurs :

Michel BOKARIUS
Gérard CHAPPUIS
Daniel SCHLESINGER
Michel FORNAS

Commissaires aux comptes :

Titulaires :

Ernst & Young et Autres
Membres de la Compagnie Régionale de Versailles

KMT Audit
Membre de la Compagnie Régionale de Colmar

Suppléants :

Pascal MACIOCE
Membre de la Compagnie Régionale de Versailles

Pascal BROUARD
Membre de la Compagnie Régionale de Paris

Chapter II

MANAGEMENT REPORT

1. Economic assessment 2007

There were three particularly significant features of 2007, by their importance and impact, affecting the world, Europe and France.

In the world, the subprime crisis broadly disrupted the banks and the financial markets. The crisis began in the United States with a surge in the number of defaults in the subprime mortgage markets, combined with a fall in the prices of properties pledged as the collateral for home loans. The bubble burst in the summer of 2007, when a number of banks, over committed to this sector, found themselves in difficulty. This was rapidly overlaid by crises of confidence in the financial markets, which arose from uncertainties as to the true extent of the losses affecting market players more generally. The conversion of sub prime grade mortgages into asset backed securities raised many issues as to the traceability of risk, whose resolution was then and remains a difficult matter. Uncertainty was aggravated by a crisis of confidence which contaminated the markets, which then entered into a state verging on paralysis, as liquidity dried up. Massive intervention was required by the central banks, but without even so bringing back the confidence lost.

To some degree, intervention even aggravated the state of uncertainty by engendering the belief that the crisis was deeper than it appeared. The financial markets were extremely nervous throughout the second half of 2007, which in turn affected the major stock markets, whose indexes fell prey to a volatility which in a few months wiped out the gains of recent years.

The major fear for 2008 is one of contagion, from the financial crisis to the real economy, particularly as lending terms become tighter and as commodity prices, more particularly oil, continually rise. The risk of recession in the United States, and that it will spread to other regions of the global economy, has become the major concern in the eyes of the the markets and governments.

This persistent crisis also brought to the fore the potential power and role played by sovereign funds, whose intervention lent support the troubled major banking groups. Their power and interventionist strategy revealed these funds' as having the capacity to act as new and major players in the financial world.

The Federal Reserve Bank of the United States (FED) will play a critical role in 2008, as it opts for either lower interest rates to boost markets affected by the crisis, or keeps up interest rates to control the risk of inflation.

On the fiftieth anniversary of the Treaty of Rome, Europe, which had been in an institutional log jam since France and the Netherlands rejected, by referendum, the European constitutional treaty, found a way out through the treaty of Lisbon. Although this treaty does not solve all questions for the future of Europe, it does make it possible to reinitiate the process of change necessary for the sound workings of European institutions, against the background of ongoing debate, between broadening or deepening the Union and its existing organizations. In the meantime, the Union is being built and organized as a vast economic market based on the exponential development of regulations which overlay national regulations, and weigh heavily on all processes across most sectors.

The Euro zone prospects of economic growth were 2.6 % in 2007. Growth was driven by household consumption, which held up well enough until year end, in spite of the market context and the rise in the price of goods and commodities, particularly oil. In the Euro zone, the balance of trade with the rest of the world was broadly positive, although the trade balances of individual countries within the Union are diverse—either improving or worsening, depending on the situation faced by public finances at the national level.

Over the Euro zone as a whole, the Central Bank remained vigilant in regard to the risk of inflation. Its interest rate strategy for 2008 will be in line with the mission bestowed upon it of controlling and anticipating the very real risk of inflation, which may feed on the rising prices of energy and of food products.

A feature of France in 2007 was the presidential and parliamentary elections. However, the structural changes intended by the government and supported by its parliament majority; although they bear the hallmark of a new style of governance, and seek to develop and implement the reforms raised in the form of campaign promises, are emerging with some slowness. The determination to change remains as it were caught in the vice of the domestic difficulties affecting France when it comes to changing its structures, as well affected from without by the constraints of globalization, which leave little margin for maneuver. A number of steps to reform have been taken, with a view to enhancing the flexibility of the workforce and making for more fluid relationships between all economic players, and so improve the efficiency of the national economy. Are these fundamental changes? Or merely their appearance? 2008 and the years to come will provide the reply.

In 2007, French economic growth should be close to 2%, and thus below the European average. The impact of the global crisis, poorer performance in the export markets, the structural unwieldiness characteristic of France, are the underlying causes of growth falling below the level forecast for it..

The slowdown in global economic growth which is the concern going forward into 2008, will probably be a product of the rising cost of borrowing and possibly of commodities, including energy, which will be a further brake on growth in France. Only household spending is able to fuel domestic economic growth, the pace of which is likely to be disappointing against the current background.

In our business, which is overwhelmingly focused on the domestic market, the subprime crisis had no direct effect, even though the CIC branch in New York, affected by the conditions arising from asset backed securities markets, had to make some provisions for asset write-down. In the domestic market, on the other hand, there was extremely strong competition between banks in the lending field, which substantially squeezed our margins. The volume of new loans granted was not sufficient to offset the lower lending margin. However, at year end, adjustments occurred which improved the situation and brought the lending business more into line with the needs of our business development.

Although our overall results are—in spite of the crisis—broadly unchanged on the previous financial year, yet, as a percentage of the whole, the earnings from the branch and other networks fell. The resilience of the retail networks and the quality of the work put in by those staffing them, and the products they sold, remained as good as ever throughout the financial year. But the need to build our margins back up again; to develop high value-added products, and so underpin our ability to grow the business on the basis of good risk and cost control, remained the top priority and driving force of our policy.

By developing new technologies and adapting to changes in business lines, with a particular focus on training, we will be able to face the challenges of the future. Providing the best services at the keenest cost remains a driving principle of our action.

Every one of those involved, at all levels, whether elected or employed in the branches or subsidiaries, has made their contribution to this financial year's results. These are a testimony to the efficiency of our organization, to the commitment of the elected representatives, of the members, and of the relevance of our choices for business development. All deserve thanks for their contribution to our activity, to our results, and to the development of our group.

2. Board of Directors

The Board of Directors of Banque Fédérative du Crédit Mutuel is currently comprised of 16 members appointed by the Annual General Meeting of Shareholders, and by 4 Scrutineers appointed by the Board in accordance with Article 20 of the Statutes (articles and objects of association).

The Board on June 14, 2002 opted for governance by twin management. The chairmanship of the Board was entrusted to Mr. Etienne PFLIMLIN and the responsibility of general management to Mr. Michel LUCAS.

The legal provisions relating to the make-up and terms of office of the members of the Board are described in the appendix to this report.

At the Ordinary General Meeting of May 10, 2007, the terms of office Mrs. Marie-Paule BLAISE, and of Messrs. Gérard CORMORECHE, Michel LUCAS and Jean-Paul MARTIN were renewed for a further three year term.

The General Meeting also ratified the co-option of Messrs. Pierre NEU, Gérard OLIGER and Alain TETEDOIE as members of the Board for the remaining term of office of Messrs. Jean-Marie CONROY, Paul SCHWARTZ and Bernard MORISSEAU.

The Board meeting held after the General meeting reappointed Mr. Michel LUCAS as Director General.

The Board, at its meeting of July 6, 2007, reappointed Mr. Michel FORNAS as Scrutineer. At the same meeting, Mr. Daniel SCHLESINGER was appointed Scrutineer to replace Mr. Claude DUVAL, both appointments for a three year term.

The compensation received by the BFCM directors is shown below. It includes a portion relating to their work within Crédit Mutuel and within CIC. The compensation of the company officers is set by the BFCM Board.

This compensation includes a fixed portion for the Crédit Mutuel business, and a variable portion for work performed within CIC. The fixed portion is determined by the Board, taking into consideration the customary standards for comparable posts of responsibility. The variable portion is determined on a flat rate basis by the CIC Supervisory Board, meeting after the General Meeting of Shareholders approving the financial statements for the financial year in respect of which compensation is paid.

The overall sums paid by Crédit Mutuel in respect of fixed compensation in 2007 were €834,405 for M. Etienne PFLIMLIN and €743,507 for Mr. Michel LUCAS, with an additional €632,079€ for the CIC variable portion of compensation. The directors furthermore benefited from the terms of the collective providence and supplementary pensions schemes covering all employees of the group.

On the other hand, the directors benefitted from no further specific compensation. None has been granted any equitable interest in or entitlement to any equitable interest in the company's capital, nor any security giving rights to acquire such equity, either in BFCM or in CIC. Furthermore, they do not receive attendance fees in respect of the responsibilities that they discharge, either in respect of the companies making up the group, or in respect of other companies on whose Boards they may sit by reason of their duties within the group.

The Board in 2007 decided to grant the company officers at the time of resignation of office an end of career indemnity comparable to that available to employees under the *convention collective* or industry-wide agreement known as CM4¹-CIC, and compensation equivalent to that of employee savings and share ownership schemes available to employees of the groupe; accruing during their term of office.

Directors are also entitled to credit notes or loans registered in the books of the banks making up the group, under the same terms as are available to the staff as a whole. The principal outstanding in respect of loans contracted by group senior management was €34,988 as of December 31, 2007.

The General Meeting did not approve the payment of any Board attendance fees. Accordingly, the Board made no payment in this respect to its members in 2007.

3. Main activities of BFCM

MARKET ACTIVITIES

The total funds collected by CM-CIC and under its management in market operations on behalf of BFCM and CIC increased by nearly 30% in 2007. From one year to the next, these deposits were invested in the same proportion of 58% short term and 42% medium and long term instruments.

¹ CM4 is made up of the following four federations : Crédit Mutuel Centre Est Europe (Strasbourg), Crédit Mutuel du Sud-Est (Lyon), Crédit Mutuel Ile-de-France (Paris) and Crédit Mutuel Savoie-Mont Blanc (Annecy)

Note a very substantial rise in the amount invested in tradable certificates of deposit, which doubled, from €14 billion at year end 2006 to €28 billion on December 31, 2007. The financial crisis of June 2007 was an incentive to many investors to seek a safe haven and entrust their investment to the CM-CIC group.

During this liquidity crisis, the arrangement set up was demonstratively efficacious. Due to the characteristics and availability of our portfolio invested in liquid assets, we were able to refinance ourselves from the markets by tendering on occasion to the funds made available by the ECB.

2007 saw the set-up of CM-CIC Covered Bonds, a financial company with restricted aims and objects (bank code 15 848), 99.99% owned by BFCM and intended to issue AAA graded securities for international investors, backed by residential mortgages granted by the CM-CIC group. The group was in this way able to develop further capacity for refinance which was essential for the commercial development of the retail banking business. CM-CIC Covered Bonds made its first 2 issuances this year, in the amount of €2.5 billion for a 5 year maturity in July, and €2 billion for a 3 year maturity in November.

As interest rates rose in the course of the year, we were able to borrow €300 million for an 8 year term at 5.10%, invested in the customer base of Crédit Mutuel – CIC.

There was extensive cooperation with the European Investment Bank during 2007, particularly in regard to the use of the new funding package known as Prêt Global PG XI.

DEPOSITARY OF UNDERTAKINGS FOR COLLECTIVE INVESTMENT (OPC – ORGANISMES DE PLACEMENT COLLECTIFS)

Undertakings for Collective Investment are vehicles in the nature of mutual funds (FCPs, SICAVs, FCPE, FCPRs among others), governed by regulations requiring:

- Custodianship in special accounts of securities and cash in the main, and the holding of positions in other securities (futures, financial instruments and other pure financial instruments in bearer's name). This business is handled by the specialist entities in the CM4-CIC Group;
- Management of OPC/UCI mutual fund liabilities, in particular the processing of subscription and redemptions of OPC mutual funds. This business is handled by specialist structures in the CM4-CIC Group;
- Oversight to ensure compliance of the management decisions of the OPC mutual funds themselves or of fund management companies.

Features of 2007 were:

- Continuing restructuring of the depositary business, in an exercise dating back to year end 2006 for OPC mutual funds in the CM4-CIC Group. Banque Fédérative du Crédit Mutuel is now the depositary of the OPC mutual funds formerly deposited in Caisse Fédérale du Crédit Mutuel CEE, Caisse Centrale du Crédit Mutuel, CIC, Lyonnaise de Banque, Bonnasse Lyonnaise de Banque and CIC Est;
- A substantial redrafting of the regulations governing the activity of custodian of OPC mutual funds;
- Market disruption as a result of the American subprime market crisis. Note however that no OPC mutual fund deposited with the Banque Fédérative du Crédit Mutuel held securities backed by subprime American mortgages

At year end 2007, Banque Fédérative du Crédit Mutuel was the depositary of 717 OPC mutual funds, whose total assets under management were worth €53.4 billion (+ 4.5% during 2007).

The overwhelming majority of the OPC mutual funds deposited with BFCM are under the management of fund managers in the CM4-CIC Group, namely CM-CIC Asset Management for general interest and employee share ownership and savings schemes, and in respect of FCPR mutual funds, CM-CIC Capital Privé and CIC LBO Partners. BFCM was also the depositary for 16 independent fund management companies.

KEY ACCOUNTS AND STRUCTURED FINANCE

2007 saw contrasting developments:

- The first half of the year continued as it had in 2006, with very substantial business in highly leveraged financial transactions by investment funds which played an increasingly big role, including in large-scale deals;
- The second half of which, from July onwards was marked by the subprime crisis, resulting in a more selective approach by the banking sector, a rise in lending margins, and a market now driven by purely corporate deals, as the investment funds withdrew.

In this context, CM-CIC Key Accounts continued:

- Developing its customer base by extending its relationships, among others to include virtually all the companies listed in the CAC 40 index,
- Reinforcing existing relationships by stepping up the pace of a cross-business line approach involving a group-wide approach to the corporate client, including a targeted approach to financial operations and intermediation on behalf of key accounts,
- Stepping up the pace of progress in the field of means of payment, the group's core business, by continuing to develop know-how in 3 directions: (i) implementations for pilot schemes for contact free mobile payment, (ii) preparation of SEPA and the extension of the product offering (cross-border acquisition and (iii) the reinforcement of the quality of service and uninterrupted monitoring of transactions on a secure environment.

The development of our selling strategies to customers to include significantly-sized structured transactions was part of our policy of keeping up a high quality and low risk portfolio of lending in a context favorable to the corporate sector.

Such uneven developments could equally well be a feature of 2008, the early months of which are still affected by the overhang from the subprime crisis, and gathering uncertainties in regard to economic growth.

In this more difficult context, the Key Account commercial focus will be on establishing strong and balanced relationships at the European level, with a long term perspective, which should continue to bear fruit.

SHAREHOLDINGS

The total portfolio of subsidiaries and shareholdings, including equity loans was €4,404.1 million on December 31, 2007, as against €3,938.1 million on 31st December 2006.

Noteworthy of the transactions affecting the portfolio of shares in subsidiaries in the course of the financial year are:

- **Groupe Républicain Lorrain:** Banque Fédérative took control of this press group by acquiring:
 - 100 % of the equity of **SOLODIF** for €27,675,000,
 - 100 % of **Editions Serpenoises** (€30,000),
 - 71,77 % of the equity of **Groupe Républicain Lorrain Communication** for €43,340,000,
 - 20 % of **IDEL** company for €405,000.
- **CM-CIC Foncière:** this specialist property subsidiary was set up in 2007 alongside CIC, our stake being 60% (€300,000).
- **Caisse de Refinancement de l'Habitat**, in which the equitable interest of Banque Fédérative rose from 7.82% to 20.26% after a share buyback in the year (165,263 shares for €609,661), the acquisition of 891,346 shares previously owned by CIC (outlay €4,074,337.56) and the underwriting of 265,739 shares as part of a rights issue (for an outlay of €4,196,018.81).

- **Club Sagem:** Banque Fédérative acquired 14,000,000 shares for €38.7 million, raising its stake to 25.26%.
- **ICM Finance** (Switzerland): disposal of 100 % of the equity for CHF9,000,000.
- **Crédit Mutuel Participations:** before the merger with CIC Epargne Salariale, Banque Fédérative disposed of its securities to CIC (51.16% of the equity) for €4,002,628.
- **La Pérennité:** disposal of the shareholding, namely 21.25% of the equity for €27,989,640.
- **SCI Plateau de Guyancourt:** disposal of the whole shareholding, amounting to 5.46% of the equity (€41,597)

4. Information on the activity and results of the subsidiaries and companies under BFCM control (article L 233-6 of Code de Commerce)

Pursuant to the above article of French regulations, the report presented to the General Meeting of Shareholders is required to report the results of the subsidiaries and companies under BFCM control, by branch of activity.

Financial Sector and equivalent

Groupe Crédit Industriel et Commercial SA: the CIC group generated consolidated net income of €1.204 million in 2007, and €1,139 million excluding minority interests.

The 10% fall in net income compared to 2006 is to be explained by the subprime crisis, which adversely affected the New York subsidiary, albeit in limited proportions. On the other hand, the other businesses continue to make sound progress.

1. Continuing consolidation of the groupe including Crédit Mutuel

The CIAL / SNVB merger took place at the end of last year, giving rise to CIC Est. Lyonnaise de Banque will absorb Bonnasse Lyonnaise de Banque in 2008. The CIC group now has five strong and homogeneous regional entities covering France, an organization allowing for the development of a single national CIC brand.

There is now only a single specialist subsidiary by business line at group level, each subsidiary being of a size sufficient to begin taking initiatives for development abroad. This has occurred with CM-CIC Bail, which has set up in Belgium, in support of a major vehicle hire company. One of the last subsidiaries to experience such a development will be the entity, concerned with employee savings and share ownerships schemes arising from the merger between, CMP and CIC Epargne Salariale, the first steps towards which were taken early in 2008.

The unification of the information system was preliminary condition for these developments, enabling the group to move forward into a phase of optimization of its functional organization. This requires a considerable commitment to staff training, with a view to ensuring that every member in post is in a position to provide value added. The positions in question are in the main found in the retail network, so that training has both economic gain and professional advancement as its rationale. The program is an extensive one, which is necessarily supported by attentive monitoring of staff. It requires the introduction of new instruments, one of which one is the the training centers of an increased capacity.

Optimization of resources also involves the rationalization of the administrative headquarters, some of which have already been sold, and others refurbished. The situation in Paris is still not optimized, as there are many different locations, each with central services.

The group is now in the position to give consideration to business development abroad. The first step was the acquisition of SwissFirst Private Banking, which took place early in 2007. CIAL Suisse will change its name into CIC Suisse. Banque Transatlantique set up a subsidiary in Belgium. In Italy, discussions are underway with the Banca Popolare di Milano, with a view to deepening the strategic partnership which is already in place.

2. The business is progressing, but it has been affected by changes in the general economic environment and the consequences of the financial crisis.

The target set of 4 million customers in the retail network is close to being reached.

The loan book has continued to rise (+21% to €14.6 billion), and the growth of balance sheet funds has accelerated (+20 % to €67.9 billion), as a result of a special drive to raise new funds at market interest rates. There was a further 5% rise to €220 billion in savings deposited with the bank, under its management and custody..

However, the more sluggish growth of the economy more generally has had an effect on new lending, where the pace of increase slackened somewhat, to only 8%, and growth in new home loans being particularly slow at 1%.

The CIC group net banking income fell by 3.7%, from €4,354 million in 2006 to €4,193 million in 2007.

Certainly, the retail bank's net banking income, which is the core CIC business, as it accounts for 69% of group net banking income, increased by 3.1% to €2,897 million, and pre-tax profit rose by 3.9% to €320 million. Net banking income in private banking increased by 12.3% to €449 million and pre-tax profit rose by 11% to €181 million. Venture capital net banking income increased by 40%, to €381 million, and pre-tax profit by 43% to €339 million.

Even so, the finance and market-related banking business felt the backlash of the subprime crisis, albeit to a limited degree.

The New York subsidiary manages a portfolio of asset backed securities (RMBS and ABS) valued at €3.9 billion on its own account, either for trading purposes or for AFS, 91% made up of AAA rated paper. The exposure to the subprime credits amounted to €42 million, of which €67 million AAA rated securities. However the slump in real estate prices continued led to lower ratings on a number of issuances and to a squeeze on liquidity, resulting in loss of value on the portfolio, which recorded a negative net banking income in the amount of €180 million. Portfolio as a whole was valued at market prices, based on external data from major American brokers, or failing this, on the basis of comparable market-listed securities. However given the quality of the securities in the portfolio, it should not report a significant loss on maturity.

As a result of continuing sound performance from other business sectors, the finance and market-related business net banking income fell by only 23.7% or €61 million to €19 million, pre-tax profit being €256 million, down 41%.

There was a 50% rise in the cost of risk, by €40 million to €120 million, which is ascribable wholly to the retail network, in the light of the general trading environment. The cost of risk is nevertheless very low compared to the overall loan book, being is no more than 0.11% as against 0.09% in 2006, having been 0.13% in 2005. The rate of coverage for doubtful and disputed debt remains unchanged at 63.6%.

In spite of the substantial rise in loans outstanding, and reduction in profits, the European core capital adequacy ratio of the CIC group, calculated according to the old formula, remains high at 8.2%. The regulatory capital qualifying as core increased by €1 billion in a year to €9.5 billion.

Earnings per share fell from €6.18 to €2.16, as did Return On Equity, which was 15.6%.

The Board will propose to the Annual General Meeting of Shareholders on 22nd May 2008, a net dividend of €4.80 per share, an 8.35% increase in dividend, in line with the dividend increases of the last three years. The option is available for dividend payment in shares, as last year.

Banque de l'Economie du Commerce et de la Monétique SAS: BECM is the group subsidiary mainly involved in the medium and large corporate market, and in providing finance to realty professionals—property development, asset owning companies and asset finance. In the latter segment, BECM is the hub of the CM4-CIC business. In the industrial and commercial enterprise market, BECM is active across the whole of France (and in Germany) providing its customers highly technical services, both financing their needs, and offering them high value added services such as the engineering of domestic and international cash flow, social and financial engineering, and market trading services. Out of a concern to enhance the efficiency and coherence of operations within the group, BECM and CIC's network serving large and medium sized business corporations have moved to ensure convergence

in their procedures and tools, both in the technical and marketing fields, as well as in risk management and monitoring. BECM, which has also developed a comprehensive asset management business, targeted to senior business executives and decision-makers.

BECEM has stood by its policy of sustained business development by notably increasing the pace of its new lending (+15%), and of its book sources of funds which, assessed as at monthly average levels, rose 59% mainly from the issuance of CDNs. As a result, lending margins have substantially increased, by 12% on their previous levels. Commissions continue to rise as a result of the quality of the work put in by the bank's staff making available to customers more or higher value-added services and products. Risk has been kept at low levels. After and FRBG allowance of €15 million, net book income rose 16% to €7 million.

CM-CIC Covered Bonds SA: by decision of CECEI of May 31, 2007 CM-CIC Covered Bonds was approved as a financial company with strictly limited aims and objects (bank code 16848), namely group refinancing by the issuance of covered bonds.

The entity is 99.99 % owned by Banque Fédérative du Crédit Mutuel (BFCM), and its set-up marks the point of completion of the market refinancing arrangements of the CM-CIC Group.

Shareholders equity is €240 million made up of:

- €120 million capital stock,
- €60 million indeterminate subordinated loans (article 4c of the CRBF 90-02),
- €60 million fixed term subordinated loans (article 4d of the CRBF 90-02).

CM-CIC Covered Bonds, within the legal framework of its €15 billion EMTN program, issues AAA and Aaa rated covered bonds (rating from three agencies S&P, Fitch and Moody's). The bonds benefit from a financial guarantee as required by article L431-7-3 of the du Code Monétaire et Financier, relating to the stock of eligible home loans to customers of the Crédit Mutuel-CIC retail network.

In spite of a market context made particularly difficult by the liquidity and confidence crisis which arose in the course of 2007, caused by write-downs related to the US subprime markets, CM-CIC Covered Bonds nevertheless made two issuances in 2007.

The first was for a term of five years in July, raising €2.5 billion, the second being in November raising €2 billion for a three year term.

The net book income for 2007, the first year of trading of CM-CIC Covered Bonds, was €66,000. Banque Fédérative's equitable interest in the company is €19,963,300.

Ventadour Investment SA: acquiring shareholdings in other companies is the main business of Ventadour Investment. The gross value of shares owned outside the Groupe Crédit Mutuel remained at €0.7 million in 2007., as in the previous financial year. The CIC line remained unchanged at €1,060 million, as no transactions took place in 2007, a year in which the Banque Fédérative underwrote 6,000,000 securities for €90 million.

Groupe SOFEMO SA: the company's business is mainly focused on arranging payment by instalments and finance packages on sale of goods. Lending to customers rose from €10 million to €23 million in 2007. The book profit was €2.6 million for financial 2007. Shareholders' equity prior to the appropriation of earnings was €2.7 million.

CM-CIC SCPI Gestion SA: 2007 was the year when the management of the two commercial SCPI property companies Crédit Mutuel Immobilier and Ouest Pierre Investissement were consolidated into SCIO. Their total physical assets amounted to 50,000m², and the financial year ended. 2007 with earnings of around €100,000.

Banque de Luxembourg: In 2007, the bank's business grew, deposits increasing by some 9%, with contributions both from the Luxembourg market and from neighboring countries. In the highly volatile market environment of 2007, Banque de Luxembourg continued to give priority to protection of capital values and regular performance over the long term. As a result, the turbulence of the home loans crisis in the United States had little and isolated impact on customer portfolios.

The performance of the Bank's financial products was in line with the benchmark indexes and broadly above long term average returns. In 2007, the range of investment solutions proposed by Banque de Luxembourg was extended with three new funds responding to fundamental change in the markets and to the attractive prospects arising.

Banque de Luxembourg also reinforced its know-how in the specialist investment fund field (SIF) and in the venture capital investment companies known as SICAR in France, remaining faithful to its strategy of providing high value added services.

On December 31, 2007, Banque de Luxembourg carried €14.6 billion on its balance sheet. As compared to the previous financial year, cash deposits from customers increased by 23% to €1.5 billion and loans to customers by 17% to €2.1 billion. Assets in cash and securities deposited by customers were worth €6.1 billion, a 9% increase. As a result of the sound development of the Bank's business, it reported a 3.6% rise in profit to €1.7 million.

Boréal SAS: Boréal performed well in 2007, given a relatively chaotic economic background. Another feature of the year, however, was the acquisition of a new customer, who migrated successfully in November. Revenues put on 4.4% to €2,999,000, earnings slipping by 2.6% to €724,000 after allowance for non-recurrent migration charges.

CM-CIC Lease SA: after two relatively flat years, most property lease and buyback operators reported business in 2007 surging at an estimated 20%, due to new agreements signed (worth €5.5 billion), including a 4.7% increase in the number of transactions financed. However the total assets under management by the leasing industry fell back very slightly after the early exercise of many options; caused by the scale of the property transactions of the past year. The market remains characteristically competition and margins are being squeezed down.

Against this background, CM-CIC Lease reported 39% growth in business and more than 20% growth in the number of transactions financed, without detriment to the quality of risk exposure in new deals and a level of margin close to that of the previous financial year.

The assets under management by CM-CIC Lease remained stable, at a time when well controlled structural costs and a number of extraordinary transactions generated €9.2 million net income after payment of €7.1 million in commission to networks of business providers.

The make-up of the realty assets financed remained unchanged, being comprised of 55% warehouses and industrial premises, 23% retail premises, 12% offices and 10% other buildings.

CM-CIC Asset Management SA: This entity stands at the very center of the Crédit Mutuel – CIC group asset management business.

CM-CIC AM reorganized under a new Board, which adopted a 3 year business development plan at year end 2007.

At the end of December 2007, assets under management rose to €53.1 billion from €50.7 billion at year end 2006. The funds contributed by employees to share ownership and savings schemes under the management of CM-CIC Asset Management amounted to €4.2 billion. In addition to managing these assets CM-CIC AM acted as a book keeping service provider to 50 other fund management companies holding assets €10 billion and acting on behalf of 185 OPCVM/UCITS mutual funds.

In France the liquidity crisis affected the inflow of funds into OPCVM mutual funds, which slipped for the first time in 10 years. CM-CIC AM's positioning helped it withstand the crisis, and continuing inflows were regularly received into the money market funds. In spite of the climate of mistrust of vehicles exposed to the securitization of asset-backed securities and credit markets, inflows remained high into these dynamic cash management and absolute performance funds.

In 2007 as in 2006, the management teams generated excellent performance, and received many awards in recognition of it. Among them *Lauriers de Bronze* from *Investir* financial journal, *5 Trophées du Revenu*, *3 Trophées d'Or*, and the Alpha League Table Europerformance/EDHEC award.

2007 revenues rose to €329.5 million from €295.5 million at year end 2006, an 11.5% increase over the year, giving net income of around €6 million.

Insurance sector

The Groupe des Assurances du Crédit Mutuel – GACM SA reported consolidated premium income of €7.792 million for financial 2007, 2.9% down on 2006.

The substantial increase in premiums on personal insurance (+9.7%), driven by insurance contracts underwritten by borrowers to protect their repayments, and property insurance (+8.5%) did not offset the lower inflow (-6.4%) of personal savings into insurance based schemes.

The latter decline occurred in a market where the premiums for life assurance and inflows into with-profits schemes fell by 3%. Note that savers building up assets through traditional euros denominated insurance based schemes, were increasingly attracted by more modern multiple-compartment investment products, whose collections increased by 15% (in spite of uncertainties affecting the stock market) at a time when euro denominated products have slipped 38% compared to 2006.

Liabilities to the policyholders, for which technical provisions were made in the amount of €54.9 billion, increased by 8.2%.

Investments of the funds collected by the insurance business totalled €1.5 billion, of which €0.3 billion investments in U.C.

Shareholders' equity at year end 2007 was €4.635 billion, including earnings before appropriation.

Technical results were headed in the right direction in spite of slacker life assurance, and collections by with insurance-based with-profits savings schemes, combined with the inclusion into the scope of consolidation of new companies (RMA-Watanya and Partners Assurances). As a result, net income of €52 million was generated, 7.7% up on financial 2006.

The consolidation of GACM into the over-the-counter sales of insurance by the retail banking network, known as *bancassurance*, operated by BFCM and the group, required some restatements to the figures shown above to meet the IFRS standards in force, the outcome being IFRS net income of €57 million and shareholders' equity before appropriation of earnings of €4.654 billion.

IT sector

Euro-Information SAS: Euro-Information had a good 2007 resulting in net profit of €1.2 million. Euro-Information, which owned 10% of NRJ Mobile, now owns 50% of its subsidiary, whose business performed in line with forecasts. Banque Fédérative du Crédit Mutuel owns 14% of the equity.

Realty sector

CM-CIC Participations Immobilières SA: by providing support to property developers in setting up investments in SCI civil property companies, by supporting residential property development across the whole of France, CM-CIC Participations Immobilières has been an instrument on behalf of the group in 10 new property deals, for the building of some 600 units of accommodation, generating revenues of €18 million and requiring the investment of €1.9 million shareholders' funds. Net book income was €2.7 million.

Sarest SA: in 2007 this property developer was unable to bring more than the average amount of new developments on stream, due to delays in the granting of permission for land development. Rights to 127 land subdivisions were sold and 131 reserved, generating revenues of €18.793 million. Note business for the first time in the new locations

for SAREST, in particular in the Rhône-Alpes region. 2007 ended with a profit of €1.677 million.

CM-CIC Agence Immobilière SAS: CM-CIC Afedim, as an intermediation company selling new residential accommodation, operates under the Hoquet law and on the joint account of the networks of the Crédit Mutuel, of the CIC and of the private banking arm. This instrument acting for the group targets investors and home buyers. The property developments on offer are previously approved by a committee taking its decision on the basis of the combined input from the engagement, asset management and sales entities. In 2007, 2,603 units of accommodation were sold for €447 million generating €18.4 million fee income, excluding tax, of which €17.4 million were retroceded to the network. The year-end profit was €309,000.

Sofédim SAS: the profits of this subsidiary henceforward include the first proceeds of the property developments started as far back as 2004, on a partnership basis, with handsome rewards to the network in terms of the acquisition made. Including the fees from CM4 and CIC property assets arbitraging, and the fees from assistance to the project owners and main contractors, the after tax profit generated was €340,000.

CM-CIC Foncière SNC: a company set up to provide a structure for construction works on and the extension of the CM-CIC group training centers at Bischenberg and Verrières le Buisson. 2007 saw the start-up of works which will be financed partly out of capital and partly by bank lending. In the manner of its constitution under law, and by intention; this group instrument feeds back earnings into the group, although a loss of €101,226 was made at the end of the first financial year.

Communications sector

Société Civile de Gestion des Parts du Crédit Mutuel dans le Journal "L'Alsace" (Crédit Mutuel Management Organ for the *Alsace* newspaper): the 55 % equity owned in the *L'Alsace* press title, is recorded in the balance sheet as an asset worth €1.6 million.

Société Française d'Édition de Journaux et d'Imprimés Commerciaux 'L'Alsace' SAS: this holding company controls all the Alsace group companies working in publishing, communication, radio and advertising. The Banque Fédérative stake is 23%.

Devestmedia SAS: set up as part of the group's expansion into the media business, Devestmedia's aim is to acquire and manage shareholdings in radio broadcasting. As a minority shareholder, this company is a long term investor. The year ended with a loss of €1,100.

Ebra SAS: a company set up in partnership with the *Est Républicain* newspaper, the controlling operator. It acquired Groupe Delaroche, owner of a number of press titles and related businesses (printing, TV, advertising space management). Reorganization underway. Banque Fédérative owns 49% of the company.

Groupe Républicain Lorrain: being wholly owned by Banque Fédérative through two companies, Solodif and GRLC, this press group, which was acquired in 2007, is currently being reorganized, and thus loss-making in 2007..

Services and others

Réma SNC: the revenues of this subsidiary specializing in the resale of equipment fell by 8.3% from €15.6 million to €14.3 million, the year ending with profits of €67,743 million, a 12% increase on the previous year.

Bischenberg SA: revenues were close to €3.4 million, a 12% increase, gross pre-tax profit being €120,000. External customers generated 25% of revenues, substantially down on 2006. A high room occupancy rate of around 70% outside the school holiday period was recorded. Revenue losses by providing accommodation to customers in external hospitality facilities were €146,000 and the outsourcing of business worth €64,000 to Villa Mathis significantly dented revenues.

The first phase of extension works began at year end.

Sofédis SA: revenues at €43.9 billion were higher than 2006, net income being €2,200,000.

Devest 6 SA: through lease and buyback arrangements with a local partner; the company continues to manage and deliver services to the aerospace industry.

5. Developments and prospects

The advent of new actors in the domestic market will heighten competition. Uncertainty as to the future of interest rates and the impact of the American recession, give reason to believe that 2008 will not be significantly disturbed. A historically well controlled business expansion in the interests of our customers and historic members, combined with well managed costs and risks, should ensure that we can overcome the difficulties likely to come our way. The development of our tools, supported by regular training delivered to employees, provides the assurance of the quality of our products and services.

6. Financial items relating to the financial statements of Banque Fédérative du Crédit Mutuel, as parent company

Balance sheet

The balance sheet as at December 31, 2007 stood at €154.6 billion, a 29.8% rise on the previous financial year.

Liabilities to credit institutions took the form of deposits from the Caisses de Crédit Mutuel des Fédérations Centre Est Europe, Sud-Est, Ile-de-France and Savoie-Mont Blanc, operating through the Caisse Fédérale du Crédit Mutuel Centre Est Europe (CFCMCEE). Deposits rose to €36.5 billion or by 4.8% compared to 2006.

Customer accounts in credit, recorded as liabilities in the balance sheet, were €3.7 billion, a sum mainly made up of OPCVM mutual fund instant access accounts in credit, worth €3.1 billion; and customer accounts in credit and fixed term borrowing from customers, in the amount of €0.6 billion.

Securities loaned, securities in the interbank market and debt securities of €30.9 billion, added to bonds worth €28.6 billion, generated funds in form of securities worth €59.5 billion.

The fund for general banking risks in the amount of €61.6 million and the €1.6 billion in Super Super Subordinated Securities remained unchanged from one financial year to the next. Shareholders' equity and quasi equity stood at €4.5 billion before appropriation of earnings for the financial year.

On the asset side, the role played by BFCM as the central treasury management entity of the CM4-CIC group resulted in outstanding loans from credit institutions in the amount of €135.2 billion. The refinancing granted to CFCMCEE to fund the lending by Caisses de Crédit Mutuel makes up the majority of this at €50 billion. On the other hand, the specific use of funds by Caisse Fédérale du Crédit Mutuel CEE is refinanced to the tune of €3.5 billion. The Banque Fédérative refinancing activity also extends to Banque de l'Economie du Commerce et de la Monétique, and to the entities of the CIC Groupe. The funds allocated to these entities are €43.5 billion.

Transactions with customers amounted to €3.8 billion; lending being mainly to major corporations.

Investment in trading securities, securities held for sale and securities held to maturity are the other uses to which treasury was put (€3.4 billion).

Shareholdings in related companies, amounting to €4.2 billion are mainly made up of equity in CIC (€2.6 billion) and in Groupe des Assurances du Crédit Mutuel (€659 million).

Profit and loss statement

Interest and equivalent income amounted to €1.3 billion, of which €0.6 billion on lending to credit institutions.

Interest and equivalent expenses were €1.2 billion. The interest payable to credit institutions (€8.4 billion) and interest on securities issued (€2.7 billion) account for the majority of interest expense.

The revenue from securities at €351.2 million was wholly made up of dividends paid by Investessor (€130.1 million), by CIC (€10.7 million), by Groupe des Assurances du Crédit Mutuel (€50 million), by BEC million (€8.7 million) and by CM-CIC Lease (€1 million).

Given commissions and other operating items, net banking income rose to €288 million from €267 million in 2006.

General operating expenses amounted to €40.9 million.

Furthermore, the sum of €3,866 was recorded as rental payments and depreciation of company vehicles, an amount not allowable in deduction of taxable profit, and thus included in taxable income at the standard rate.

Finally, income for the financial year rose 21.5% to €254.3 million in 2007 from €209.1 million in 2006.

Board proposals to Annual General Meeting of Shareholders

The following appropriation is proposed to the Annual General Meeting :

Profit 2007 :	€54,274,957.81
Retained earnings:	€1,390,736.18
Total:	<hr/> €55,665,693.99

We propose to:

- pay a dividend of €7.48 on each of the 26,043,845 shares making up the capital, a total pay-out of €194,807,960.60, eligible for 40% abatement under article 158 of the *Code général des impôts*;
- allocate to the legal reserve the sum of €13,000,000.00;
- allocate to the optional reserve the sum of €47,000,000.00;
- allocate to retained earnings the sum of €57,733.39.

In accordance with the legal provisions in force, we remind you that the dividends for the last three financial years were, by share, as follows:

<i>Exercice</i>	2004	2005	2006
Montant en €	4,20 €	5,32 €	5,38 €
Avoir fiscal en €	-	-	-
Dividende éligible à l'abattement prévu par l'article 158 du CGI	oui	oui	oui

7. Financial elements relating to the consolidated financial statements of Banque Fédérative du Crédit Mutuel

Financial statements

Under EU regulation 1606/2002 on the application of international accounting standards and EU regulation 1725/2003 in regard to the adoption of those standards, the consolidated financial statements are drawn up according to the IFRS framework adopted by the European Union, as of the date of close-out. The IFRS framework includes the IAS standards, IFRS standards 1 to 7 and the interpretations adopted to date. The summary documents are presented in accordance with recommendation CNC 2004-R.03.

Analysis of balance sheet

The total consolidated balance sheet assets drawn up under IFRS of the BFCM group are €95.9 billion, as against €39 billion in 2006, a rise of 16.8%.

The financial liabilities assessed at fair value through profit or loss (FVTPL) amounted to €5.6 billion in 2007 as against €6.6 billion in 2006. These are mainly the liabilities from derivatives and other financial trading and debts to credit institutions at fair value through profit or loss (FVTPL).

The value of the other debts to credit institutions (€2.1 billion) fell by 20.6% from one financial year to the next.

Issuances of securities other than those valued at fair value through profit or loss (FVTPL) were made in the amount of €9.8 billion in total as against €72 billion in 2006 (+38.5%). Interbank market securities and tradable notes accounted for the majority of issuances in the amount of €8.5 billion, followed by bond debt (€30.7 billion). The balance under this heading is made up of short term borrowing and other securities.

The line Liabilities to customers on the liabilities side is made up of customer deposits in the form of savings schemes, including receivables on loans attaching to them.. Deposits increased by 14.6% to €70 billion in 2007, reflecting a substantial recovery in the flow of funds for savings purposes. The contribution from CIC entities alone amounted 93% of the total or €64.8 billion.

Technical provisions on insurance contracts representative of liabilities in respect of the policyholders amounted to €4.4 billion or 7.5% more than the past financial year. Most of this (€40.7 billion) was made up of customer savings entrusted to the insurance companies of the Groupe Assurance du Crédit Mutuel.

The minority interests on the liabilities side (€1.8 billion at year end 2007) relate in the main to other Crédit Mutuel groups in the GACM (23.5% of whose equity they own) and to the other, external shareholders of the CIC (8% of the equity).

On the assets side, investments in the interbank market rose by 1.9% from 2006 to 2007, to €7 billion.

Lending to customers amounted to €121.7 billion on December 31, 2007, an increase of 21.7% over the previous financial year. More than 90% of lending took place through CIC entities. The trend over the period was one of a substantial rise in lending.

The value of the financial instruments assessed at fair value through profit or loss (FVTPL) was recorded at €7.3 billion, as against €5.5 billion in the previous year.

Goodwill on the assets side (€64.4 million) related mainly to the acquisition of CIC securities (€505 million residual goodwill).

Analysis or profit and loss account

In 2007, the BFCM Group saw its attributable net profit fall from €1,642.5 million to €1,464.4 million, as a result of lower net banking income in the market-related business and holding activities.

The rising cost of funds, particularly the cost of refinancing, which the group had to call upon in order to finance its strong growth, depressed the rate of earnings growth in retail banking (+2.6%), whereas earnings from the finance and market-related business was marginally affected by the credit crisis (-36.7%). Insurance (+13.9%), and private banking (+14.3%), venture capital (+21%) reported satisfactory improvement in their earnings.

The net banking income of the BFCM Group fell by 4.8% from €5.7 billion to €5.4 billion.

The underwriting of insurance business through the retail banking “high street” network, known as *Bancassurance de proximité*, is the core businesses of the BFCM Group, accounting for 75.9% of the group’s net banking income. Net banking income rose by 2.5% from €4,009 million to €4,110 million.

The other businesses also contributing to the rise in net banking income were private banking ((+14.4%) and venture capital (+26.4%), although net banking income fell in the finance banking and market trading businesses with a fall of 54.7% for the market-related activities; and in the holding activity.

General expenses rose 2.8% compared to the previous year, to €3,084.3 million.

The operating coefficient rose from 53% to 57.2%.

The cost of risk rose fell from 0.10% to 0.9% of the total of the gross outstanding loan book in 2007, and in absolute terms was booked at €127.6 million in 2007 as against €89.9 million in 2006.

The rate of coverage of doubtful and bad debt was 66.4% in 2007.

Pre-tax profit excluding extraordinary items fell by 13.6% from one financial year to the next, to €2.3 billion.

Analysis by Activity

Description of activity branches

The activities as described below reflect the organization of the BFCM Group.

- Retail banking is the core business of the BFCM Group and includes the BECM network, the CIC regional banking network and the CIC Ile-de-France network, as well as all the specialized activities whose products are marketed by the retail network: moveable property lease and buyback, real property lease and buyback, PNF finance packages on sale of goods, factoring, mutual fund management, employee share ownership and savings schemes, property management.
 - Insurance through the Groupe des Assurances du Crédit Mutuel (GACM) and its subsidiaries, develop products which are marketed by the retail network. The GACM companies operate in the French life and non-life assurance markets, in insurance broking, in re-insurance, in remote supervision, and financial schemes covering automotive maintenance.
 - The finance and market trading business is twofold:
 - first; lending to or financing major business corporations and institutional customers, value added finance (project and asset finance, export finance etc.), as well as the finance of the bank’s own international operations and foreign branches;
 - second, the BFCM and CIC market trading activities form part of the single CM-CIC Market entity, under single Management.
- The market trading activities are organized in three business lines, namely refinancing, buying and selling for third parties and trading on own account. Trading takes place on two sites (Paris and Strasbourg) and is reported in two balance sheets:
- * BFCM, for the refinancing business
 - * CIC for the buying and selling for third parties and own account business lines;

- Private banking covers the companies with private banking as their main business object both in France (Banque Transatlantique, Dubly-Douilhet SA) and abroad (Banque de Luxembourg, Banque CIC Suisse, Banque Transatlantique Luxembourg, CIC Private banking-Banque Pasche, Banque Transatlantique Belgium).
- The development capital business, transacted on own account, is a significant source of earnings, the business being organized around three main entities: CIC Finance, CIC Banque de Vizille and IPO.
- The structure and holding branch covers those activities not ascribable to another branch and hence logged in the holding company; as well as purely logistics organizations, such as ntermediate holding companies and property management services accommodated within specific companies.

Results by Activity

Retail banking

<i>(millions of Euros)</i>	2007	2006	Change 2007/2006
Net banking income	3 151	3 099	+1.7%
General expenses	(2191)	(2108)	+3.9%
Gross operating profit	960	990	-3.1%
Cost of Risk	(114)	(115)	-0.9%
Operating profit	846	875	-3.3%
Pre-tax profit	862	881	-2.2%
Net book profit	590	575	+2.6%

In 2007, the BFCM Group continued its network development strategy;

Overall, the net banking income of the retail side of the business of the BFCM Group (58% of group net banking revenues) rose by 1.7%.

General expenses increased by 3.9% over 2006, and the operating coefficient rose from 68% in 2006 to 69.5% in 2007.

Gross operating profit fell by 3.1%.

Pre-tax profit fell 2.2% from €881 million to €862 million. Retail banking net income was €590 million, accounting for 34.6% of total net income.

The bank's business development strategy is assessed on the basis of the numbers from the CIC networks, and the numbers from the BECM network;

With respect to the 2055 branches in the CIC network, generating nearly 92% of the gross banking income of the retail banking system, the priority was commercial development, the achievements of which were:

- A 4.9% increase in the number of customers (+ 185,000) including private individuals, professionals, self-employed and small businesses, and medium and large corporations (3,988,325 December 31, 2007, of which 673,498 corporate and professionals);
- Boosting lending to customers by 8%, particularly consumer credit (+19%), lending for the purposes of capital investment, and corporate operating credits (+16%), the total value of loans outstanding rising by 19%;
- 14% increase in the amounts held on deposit and a 7% increase in savings under management and custody;
- A real boost to the property and casualty insurance business (20% rise in number of contracts for MRH - Automobile and 20% in life assurance).
- Boosting the services businesses.

BECM, a subsidiary of the BFCM Group, operates mainly in corporate finance and the finance of real estate dealers, managers and developers, both in France and Germany (property development, freehold land deals, and

asset finance). There was a committed policy of business growth, reflected in the highlights set out below:

- Substantial rise in loans granted (+ 15%)
- Rise funds raised and entered in the books (+ 19.2%)
- Net banking income €162.4 million, a rise of 8.8% on 2006
- Net income rising by 13% to €1.5 million.

Insurance

<i>(in millions of Euros)</i>	2007	2006 Proforma	2006 Published	Change 2007/2006
Net banking income	960	892	910	+7.6%
General Expenses	(278)	(264)	(282)	+5.2%
Gross operating profit	682	628	628	+8.6%
Cost of Risk	0	(0)	(0)	Ns
Operating profit	682	628	628	+8.6%
Pre-tax profit	710	639	639	+11%
Net book profit	490	430	430	+13.9%

At the BFCM Group level, insurance accounts for some 18% of net banking income and 29% of net book profit. The assessment of the second largest business in the Group relies on the key performance indicators of GACM's insurance business (nearly 76.5% owned by BFCM Group):

- 6.5 million policyholders (+4.8% on 2006), with more than 18 million contracts underwritten (+ 8.2% over 2006).
- Overall consolidated premium income (life, non-life) €7.8 billion, a fall of 2.8% compared to 2006.
- An 8% rise in in funds under management collected from life assurance premiums; rising to €50.4 billion in 2007 from €46.7 billion in 2006.
- Commissions paid to the various networks rose 8.7%, including a 70% increase in loans over 4 years.

Finance banking and market trading

<i>(in millions of euros)</i>	2007	2006	Change 2007/2006
Net banking income	611	815	-25.1%
General Expenses	(279)	(317)	-12.0%
Gross operating profit	332	499	-33.4%
Cost of Risk	(7)	32	-122.2%
Operating profit	325	531	-38.8%
Pre-tax profit	325	531	-38.8%
Net book profit	233	368	-36.7%

Net banking income fell by 25.1% as compared to 2006, mainly as a result of market trading, generating net banking income which fell by 54.7%, due to the US home loans crisis and its effect on the New York branch.

The NY branch has a portfolio of €3.9 billion in (residential mortgage backed securities (RMBS) and asset backed securities (ABS), of which 91% are AAA rated (33% agency and 58% non agency AAA).

The exposure within these portfolios to the subprime credits is €142 million, of which €67 million AAA rated.

Given the impaired value of these securities and the illiquidity of their markets, as at December 31, 2007, the portfolio was recorded a negative item in the amount of €80 million, in terms of net banking income.

This entire portfolio was valued at market prices from external data provided by the major American brokers themselves, or when no price was available, from the comparable market-listed securities.

Special attention granted to and a detailed appraisal was made of this portfolio. Because of the quality of the securities held (91% AAA rated), the BFCM Group does not believe that there is to date a significant risk of loss on maturity. The BFCM Group is also not involved in collateralized debt obligation or similar, nor in structured investment vehicles (SIVs) or asset backed commercial paper (ABCP).

The overall net banking income from market trading and intermediation fell from €38 million in 2006 to €24 million in 2007, a fall of 54.7%.

The net banking income of the finance bank increased by 32.5% from €77 million in 2006 to €67 million in 2007. The BFCM Strategic Accounts business accounted for 10.9% of the net banking income of the finance bank as against 7% in 2006.

The corporate business of the foreign subsidiaries reported an 18.4% rise in net banking income as compared to 2006.

The net income of the financing business and market trading was €233 million, as compared to €68 million in 2006.

Private banking

<i>(in millions of Euros)</i>	2007	2006	Change 2007/2006
Net banking income	449	392	+14.4%
General Expenses	(261)	(233)	+12.4%
Gross operating profit	187	160	+17.3%
Cost of Risk	(6)	(5)	+28.7%
Operating profit	181	155	+16.9%
Pre-tax profit	181	155	+17.0%
Net book profit	135	118	+14.3%

This specialist business of the BFCM group is exclusively in the hands of CIC entities. Its net banking income (8% of the group's) increased by 14.4% to €449 million at year-end 2007. Gross operating profit increased by 17.3%, from €160 million to €187 million.

Private banking net income, accounting for 7.9% of the group's net income, rose by 14.3% compared to 2006, to €135 million.

Venture capital

<i>(in millions of Euros)</i>	2007	2006	Change 2007/2006
Net banking income	424	335	+26.4%
General Expenses	(42)	(34)	+23.0%
Gross operating profit	382	302	+26.8%
Cost of Risk	(0)	(1)	n/a
Operating profit	382	300	+ 27.3%
Pre-tax profit	382	300	+ 27.3%
Net book profit	367	303	+21.0 %

Net banking income from the venture capital business, accounting for 8% of the group's net banking income, surged by 26.4% to €424 million, in a strong market.

Nearly 90% of the net banking income was generated by the three entities making up the CIC (alongside CIC Finance, IPO, and Banque de Vizille). Investment outlays rose by 94% from €220 million in 2006 to €426 million, the total portfolio being worth €1.592 billion after revaluation.

The funds invested by BFCM were close to €71 million in 2007 as against €254.4 million in 2006. Capital gains of €40 million were also made in 2007 on the Investessor shareholding.

The net income attributable to the venture capital business line put on 21.5% to €67 million in financial 2007, accounting for 21.5% of group net income.

Structure and holding

<i>(in millions of Euros)</i>	2007	2006	Change 2007/2006
Net banking income	(182)	132	-314
General Expenses	(58)	(54)	-4
Gross operating profit	(240)	78	-318
Cost of Risk	0	(0)	n/a
Operating profit	(240)	78	-318
Pre-tax profit	(207)	100	-307
Net book profit	(111)	88	-310

The net banking income of the BFCM group holding company and structure was generated by its main subsidiaries CIC Holding and CIC Participations, which generated

- capital gains on disposals of titres de placement, €1 million including other proceeds from securities.
- the cost of the negative working capital in this activity and the holding company expenses in the amount of - €87 million
- dividends of €23 million from shareholdings.

The main change affecting the net banking income of the structure and holding activity came from the CIC Participations subsidiary, affected by the conversion option of the Banca Popolare di Milano convertible bond, resulting in a negative entry of €3 million in 2007, as against a positive €167 million in 2006.

Other appropriations to the BFCM structure & holding sector were:

- Capital gains on disposals of investment securities in the amount of €4.3 million including other proceeds from securities
- Dividends of €8 million from shareholding.

The BFCM Group recorded €30.2 million income attributable to it from the companies consolidated by CMCP (€13.2 million) and by Euro-information (€16.9 million); consolidation being by the equity method.

The Board

8. Appendix to the management report list of offices and responsibilities exercised during the financial year 2007– article L 225-102-1 of Code de Commerce

M. Etienne PFLIMLIN, Président du Conseil d'Administration

Est également :

Président du Conseil d'Administration : Confédération Nationale du Crédit Mutuel – Caisse Centrale du Crédit Mutuel – Fédération du Crédit Mutuel Centre Est Europe – Caisse Fédérale du Crédit Mutuel Centre Est Europe – Caisse de Crédit Mutuel "Strasbourg Esplanade" – Le Monde Entreprises.

Président du Conseil de Surveillance : Banque de l'Economie du Commerce et de la Monétique - Editions Coprur – Crédit Industriel et Commercial – Société d'Etudes et de Réalisation pour les Equipements Collectifs (Soderec) – Société Alsacienne de Publications "L'Alsace".

Membre du Conseil d'Administration : Groupe des Assurances du Crédit Mutuel – Société Française d'Edition de Journaux et d'Imprimés Commerciaux "L'Alsace" – Fimalac.

Membre du Conseil de Surveillance : Le Monde SA – Le Monde et Partenaires Associés – Société Editrice du Monde.

Représentant permanent : de la **Fédération du Crédit Mutuel Centre Est Europe** (au Conseil d'Administration de *Sofédis*, au Comité de Direction d'*Euro-Information*), de la **Caisse Centrale du Crédit Mutuel** (au Conseil de Surveillance de *CM-CIC AM*), du **Crédit Industriel et Commercial** (au Conseil d'Administration de la *Banque Scalbert Dupont-CIN*, au Conseil d'Administration du *Crédit Industriel de l'Ouest*, au Conseil d'Administration de la *Société Bordelaise du CIC*, au Conseil d'Administration du *CIAL* jusqu'au 20 décembre 2007).

M. Jacques HUMBERT, Vice-Président du Conseil d'Administration

Est également :

Président : Union des Caisses de Crédit Mutuel du District de Mulhouse.

Président du Conseil d'Administration : Caisse de Crédit Mutuel La Doller.

Membre du Conseil d'Administration : Fédération du Crédit Mutuel Centre Est Europe – Caisse Fédérale du Crédit Mutuel Centre Est Europe – Société Française d'Edition de Journaux et d'Imprimés Commerciaux « l'Alsace ».

Représentant permanent : d'**ADEPI** au Conseil d'Administration *du GACM*.

M. Michel LUCAS, Membre du Conseil d'Administration – Directeur Général

Est également :

Directeur Général : Confédération Nationale du Crédit Mutuel.

Président du Conseil d'Administration : Groupe des Assurances du Crédit Mutuel – Assurances du Crédit Mutuel Vie SA – Assurances du Crédit Mutuel Iard SA – Assurances du Crédit Mutuel Vie SFM – Banque du Crédit Mutuel Ile-de-France.

Président du Directoire : Crédit Industriel et Commercial.

Président du Conseil de Surveillance : Euro Information Production.

Président : Crédit Mutuel Cartes de Paiements.

Vice-Président : Europay France – Mastercard Europe Région – Banque de Luxembourg.

Membre du Conseil d'Administration – Directeur Général : Fédération du Crédit Mutuel Centre Est Europe – Caisse Fédérale du Crédit Mutuel Centre Est Europe.

Membre du Conseil d'Administration : ACMN Iard – ASTREE – Assurances Générales des Caisses Desjardins – Banque de Tunisie – CIC Banque Transatlantique – Banque Transatlantique Belgium – Caisse de Crédit Mutuel « Grand Cronenbourg » - Crédit Mutuel Paiements Electroniques – CIC Investissements – CIC Finance – CIC Lyonnaise de Banque – SOFEDIS.

Membre du Conseil de Surveillance : Banque de l'Economie du Commerce et de la Monétique - Fonds de Garantie des Dépôts – CM-CIC Asset Management – Manufacture Beauville – SAFRAN.

Membre du Comité de Direction : Euro-Information – Euro-Information Développement – EBRA.

Mme Marie-Paule BLAISE, Membre du Conseil d'Administration

Est également :

Présidente : Union des Caisses de Crédit Mutuel de la Communauté Urbaine de Strasbourg.

Présidente du Conseil d'Administration : Caisse de Crédit Mutuel Strasbourg Europe.

Membre du Conseil d'Administration : Fédération du Crédit Mutuel Centre Est Europe.

M. Jean-Louis BOISSON, Membre du Conseil d'Administration

Est également :

Président : Union des Caisses de Crédit Mutuel du District de Bourgogne Champagne.

Président du Conseil d'Administration : Caisse de Crédit Mutuel de Montbard Venarey.

Vice-Président du Conseil d'Administration : Fédération du Crédit Mutuel Centre Est Europe.

Vice-Président du Conseil de Surveillance : Banque de l'Economie du Commerce et de la Monétique.

Membre du Conseil d'Administration : Confédération Nationale du Crédit Mutuel – Caisse Fédérale du Crédit Mutuel Centre Est Europe.

Membre du Conseil de Surveillance : EI Production.

M. Maurice CORGINI, Membre du Conseil d'Administration

Est également :

Président : Union des Caisses de Crédit Mutuel du District de Besançon.

Président du Conseil d'Administration : Caisse de Crédit Mutuel Beaume-Valdahon-Rougement.

Membre du Conseil d'Administration : Fédération du Crédit Mutuel Centre Est Europe – Caisse Agricole Crédit Mutuel.

Membre du Conseil de Surveillance : Crédit Industriel et Commercial.

Co-gérant : Cogithommes Franche-Comté.

M. Gérard CORMORECHE, Membre du Conseil d'Administration

Est également :

Président : Fédération du Crédit Mutuel du Sud-Est – Caisse de Crédit Mutuel du Sud-Est – Cecamuse – Caisse de Crédit Mutuel Neuville-sur-Saône – Caisse Agricole Crédit Mutuel.

Membre du Conseil d'Administration : Confédération Nationale du Crédit Mutuel – Caisse Fédérale du Crédit Mutuel Centre Est Europe – Société des Agriculteurs de France.

Vice-Président du Conseil de Surveillance : Crédit Industriel et Commercial – CMAR (Crédit Mutuel Agricole et Rural).

Gérant : Scea Cormoreche Jean-Gérard – Sàrl Cormoreche.

Représentant permanent : de la **CCM Sud-Est** au Conseil d'Administration *ACM Vie Sfm*.

M. Roger DANGUEL, Membre du Conseil d'Administration

Est également :

Président : Union des Caisses de Crédit Mutuel du District de Sélestat.

Président du Conseil d'Administration : Caisse de Crédit Mutuel de Sélestat-Scherwiller.

Membre du Conseil d'Administration : Fédération du Crédit Mutuel Centre Est Europe.

Membre du Conseil de Surveillance : Banque de l'Economie du Commerce et de la Monétique.

M. Jean-Louis GIRODOT, Membre du Conseil d'Administration

Est également :

Président de Caisses de Crédit Mutuel : Arcueil, Aubergenville, Chaville, Colombes, Eaubonne, Issy les Moulineaux, Le Petit Clamart, le Plessis Robinson, Le Raincy, Lieusaint-Carre Sénart, Meudon Bellevue, Montereau-Fault-Yonne, Montrouge, Nanterre Ville, Neuilly sur Seine Sablons, Ozoir la Ferrière, Paris 17 Cardinet, Paris 20 Maraîchers, Paris Batignolles, Paris Saint Dominique, Paris Reuilly St Antoine, Plaine Saint Denis, Saint Cheron, Saint Cyr l'Ecole, Saint Michel sur Orge, Saint Rémy les Chevreuse, Sarcelles, Sceaux, Verneuil sur Seine, Versailles Saint Louis, Vert St Denis, Viroflay, Vitry sur Seine.

Président du Conseil d'Administration : Fédération des Caisses de Crédit Mutuel d'Île-de-France – Caisse Régionale de Crédit Mutuel d'Île-de-France.

Président Directeur Général : Coopérative d'Édition de la Lettre de l'Economie Sociale (CODLES).

Président : Chambre Régionale de l'Economie Sociale (CRES) – AUDIENS – PEMEP.

Vice-Président : Conseil Economique et social d'Île-de-France – Fédération Nationale de la Presse Spécialisée (FNPS).

Vice-Président du Conseil de Surveillance : Cosmedias SA.

Membre du Conseil d'Administration : Confédération Nationale du Crédit Mutuel – Caisse Fédérale du Crédit Mutuel Centre Est Europe – MEDIAFOR.

Membre du Conseil de Surveillance : Crédit Industriel et Commercial – EI Production.

Membre : Conférence Nationale des CRES – Groupe APRI.

Représentant permanent : de la **Caisse Régionale du Crédit Mutuel d'Île-de-France** (au Conseil d'Administration *ACM Vie Sfm* - à la *Commission paritaire des Publications et Agences de Presse*).

M. Robert LAVAL, Membre du Conseil d'Administration

Est également :

Président : Union des Caisses de Crédit Mutuel du District de Sarrebourg.

Président du Conseil d'Administration : Caisse de Crédit Mutuel Sarrebourg et Environs.

Membre du Conseil d'Administration : Fédération du Crédit Mutuel Centre Est Europe.

Membre du Conseil de Surveillance : Banque de l'Economie du Commerce et de la Monétique.

Représentant permanent de la **CCM Sarrebourg et Environs** : *Gérant de la SCI Crédit Mutuel Les Cordeliers.*

Directeur : Maison de retraite « Sainte Véronique » - Maison de retraite « la Charmille ».

M. Jean-Paul MARTIN, Membre du Conseil d'Administration

Est également :

Président : Union des Caisses de Crédit Mutuel du District de Metz.

Président du Conseil d'Administration : CME 57.

Membre du Conseil d'Administration : Fédération du Crédit Mutuel Centre Est Europe.

M. Pierre NEU, Membre du Conseil d'Administration

Est également :

Président : Union des Caisses de Crédit Mutuel du District de Haguenau.

Président du Conseil d'Administration : Caisse de Crédit Mutuel Alsace du Nord.

Membre du Conseil d'Administration : Fédération du Crédit Mutuel Centre Est Europe.

Membre du Conseil de Surveillance : Editions Coprur.

M. Gérard OLIGER, Membre du Conseil d'Administration

Est également :

Président : Union des Caisses de Crédit Mutuel du District de Sarreguemines.

Président du Conseil d'Administration : Caisse de Crédit Mutuel Emile Gentil (Volmunster).

Membre du Conseil d'Administration : Fédération du Crédit Mutuel Centre Est Europe.

M. Albert PECCOUX, Membre du Conseil d'Administration

Est également :

Président : Fédération du Crédit Mutuel Savoie-Mont Blanc – Caisse Régionale du Crédit Mutuel Savoie-Mont Blanc – SICA Haute-Savoie (Société Civile Coopérative d'Intérêt Collectif Agricole).

Vice-Président du Conseil d'Administration : Caisse de Crédit Mutuel d'Annecy-les-Fins.

Membre du Conseil d'Administration : Confédération Nationale du Crédit Mutuel – Caisse Fédérale du Crédit Mutuel Centre Est Europe.

Membre du Conseil de Surveillance : Crédit Industriel et Commercial.

Représentant permanent : de la **CRCM Savoie-Mont Blanc** au Conseil des **ACM VIE Sfm.**

M. Eckart THOMÄ, représentant de la SAS CLOE, Membre du Conseil d'Administration

La SAS CLOE est également :

Membre du Conseil d'Administration : Synergie Finance.

Membre du Conseil de Surveillance : CM-CIC AM.

M. Eckart THOMÄ est également :

Président : SAS CLOE.

Président du Conseil d'Administration : Fédération du Crédit Mutuel de Normandie – Caisse Fédérale du Crédit Mutuel de Normandie – NORFI – Créavenir - Caisse locale de Caen Centre.

Président : Commission « Vie Associative » confédérale.

Membre du Conseil d'Administration : Confédération Nationale du Crédit Mutuel.

Représentant permanent : de la **Fédération du Crédit Mutuel de Normandie** à la Présidence *du GIE CLOE Service, du Centre International du Crédit Mutuel* – de la **Caisse Fédérale de Normandie** au Conseil d'Administration *du GACM*.

Membre : Commission « Vie Sociale » confédérale.

M. Alain TETEDOIE, Membre du Conseil d'Administration

Est également :

Président : Fitega

Directeur Général : Nanteurop.

Président du Conseil : Fédération du Crédit Mutuel de Loire-Atlantique et du Centre Ouest – Caisse Fédérale du Crédit Mutuel de Loire-Atlantique et du Centre Ouest.

Vice-Président du Conseil d'Administration : Caisse de Crédit Mutuel de Saint Julien de Concelles.

Membre du Conseil d'Administration : Confédération Nationale du Crédit Mutuel – Ataraxia.

Président du Conseil de Surveillance : Pfalzeurop (gmbh).

Vice-Président du Conseil de Surveillance : BCME.

Membre du Conseil de Surveillance : Crédit Industriel et Commercial – Suravenir – Infolis.

Représentant permanent : de la **Fédération du Crédit Mutuel LACO** (à la Présidence *d'Investlaco*) – de la **Caisse Fédérale de Crédit Mutuel LACO** (au Conseil d'Administration *du GACM*, au Conseil de Surveillance *de SODELEM*) – de l'**EFSA** (au Conseil d'Administration *du CIO-BRO*).

Censeur : Suravenir Assurances Holding.

Chapter III REPORT ON THE OPERATIONS OF THE BOARD AND INTERNAL CONTROL PROCEDURES

(Under Article 117 of the law on financial security and article L 225-37 of the *Code de Commerce*)

The provisions of article L 225-37 of the *Code de Commerce* specify that the Chairman of the Board of a *société anonyme* (public limited company) should in a report attached to the annual report give an account of the conditions whereby the work of the Board was prepared and organized, including the procedures for internal control set out by the company and limitations (if any) set upon the powers of the Managing Director.

1. PREPARATION AND ORGANIZATION OF THE WORK OF THE BOARD

Make-up of the Board

The Board of Banque Fédérative du Crédit Mutuel is currently comprised of 16 members appointed by the Annual General Meeting of Shareholders for a term of 3 year, and by 4 scrutineers also appointed for a 3 year term by the Board pursuant to article 20 of the statutes (articles and objects of association). The list of board members showing the responsibilities exercised in other companies is shown in an appendix in accordance with legal requirement. The Board includes representatives of partner groups (Ile-de-France, Savoie-Mont Blanc and Sud-Est) and representatives of associate Groups (Loire-Atlantique Centre Ouest, Laval, Normandie and Centre).

Two employee members have seats on the Board, representing the *Comité d'entreprise interfédéral* (Inter-federal Works Council)

No attendance fees are paid nor stock options granted to members of the Board.

The Chairman and the Managing Director will, in respect of their responsibilities within the Group, receive compensation determined in accordance with the required procedures, by decision of a Compensation Committee.

Operation of the Board. Exercise of General Management Responsibilities

Under Article L 225-51-1 of the *Code de Commerce*, the Board has opted for a dual approach to the exercise of General Management responsibilities.

The Chairman of the Board is Mr. Etienne PFLIMLIN, and in this capacity he represents the Board, organizes and directs the working of the Board and ensures that the directors are able to fulfill their mission.

The General Management of the company is in the hands of Mr. Michel LUCAS, and in this capacity he is vested under the law with the most extensive powers to act in the name of the company and represent it in respect of third parties.

There are no formal internal rules setting out the manner in which the Board is to operate, the Board being governed by the provisions of the law.

On an individual level, in addition to the obligations to respect confidentiality and professional secrecy with regard to the company and its aims and objects, the directors shall in their capacity as elected members respect the code of ethic in force in the Group.

In 2007, the Board met on six occasions, on average 80% of members being in attendance.

At each Meeting of the Board, a complete dossier covering the points on the agenda is sent by mail to all directors, scrutineers and representatives of the Works Council. At each meeting, managers with responsibility for business

lines or activities covered by one or more points on the agenda are invited to make representation, comment, or respond to questions. The minutes of the meetings are sent to all directors.

The meeting of March, 30, 2007 was devoted to the examination of the financial statements, their closure, to comments from the statutory auditors and to the preparation of ordinary and extraordinary meetings which were held on May 10, 2007. The Board took note of the report on internal controls, investment services and ethics as required by regulation 97-02 of the CRBF. It approved the setting up of the CM-CIC Covered Bonds Company, and all of the transactions required for the set up of this supplementary refinancing instrument within the group. The Board also authorized the issue of loans. All of the monitoring and review tables covering the financial business of the company and its market activities were laid before the Board.

The renewal of the term of office of the Managing Director was decided at the meeting of the Board taking place on closing the General Meetings of Shareholders on May 10, 2007.

On July 6, 2007, the Board reviewed the situation of the company as shown in the books, budget trends, trends in preliminary results and the schedules monitoring the company's financial affairs. The Board at this meeting also renewed the term of office of one Scrutineer and appointed a new one.

The purpose of the meeting of August 31, 2007 was mainly the review of the financial statements, both at the parent company and consolidation levels, for the half year ending June 30, 2007. The Board set up Group risk monitoring Committee, and a Group Audit Committee. The Board also authorized the issuance of bonds.

The fifth Board meeting of the year took place on October 26, 2007. All of the matters raised in June were reviewed and brought up to date.

The last meeting of the year was held on December 21, 2007, the Board on this occasion examining the financial statements on the basis of a preliminary close-out as at November 30, indicating initial trends in the results for the financial year. Similarly, an update was made of the budget for the financial year, and on budget preparation for 2008.

All these Board meetings dealt with matters relating to shareholdings, intra-group financial relationships, decisions on loans taken by the Credit Committee, and, if necessary, the affiliation of new local entities, known as *Caisses*.

The length of meetings varied according to the amount of business on the agenda, and the matters under discussion.

The number of meetings may vary from one financial year to another in the light of circumstances, although for the last few years, no less than four meetings have been held in any one year.

Consultation in writing may by way of exception be organized in cases of emergency. Any decisions taken in this case are brought to the notice of the following Board meeting for approval.

2. INTERNAL CONTROL PROCEDURE

The BFCM internal control procedure is part of the overall arrangements for internal controls implemented for the CM4²-CIC, as described below.

The purpose of the work undertaken for the purposes of internal control is to oversee the application of all of the rules required by the supervisory authorities in performance of the Group's business by relying on the tools, frameworks and procedures set up for this purpose. Within that framework, this report was drawn up by the internal control department with assistance from the relevant departments, undertaking such reviews and audits as appeared necessary, and relying on the framework and application guide recommended by the Autorité des Marchés Financiers, the French financial markets authority. The main internal controls implemented in financial year 2007 were scrutinized.

² Crédit Mutuel Centre Est Europe, Crédit Mutuel du Sud-Est, Crédit Mutuel Ile-de-France, Crédit Mutuel Savoie-Mont Blanc

2.1. General arrangements for internal control in CM4-CIC Group

The Group has deployed an internal control procedure covering all of the companies within the consolidation that are fully part of the group's organization, the purpose being to oversee the compliance to regulatory provisions, ensure proper risk management, the security of transactions and the improvement of performance.

2.1.1 A common, fully structured and independent approach

The Group thus oversees that the arrangements introduced are suited both to its size, to its transactions and to scale of the risks to which it is exposed in the course of its business.

By relying on the common methods and tools, the internal control and risk management system introduced has the following aims:

- exhaustively covering all of the activities and business transacted by the Group;
- identify, assess, monitor and aggregate risks in a homogeneous manner, and on a consolidated basis,
- assure compliance to the laws and regulations in forces, and compliance to internal standards,
- Oversee correct implementation of internal processes, and check the reliability of financial information.

The organization implemented has as its purposes checking the quality and exhaustiveness of the internal control system. The Group, in regard to itself and for the companies under its control, oversees that the provisions as deployed are based on a set of procedures and operational limits compliant to regulatory requirements and the standards determined. In its work, the Group relies on the methods and tools determined at Group level and on the rules customarily in force in the fields of audit, inspection and controls.

The identification of the major risks by means of frameworks or mapping and their monitoring, ensuring that they are compliant to suitable limits, by means of formalized procedures and dedicated tools, is performed within the context of an unvarying purpose, the achievement of which is dependent on the contributions of the control departments of the Group as a whole. In addition to taking action with a view to detecting and reducing risks, these control departments are involved in the work seeking to improve the effectiveness of the controls. At the same time, analytical tools and monitoring schedules make it possible to regularly keep under review and assess the various risks to which the group is exposed in the course of its business, be they counterparty risks, balance sheet management risk, and operational risk. In accordance with regulatory requirements, there is drafted, as an addition to the internal control report, a report on the assessment and supervision of risks, which requires a detailed review of the risk management and control arrangements. A constant goal is to ensure an appropriate match between the targets set for internal control, and the resources made available for this purpose.

The necessary independence of these controls is achieved by means of ensuring that those who exercise responsibility within the organization dedicated to controls are divested of all operational responsibilities, and report to superiors in a manner that ensures that they have full freedom of judgment and appraisal.

2.1.2. Organization of controls

The Group CM4-CIC control procedures were re-organized in 2006, with a twin purpose in mind:

- separating out the different types of existing controls within the separate subsidiaries (periodical, permanent and conformance controls), in order to comply with changes in regulations;
- harmonize the working procedures undertaken within the Group in the field of control, by introducing a common organization based on homogeneous methods and tools.

Distribution of work by type of control

Independently of the controls undertaken by the various levels of management as part of their day-to-day responsibilities, the actual deployment of controls is governed by the following arrangements:

- periodical control in the nature of an inspection performed by means of in depth audit missions performed as part of control cycles extending over several financial years;
- permanent controls applicable to all work which is by nature recurrent, and performed with remote control audit tools;
- Controls of conformance in respect of all matters relating to the application of regulatory provisions and internal standards.

Periodical controls are required to oversee the overall quality of the internal control arrangements in their entirety and the efficacy of the tracking and management of risk, as well as verifying that the permanent and conformance controls are properly implemented and compliant.

Distribution of responsibilities networks / business lines

Under the organizational framework set up for controls, the work is distributed between a network branch covering retail banking, and a business line branch which covers the business lines, including commercial banking, market activities, asset management, financial services, and cash flow, among others. In each of the control organizations managers are appointed, exercising the responsibilities allocated to them and answering to the CM4-CIC Group.

Underlying organization providing support to the different control procedures

The support organization for internal financial controls has as its purpose:

- developing and maintaining to appropriate standards the tools required for efficacious audit and control;
- contributing to the deployment throughout the various control teams of standard methods;
- Ensure the development of the reporting tools required to monitor, control activities and missions, and to ensure the appropriate organization of the management organs.

2.1.3. Overall management of control procedures: Group Conformance and Control Committee

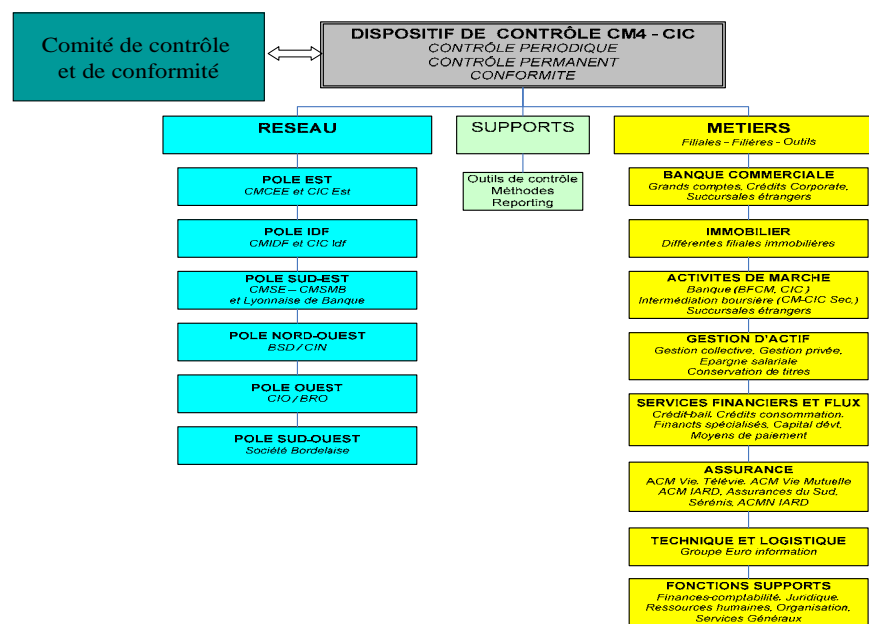
Answering directly to a member of the executive organ, the Conformance and Control Committee ensures regular meetings of Group managers working in the audit and control field (periodical, permanent and conformance controls), including risk management. The purpose of the Conformance and Control Committee is to:

- coordinate all of the control and audit arrangements;
- oversee that the works and missions entrusted to the various actors are complementary;
- review and assess the results of internal and external audit and control missions;
- Monitor the implementation of the recommendations made to the various entities in the group as part of the control and audit procedures.

The Conformance and Control Committee also examines a number of investigations or documents which are of value to the group inasmuch as providing a framework in this field. In 2007 it thus gave its opinion on the new draft of ethical principles for the CM4-CIC Group.

The Conformance and Control Committee met five times in 2007 (February 13, May 21, September 10, October 29, December 17).

General diagram of organization



2.1.4. Developments underway

At year-end 2007, a number of measures were taken to reinforce still further the monitoring of risks and controls at Group level.

Group Audit Committee

The decision was taken to set up a Group Audit Committee, to be set up in the first half of 2008, comprised of the members of the decision-making organs of the BFCM and the CIC, meeting no less than twice a year. The Group Audit Committee will have placed at its disposal for review:

- the conclusions of the missions performed by periodical controls and the results of permanent and conformance controls;
- the conclusions of external controls, in particular the possible changes recommended by the supervisory authorities;
- Actions implemented in application of the major recommendations arising from the internal and external control and audit reports.

It is intended that this Committee should also examine the draft presentations of the annual and half yearly financial statements, with a view to making an assessment of the procedures adopted in drawing them up, and to provide an assurance both of the appropriateness and the unvarying implementation of the principles and accounting methods applied.

Group Risk Department

The purpose of the Group Risk Department is to undertake analysis and review of risks of all kinds with respect to the return on the bank's regulatory capital, having as its mission to contribute to the development and to the profitability of the Group, whilst overseeing the quality of the risk management procedures.

New risk management Committees

Two new Committees have been set up, the first being a Group Risk Committee meeting on a monthly basis, whose members are operational managers, the second being a Group Risk Monitoring Committee comprised of members of the decision-making organs whose meetings will be held quarterly for the purposes of examining the strategic challenges faced by the Group in the matter of risk exposure and management. The Manager of the Group Risk Department will be a member of both committees.

2.2. BFCM specific internal control procedures

Because BFCM is the holding company of the Group and owned by Caisse Fédérale du Crédit Mutuel Centre Est Europe and by the other Caisses (Crédit Mutuel Centre Est Europe, Sud-Est, Ile-de-France and Savoie-Mont Blanc), it has management responsibility over the shareholdings owned by the Group's specialized subsidiaries, all of which are subject to the general internal control procedures of the Group.

As the BFCM is an integral part of the CM4-CIC Group, it has also, in respect of the business under its particular management, deployed an internal control procedure which pursues the same goals of risk avoidance and management.

BFCM is the financial instrument of the Group, and as such manages the Group's treasury and intervenes in the financial markets. It takes part in financing major projects and has within its remit financial engineering. BFCM is also the correspondent for the major international partners of the Group.

The process of centralization and pooling of the market activities of BFCM, of CIAL and of CIC, within a single CM4-CIC trading room was completed in 2006. The threefold purpose of this was to:

- refinance the whole of the CM4 – CIC Group by means of a single treasury management team,
- reinforce the ability to sell market products to customers,
- improve rates of return, by doing business on own account in a high performance and secure manner.

This fundamental change was accompanied by a reorganization of the specific control entity involved. Monitoring methodologies were re-examined, procedures redrafted, and the system of limits of exposure to risk was unified. The whole was given a rulebook whose implementation was fully completed in 2007.

The market activities answer directly to a member of the CIC Board. The CIC Supervisory Board and the BFCM Board approve the strategy of each business line (refinance, commercial, own account), and the allocation of capital, monitoring of limits of exposure and expenditures, as well as budgets.

Under this arrangement, the market activities are under the oversight and management of a number of Committees:

- the CM-CIC Market Management Committee meets weekly to define strategy, to analyze the activity, results, risk, and compliance to limits, including coordination of operational aspects (information system, budget, human resources procedures),
- the Market Risks Committee meets monthly and monitors and oversees compliance to the rule book and decisions of the Management Committee, approving operational limits consistent with the general limits set by the CIC Board and the BFCM board, whilst overseeing the market activities of the foreign branches in terms of their risk management and exposure,
- The CM-CIC Market Credit Committee meets weekly to take decisions on requests submitted for credit lines, consistent with the powers delegated by the CM4-CIC Engagement Committee.

Since 2006, limits are no longer separately allocated by entity, but on an overall basis to cover CM-CIC markets, giving rise to internal limits specific to the refinancing, commercial and own account entities. The total limits (around 5% of CM4-CIC capital) covers market risks, (CAD – CRBF 95-02 as amended) and credit risks (CRBF 91-05 as amended). The limits for counterparty risks are allocated to CM-CIC Markets by the CM4-CIC Engagement Committee compliant to Group standards.

The internal control system is reliant on the one hand on the post-market services missions, which are entrusted with responsibility for the monitoring and control of risks and results, for regulatory controls and accounting audits, and on the other hand, is reliant on the market activities controls department, which answers to the permanent business line control manager, and on the conformance entity.

In the same way as occurred with the pooling of market trading into a single organization, BFCM and CIC Strategic accounts began to pool their activities from 2006 onwards. The harmonization of the tools and procedures was implemented in 2007 within CIC Grand Comptes, the strategic accounts arm. The coordination of the control tasks through a single portal was undertaken by the business lines permanent control manager, and the results of the controls and audits performed during the year were integrated into the same portal.

The Group's depositary activity was transferred at the end of 2006 to BFCM, as the BFCM Board, on December 15, 2006 agreed that BFCM would stand guarantor for the BCFM mutual funds issued by CM-CICAM, and authorized the introduction of conventions involving Caisse Fédérale, Caisse Centrale du Crédit Mutuel and CIC. Restructuring made it possible to improve the efficiency of the resources brought to bear and to optimize the management of the depositary control plan, based on the definition of a set of audit tasks, drafted on a concerted basis with the business line permanent control entities and the BFCM conformance entity. This plan reinforces the client and product risk based approaches, by implementing a controlled process of establishing relationships with clients, and with respect to products, a controlled analytical process when mutual fund style undertakings for collective investment (UCIs) are set up. This provides a comprehensive after the event control; and allows for the identification of all of the risks related to mutual fund management. On completion of the controls in 2007, the level of risk was qualified as low.

The ethical provisions are included in a handbook containing both general principles and specific arrangements introduced as part of the BFCM activities. The fundamental principles of respect for the primacy of the customers' interests, and market integrity are, among others, contained in the handbook.

As part of the management of operational risks, their assessment as they arise from market based activities took place, thereby reinforcing the protection measures in the event of a major adverse event impacting the business. BFCM is a contributor to the updating of the mapping of specific risks, and the methods of assessment relating to them.

In regard to protection methods, a market activities disaster plan has been defined, the purpose being to ensure that the most critical activities can continue, after a serious disaster or inability to access the premises. The new trading room dedicated information system benefits from the support of a geographically separate back-up site.

Periodical control is performed by Group Audit department on a multi-annual basis. The conclusions of these missions are presented to the Conformance and Control Committee and shown in the annual report to the Commission Bancaire. Missions may be of general scope, or undertaken on a timely basis.

2.3. Internal control over the drafting and processing of financial accounting information

2.3.1. Role of organs of governance

At each closure of any accounting period giving rise to disclosure of the financial information relating to that period, the relevant financial information is presented by the Financial Department to the board. The manner in which the calculation of corporate income, the presentation of the financial situation and of the business itself take the form of a presentation which includes reconciliation of these factors with the data and ratios (interest rates, average capital ratios, etc.) outside the pure accountin field, which are required for the management of the business.

The annual financial statements are also presented to an Accounts Committee.

The accounting principles adopted which have a significant impact are subject to prior review and validation by the statutory auditors, who are regularly convened to the Board Meeting deciding on the financial statements, and to the meeting of the Accounts Committee. The statutory auditors are invited to report on their mission and to make known the results of their work to the decision-making organ.

The Group accounting principles used for the consolidation of the financial statements are compliant to the Group's accounting principles as set out by the Crédit Mutuel central organ, the Confédération nationale of the Crédit Mutuel, and are set out in detail in the notes to the financial statements.

2.3.2. Special features of the banking activity

The oversight of the accounting and financial organization takes place in such a way as to respond to the special features of a credit institution and its business:

- Virtually all of the transactions performed by a bank give rise to financial transactions or engagements for which an accounting record must be made;
- Considerable volume of accounting entries based on an entirely automated process of recording the transactions performed;
- Unlike industrial and commercial companies, reliance on the decentralization of accounting entries within the organization as a whole, and responsibility for records being not limited to a single accounting department.

Hence the overwhelming majority of accounting records are performed by the information system itself according to pre-defined rules, whose automated procedures have as their purpose to ensure:

- The exhaustivity, reality, measurement and correct classification of the translation into the financial statements of the economic operations performed;
- Preventing the risk of fraud by predefining on a central basis the transactions to be performed or prohibited to every individual actor;
- Rapid and regular centralization of accounts, accounting entries being made in real time, or at the latest at the time of batch processing of the entries for each working day;
- A de facto homogenization of accounting data across all of the companies belonging to the Group.

2.3.3. Accounting system

Accounts architecture

The company shares an IT platform which is common to the 14 Federation of Crédit Mutuel and to the CIC banks, which include accounting and regulatory functionalities covering more particularly:

- The plan of accounts whose structure is common to all of the institutions managed on the platform;
- The definition of the schematics and automated procedures common to all of the banks (means of payment, deposits and credits, day to day operations, etc.);
- Data recovery and restatement tools (BAFI, data feeds into consolidation software...) and the conduct of financial controls.

As part of the above framework, the administration of the common accounting information system is entrusted to dedicated divisions known as Procedure and Accounting Scheme divisions, constituted as independent cells, as the case may be, within the CM4-CIC Financial Department for the retail network banks, or the CM4-CIC Financial Department for for the business line specialisms.

The latter organizations have special responsibility for:

- Management of the common plan of accounts (set up of accounts, definition of characteristics of accounts etc.);
- Definition of common procedures and schemes, compliant to tax and regulatory requirements. Wherever necessary, the tax department is consulted and schemes are introduced, covered by a validation procedure which involves different operational managers.

The Departments with responsibility for Accounting Schemes and Procedures are independent, both in terms of management lines of responsibility, and operationally, from the departments producing accounting entries as such, in such a way that there is a separation of functions concerned with the design and administration of the accounting architecture, and the other operational departments..

Within the company, all the accounts are on a mandatory basis dedicated to a particular operational department, which has responsibility for the relevant operations and audits. No account is consequently left unattended or without the clearly identified appointment of person or persons with responsibility for its monitoring and oversight.

The organizations and procedures in place ensure conformance with article 12 of the CRBF regulation 97-02, and ensure that audit trails are kept.

Plan of accounts

The plan of accounts takes into consideration two main types of accounts: first third party, which record credit and debit entries of individual third parties and, second, the accounts under the purview of the general accounting system.

There is a single set of accounting headings for the plan of accounts of all the credit institutions managed under the common IT platform known as the *Nouveau Plan de Comptes Interne* (NPCI—New Internal Plan of Accounts). Its management is in the hands of the Departments for Accounting Procedures and Schemes.

This plan of accounts determines the properties of accounts in regard to:

- Regulatory attributes (proper match to the official plan of accounts of credit institutions, known as PCEC, establishing connections to the heads of account of the legally required financial disclosures),
- certain tax characteristics (VAT status etc.),
- Financial control characteristics (their mandatory nature of otherwise; connection to consolidation plan of accounts, data holding time of online transactions, presence or absence at central / distributed counter level, etc.).

Processing tools

The accounting information system tools mainly rely on internal applications developed by the Group IT departments.

These are supplemented by a number of specialist internal or external applications, notably, software producing financial control reporting, financial statements or balances, file request processing utility, consolidation software processing regulatory schedules, asset management software, and software for handling tax returns.

Automated controls

The processing of the accounting software is covered by a series of automated controls prior to the final allocation of items to entries or heading, including file balancing, file validity checks, update of audit trails of the accounts recognising booked transactions

Internal tools provide for controls over transactions for a given accounting day, detecting anomalies if any.

2.3.4. Internal control when drafting the parent company financial statements, and internal controls for the consolidation process

Controls on closing of parent company financial statements:

At each close out, actual results as booked are reconciled to forecast management data, for validation. The forecast management data are produced by departments independent of the departments preparing the financial statements (financial control and budget control).

Analytical examination relates in particular to:

- Lending margin; in regard to interest rate instruments (deposits, credits and off balance sheet), the financial control calculates the yields and expected costs on the basis of observed average capital levels; the capital levels are subsequently compared to the interest actually booked, validated by activity sector by activity sector;
- Level of commissions; based on activity indicators, whereas financial control estimates the volume of commissions received and payable, compared to book data;
- General Expenses (personnel expenses and other general operating expenses);
- Risk expense (level of provisions and observed losses).

Accounting procedures and accounting schemes are formalized. For the retail network, the required procedures are displayed in the bank's intranet.

The day-to-day accounting controls are performed by the relevant staff at each till.

The accounting control services additionally perform a general audit and control mission taking into consideration regulatory controls, monitoring of internal accounting procedures, monitoring of tills, control of foreign exchange position, control of net banking income by business or activity, accounting procedures and schemes, the interface between the back offices and statutory auditors.

Furthermore, the control services (periodical, permanent, conformance) are required to perform works in the accounting field. A dedicated control portal for the accounting function is currently in the preparatory phase.

Controls of the consolidated financial statements:

The system is periodically adjusted in order to respond to regulatory changes (IFRS) or to improve the reliability of the preparation the financial statements (in 2006, automated calculation of deferred taxation using data from the accounting packages and drafting of an IFRS cash flow table).

The accounting principle set by the IFRS standards have been applied since January 1, 2005, in the Group entities. A Summary of the IFRS accounting principles is given in the consolidated financial statements.

The CM4-CIC defines the principles and methods both French (CNC) and international (IFRS), to be applied by all entities in the Group to the individual financial statements. The foreign subsidiaries are made aware of these, to enable them to switch from their local standards to French and international standards in the consolidation packages and financial reporting. The accounting principles used in the consolidation of the financial statements are compliant to the accounting principles used by the Crédit Mutuel central organ, and by the Confédération Nationale du Crédit Mutuel.

The accounting managers of the CM4-CIC Group entities meet twice a year to prepare for the close-out of the financial statements.

The individual accounts governed by international accounting principles (IFRS), are drawn up in the central information system for the entities using the common information system. The individual IFRS accounts are closed out according to the same organization and by the same team as for the individual accounts drawn up according to the French accounting principles (CNC).

The Group has a consolidated plan of accounts. Within the common information system, each account in the the common plan of accounts carries a concordance to the consolidated plan of accounts. This concordance is therefore unique, for a single plan of accounts, and applicable to all the companies managed by that plan of accounts.

The drafting of the consolidated financial statements takes place according to a timetable circulated to all the subsidiaries and to the statutory auditors, including, if necessary, changes in procedures or standards to be included.

Within each consolidated subsidiary, an accounts manager for the close-out of that subsidiary is appointed, as well as a manager for the review of the reciprocal accounts for companies that are wholly consolidated.

On a parallel basis, the statutory auditors for the consolidation send to the legal auditors of the consolidated companies, audit instructions whose purpose is to ensure compliance to the different standards for each subsidiary, in accordance with their own professional standards.

The consolidation of the financial statements is performed by dedicated software, using one of the major market standards. Items fed into the consolidation software (consolidation package) are partially automated using an interface developed by the accounting information system, enabling an automatic recovery of balances, and ensure homogeneity between the parent company data and the consolidated data.

On the other hand, the consolidation package can only be sent by the subsidiary companies after a number of directly programmed checks of consistency in the package have taken place. These control and auditing rules (of which there are more than 600 at present) have been developed by the consolidation departments and relate to a number of different elements (changes in capital, provisions, assets, cash flow etc.). Blocking controls prevent the subsidiary sending on the consolidation package, unless a waiver is granted by the consolidation services.

Controls of consistency with the parent company data are also performed by the consolidation department on receipt of the packages (level of income reported, intermediate management balances etc.).

Finally systematic reconciliation takes place between the parent company data and the consolidated data, in regard to capital and profits. This process which ensures the coherence of the move from the two series of data, parent company and consolidated, takes place outside the consolidation software package, thereby ensuring a check is made of the consolidated data.

In conclusion, the BCFM provisions for internal control and the supervision of risks, based on common methods and tools, is part of the framework for the new organization of the CM4-CIC Group controls. An ongoing goal is to continue reinforcing these provisions and improving their effectiveness. Initiatives to be undertaken in 2008 have this aim in mind.

3. LIMITATION OF POWERS OF MANAGING DIRECTOR

The Board had provided for no limitations to the powers of the Managing Director except as defined by the law and by our internal statutes and regulations.

Chairman of the Board of Directors

Chapter IV RISK REPORT

This chapter covers the information required by IFRS 7 in regard to the risks relating to financial instruments.

The figures in this chapter have been audited, except those particularly marked by an *.

Contents

Credit risk

Balance sheet risk

Market risk

Capital adequacy ratio

Operational risk

Basel 2 process – CM-CIC Group credit risks

Other risks

RISK MANAGEMENT

This chapter covers the information required by IFRS 7 on the risks relating to financial instruments.

The changes in the organization occurring in 2006 and relating to the organization for controls, whether periodical, permanent or conformance, became fully operational in 2007. They have resulted in a reinforced security of the processes in respect of the activity as a whole.

The set up in the last quarter of 2007 of a Risk Division will additionally make it possible to further consolidate the overall management and control of risk, and to optimize it in regard to capital adequacy ratios required under regulations in respect of each business, including the rates of return.

CREDIT RISK

a – Organization of the engagement entity

The organization and management of engagement makes a distinction, as required by regulations in force, between the provisions for granting credits on the one hand, and on the other hand the arrangements for measuring risks and supervising engagements. Management of engagements relies on a common framework, the Group Risk Framework, which fixes the rules and processes used by the group.

Process for granting credits

The process for granting credits are based on knowledge of customers, risk assessment and decision-making regarding engagements.

Knowledge of customer

Knowledge of the customer and the targeting of prospects relies on the close relationships established by the group's regional organizations in their regional economic environment. Customer segmentation, and their allocation to various risk categories, provides guidance to the commercial prospecting of targeted customers. Items relating to knowledge of borrowers and risk analysis are gathered in the credit dossier. The availability of the most recent accounting documents is subject to computerized monitoring by the balance sheet collection application.

Risk assessment

Risk assessment relies on the analysis performed at a number of stages, according to a formalized processes. This is based on:

- Customer ratings,
- Risk groups,
- Product weighting relating to the nature of risk and guarantees or collateral provided.

The bank staff are trained in risk management, including regular refresher courses.

Customer rating

The system of internal rating of customers which is common to all group entities has been determined and adopted. Ratings are determined either using automated algorithms (in the retail network), or manually prepared rating matrices (finance and investment banking). Rating systems are suited to each type of customer market.

Customer rating is governed by the following general principles:

- *Uniqueness: the method used for determining ratings is a single one covering the group at the national level.*
- *Exhaustivity: ratings are calculated for each of the third parties identified in the information system.*
- *Automation: in retail banking, rating is automatically determined by the information system.*
- *Market rating: third party customers are rated using an algorithm specific to their market of attachment (individuals, small companies, and self-employed, business corporations, etc.), depending on the type of market determined in the information system.*
- *Calculation of rating for groups of third parties: the calculation of a “group” rating makes it possible to weight individual ratings for each of the component parts of the group, by the overall risk to which the group is exposed.*
- *Uniform data recovery: 12 ratings common to each of the markets have been determined: 9 classes of sound classes, and 3 classes of defaulting customers.*
- *Declassification: the ratings are recalculated on a monthly basis (primary rating) and corrected on a day-to-day basis by serious risk events (final rating).*

Risk groups

The set up and updating of risk groups are continuously tracked by the managers with responsibility for commercial relationships, and on a periodical basis are tracked by two directors at group level. The rules for the setting up of risk groups as defined in a specific process take into consideration the provisions of the first article of CRB 93-05.

Weighting of products

Calculation of engagements to be taken into consideration:

- The inherent risks for type of lending: certain credits are weighted, namely the discounting of promissory notes, and some commitments by signature,
- Sureties and collateral: a weighting is applied to all or part of the engagement covered by the guarantees to which the weighting applies.

Decision for engagement

The decision process for entering into an engagement is differentiated, according to markets and ratings, to ensure a proper match to the customer credit requirements while minimizing exposure to risk. The decision for engagement is based upon:

- Clearly identified levels of delegated responsibility,
- Principle of dual oversight,
- Rules for capped authorization, in the light of levels of capital,
- Level of remuneration appropriate to risk profile and to the capital allocated to risk coverage

Limits of delegated powers

In the retail banking network, the rules for delegated powers to make loans and allow overdrafts as procedurally defined are set up in a manner compliant to the Basel II directives, and fundamental principles defined for the banks in the group more generally. Each actor has powers delegated in persona. The determination of the level of delegated authority takes into consideration:

- Total value of engagements, and Risk Group: Family, SIREN (French statutory statistical segmentation of undertakings by industry segment), CRD,
- Rating of customer of Group of customers,
- Exclusions from delegated authority.

Management of delegated authority is automated.

For the investment and finance banking, and for lending dossiers from the retail banking network in an amount greater than allowable under delegated authority (outlined above), decisions are taken by centralized decision-making bodies, whose role is to make loans, within a framework of clearly defined delegated responsibility. The CM4³-CIC Engagement Decisions Commission heads the overall organization. This Commission has the powers to take all decisions for granting loans, subject only to compliance to regulations.

Role of engagement departments

Each regional pole has an engagement department answering to the General Management, which is independent of the operational departments. The missions of these departments are twofold, and hence allocated to two independent teams. First; the team with responsibility for ensuring the quality of the decisions to grant loans by means of back-up analysis and oversight of the loan applications, ensuring that the income from the loans granted are consistent with the risk exposure, and secondly, a team with responsibility for implementing the prudential supervisory process, and assessing the credit risk, supplementing the processes undertaken by the permanent control organization.

Risk measurement and engagement supervision

Monitoring engagements is the responsibility of national and regional structures and national and regional organizations, using tools which are set up in compliance to Basel II regulatory requirements.

Consolidated risk measurement tools

The summary of consolidated risks provides for real time knowledge, based on reliable accounting entries of the authority / uses of funds (both nominal and weighted), of credit notes, of single third parties or groups of third parties associated with product lines, as well as entities and third parties (in groupings). Data summary tables are generated on a monthly basis from the consolidated summary of risks, enabling an identification of engagements:

- By groups of third parties
- By business area (retail network, major companies, specialist financing, real estate operators, international)
- By groups of third parties under supervision
- By activity sector.

The monthly centralization of loans outstanding declared to the Banque de France central risk department provides insight into the outstandings declared by third party or group of third parties.

The credit risk monitoring module provides an overview of liabilities, both high level, retail banking, subsidiaries, and business lines. This module gives some insight into the risk of concentration, inter-banking risks, and country risk.

The supervision of engagements and detection of sensitive risks

Monitoring engagements

Monitoring unauthorized breaches of credit limits and other incidents in the operation of accounts takes place by the banks in the Group using advanced risk detection tools (management of debtors / sensitive risks / automated initiation of recovery processes), based both on external criteria, and more particularly on the manner in which accounts operate and are rated. The purpose of these indicators is to identify and manage dossiers with potential risk exposure in an automated, systematic and exhaustive manner, before loan defaults actually occur.

³ CM4 is made up of federations: *Crédit Mutuel Centre Est Europe (Strasbourg), Crédit Mutuel du Sud-Est (Lyon), Crédit Mutuel Ile-de-France (Paris) and Crédit Mutuel Savoie-Mont Blanc (Annecy)*

The monitoring of the corporate internal and regulatory limits is independent of the organization granting loans. The limits are determined on a six-monthly basis in the light of the bank's capital, compliant to Regulation CRB 93-05 in regard to regulatory limits, and on the basis of the shareholders' equity and internal rating of the counterparties, with regard to internal limits.

The monitoring of major corporate risks allows for the quarterly monitoring, independently of the organization granting the loan, of changes affecting major corporate counterparty risks. Monitoring involves identifying engagements giving rise to a number of alerts (change in amounts, exposure to trading risk, change in credit rating).

Monitoring the market counterparty limits takes place in order to detect, first, failure to comply with authorized limits, and the second, deteriorating counterparty risk profile.

Monitoring both portfolios and risks requires, for the investment and finance banking, quarterly analysis of engagements, reliant on management tools forming the basis of decisions to classify engagements as sensitive, or of decisions to declassify or reclassify, and decisions to make allowance accounts for bad debt. In regard to the retail network, the supervision of engagements is organized as part of the framework of the quarterly reporting on the dossiers under supervision. Quarterly monitoring of debt portfolios gives rise to an exhaustive review of the internal ratings of the third parties, or groups of third parties for each portfolio.

The detection of sensitive risks, move to default status, allowance accounts for bad debt

The purpose of the process is to detect as early as possible any situation of risk exposure based on definite criteria for each customer segment, doing so either through the information system or through the relevant and competent operational and engagement managers. The counterparties detected are attributed an index qualifying them as sensitive.

Detection, declassification and allowance accounts are computerized. For retail banking, the amount of provisions in these accounts is determined by the managers with relevant accreditation, based on proposals from the IS application. For investment and finance banking, declassification allowances required a proposal to be validated.

Recovery

Recovery of debt relies on specialist units. The recovery processes are clearly articulated in three phases: settlement of outstandings, debt recovery by private treaty and involvement of specialist units and, if necessary, enforced debt recovery processes.

Permanent monitoring of engagements

A second level control is undertaken by units with dedicated skills acting independently of the engagement department, providing monthly identification of risk factors involving the application of specific criteria and the analysis of engagements deemed at risk. Corrective measures are then taken in consequence.

An automated analysis based on some twenty ratios also identifies monthly those branches encountering difficulties in the management of their engagements, so as to be rapidly able to take decisions on actions to set matters straight. This provides additional security in the management of credit risk.

Reporting

Quarterly risk management committee

The quarterly risk management committee deals with the four regulatory risks: credit risk, market risk, balance sheet management risk and operational risk.

In regard to credit risk, the presentation to the committee should provide information on:

- key figures,
- summary reports of the quarter's credit risk, including trends analyzed in both qualitative and quantitative terms; covering the amounts outstanding and new lending, the dispersion of risk, the amounts exposed to risk, cost of risk, and major concerns in regard to risk,
- quantified data from risk monitoring,
- amounts at risk: detail of the cost of risk, dossiers under supervision, main allowances/write-backs,
- reports monitoring major corporate risks,
- reports monitoring dossiers outside the limits of internal processes or regulations,
- the CMCIC Market risk committee report

b – Quantified data

Lending to customers

In a broadly favorable economic environment, a feature of 2007 was growth in the mass of loans granted, whilst confirming the quality of the loan book, and continuing well controlled cost of risk.

Substantial increase in loans outstanding

The portfolio of loan business with customers rose by 18% to €161 billion (capital outstanding at end December). These engagements represented €19 billion loans and outstandings entered on the balance sheet (+21%), plus €12 million of off-balance sheet commitments (+13%), and €30 billion off-balance sheet finance (+8%).

Loans to customer break down as follows:

(in millions of Euros capital, end of month)	12/31/2007	12/31/2006	change 2007/2006	Relative weight
Short term lending	40,543	32,065	26.4%	34%
Ordinary overdrafts	6,016	5,157	16.7%	5%
Commercial lending	3,135	3,446	-9.0%	3%
Cash lending	31,157	23,162	34.5%	26%
Export loans	235	300	-21.7%	0%
Medium and long term lending	78,074	65,667	18.9%	66%
Loans to acquire goods or equipment	16,697	14,850	12.4%	14%
Home loans	49,682	39,954	24.3%	42%
Hire purchase and equivalent	6,238	5,722	9.0%	5%
Other lending	5,457	5,141	6.1%	5%
Total customer outstandings	118,617	97,732	21.4%	100%

Source: Financial statements – excluding doubtful debt, additional attached loans and securites on loan

Exposure

(in millions of Euros capital end of month)	12/31/2007	12/31/2006
Loans and outstandings		
Credit institutions	96,003	73,627
Customers	123,876	102,303
Gross exposure	219,879	175,930
Provisions for depreciation		
Credit institutions	-8	-9
Customers	-2,194	-2,340
Net exposure	217,676	173,581

Source financial statements – excluding securites on loan

(in millions of Euros capital end of month)	12/31/2007	12/31/2006
Finance commitments given		
Credit institutions	1,498	1,721
Customers	30,485	28,258
Guarantees given		
Credit institutions	971	830
Customers	12,212	10,816
Provisions for risks on engagements		

Source: financial statements

High quality portfolio

- The beneficiaries of loans are highly rated on an internal scale of 12-levels, customers in the 8 best compartments accounting for 97% of outstandings for personal loans, and 92% for loans to small businesses, the self-employed, professionals and the corporate sector, and 97% in investment and finance banking.
- There was no major country risk; save only marginal exceptions, the portfolio being limited to France and the OECD countries.

The collateral on home loans was as follows:

(in millions of Euros capital end of month)	12/31/2007
Home loans	49,682
With Crédit Logement surety or Mutuel Habitat Guarantee	14,802
With mortgage or similar top ranking collateral	23,611
With lower ranking* security or unsecured loans	11,269

Source: financial statements, *Other sureties: lower ranked mortgages, financial and other assets pledged as collateral

Suitably diversified portfolio

- Counterparty risks are well diversified: the 10 largest groups of customers accounted for less than 2% of the on and off balance sheet commitments of the BFCM group as at December 31, 2007. At this time, the group met the required ratios for the coverage of major risks.
- Appropriate diversification of engagements by sector, there being no significant engagements with respect to a particular sector: this favorable situation is the outcome of special vigilance on sectors exposed to cyclical risks (real estate, aerospace...) or to sectorial contingencies (poultry breeding, automotive components manufacturing, transportation...).

Distribution of credits by Customer type

Distribution of credits by Customer type	12/31/2007 in %	12/31/2006 in %
Consumer loans	56	56
Corporate loans	30	32
Larger corporate loans	10	9
Specialist and other finance	3	3

Source: risk monitoring

Geographical distribution of customer risks

Geographical distribution of customer risks	12/31/2007 in %	12/31/2006 in %
France	95	95
Europe outside France	4	3
Other countries	1	2

Source financial statements

Concentration of customer risks

Concentration of customer risks	12/31/2007	12/31/2006
* Engagements above €300M		
Number of groups of counterparties	34	40
Total engagements in €M	24,951	26,470
Of which total balance sheet in €M	11,305	9,761
Of which total off-balance sheet guarantees and finance	13,646	16,709
Total credit notes (loan accounts, securities) in €M	5,691	11,718
* Engagements exceeding €100M		
Number of groups of counterparties	93	103
Total engagements in €M	36,085	37,394
Of which total balance sheet in €M	15,373	13,461
Of which total off-balance sheet guarantees and finance	20,712	23,933
Total credit notes (loans, securities) in €M	7,868	14,613

Source: monthly SRC – Major Companies tables, scope CIC + BFCM + BECM

No major risk is in excess of 25% of prudential capital.

Dispersion by sector

Dispersion of risks by sector	12/31/2007 in %	12/31/2006 in %
SERVICES TO ENTERPRISE	21.3%	23.2%
REAL PROPERTY	20.8%	20.4%
MANUFACTURING INDUSTRY	14.6%	15.2%
FINANCIAL	12.6%	8.6%
RETAIL	12.3%	13.3%
CONSTRUCTION	5.8%	6.1%
TRANSPORT AND COMMUNICATION	3.4%	3.7%
HOTELS AND RESTAURANTS	2.5%	2.8%
SERVICES, COLLECTIVE; SOCIAL AND PERSONAL	1.2%	1.1%
HEALTH AND SOCIAL AFFAIRS	1.1%	1.2%
AGRICULTURE, HUNTING, FORESTRY	1.1%	1.1%

Source: operational or risk monitoring

The figures on sectorial distribution are taken from the amounts outstanding shown on the balance sheet, and the amounts guaranteed off-balance sheet, provided by the information system, and classified, industry sectors being classified by NAF code. The regrouping of NAF codes into industry sectors are based on the French National statistical institute INSEE, segmentation of industry types.

Sovereign risk

Sovereign risks	2007 Outstandings	2007 Provisions	2006 Outstandings	2006 Provisions
Argentina			0.1	
Bosnia Herzegovina	0.1		0.1	
Congo			2.5	2.4
Côte d'Ivoire	0.1	0.1	0.1	0.1
Gabon	4.9	4.5	3.3	2.8
Lebanon	0.1		0.1	0.1
Niger			0.4	0.2
Somalia			0.3	0.3
Venezuela	1.5	1.0	2.7	1.1
Total	6.7	5.6	9.6	7.0

Source financial statements

The provisions cover only doubtful and disputed debt to state controlled organizations located in countries deemed a risk.

Breakdown of internal ratings of sound customer outstandings

Breakdown of sound customer outstandings by internal rating	12/31/2007 in %	12/31/2006 in %
A+ & A-	23	24
B+ & B-	34	35
C+ & C-	30	27
D+ & D-	11	11
E+	2	3

Source: post 2007 risk monitoring, excluding foreign branches and private banking.

Well controlled cost of risk

Doubtful debt was posted in the amount of €3,312 million at December 31, 2007, as against €3,494 million as at December 31, 2006, a fall of 5.2%. Doubtful debt accounted for 2.6% of lending to customers, as against 3.4% on December 31, 2006.

The rate of coverage of doubtful debt by direct reduction in the carrying amount of financial assets, excluding allowances for country risk and collective reserves was 63.8% as at December 31, 2007, as against 64.8% on December 31, 2006.

The cost of risk excluding collective reserves was €124 million or 0.10% of outstanding loans on December 31, 2007 (0.08% in 2006).

Quality of customer risk

In millions of Euros (capital end of month)	12/31/2007	12/31/2006
Receivables affected by individual impairment	3,312	3,494
Provisions for individual impairment	2,115	2,263
Collective allowance for outstandings	80	76
Overall rate of coverage	66.2%	67.0%
Rate of coverage (individual impairment only)	63.8%	64.8%

Source: financial statements

Inter-bank lending

Geographical breakdown of inter-bank lending

Geographical breakdown of inter-bank lending	12/31/2007 in %	12/31/2006 in %
France	19	19
Europe outside France	54	50
Other countries	27	31

Source: amounts declared in counterparty application

Inter-bank lending is classified by country of parent company. The banks involved are mainly European and American.

Structure of inter-bank lending by internal rating

Structure of interbank lending by internal rating	12/31/2007 in %	12/31/2006 in %
A +	5.4	4.9
A -	54.6	54.2
B +	28.3	30.3
B -	9.9	9.0
C and below	1.5	1.2
Not rated	0.3	0.4

Source: Group declarations in counterparty application

Debt securities

The portfolio of notes is almost exclusively the concern of market trading, and marginally concerned in balance sheet management.

In millions of Euros (capital end of month)	12/31/2007 Book value	12/31/2006 Book value
State backed notes	23,557	23,302
Bonds	80,624	75,517
Financial derivatives	9,215	5,141
Securities & lending	26,638	22,250
Gross exposure	140,033	126,210
Provisions for depreciation of securities	-17	-18
Net exposure	140,016	126,192

Source: financial statements

BALANCE SHEET RISK

Organization of activity

CM4-CIC Group has progressively centralized its balance sheet management functions, which were previously governed by a framework of decentralization.

Management of liquidity, risk and refinancing are also undertaken by BFCM on behalf of the whole Group. Management of interest rate risk will be governed by the same approach, and entrusted to a central function in 2008.

For each entity in the CM4-CIC Group, the roles and principles of balance sheet management are clearly defined:

- Balance sheet risk is identified as a function distinct from trading risk, which has its own resources,
- The purpose of balance sheet risk is to protect commercial margins against changes in interest rates and foreign currency movements, on the one hand, and on the other hand to maintain a level of liquidity such that the CM4-CIC Group can meet its obligations and protect itself from a possible liquidity crisis,
- Balance sheet management is not a profit center.

The balance sheet management cell contributes to the definition of commercial policy in terms of setting the customer terms and conditions, and rules for internal rates of reassignment, while providing for a permanent relationship with the sales staff working in the retail banking network.

The cell also prepares consolidation of data from CM4-CIC Group entities to ensure the monitoring of the overall situation and of regulatory ratios.

Management of interest rate risk

Interest rate risk is generated by the bank's commercial operations, and arises from the differences between interest rates receivable and the standard rate, as they affect the sources and uses of customer funds, adopting a forward looking analysis, taking into consideration changes in outstandings and "hidden options" (early redemptions of outstanding loans, extensions of terms of repayment, confirmed drawings on credit lines...).

The risk is covered overall by transactions known as macro hedging. In this respect high value customer operations or specially structured operations may however be allocated specific hedging.

The limits of exposure are fixed centrally, and apply to all Group entities, being expressed in regard to the forecasts of net banking income for each entity.

The interest rate risk is monitored through two indicators, *impasse à taux fixe* and the sensitivity of net banking income. As at December 31, 2007, the internal net income of both the BFCM and CM4-CIC Groups were exposed to rising interest rates.

For operations in the scope of both entities, the gross balance sheet sensitivity change in net banking income (for a 1% increase in interest rates and a 0.33% inflation rate) were very close:

- in the scope of consolidation of the BFCM Group (excluding the refinancing activity) the gross balance sheet sensitivity was -€77.3 million in year 1 and -€45.6 million in year 2, respectively 21.1% and 1.2% of the forecast net banking income for each year.
- in the scope of consolidation of the CM4-CIC Group, the gross balance sheet sensitivity was -€126.9 million in year 1 and -€74.6 million in year 2, 2.4% and 1.4% respectively of the forecast net banking income of each year.

Management of liquidity risk

The Group attaches great importance to the management of liquidity risk. To this effect, balance sheet management tracks the following indicators:

- static *impasse de liquidité* relies on contracted and agreed repayment schedules to enable the detection of mismatches, if any, between available treasury and future scheduled payments;
- hedging coefficients on the various maturities of uses of funds in the forms of sources of funds at the same maturity date, based on analysis including elements relating to new lending under a forward looking approach.
- regulatory liquidity coefficient seeking to reconcile sources of funds maturing in less than one month with the uses of funds of the same maturity date.

The prudent liquidity management developed by the CM4-CIC Group has enable it to keep a comfortable level of liquidity throughout 2007, including the second half of 2007, at a time when the market was under considerable tension.

The group is regularly in contact with structurally lending organizations such as the European Investment Bank or the Caisse de Refinancement de l'Habitat. The balance of sources of funds required for business development is collected in the financial markets.

Breakdown of BFCM* consolidated balance sheet by residual term of future contractual cash flows (capital and interest)

In millions of Euros	2007 – residual contractual maturities -							TOTAL
	< 1 month	> 1 month < 3 month	> 3 month < 1 year	> 1 year < 2 years	> 2 years < 5 years	> 5 years	Indeterminate	
Assets								
Financial assets owned for trading purposes	1 768	1 297	5 513	3 901	15 848	21 980	4 503	54 812
Financial assets allocated to JV by profit and loss account	12 952	11 145	2 389	346	1 354	238	798	29 222
Derivatives used for hedging (assets)	1 116	0	324	4	9	105	1 544	3 103
Available-for-sale financial assets	282	302	2 409	3 209	6 590	5 913	2 304	21 009
Loans and receivables	39 111	12 665	13 090	65 190	27 593	58 638	1 936	218 223
Investment held to maturity	40	6	41	225	228	2	36	578
Other assets	484	1	1 365	1	2		6 697	8 550
Liabilities								
Central bank deposits	34	25						59
Financial liabilities owned for trading purposes	1 006	21	1 884	1 018	3 100	6 969	5 000	18 998
Financial liabilities allocated to JV by profit and loss account	18 150	18 211	7 721	55	42			44 179
Derivatives used for hedging purposes (liabilities)	1 027	4	216	15	44	64	1 486	2 857
Financial liabilities valued at amortized cost	100 261	52 914	26 898	41 787	12 406	21 135	4 159	259 561

* Excluding insurance activities

Currency risk

The foreign currency hedging of operations with customers is undertaken by each bank in the group. The residual currency position is very limited. The group does not structurally have foreign currency positions with the exception of the capital allowances for its foreign branches.

Equity risk

The equity risk to which the BFCM Group is exposed is of different kinds.

Equities accounted for at fair value through profit or loss (cf. note 5 of notes to the consolidated financial statements) amounted to €1,084* million as at December 31, 2007, as against €1,083 million as at December 31, 2006.

*including the equity investments of the venture capital business line of €1,736 million

The value of equities classified as available-for-sale assets and other shareholdings was €5,172 million and €2,358 million respectively (cf. note 7 of notes to the consolidated financial statements) at year-end 2007.

Investment capital

This business is undertaken by dedicated entities with a portfolio wholly valued by fair value hedges.

Investments include some 60 lines, mainly in small and medium-sized companies. Investments in unlisted companies make up some 76% of the portfolio by value.

Venture capital-related risk

Investment	31/12/2007	31/12/2006
Number listed lines	126	159
Number active unlisted lines	478	498
Number funds invested	51	42
Own account portfolio revalued in €M	1 736	1 709
Funds managed on behalf of third parties in €M	451	385

Source: risk monitoring

MARKET RISKS

General organization

Since 2006, the BFCM and CIC market and trading activities have been reorganized into a single entity *CM-CIC Marchés*, under single management.

In regard to the capital adequacy requirements as assessed by CAD at year end 2007, *CM-CIC Marchés* accounted for 82% of the group's overall exposure to market risk.

The activities of *CM-CIC Marchés* are organized into three business lines: refinance, commercial and own account.

Market trading organized by *CM-CIC Marchés* is processed and recorded in the BFCM balance sheet, as regards the refinancing business, and in the CIC balance sheet as regards the commercial and own account business lines. Commercial transactions performed by the group's regional management are also recorded in the CIC balance sheet. Finally, market transactions may also be recorded in the foreign subsidiaries in New York and Singapore. London no longer has its own account market activity.

Refinancing activity

A team dedicated to treasury management refinances the business needs of the retail banking network and its subsidiaries, corporate and specialist financing, own account trading by the *CM-CIC* trading room, and the liquidity instruments of the CIC group. Its policy is one of diversification of its investor base, relying on teams based in Paris, Frankfurt and London.

The products traded are mainly money market instruments and firm interest rate and currency hedging instruments.

Commercial business line

The sales teams operating from Paris or within the regional organizations have a unified range of tools and products. A dedicated technical organization known as *conception adossement retournement* (CAR – design, backing and reversal) has been set up and is required to seek the best prices, the maintenance of commercial margins and the reversal of currency and interest rate positions.

Own account business

The own account business revolves around a dozen or so activities, mainly arbitraging, which can be allocated to families: interest rate, equities, hybrids, credit spreads and fixed income. These activities are themselves organized by specialization. Necessarily value creating in a framework of proper risk control, they are required to service the needs of the sales and marketing required to grow the bank's business.

Description of control structures

In the course of 2007, the control entity continued to improve its organization, and methodologies of risk monitoring.

All of the methodologies and processes contained in a body of rules have been regularly reviewed and adjusted.

The mission entrusted to the control teams is to ensure the stable and reliable issuance of daily or regular reports, covering all of the risks and rewards attaching to the different types of activity, and to put forward an analytical approach to these reports, intended for the bodies monitoring the relevant business lines.

CIC group market activities are reliant on the organization of the control described below:

- All of the market activities (front office, control, back office) report to a member of the CIC board who reports on these activities to the CIC board itself and to the BFCM board;
- The units entering into trading engagements (front office) are separate from the units with responsibility for oversight of risk and rewards (control) and from the units providing for validation, settlement and accounting records (back office);
- Since 2007, the control organs are under the management of the Group Risk Department which supervises risks at Group level, and ensures that the BFCM and CIC Boards approve the appropriate levels of capital allocations;
- The permanent control systems are based on first level controls, bringing into play three teams:
 - risk-rewards control, approving new business and daily monitoring of rewards,
 - regulating and accounting control with responsibility for reconciling profit as booked and actual cash flow, as well as regulatory aspects,
 - Legal and market compliance control, with responsibility for first level legal aspects

- Second level control organized around a number of teams:
 - Market trading control, reporting to the permanent business line control entity, provides a permanent second level control over the group's specialist business lines,
 - The engagement department of the CIC group checks compliance to credit processes, and monitors the risk exposure by group of counterparties,
 - The legal and tax department of the CIC group controls the *CM-CIC Marchés* compliance control team,
 - The CIC group financial department supervises the accounting schemes, the plan of accounts and the accounting and regulatory controls;
- The CM4-CIC Group business line regular control entity operates through a team of specialist inspectors who provide regular controls and oversee the compliance of market activities;
- Back office is organized by product line. The various teams are allocated to two sites in Paris and Strasbourg and provide for the administrative processing of operations;
- Finally, market trading is overseen through two committees:
 - a monthly risk committee providing for monitoring of strategy, results and risks, within the framework of the limits granted by the Board, and supervises the market trading of the foreign subsidiaries in terms of risk exposure
 - a weekly management committee which coordinates the operational aspects; information system, budget, human resources, processes.

Risk management

The system of market risk limits is based on:

- Limits to potential losses;
- Rules and internal scenarios (CAD risk and the historic VaR and stress tests, currently being introduced, enabling the conversion of exposures into potential losses.

The limits are set for different types of market risk (interest rate, currency, equities and commitment by

signature), and divided into sub-limits by type of risk for each business scope. No cross-settlement or offsetting of risk types is allowed.

Risk monitoring takes place both using first level indicators (sensitivity to different market risk factors), mainly intended for operators, and at a second level of potential losses, providing a more synthetic overview which is more directly accessible to the decision-making bodies.

The capital allocated to CAD risks as at December 31, 2007 on own account and in commercial, was €70 million and €20 million, on which call was made in the amount of €400 million and €1 million.

The main trading risks arise from the following activities:

- Global macro: positions taken on market moves and relative value differentiations of the various classes of asset. CAD allocation was €13.6 million at year end;
- Credit and hybrid risk: positions arise either from securities arbitraging/credit default swaps (CDS), or credit correlation positions. In a particularly difficult year, there was little variation on the credit arbitraging portfolio (CAD allocation €30 million). The asset backed securities portfolio in the *CM-CIC Marchés* scope continued to expand in 2007 (€76 million CAD allocation on average in the last quarter 2007 as against €62 million in 2006). The credit correlation activity, exclusively based on Itraxx / CDX tranches went as high as €47 million in June, falling back by December to the level of €30 million it had at the beginning of the year, the stock of convertible bonds remaining broadly unchanged at around €3 billion.
- M&A and other equities: CAD allocation to equity risk was €11 million at year-end 2007, 64% of which originating in M&A strategies (takeover bids and public share exchange offers). In this business line, CAD indicated exposure was given as much higher than the loss exposure as calculated by the internal assessment, which was some three times lower. M&A exposure amounted to around €80 million at year-end December;
- Fixed income: positions were made up of interest rate curve arbitraging, in most cases on underlying securities. Other arbitraging between OECD government-backed securities of the same maturity date, but with different issues, or with same issuer but different maturity dates, also took place. The CAD measurement of exposure reverted on December 31, 2007 to the €7 million level it had at the outset of the financial year. The outstanding liability of paper vs. swaps remained stable in 2006 at €12 billion.

The day-to-day treasury position of *CM-CIC Marchés* cannot exceed a certain threshold, including an intermediary alert threshold, according to limits set by management. This position is subject to individual and overall management involving the BFCM, the group's refinancing entity. In 2007, the day-to-day position never exceeded the authorized threshold.

Credit derivatives

Credit derivative products are used by the *CM-CIC Marchés* group and on a very marginal basis by the Singapore subsidiary.

CM-CIC Marchés carries all these instruments in its trading portfolio.

The control arrangements allocate these products to the processes framing and supervising credit / counterparty risks.

The trading room for its part is compliant to risk limits by issuer counterparty in regard to all investment vehicles. The liabilities and funds under management are monitored daily within the framework of limits regularly reviewed by special purpose bodies (engagement committee, market risk committees).

EUROPEAN CAPITAL ADEQUACY RATIO

Under article 4.1 of CRBF regulation n°2000-03 of September 6, 2000 relating to prudential supervision on a consolidated basis and additional supervision, BFCM, which is included within the *CM4-CIC* consolidation, is not required to comply with the sub-consolidation basis in terms of management ratios, nor with the provisions relating to internal capital adequacy as required by article 17 bis of CRBF regulation n°97-02. This waiver also applies to the Basel 2 (cf. article 1 of CRBF decision February 20, 2007).

The information shown below (including the presentation of the processes and comments on operational risk, relate to the parent company, the CM4-CIC Group.

Since January 1, 1996, market risks, mainly in regard to interest rate, foreign currency, equities, settlement/ counterparty, as they affect the trading portfolio of the banks, are governed by specific capital adequacy requirements under the European Capital Adequacy Directive (CAD).

The overall capital requirement is therefore equal to the combination of the requirement relating to credit risks in regard to the total weighted risks, excluding the trading portfolio, and the requirement related to trading portfolio market risk, and that, if any, in regard to the major risks.

The group calculates its capital requirement in regard to market risks, using the standard regulatory model.

The capital adequacy requirement is 8% of weighted net risks.

The European Consolidated Capital Adequacy Ratio of the CM4-CIC Group (BCFM shareholder) is as follows:

(in millions of Euros)	Dec-31-07 Consolidate CM4 & CIC
TOTAL CAPITAL	19,579.90
CAPITAL REQUIREMENT FOR CREDIT RISK (EUROPEAN CAPITAL ADEQUACY RATIO) = T x 8%	14,453.50
TOTAL WEIGHTED RISKS	180,669.10
Weighted risks on balance sheet	155,525.00
. risks weighted at 10 or 20 %	8,707.20
. risks weighted at 50 %	25,475.10
. risks weighted at 100 %	121,342.80
Off-balance sheet weighted risk	23,752.10
Interest rate related risk	1,392.00
CAPITAL REQUIREMENT FOR MARKET RISK	450.8
Credit risk equivalent	5,635.40
OVERALL COVERAGE RATIO	131.37%
Total capital adequacy ratio *	10.51%
<i>Core capital adequacy ratio (TIER 1 RATIO)</i>	8.52%

* Ratio of prudential capital to weighted net risks

The total capital adequacy ratio must be above 8%. The regulatory ratios governing the CM4-CIC Group were complied with as of December 31, 2007. More generally, the group seeks to respect all of the requirements laid down by the banking regulations.

OPERATIONAL RISK

Within the framework of the Basel II prudential regulations, the CM4-CIC Group has progressively since 2002 adopted a complete process for operational risk management, directly reporting to the senior organs of management, including a single risk framework and common quantitative methods of assessment.

The operational risk team has responsibility for the CM4-CIC scope of business (banks, federations and business line centers). It has been further delegated responsibilities to the CM-CIC Group.

The operational risk measurement and supervisory system is based on a framework common to the whole of the CM-CIC group, involving a risk mapping including identification and modeling of risks and the calculation of the final requirement for capital allocated to the coverage of operational risk.

The CM-CIC group has a structured and coherent overall framework which enables the mapping of risks in line with their potential generic risk and the summary of risk by 8 business lines and 7 Basel risk events, establishing a relationship with actual risk events and potential risks.

The Crédit Mutuel – CIC group has opted for the Advanced Measurement Approach (AMA) for its operational risks. Only the banking subsidiaries abroad (Belgium, Luxembourg, Switzerland), and the factoring subsidiaries will initially remain governed by the standard method.

Main objectives

The adoption of an operational risk management policy has the following objectives:

- contributing to the group's overall control and management of the risks and the costs arising;
- From the human point of view: protecting persons, developing responsibilities, independence and controls, capitalizing on group skills;
- from an economic point of view: keeping up margins by providing the most efficient management of operational risk across all business lines, ensuring return on the investment in regulatory compliance, optimizing the capital allocation to the cost of risk and ensuring a suitable match of insurance schemes to identified risks;
- from the regulatory point of view: making an efficient response to Basel II regulations and to the requests of the supervisory authorities, relying on internal control (CRBF 97.02), optimizing the business continuity plans, for essential activities (CRBF 2004-02) and suitably adapted financial communication (pillar 3 Basel II, NRE, LSF).

Role and positioning of operational risk management function

The operational risk function at group level coordinates and consolidates the whole process by means of the dedicated team at its disposal serving the group. It provides leadership to operational risk managers in the regional groups. The regional function implements the processes and ensures assessments are consistent with the overall model. The regional function is led by the regional group operational risks manager.

Process for operational risk measurement and control

The mapping of homogeneous risks by Basel II business line and by risk type takes place for all activities based on expert assessments and probabilistic modeling. Model validation is the responsibility of the operational risks technical committee. Capital allocations are calculated at the regional and national level.

The general orientations for operational risk reduction include:

- Effective prevention (actions costing less than the risk exposure) identified by the mapping directly undertaken by operational staff and by means of permanent and quality controls.

- the protective actions whose priority is the rollout and broad adoption of business line continuity planning, logistics and IT back-up for essential business operations.

A coherent disaster recovery process within the group, linking up to the processes set up for the inter-banking business, has now been broadly adopted.

The programs for financing operational risk have been reviewed in the light of the continuing outcomes of the net risk assessment (including decisions on risk reduction initiatives). These have been undertaken in accordance with the following principles:

- subscription to insurance policies for the serious and major insurable risks, and develop self-insurance within the group to cover amounts in excess of the amounts insured and cover intra-group risks;
- subscription to insurance policies to cover frequency risks when justified or finance them out of deductions for loss expectations in the operating accounts;
- Risks of a seriousness that cannot be insured and the balance not insured are covered by the prudential capital reserve for unexpected loss;
- major risks for interbank trading and payment systems are covered by the liquidity reserve fund set up and administered by the system.

Reporting and general oversight

The application of a policy of operational risk management and risk profiling are monitored using key indicators, thresholds and alerts covering the assessment of potential risks, changes in actual levels of risk occurrence, the efficaciousness of the measures taken for the purposes of risk reduction and finance. The foregoing give rise to regular information to the executive and decision making organs.

Business Continuity Plans (BCP):

BCPs form part of the protection actions introduced by the company to limit the serious of an adverse event, as part of the company's program of management of operational risk.

A BCP drafting methodology has been devised, and forms the reference document for the Crédit Mutuel - CIC. Group in this field. It is available to all teams involved in BCPs and is applied at the CM4-CIC. group level.

Two types of BCPs have been identified:

- *Business line BCPs*: covering a given line of banking activity connected to one of the Basel breakdown of the business for regulatory purposes.
- *Cross business area BCPs*: covering business lines whose purpose to provide the facilities or resources for other businesses than their own to operate. Such are logistics PCPs, including Human Resources and IT BCPs.

BCPs are deployed in three phases:

- *Back-up plan*: immediately implemented and comprised of actions whose purpose is to deal with emergencies and set up temporary solutions for degraded processes.
- *Continuity plan*: recovery of activity in degraded environment in line with procedures adopted before the disaster or emergency occurred
- *Return to normal plan* : preparation for which begins soon after the inception of the continuity plan. The time taken to implement it depends on the scale of the losses or damage.

Crisis management organization:

The crisis management organisation set up by the CM4 - CIC group covers crisis communications, and organisation in the crisis phase most effectively contributing to handling the three phases of back-up plan, continuity plan and return to normal plan.

This organization relies on:

- *Crisis Committee* which takes fundamental decisions, prioritizes actions and provides for internal and external communications, headed up by the Managing Director of the regional arm at regional level, and by the Group Managing Director at the national level;
- *Crisis Cell* centralizing information, implementing the decisions taken and monitoring their outcomes;
- *Crisis Contact Point* by business line which coordinates crisis management operations in the field, interacting with the Crisis Cell and ensuring the implementation of the BCPs until return to normal

Insurance to reduce regulatory capital requirement

The possibility of deducting insurance from capital as part of the Advanced Measurement Approach is summarized in article 371 – 1 to 3 of the government decision of February 20, 2007. The CM4-CIC Group insurance program is at present compliant to these arrangements.

Hence our insurers are all certified and are rated at no less than 3 (equivalent BBB+ to BBB- ratings of the long term credit rating agencies). The term of our insurance policies is not less than one year, requiring forward notice of cancellation of at least 90 days, without restrictive clauses other than those for non-payment of premium and misleading declarations. Any coverage provided by a captive insurer does not give rise to diminution of the regulatory capital requirement.

Training

The CM4-CIC Group in 2007 initiated training for all of the CIC branch managers and for all of the Crédit Mutuel Caisses or units. The training, in prudential processes, covers types of risk, methods of prevention and management, as well as the processes for identifying and declaring any claim or adverse event causing a loss of more than €1000.

2007 inventory of BFCM claims (*scope of consolidation*)

The total adverse events affecting the group amounted in value to €0.2 million, of which €13 million losses and €7.1 million reserves, in total very close to the levels of financial 2006.

External fraud in many cases using means of payment, involuntary error and relations at work were the major causes of loss

The cost of losses through operational risk in the amount of €0.2 million breaks down as follows:

- relations at work: €3.2 million
- fraud: €4 million
- human error or procedural failure: €2.4 million
- natural events: €0.9 million

Willful or wrongful damage: €0.6 million;

- legal: €0.9 million, as 2007 saw a write-back of provisions for prior period losses, in a subscope of the consolidation of CIC entities.

BASEL II PROCESSES – CM-CIC GROUP CREDIT RISKS

For better consideration of the quality of the borrower, the Basel Committee has developed a new capital adequacy process known as Basel II, including the introduction of a system of internal ratings for each credit or banking institution.

The new Basel II agreement is comprised of three pillars:

- **Pillar I** introduces new minimum requirements for capital, taking the form of a calculation of the capital adequacy ratio, including credit risk, market risk, and operational risk;
- **Pillar II** requires banks to perform their own assessment of economic capital and to use stress scenarios to assess their needs for capital in the event of difficulties affecting the general economy;
- **Pillar III** involves reinforcing market discipline by the ample disclosure of information (transparency).

In regard to the minimum capital requirements (pillar 1), the main developments as compared to the current capital adequacy ratio relate to the following two points:

- Treatment of credit risk: modification of the calculation of weighted risks in regard to unexpected loss (UL), in regard to the denominator of the ratio, with possible correction of capital requirement based on the differential between expected loss (EL) and the provisions; in the ratio numerator;
- Introduction of explicit procedures and processes for operational risk.

In regard to credit risk, the banks may, subject to authority from their regulatory supervisors, employ a number of methods for assessment of their growing exposure to risk, among these being the standard approach and the internal ratings-based approaches (IRB).

The standard approach is that of the Basel I agreement ...

The internal ratings-based approaches are more sophisticated.

The use of the internal ratings-based approach requires meeting a number of quantitative and qualitative conditions whose purpose is to ensure both the integrity and credibility of the process and allow for the use of estimates for the parameters of calculation of regulatory capital.

In accordance with the instructions of the supervisory and regulatory authorities, the Basel II project has been implemented at the CM-CIC national level by the Confédération nationale du Crédit Mutuel, adopting a unified approach covering all the Federations. Crédit Mutuel-CIC aims at establishing its eligibility for the adoption an internal ratings-based approach.

For retail exposures, the calculation of capital requirements will be made on the basis of internal estimates of the parameters of Probability of Default (PD), Loss Given Default (LGD) and CCF (IRB approach).

Given the constraints in terms of statistics and track record in determining losses in cases exposure at default by banks and corporate sector, CM-CIC will use the IRB foundation approach (internal estimate of the PD parameter, use of prudential values for LGD, CCF and M parameters).

CM-CIC is also seeking authorization to sustainably apply the standard measurement to exposures to sovereign borrowers and to local authorities (0.1% and 0.6% of the group weighted risk), and to do so on a temporary basis for foreign subsidiaries and factoring.

As a cooperative bank, belonging to its customers and members, the CM-CIC group is not actuated by desire to redistribute possible gains from the use of its capital to its shareholders. By opting for an internal ratings based approach, the group is:

- responding to regulatory requirements and to the French Banking Commission;
- setting up a national project giving rise to standardized practice in the bank's operations;
- improving the qualification of its customer base in the risk field, ensuring more detailed management and oversight of that risk;
- updating information systems and working methods at all levels within the organization (obligation to use credit ratings as part of its management procedures).

The expected outcome is an improvement in the CM-CIC group risk management and measurement processes. CM-CIC is a financially solid group with low exposure to risk.

Its outstanding loans are 80% to market segments considered structurally the lowest risk.

A current conservative portfolio

The work performed as part of the Basel II impact study showed that 80% of the balance sheet liabilities related to segments considered as structurally the least risk: Retail (53%), Institutions (15% - mainly banks), and Sovereign (10%, with a very low risk of only 0.1% of weighted risks). The structure of total exposure at default EAD (balance sheet and weighted off-balance sheet) is substantially the same.

The CM-CIC group's business is in diversified retail banking, which is its core business. Within the retail business, the structure of exposure, broken down by commercial market is as follows:

- Individuals: nearly 70% of exposure;
- Professionals (including self-employed and VSEs): 21% of exposure;
- Other retail customers are also represented, notably larger business corporations (5%) and farmers (4%).

House purchase lending represents over half of the lending to customers and of loans issued, confirming the structurally low risk profile of the CM-CIC group.

Development strategy focusing on retail banking

Neighborhood retail banking is at the heart of the CM-CIC group's development strategy, for both Crédit Mutuel and in CIC. The purpose is through organic growth to reinforce the group's market share. To this end, developing a second network of branches in France, intended to become a hub of relationships with the customer base, is the main thrust of actions.

In the finance banking (for corporate customers), after reduction in its exposure in the last few year, particularly by CIC, the group seeks to remain a niche player.

The CM-CIC group's strategy abroad is very cautious. The objective is on a priority basis to support French customers in markets abroad. The total loan book carried by foreign-based entities of the group financial statements accounts for less than 10% of the total balance sheet value.

Very high levels of capital and one of the best capital adequacy ratios in the banking industry are the fruit of a policy of unremitting prudence.

The CM-CIC enjoys high levels of capital, above the minimum regulatory requirement. Capital stood at €24.3 billion on December 31 2006.

The core capital furthermore represents an overwhelming high percentage of the overall prudential capital of the CM-CIC group. The tier one ratio is one of the highest among the major French financial institutions, and among the highest in Europe.

This solid financial structure is the result of:

- Strict cost control, translating into one of the best operating coefficients in the industry over time,
- A policy of constant prudence, with retail banking risks that are well known, identified and managed.

Dispersion and quality of risks

The orientation of the CM-CIC group towards lower risk segments, and its policy of granting loans on a selective basis have had as their result, a low level of risk exposure to doubtful and disputed debts. That exposure was 2.9% on December 31, 2006, the cost of risk being €0.2 billion.

A distinctive feature of the CM-CIC group is a high degree of dispersion of its exposure (high percentage of lending to individuals and to professionals (self-employed and very small enterprises), and risk disseminated into large numbers of small unit exposure..

STRONG NATIONAL DIMENSION

The Basel II regulations covering internal rating systems sets the greatest store on the vision of the processes at all levels, from a group perspective. The French government decision of February 20, 2007 (article 102) specifies in particular that “the definition and criteria shall be sufficiently detailed to allow persons with responsibility for the rating or assessment to assign to debtors or transactions presenting the same risk, the same rating or assignement to the same category, on a coherent basis across the relevant business lines, administrative departments, or geographical locations”.

The coherence of the Basel II process within the CM-CIC group is assured by:

- National coordination covering all of the entities and activities of the group (including specific business lines and foreign entities);
- The single counterparty rating system, a harmonized definition of default, and the use of common parameters (including common definitions applied to specific business lines, lease-and-buyback for example);
- The functional convergence of the group’s information systems.

This arrangement relies on a single rating system for counterparties, a harmonized definition of default, and a use of nationwide parameters

Single system of rating counterparties of the CM-CIC group. This is based on:

- Statistical algorithms or mass ratings, reliant on one or more models (for example the cross referencing of financial model with an account operation model for corporate customers) based on a selection of variables that are representative and predictive of the risk – between 5 and 10 variables per model: individuals; legal entities; civil property companies; individual entrepreneurs; individual agricultural entrepreneurs; agricultural firms; OBNL; loans granted.
- Manual assessment grids drawn up by experts:
 - Banks, Strategic Accounts, (including insurance companies, property owning and management companies and landlords offering subsidized rental accommodation, known as HLMs);
 - Specialist financing (projects, assets and real estate).

In accordance with the request from the Commission bancaire issued at the time of its information initiative in 2003, the parameters used by the group for its calculation of weighted risks are national. This means that they apply to all entities in the group.

PROCESS RELYING ON ROBUST AND STRUCTURALLY BINDING FOUNDATIONS, SUPPORTED BY A MAJOR INVESTMENT IN INFORMATION SYSTEMS

The key stages in the calculation of the internal estimates of the risk assessment system outlined above (ratings, exposures at default, and other parameters), and the calculation of weighted credit risks for the CM-CIC group rely on robust and structurally binding fundamentals.

Statistical process for risk classification rooted in group operational processes.

The work of mass assessment of risk has been extended to the whole of the CM-CIC group, dating back to 2002, within the perspective of the introduction of the new Basel requirements.

Resilient statistical methods for the “high street” banking sector. The CM-CIC group has a permanent team of statisticians dedicated to Basel II. The first Basel-style internal rating systems were developed and went on stream in 2002. Subsequently methodological improvements have been regularly made in order to enhance the

appropriateness and robustness of the models used by the group in order to segment its customer base into homogeneous risk classes.

Robust parameters based on a single definition of default, calculated on a very extensive population, including prudential coefficients.

IFRS accounting data make up the basis of calculation of weighted risks.

In accordance with regulations, the accounting data are the basis of the calculation of weighted credit risks.

Major IT investment has been earmarked to meet the requirements of the Basel II reform.

A national dedicated facility is at the disposal of statisticians.

The CM-CIC group in June 2004 set up a national facility known as the Base Nationale Statistique (BNS – National Statistics Base), to make available to statisticians a tool with the ability to design and monitor customer segmentation models using a single and exhaustive source of data provided by the information systems.

Since 2001, the CM-CIC group has been working on the Basel II project with a significant and progressive increase in resources and staff mobilization. In seeking approval of its system for the internal rating-based approach (by the Commission Bancaire) by June 30, 2008, the group has positioned itself so as to achieve compliance by that date.

Implementation to date

- single internal rating system (including business lines subsidiaries, lease and buyback and foreign subsidiaries), based on a unified definition of default in line with the accounting system and automatic declassification with a view to prevent contagion to the kinship group and to businesses sharing the same or similar SIREN number for the national classification of businesses by sector;

- a statistical approach to mass classification of risks that, by relying on a national statistical database containing data on 8 million assessed third parties, is robust, being furthermore reliant on thousands of qualitative and quantitative elements of information on the customer base validated by business line experts, and qualified by PriceWaterhouseCoopers as being “one of the best business practices in the marketplace” at their prevalidation audit;

- a datawarehouse that is a single and exhaustive source of data for the calculation of national parameters;

- a national coordination of the data management project;

- governance at national level of the Basel II processes, consistent with the principle of non-centralization of the group business model;

- implementation of Basel rules to each bank, and to all of the risk management and supervision processes;

- data input to computers from IFRS accounting data.

Substantial investments made by the Crédit Mutuel-CIC into its IT systems are a fundamental factor in the compliance of this system to regulatory requirements.

The group has furthermore included into its action plans, the recommendations from the pre-validation mission performed by the general inspectorate. The implementation of these recommendations will take place over 2007 and 2008 and will require, further to a sustainable implementation of the Basel processes, the continuing substantial mobilization of resources.

The CM-CIC Group is mobilized to ensure compliance within the deadlines.

OTHER RISKS

Legal risks

There is no significant legal risk within the BFCM group.

Industrial and environmental risk

Not applicable to the BFCM group.

Chapter V REPORT ON THE PROCESS TO COMBAT MONEY LAUNDERING

The process set in train to combat money laundering has been substantially reinforced over the last few years across the CMCEE-CIC Group. The measures taken aim at detection of operations that may be suspect, thereby seeking greater in-depth knowledge of the customers concerned, and if necessary, ensuring the avoidance of any relationship with customers whose identity or activities are poorly identified. These processes are part of the recommendations of the financial action group (GAFI), and the legal and regulatory provisions contained in the Code monétaire et financier, and the European directives and regulations transposed into French law.

In this context, the CMCEE-CIC Group has set itself the goal of:

- Seeking the best possible knowledge of its customers and transactions;
- Exercising vigilance over the origin of the funds deposited with it, and/or the cash flows entrusted to it in order to detect a typical or non-standard transactions;
- Check on compliance to regulatory provisions and internal standards, by exercising the appropriate controls and ensuring formalized working processes;
- Involve all staff in the fight against money laundering by regular training and awareness-raising actions.

The control processes including their various components (regular, permanent and conformance controls) have as their goal ensuring the consistency of the processes adopted and their proper implementation. The processes rely on the *Tracfin* correspondents who perform continuous monitoring of transactions, make regulatory declarations and contribute by their actions to increased vigilance from all.

In their work, the staff and control services have at their disposal an extensive range of tools common to the group, intended both to bring to their notice the transactions or situations that require attention, enable them to record their comments, and to inform their superiors and *Tracfin* correspondents. These tools are regularly enhanced and refined to meet changes in regulations. In 2007, new filters and automated controls were put in place, relating more particularly to the monitoring of transactions with countries on which embargoes are placed and requiring particular vigilance, on the compliance to process in the matter of the principals initiating and beneficiaries or recipients of international fund transfers and the identification of transactions at risk.

The application of the legal requirements arising from the third European directive on arrangement to combat money laundering, the enrichment of the range of tools, the updating of processes and the continuance of training are form the framework for the work to be undertaken in this field in 2008.

Chapter VI REPORT OF THE STATUTORY AUDITORS

The reports are presented on the following pages.

KMT AUDIT
KPMG Network
9, avenue de l'Europe
Espace Européen de l'Entreprise
BP 20002
67300 Schiltigheim

Statutory Auditor
Member of the Regional Company of Colmar

ERNST & YOUNG and others
41, rue Ybry
92576 Neuilly sur Seine Cedex
S.A.S. à capital variable
(variable capital simplified share company)

Statutory Auditor
Member of the Regional Company of Versailles

Banque Fédérative du Crédit Mutuel BFCM

Financial year ending December 31 2007

General report of the Statutory Auditors on the annual financial statements

Dear Shareholders,

In performance of the mission entrusted to us by your General Meeting, we hereby present you our report concerning the financial year ending December 31, 2007 on:

- the audit of the annual financial statements of the Banque Fédérative du Crédit Mutuel, attached to the present report,
- the justification of our assessments,
- the specific audits and information required by law.

The annual financial statements were drawn up by the Board of directors. It is our responsibility and on the basis of our audit to express an opinion on these financial statements.

I. Opinion on the annual financial statements

We have performed our audit according to generally agreed professional accounting standards in France, which require the implementation of audit procedures, whereby it is possible to obtain a reasonable assurance that the annual financial statements do not contain significant anomalies. An audit is comprised of the examination by sampling of the supporting evidence of the information contained in the financial statements. It is also comprised of an assessment of the accounting principles adopted and of the significant estimates in use for closing out the financial statements, including an assessment of their overall presentation. We believe that our audit procedures provide a reasonable basis for the opinion expressed below.

We certify that the annual financial statements, in regard to French accounting rules and principles, are regular and sincere and give a faithful representation of the results of the operations of the past financial year and of the financial situation and assets of the company at the end of this financial year.

II. Justification of assessments

Pursuant to the provisions of Article L. 823-9 of the Code de Commerce relating to the evidence supporting our assessment, we bring to your notice the following:

- Your company books impairment entries to cover the credit risks inherent in its business. We have examined the procedures for control of credit risks, including the assessment of the risks of non-recovery and the provision therefor through specific impairment entries.
- Your company holds positions in regard to securities and financial instruments. Notes 1.3, 1.4 and 1.8 in the notes to the financial statement set out the accounting principles and the methods of assessment relating to securities and financial instruments. We have examined the control procedures relating to the accounting classification and determination of the parameters used in the valuation of these positions. We have also verified the suitability of the accounting methods adopted and of the information supplied in the notes attached, and we have assured ourselves of their correct application.
- Your company makes significant estimates in the course of its accounting procedures regarding the valuation of unconsolidated shareholdings. We have made an assessment of the reasonableness of such estimates.

The assessments so made form part of the procedural framework of the comprehensive audit of the annual financial statements as a whole and have therefore contributed to the formation of our opinion expressed in the first part of this report.

III. Specific verifications and audits

We have also proceeded in accordance with generally agreed professional accounting standards in France to the specific verifications provided for by law.

We have no comment to formulate in regard to:

- the sincerity and concordance with the annual financial statements of the information given in the management report of the Board of directors and in the documents sent to the shareholders on the financial situation and annual financial statements,
- the sincerity of the information given in the management report relating to the compensation and benefits payable to the relevant officers of the company and the commitments entered into in their favor in regard to their appointment to, termination of, or change in their functions, or subsequent thereto.

Schiltigheim and Neuilly sur Seine, April 8, 2008

Statutory Auditors

KMT AUDIT
KPMG Network

ERNST & YOUNG and Others

Arnaud Bourdelle

Olivier Durand

KMT AUDIT
KPMG Network
9, avenue de l'Europe
Espace Européen de l'Entreprise
BP 20002
67300 Schiltigheim

Statutory Auditor
Member of the Regional Company of Colmar

ERNST & YOUNG and others
41, rue Ybry
92576 Neuilly sur Seine Cedex
S.A.S. à capital variable
(variable capital simplified share company)

Statutory Auditor
Member of the Regional Company of Versailles

Banque Fédérative du Crédit Mutuel **BFCM**

Exercise ending December 31 2007

Report of the Statutory Auditors drawn up pursuant to Article L 225-235 of the Code de Commerce, on the report of the President of the Board of directors of Banque Fédérative du Crédit Mutuel on the internal control procedures relating to the drawing up, processing and presentation of accounting and financial information.

Dear Shareholders,

In our capacity as Statutory Auditor s of the financial statements of the Banque Fédérative du Crédit Mutuel and pursuant to the provisions of Article L 225-235 of the Code de Commerce, we hereby present our report on the report of the President of your company, in accordance with the provisions of Article L 225-37 of the Code de Commerce in respect of the financial year ending December 31, 2007.

It is the President's responsibility in his report to give an account of the conditions of preparation and organization of the works of the Board of directors and of the internal control procedures in force within the company.

It is our responsibility to bring to your notice our comments on the information contained in the report of the President, in regard to the internal control procedures relating to the drawing up, processing and presentation of the accounting and financial information.

We have performed our work in accordance with generally agreed professional accounting standards in France which requires the performance of audits for the purpose of assessing the sincerity of the information contained in the report of the President on the internal control procedures relating to the drawing up, processing and presentation of the accounting and financial situation. These audits were comprised of:

- ascertaining the internal control procedures relating to the drawing up, processing and presentation of the accounting and financial information sub-tending the information contained in the report of the President, and relating to the existing documentation;
- ascertaining the working procedures adopted to draw up this information and the existing documentation ;
- determining whether such major deficiencies of internal controls relating to the drawing up, processing and presentation of the accounting and financial information as we may have observed in the course of the performance of our mission, are appropriately indicated in the report of the President.

agreed professional accounting standards

On the basis of our audit and investigations, we have no comment to make on the information relating to the internal control procedures of the company relating to the drawing up, processing and presentation of the accounting and financial information contained in the report of the President of the Board of directors drawn up pursuant to the provisions of Article L 225-37 of the Code de Commerce.

Schiltigheim and Neuilly sur Seine, April 8, 2008

Statutory Auditors

KMT AUDIT
KPMG Network

ERNST & YOUNG and others

Arnaud Bourdelle

Olivier Durand

KMT AUDIT
KPMG Network
9, avenue de l'Europe
Espace Européen de l'Entreprise
BP 20002
67300 Schiltigheim

Statutory Auditor
Member of the Regional Company of Colmar

ERNST & YOUNG and others
41, rue Ybry
92576 Neuilly sur Seine Cedex
S.A.S. à capital variable
(variable capital simplified share company)

Statutory Auditor
Member of the Regional Company of Versailles

Banque Fédérative du Crédit Mutuel BFCM

Financial year ending December 31, 2007

Special report of the Statutory Auditors on regulated conventions and commitments

Dear Shareholders,

In our capacity as Statutory Auditors of your company, we present to you our report on the regulated conventions and commitments.

Pursuant to article L225-40 of the Code de Commerce, we have also been advised of the conventions and commitments that require prior authorization by your Board of directors.

It is not our responsibility to ascertain the existence, if any, of other conventions and commitments, but on the basis of the information made available to us, to make known to you the characteristics and essential procedures of those conventions and commitments, of which we were advised, without ourselves pronouncing on their usefulness or legitimacy. It is your responsibility pursuant to article R 225-31 of the Code de Commerce to assess the interest attached to making of these conventions and commitments with a view to your approving them.

We have discharged our duties in accordance with the generally agreed professional accounting standards in France. These standards require the performance of audit procedures intended to verify the concordance of the information given to us with the basic documents from which such information arises.

Conventions and engagements with Messrs. Etienne Pflimlin, president of the Board of Directors, and Michel Lucas, Chief Executive Officer

Nature and object

The President of the Board of Directors and the Chief Executive Officer will receive on completion of their term office:

- an end of career indemnity in nature similar the indemnity awarded to the employers under the *convention collective* (collective agreement) of Crédit Mutuel Centre Est Europe group,
- a compensatory indemnity under provisions in nature similar to those of the group employee trust fund (*épargne salariale*) for the terms of office of the President of the Board of directors and of the Chief Executive Officer.

Procedures

The commitment arising from these indemnities, as accounted for in the annual financial statements of your company, has been assessed at € 2,651,418 as of December 31, 2007.

Schiltigheim and Neuilly sur Seine, April 8 2008

Statutory Auditors

KMT AUDIT
KPMG Network

ERNST & YOUNG and others

Arnaud Bourdelle

Olivier Durand

KMT AUDIT
KPMG Network
9, avenue de l'Europe
Espace Européen de l'Entreprise
BP 20002
67300 Schiltigheim

Statutory Auditor
Member of the Regional Company of Colmar

ERNST & YOUNG and others
41, rue Ybry
92576 Neuilly sur Seine Cedex
S.A.S. à capital variable
(variable capital simplified share company)

Statutory Auditor
Member of the Regional Company of Versailles

Banque Fédérative du Crédit Mutuel BFCM

Financial year ending December 31 2007

Report of the Statutory Auditors On the consolidated financial statements

Dear Shareholders,

In performance of the mission entrusted to us by your general meeting, we have audited the consolidated financial statements of Banque Fédérative du Crédit Mutuel for the financial year ending December 31 2007, as attached to this report.

The consolidated financial statements were drawn up by the Board of Directors. It is our responsibility on the basis of our audit to express an opinion on these financial statements.

I. Opinion on the consolidated financial statements

We have performed our audit according to generally agreed professional accounting standards in France, which require the implementation of audit procedures, whereby it is possible to obtain a reasonable assurance that the annual financial statements do not contain significant anomalies. An audit is comprised of the examination by sampling of the supporting evidence of the information contained in the financial statements. It is also comprised of an assessment of the accounting principles adopted and of the significant estimates in use for closing out the financial statements, including an assessment of their overall presentation. We believe that our audit procedures provide a reasonable basis for the opinion expressed below.

We certify that the annual financial statements, in regard to French accounting rules and principles, are regular and sincere and give a faithful representation of the results of the operations of the past financial year and of the financial situation and assets of the company at the end of this financial year

II. Evidence of assessment

Pursuant to the provisions of Article L. 823-9 of the Code de Commerce relating to the evidence supporting our assessment, we bring to your notice the following:

- Your group, as stated in Note 1 of the notes to the financial statements, makes provisions to cover the credit risks inherent to its activities. We have examined the procedures for controls relating to the monitoring of credit risks, the methodology in use for making provisions therefor, and the assessment of the risks of default or similar, and the coverage therefor by providing for individual and collective reserves.

- Your group uses internal models and methodologies for the valuation of the financial instruments which are not traded in active markets, and for the setting up of certain reserves, and for the assessment of the appropriateness of hedging operations. We have examined the control procedures relating to the verification of the models and the determination of the parameters in use.
- Your group sets out in Note 43, in the specific context of the financial crisis, the group's direct and indirect exposure and the procedures set up to assess that exposure. We have examined the control procedures set up in regard to the identification and assessment of exposures and their valuation, including an examination of the appropriateness of the information provided in said Note 43.
- Your group has set up provisions to cover its obligations in regard to its employees as described in Notes 1 and 25. Our duties included an examination of the assumptions and procedures adopted for the relevant calculations.

The assessments so made form part of the procedural framework of the comprehensive audit of the annual financial statements as a whole and have therefore contributed to the formation of our opinion expressed in the first part of this report.

III. Specific verification

We have also proceeded in accordance with generally agreed professional accounting standards in France to the verification of the information given in group management report.

We have no comment to make on its sincerity and concordance with the consolidated financial statements.

Schiltigheim and Neuilly sur Seine, April 8, 2008

Statutory Auditors

KMT AUDIT
KPMG Network

ERNST & YOUNG and Others

Arnaud Bourdelle

Olivier Durand

Chapter VII FINANCIAL STATEMENTS

1. Individual accounts

INDIVIDUAL ACCOUNT BFCM DECEMBER 31st, 2007

A S S E T S <i>(in euros)</i>	31-12-07	31-12-06
CASH, CASH EQUIVALENT, CENTRAL BANKS	388 837 734.08	960 645 299.21
GOVERNMENT SECURITIES AND EQUIVALENT	452 146 781.08	556 467 503.64
DUE FROM CREDIT INSTITUTIONS	135 198 956 628.05	100 991 355 663.11
CUSTOMER TRANSACTIONS	3 782 911 380.07	2 998 747 197.39
BONDS AND OTHER FIXED INCOME SECURITIES	8 393 033 900.37	7 885 109 640.80
EQUITIES AND OTHER VARIABLE INCOME SECURITIES	157 677 435.99	271 804 962.92
SHAREHOLDINGS AND OTHER LONG TERM SECURITIES	164 188 546.50	108 892 143.24
SHARES IN AFFILIATED COMPANIES	4 228 681 489.20	3 817 093 666.89
LEASING AGREEMENTS	0.00	0.00
HIRE AGREEMENTS	0.00	0.00
INTANGIBLE ASSETS	2 931 407.00	2 889 451.00
TANGIBLE ASSETS	22 231 572.98	7 544 448.87
CAPITAL SUBSCRIBED BUT NOT FULLY PAID UP	0.00	0.00
TREASURY SHARES	0.00	0.00
OTHER ASSETS	163 823 420.96	251 678 699.68
REGULARISATION ACCOUNTS	1 689 701 370.32	1 324 070 837.08
TOTAL ASSETS	154 645 121 666.60	119 176 299 513.83

O F F B A L A N C E S H E E T	31-12-07	31-12-06
COMMITMENTS GIVEN		
FINANCE COMMITMENTS	3 196 043 511.47	2 750 371 275.55
SURETIES	1 922 849 402.91	1 719 877 532.21
COMMITMENTS ON SECURITIES	240 028 408.39	261 592 269.81

LIABILITIES <i>(en euros)</i>	31-12-07	31-12-06
DUE TO CENTRAL BANKS	0.00	0.00
DUE TO TO CREDIT INSTITUTIONS	82 780 515 131.04	61 099 610 881.34
CUSTOMER DEPOSITS	3 661 330 286.31	1 424 734 440.34
SECURITIZED DEBT PAYABLES	56 491 329 772.20	46 219 797 755.50
OTHER LIABILITIES	383 911 929.29	185 306 704.34
REGULARISATION ACCOUNTS	2 718 811 824.77	1 676 633 483.55
CONTIGENCIES AND LIABILITIES	22 540 131.01	14 209 694.34
SUBORDINATED DEBT	5 440 795 556.87	5 524 294 593.02
FUNDS FOR GENERAL BANKING RISK	61 552 244.43	61 552 244.43
SHARE CAPITAL EXCLDING FUND FOR GENERAL BANKING	3 084 334 790.68	2 970 159 716.97
CAPITAL UNDERWRITTEN	1 302 192 250.00	1 302 192 250.00
ADDITIONAL PAID-IN CAPITAL	577 704 582.87	577 704 582.87
RESERVES	948 756 261.82	878 756 261.82
GOODWILL	0.00	0.00
REGULATORY PROVISIONS AND INVESTMENT SUBSIDIES	16 002.00	0.00
RETAINED EARNINGS	1 390 736.18	2 394 142.54
PROFIT	254 274 957.81	209 112 479.74
TOTAL LIABILITIES	154 645 121 666.60	119 176 299 513.83

OFF BALANCE SHEET	31-12-07	31-12-06
COMMITMENTS RECEIVED		
FINANCE COMMITMENTS	<i>0.00</i>	<i>0.00</i>
SURETIES	40 792 423.55	37 186 527.55
COMMITMENTS ON SECURITIES	15 213 311.60	22 819 967.40

PROFIT AND LOSS STATEMENT <i>(In euros)</i>	31-12-07	31-12-06
+ INTEREST AND EQUIVALENT INCOME	11 283 125 778,70	7 457 274 063,50
- INTEREST AND EQUIVALENT EXPENSES	-11 235 702 036,04	-7 333 661 764,64
+ INCOME FROM LEASING	0,00	0,00
- EXPENSES ON LEASING	0,00	0,00
+ INCOME FROM HIRING	0,00	0,00
- EXPENSES ON HIRING	0,00	0,00
+ REVENUE FROM VARIABLE INCOME SECURITIES	351 196 118,93	157 551 163,23
+ COMMISSIONS (Income)	47 449 018,95	12 133 951,87
- COMMISSIONS (Expenses)	-57 946 892,33	-12 694 176,36
+/- GAINS ON TRADING PORTFOLIOS	5 704 012,83	6 924 183,72
+/- GAINS ON TRADING AFS SECURITIES AND EQUIVALENT	-106 447 339,18	-20 620 137,00
+ OTHER OPERATING INCOME	1 022 257,71	308 312,29
- OTHER OPERATING EXPENSES	-417 489,30	-217 469,18
<u>NET BANKING INCOME</u>	287 983 430,27	266 998 127,43
- GENERAL OPERATING EXPENSES	-40 943 151,68	-29 697 831,23
- ALLOWANCE FOR DEPRECIATION AND PROVISIONS FOR TANGIBLE AND INTANGIBLE ASSETS	-177 972,52	-177 472,21
<u>GROSS OPERATING PROFIT</u>	246 862 306,07	237 122 823,99
+/- COST OF RISK	59 996,02	0,00
<u>OPERATING PROFIT</u>	246 922 302,09	237 122 823,99
+/- GAINS OR LOSSES ON ASSETS	2 944 781,38	-3 743 007,39
<u>NET PROFIT EXCL. EXTRAORDINARIES BEFORE TAX</u>	249 867 083,47	233 379 816,60
+/- EXTRAORDINARY PROFIT	387 450,99	894 357,15
- CORPORATION TAX	4 036 425,35	-25 161 694,01
+/- ALLOWANCE/REVERSAL OF FUND FOR GENERAL BANKING RISK AND REGULATED PROVISIONS	-16 002,00	0,00
<u>NET PROFIT</u>	254 274 957,81	209 112 479,74

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1. Accounting principles and methods of valuation

The financial statements of the Banque Fédérative du Crédit Mutuel (BFCM) have been drawn up in accordance with the general accounting principles and the rules set out by the Comité de la réglementation bancaire et financière (CRBF – Committee for Banking and Financial Regulation), or by the Comité de la réglementation comptable (CRC – Accounting regulatory committee), as the case may be.

These principles respect the prudential rules and basic conventions in regard to

- Continuity of operations,
- Permanence of methods,
- Independence of financial years.

The presentation of the annual financial statements is compliant to the requirements of regulation no. 2000/03 of the Comité de la réglementation comptable (CRC).

Note 1.1 *Valuation of receivables and loans*

Loans to and receivables from customers and credit institutions are recorded on the balance sheet in their nominal value or at their acquisition cost if other than the nominal value.

The liabilities of the customers in respect of the bank and attached receivables, and the bank's own borrowing and attached liabilities (interest accrued or due, to be received or paid) are allocated to the assets or liability lines to which they relate.

Note 1.2 *Doubtful debt*

Receivables of all kinds are declassified into doubtful debt in the following cases:

- If a sum due has been unpaid for more than 9 months in respect of loans to local authorities, more than 6 months for home ownership loans, and more than 3 months for other loans;
- When the receivable is subject to court proceedings, alert procedures, administration, bankruptcy etc.);
- When the receivable presents other risks of non recovery in whole or in part.

The classification of a loan as a doubtful debt entails a transfer of all the liabilities attaching to that person to doubtful debt lines.

Doubtful debt gives rise to provisions for impairment on an individual receivable basis.

Interest on the doubtful debt unpaid and recorded in the profit and loss statements is covered by provisions in the amount of that book entry. Allowances or reversals of provisions for depreciation, losses on unrecoverable debts and recoveries on amortized debts in respect of interest received from assets classed as doubtful debt are recorded under the heading "Interest and Equivalent" in the profit and loss statement.

Provisions are made for the principal of the outstanding loan according to the most likely estimate of the impairment, in accordance with the general prudential principles. The calculation of impairment takes into account the value to be realized from the personal guarantees or securities provided as collateral for the debt.

The provision made covers the expected loss discounted at the original interest rate on the loan. Expected losses are equal to the difference between the initial contractual cash flow and the expected cash flow on debt recovery. The determination of cash flow on recovery is reliant on statistics providing estimates of average recoveries over time, as calculated from the date of declassification of the loan. A reversal the provisions made as the result of time lapse of time is recorded in net banking income.

In accordance with regulation CRC no. 2002/03 as amended by CRC regulation no. 2005/03, the non-performing loan deemed terminated or classified for more than one year as doubtful debt shall be specifically identified under the compromised doubtful debt heading. The bank has determined internal rules for automatic declassification, working on the assumption that debt classified for more than one year as doubtful is necessarily compromised unless there is a formal proof that the sureties covering all of the risk exposure are enforceable. The accounting for interest on the receivables ceases from the time it is classified as compromised doubtful debt.

Regulation CRC 2002/03 as amended by regulation CRC no. 2005/03 requires a specific process for certain restructured loans. When these are in significant amounts, restructured loans are segregated into a specific category. If this occurs, the foreclosure of the claim to principal or interests whether due or accrued, and future failures to honor interest payments are immediately recorded as losses, and subsequently reinstated on the asset side as the loan is amortized. The number of loans so affected and the amounts at issue are low, and the calculation of any discount in this respect would be without significant effect on the annual financial statements.

Note 1.3 *Securities transactions*

The balance sheet headings:

- "Government securities and equivalent"
- "Bonds and other fixed income securities»
- "Equities and other variable income securities»

are the lines recording trading securities, securities held for sale and securities held to maturity, according to kind.

This classification arises from regulation CRBF no 90/01 as amended by regulation CRC no. 2000/02, which requires break-down of shares into classes by the purpose of their ownership.

Trading securities

This heading refers to securities acquired or sold with the intention of reselling them or repurchasing them in the short term (in principle in less than six months). Such securities are tradable in a liquid market. They are recorded at their acquisition cost and accrued coupon if any included in the purchase price. At the close-out date, trading securities are valued at market prices. The overall balance of gains and losses arising from changes in prices are shown in the profit and loss statement.

Securities held for sale

Securities held for sale are acquired with the intention of holding them for more than six months, for the purpose of drawing revenue directly from their ownership or from capital gains. The ownership does not in respect to fixed income securities require holding them until maturity. Premiums or discounts recorded at the time of acquisition of fixed income securities are spread over maturity of the instrument in question, in accordance with the option available under regulation CRBF no. 90/01. At the end of the financial year, unrealized capital losses on available-for-sale securities, adjusted as the case may be by amortization and reversals of the premiums or discounts mentioned above, give rise to provisions on an individualized basis. No accounting entry is made for capital gains.

Securities held to maturity

This heading refers to fixed income securities acquired for the purpose of holding them in principle until maturity, in respect of which there are either sources of finance consistent with the term in question or permanent hedging against interest rate risk. The variance recorded between the acquisition price and the redemption value is spread over the maturity of the security. No provision is made for unrealized capital losses.

Treasury bills, negotiable securities and interbank market instruments in the available-for-sale and held-to-maturity portfolios are recorded at their acquisition price, accrued coupon payable on purchase included. Interest income is calculated at the rate governing the transaction, the premium or discount being amortized by the actuarial method.

Bonds in the available-for-sale and held-to-maturity portfolios are accounted for excluding accrued coupon. Interest income is calculated at the nominal interest rate on securities. When acquired at a price is other than their redemption value, the difference is subject to straight line depreciation and shown as an expense or income as the case may be.

Foreign currency-denominated securities are valued at their exchange rate on the date of close-out or on the last trading day prior to close-out. Valuation differences are shown as losses or gains on financial transactions.

Temporary disposal of securities

Temporary disposals of securities are used as collateral for loans or treasury borrowings, taking two separate forms, according to the legal procedure adopted, namely:

- Sale with agreement to repurchase,
- Security lending and borrowing.

Sale with agreement to repurchase is a legally recognized transaction under which the title to securities is assigned to a purchaser entering into an irrevocable agreement to sell them back again to original seller at a price and date agreed when the contract is made. In accounting terms, securities subject to sale and repurchase agreements are kept under their original heading and continue to be valued under the rules which apply to the portfolios to which they are attached. At the same time, the debt in the amount received in consideration is recorded as a liability. This receivable entry arising in respect of the securities received under sale and repurchase agreements is recorded on the asset side.

Securities when loaned are considered to be consumer loans governed by the *Code civil* under which the borrower enters into an irrevocable commitment to restore the loans borrowed on the due date. Such loans are generally guaranteed by the handover of cash, the title to which remains vested in the lender of the securities in the event of borrower default. If this occurs, the transaction is deemed equivalent to a sale with obligation to repurchase, and is recorded in the books as such.

Note 1.4 *Options*

Premiums paid or received are recorded in the balance sheet when paid or cashed in. On settlement, the premiums are immediately recorded in the profit and loss statement, if they are speculative transactions.

Premiums on options before settlement are valued at the close-out of the financial year, when traded on an organized market.

The difference in value is recorded in the profits and loss statement

Note 1.5 *Shareholdings in subsidiaries and affiliates*

Shareholdings in subsidiaries and affiliates are accounted for at historic cost, individualized provisions being made when their inventory value as assessed in regard to their net worth, and/or in regard to future prospects falls below their acquisition price.

Note 1.6 *Fixed assets*

In accordance with regulation CRC 2002-10, tangible fixed assets are amortized over their services life in respect of the actual period of use of the asset in question, making allowance as the case may be for residual value. In the event that there may be different serviceable lives allocated to components of an asset, each of those serviceable lives shall give rise to a separate accounting entry and its own line of amortization. Special depreciation may apply under conditions set out by regulations when the fiscally acceptable serviceable life is shorter than the actual serviceable life of the asset or component thereof.

When there are indications of loss of value, such as loss of market value, obsolescence or physical deterioration of an asset, changes in the method of use of the asset, etc., an impairment test maybe performed comparing the book value of the asset to its actual value. If an impairment accounting entry is made, the amortizable value of the asset is modified on a forward basis.

Note 1.7 *Foreign currency translation*

Receivables, debts and foreign exchange futures contracts shown in off-balance sheet commitments are translated at such market rates as apply on close-out of the financial year, with the exception of items denominated in the currencies providing the basis for the institution of the single European currency, where the official conversion rate has been adopted.

Tangible assets are shown at historic cost. Financial assets are converted at the rate on close-out (see specific details in previous notes).

Foreign currency income and expenditure items are shown in the profit and loss statement at the foreign exchange parities of the last day of the month of receipt or payment. Expenditures or income accrued but unpaid on the date of year end close-out are translated at the parity for that date.

Unrealized or definitive foreign currency gains or losses arising from currency translation are recorded on each closure of the books.

Note 1.8 *Swaps*

Under article 2 of CRBF n° 90/15, the bank may set up three distinct portfolios recording the contracts depending on whether their purpose is (a) to maintain open and isolated positions, (b) to hedge the interest rate risk of an isolated or set of isolated homogeneous elements or (d) to allow for the specialist management of a trading portfolio. There is no portfolio of swap contracts intended to cover the overall interest rate risk, in the so-called (c) portfolio.

Given the above, transfers are possible only from one portfolio to another in the following cases:

- Portfolio (a) towards portfolio (b)
- Portfolio (b) towards portfolios (a) ou (d)
- Portfolio (d) towards portfolio (b).

The market value adopted for the so-called trading swaps is an application of the discounted cash flow method with a zero coupon interest rate curve. The fixed rate branch is estimated on the basis of the different due dates discounted in line with the interest rate curve, whereas the current value of the variable rate branch is estimated from the value of the current coupon increased by the nominal value. Market value arises from the comparison of the two discounted values, after allowance for counterparty risk and future management fees. The counterparty risk is calculated in accordance with the provisions of appendix 3 of CRBF regulation no. 91-05 on the capital adequacy ratio, to which a capital coefficient of 8% is applied. Management fees are then determined by increasing the capital sum by 10%.

Additional settlement payments received or paid on the termination of a swap are recorded in the profit and loss statement on a pro-rata temporis basis over the term of the contract. In the event of early termination of the contract, the settlement payment received or paid is immediately recorded in profit and loss, except when the contract originated as part of a hedging operation. The settlement payment is then shown in profit and loss for the term of the initially hedged element.

In order to measure and monitor the risks to which there is exposure as a result of such transactions, the overall sensitivity limits including interest rates and currency swaps are fixed by business area. These positions must be regularly disclosed to the bank's executive organ, in the meaning of article L 511-13 of the Code monétaire et financier.

Note no. 1.9 *Liabilities in the field of pensions, end of career compensation and length of service bonuses known as medal for long service.*

Accounting for and valuing pension liabilities and similar benefits compliant to recommendation n°2003-R01 of the "CNE".

Employee pension schemes

Employee pension schemes are the responsibility of the various institutions to which the Caisse Fédérale du Crédit Mutuel Centre Est Europe and its employees regularly pay in contributions. The contributions are accounted for as expenses for the financial year in which they are due.

On the other hand, employees benefit from a supplementary pension scheme financed by the employer, through a supplementary pensions institution, the Caisse de Retraite du Crédit Mutuel Centre Est Europe (CARMUT), an organization with joint employer/employee representation, classified as a supplementary pensions institution under French regulations. CARMUT operates on a fully funded ("*capitalisation*") basis and manages two schemes, one defined contributions scheme, and one defined benefits scheme additive.

Contributions and premiums payable are an expense wholly laid upon the employer, the actuarial valuation of the defined benefit scheme being established by an independent actuary using the unit cost method per year of service. The coverage of the liabilities of this scheme is by means of the payment by the employers of an annual premium of 1.7% of the payroll and accounted for as an expense for the financial year.

The CARMUT, which is governed by the Code de la Sécurité Sociale has been set up in the interest of its beneficiaries under joint employer and employee management. The economic benefits revert solely to the affiliates, and the decision-making power being shared between management and staff representatives can be exercised only in the exclusive interest of the beneficiaries. CARMUT consequently does not within the scope of the IFRS consolidation, with regard to the criteria for consolidation, as determined by IAS 27, the basis of which is in essence the concept of control or influence.

End of career compensation and length of service premiums medal for long service

End of career compensation and bonuses payable in respect of length of service medal for long service are wholly covered by insurance.

The liabilities are calculated by the method of projected credit units in accordance with IFRS standards, taking into account mortality under the INSEE TV 88-90 table, staff turnover rates, trends in salaries, rates of social security contributions when required and a financial discount rate.

The liabilities in respect of the entitlements accruing to employees as at December 31, 2007 are covered by reserves set up by the insurance company. End of career compensation and length of service bonuses medal for long service when payable to employees in a given financial year are reimbursed by the insurance company.

The law of August 21, 2003 on pensions changed the terms and conditions for leaving employment on retirement. As from January 1, 2004, steps cannot be taken at the employing company's discretion to retire employees, except after age 65. In the view of the bank, such changes have not had significant effects on the liabilities, nor on the annual financial statements.

Other post-employment benefits not covered by insurance are valued and provided for in accordance with recommendation R03-01 of the CNC.

Note 1.10 ***Fund for general banking risks***

This fund was set up by regulation CRBF no. 90/02 relating to bank capital, and is comprised of the amount that the bank decides to allocate to general banking risk, including its overall exposure to interest rates and counterparty risk.

The amounts allocated to this fund are €61.6 million. No payment into or out of this fund was made during the financial year.

Note 1.11 ***Provisions for contingencies***

Provisions on asset items are deducted from the corresponding receivables, which are shown in their net amount. Provisions relating to off-balance sheet commitments are recorded as provisions for risks.

BFCM may be party to a number of legal disputes, the possible outcomes and financial consequences of which are kept under regular review. Wherever necessary, provisions are made in the amounts acknowledged to be necessary.

Note 1.12 ***Corporation tax***

The Banque Fédérative du Crédit Mutuel is the lead company of a fiscally integrated group which it makes up alongside some of its subsidiaries. It is the sole entity liable to pay corporation tax, additional contributions in regard to corporation tax, and the *précompte mobilier* for the whole. The subsidiaries make a contribution to the tax liabilities, as they would were there no tax consolidation. In the event that the subsidiaries left the consolidation, they would benefit by convention from a compensatory payment in the amount of the additional taxation that might have arisen as a result of their belonging to a consolidated group.

The “Corporation tax” heading includes:

- Corporation tax due in respect of the financial year and the gains arising from tax consolidation, increased by additional contributions;
- Allowances for and reversals of provisions for contingencies in regard to the above.

The corporation tax due for the financial year and the additional contributions are determined by the applicable tax regulations. The tax credits attached to the revenues from securities are not accounted for. They are directly deducted from the tax liability.

Provisions for taxation are calculated by the liability method of tax allocation, including additional contributions as required by the relevant due dates. No offsetting or cross settlement is made in respect of amounts receivable (if any) from the Trésor (French national exchequer).

Provision for deferred taxation on the future earnings of some GIE corporate groupings

A special provision for deferred taxation has been made up to offset the effect of tax loss carry forwards in regard to some GIE corporate groupings. This provision for contingencies is subsequently written back as and when taxation takes place at a later date on the earnings of the GIEs.

Provisions for tax on lease and buyback contracts

These provisions relate to the future tax expense pursuant to article 239 section 6 of the Code Général des Impôts in regard to lease and buyback contracts in the real estate field.

Tax reassessments in respect of corporation tax due for financial years 2001 to 2004 have been notified to BFCM. Some of the grounds of such reassessments are disputed; provision has been made for the potential liability arising thereby on the liabilities side of the balance sheet.

Note 1.13 **Consolidation**

The companies wholly consolidated as part of the consolidation of Crédit Mutuel Centre Est Europe.

2. NOTES TO BALANCE SHEET

The figures in the tables below are in units of thousands of euros

2.1 Changes in asset values

	Gross value as at Dec 31, 06	Aquisitions	Disposals	Transfers or Redemptions	Gross value as at Dec 31, 07
FINANCIAL ASSETS	4 377 819	506 284	35 120	530 388	5 379 371
TANGIBLE ASSETS	8 505	15 074	72		23 507
INTANGIBLE ASSETS	2 889	42			2 931
TOTAL	4 389 213	521 400	35 192	530 388	5 405 809

2.2 Depreciation and provisions on assets

DEPRECIATION

	Depreciation as at Dec 31, 06	Allowance	Reversal	Depreciation as at Dec 31, 07
FINANCIAL ASSETS	0			0
TANGIBLE ASSETS	959	387	72	1 274
INTANGIBLE ASSETS	0			0
TOTAL	959	387	72	1 274

PROVISIONS

	Provisions as at Dec 31, 06	Allowance	Reversal	Provisions as at Dec 31, 07
FINANCIAL ASSETS	355	2 768		3 123
TANGIBLE ASSETS	0			0
INTANGIBLE ASSETS	0			0
TOTAL	355	2 768	0	3 123

2.3 Breakdown of receivables and debt by residual maturity

ASSETS

	Equal to or less than three months	From three months to one year	From one to five years	More than five years and indeterminate	Interest accrued and due	TOTAL
LOANS TO CREDIT INSTITUTIONS						
Redeemable on demand	16 088 177				1 872	16 090 049
Redeemable at term	17 048 112	9 980 166	63 340 791	28 289 295	450 544	119 108 908
LOANS TO CUSTOMERS						
Commercial loans	559 504					559 504
Other loans to customers	921 308	602 661	783 131	727 270	11 318	3 045 688
Current account overdrafts	177 719					177 719
BONDS AND OTHER FIXED INCOME SECURITIES						
including trading securities	166 739	1 082 562	3 731 249	3 314 578	97 906	8 393 034
	26					26
TOTALS	34 961 559	11 665 389	67 855 171	32 331 143	561 640	147 374 902

Non-performing loans are considered as being redeemable in more than five years

LIABILITIES

	Equal or less than three months	From three months to one year	From one to five years	More than five years and indeterminate	Interest accrued and due	TOTAL
BORROWING FROM CREDIT INSTITUTIONS						
Redeemable on demand	12 911 911				922	12 912 833
Redeemable at term	21 558 057	3 332 817	43 349 534	1 423 315	203 959	69 867 682
CUSTOMER CREDIT ACCOUNTS						
Special savings accounts						
Demand						0
Redeemable at term						0
Other debts						
Redeemable on demand	3 082 079					3 082 079
Redeemable at term	530 382	45 848			3 021	579 251
SECURITIZED DEBT PAYABLES						
Short term borrowing						0
Interbank market securities and negotiable securities	19 770 241	3 950 072	1 146 666	2 609 965	149 187	27 626 131
Bonds	608 151	10 088 930	6 726 416	11 182 301	259 401	28 865 199
SUBORDINATED LOANS			50 000	5 350 000	40 796	5 440 796
TOTAL	58 460 821	17 417 667	51 272 616	20 565 581	657 286	148 373 971

2.4 **Breakdown of loans to customers**

	2007		
	Growth loans	Doubtful loans	Provisions
Excluding attached receivables of € 11,318,000 on gross loans			
<u>Breakdown by major type of counterparty</u>			
. Companies and business organisations	3 754 292	299	299
. Individual entrepreneurs			
. Individuals	22		
. Public administrations	7 255		
. Private administrations	10 024		
Total	3 771 593	299	299
<u>Breakdown by activity sector</u>			
. Agriculture and mining industries	3 497		
. Retail and wholesale trade	354 559		
. Industries	54 446		
. Services to companies and holding companies	1 479 530	299	299
. Services to individuals	26 485		
. Financial services	1 428 223		
. Real estate services	6 516		
. Transport and communication	407 307		
. Undifferentiated and other	11 030		
Total	3 771 593	299	299
<u>Breakdown by geographical sector</u>			
. France	3 709 566	299	299
. Europe outside France	43 458		
. Other countries	18 569		
Total	3 771 593	299	299
Doubtful loans include no loans covered by arrangements with creditors.			

2.5 Engagements with respect to shareholdings and wholly consolidated subsidiaries

ASSETS

	Amount 2007	Amount 2006
LOANS TO CREDIT INSTITUTIONS		
Redeemable on demand	3 976 371	521 486
Redeemable at term	40 795 795	32 941 757
LOANS TO CUSTOMERS		
Loans to customers		
Other loans to customers	819 471	907 744
Customer overdrafts		
BONDS AND OTHER FIXED INCOME SECURITIES	2 946 259	916 823
SUBORDINATED LOANS	1 431 045	1 337 893
TOTAL	49 968 941	36 625 703

LIABILITIES

	Amount 2007	Amount 2006
LOANS FROM CREDIT INSTITUTIONS		
Redeemable on demand	6 776 954	1 038 857
Redeemable at term	17 033 605	9 777 653
CUSTOMER CREDIT ACCOUNTS		
Special savings accounts		
Redeemable on demand		
Redeemable at term		
Other debts		
Redeemable on demand		
Redeemable at term		
SECURITIZED DEBT PAYABLES		
Short term borrowing		
Interbank market securities and negotiable securities	200 931	42 480
Bonds	791 171	504 868
Other securitized debt payables		
SUBORDINATED DEBT	750 000	750 000
TOTAL	25 552 661	12 113 858

This table includes commitments received and given in respect of shareholdings and wholly consolidated subsidiaries within the consolidated group "Crédit Mutuel Centre Est Europe"

2.6 Breakdown of subordinated assets

	2007		2006	
	Subordinated loans	Of which equity loans	Subordinated loans	Of which equity loans
LOANS TO CREDIT INSTITUTIONS				
Term	1 148 755	11 277	1 128 829	12 073
Indeterminate	271 000		211 000	
LOANS TO CUSTOMERS				
other customer finance				
BONDS AND OTHER FIXED INCOME SECURITIES	939 874	102 247	961 360	74 737
TOTAL	2 359 629	113 524	2 301 189	86 810

2.7 Subordinated debt

	Borr. TSR 1	Borr. TSR 2	Borr. TSR 3	Borr. TSR 4	Borr. TSR 5	Borr. TSS
Amount	50 000	700 000	800 000	1 000 000	1 250 000	1 600 000
Due date	June 29, 2011	July 19, 2013	September 30, 2015	December 19, 2016	indéterminé	indéterminé
Terms and conditions	Borrowings and subordinated loans are of lower ranking than the receivables from all other creditors, except equity loans. The super subordinated securities are of the lowest rank, as they are expressly subordinated to all other debt of the company, be it unsecured or subordinate.					
Possibility of early redemption	No possibility early redemption in the first five years except if concomitant to increase in capital. Disallowed for TSR borrowing, except in the event of stockmarket acquisition, takeover bid or exchange offer. Restricted rights of early redemption for super subordinated securities, as deemed equivalent to core capital.					

The amount of subordinated debt was € 5,440,796, 000 (attached debt included).

2.8 Securities portfolio: breakdown between portfolios of trading securities, securities held for sale and held to maturity

	Trading Portfolio	Portfolio held for sale	Portfolio held to maturity	TOTAL
GOVERNMENT SECURITIES AND EQUIVALENT		250 767	201 380	452 147
BONDS AND OTHER FIXED INCOME SECURITIES		7 601 134	791 900	8 393 034
EQUITIES AND OTHER VARIABLE INCOME SECURITIES	26	157 651		157 677
TOTAL	26	8 009 552	993 280	9 002 858

2.9 **Securities portfolio: securities transferred from one portfolio to another**

	Trading Portfolio	Portfolio held for sale	Portfolio held to maturity
TRADING PORTFOLIO			
PORTFOLIO HELD FOR SALE			521 762
PORTFOLIO HELD TO MATURITY			
TOTALS	0	0	521 762

2.10 **Securities portfolio: difference between acquisition and redemption price of securities held for sale and securities held to maturity**

NATURE OF SECURITIES	DISCOUNTS/PREMIUMS NET UNAMORTIZED	
	Discount	Premium
SECURITIES HELD FOR TRADING		
Bond market	10 088	13 132
Money market	1	571
SECURITIES HELD TO MATURITY		
Bond market	2 855	109
Money market	491	12

2.11 **Securities portfolios: unrealized capital gains and losses**

Unrealized capital gains on securities held for sale	114 044
Unrealized capital losses on securities held for sale (for which provisions made)	81 327
Unrealized capital losses on securities held to maturity	28 272
Unrealized capital gains on securities held to maturity	96

2.12 **Security portfolios: receivables from securities on loan**

	2007	2006
GOVERNMENT SECURITIES AND EQUIVALENT	0	0
BONDS AND OTHER FIXED INCOME SECURITIES	0	0
EQUITIES AND OTHER VARIABLE INCOME SECURITIES	0	0

2.13 **Securities portfolio: receivables and debts on securities on loan with agreement to repurchase**

	Receivables on securities loaned with agreement to repurchase	Liabilities on securities loaned with agreement to repurchase
LOANS TO CREDIT INSTITUTIONS		
. Redeemable on demand		
. Redeemable at term	152 552	
LOANS TO CUSTOMERS		
. Other customer finance		
LOANS FROM CREDIT INSTITUTIONS		
. Redeemable on demand		
. Redeemable at term		3 469 879
CUSTOMER CREDIT ACCOUNTS		
. Other debt		
. Redeemable on demand		
. Redeemable at term		
TOTAL	152 552	3 469 879

Assets on loan with agreement to repurchase amount to

- securities valued in the amount of € 3,469,879,000

2.14 **Portfolio of securities: breakdown of bonds and other fixed income securities by issuer**

	Issuer		Attached receivables	TOTAL
	Public organizations	Others		
GOVERNMENT SECURITIES, BONDS AND OTHER FIXED INCOME	762 417	7 979 484	103 280	8 845 181

2.15 **Securities portfolio: breakdown by market listing**

	Listed securities	Unlisted securities	Attached receivables	TOTAL
GOVERNMENT SECURITIES AND EQUIVALENT	244 751	202 022	5 374	452 147
BONDS AND OTHER FIXED INCOME SECURITIES	7 248 181	1 046 947	97 906	8 393 034
EQUITIES AND OTHER VARIABLE INCOME SECURITIES	100 564	57 113		157 677
TOTAL	7 593 496	1 306 082	103 280	9 002 858

2.16 **Securities portfolio : information on OPCVM / UCITS**

	Number of units in French OPCVMs	Number of units in foreign OPCVM mutual funds	TOTAL
VARIABLE INCOME SECURITIES: OPCVM / UCITS		40 000	40 000

	Capital build up of OPCVM / UCITS	Units in revenue-yielding UCITS	TOTAL
VARIABLE INCOME SECURITIES: OPCVM / UCITS		40 000	40 000

2.17 **Securities portfolio: shareholdings and shares in affiliated companies owned by credit institutions**

	Assets owned in credit institutions in 2007	Assets owned in credit institutions in 2006
SHAREHOLDINGS AND PORTFOLIO ACTIVITIES	31 996	11 116
SHARES IN AFFILIATED COMPANIES	3 043 622	2 931 051
TOTAL	3 075 618	2 942 167

2.18 **Securities portfolio: information on trading portfolio**

The value of shares in the trading portfolio as at Dec 31, 2007 was € 3,577,000

2.19 **Companies with unlimited liability in which the institution has an interest**

Name of company	Headquarters	Legal form
REMA	STRASBOURG	SNC / partnership
CM-CIC FONCIERE	STRASBOURG	SNC / partnership
FRANCE FORETS II	NANTERRE	Société Civile de Participations
STE CIVILE GESTION DES PARTS DANS L'ALSACE	STRASBOURG	Société Civile de Participations
SPRING RAIN	PARIS	GIE à capital - economic interest §
VENTADOUR BAIL III Ter	STRASBOURG	GIE à capital - economic interest §
VULCAIN ENERGIE	PARIS	GIE à capital - economic interest §

2.20 Breakdown of reserves

	2007	2006
LEGAL RESERVE	94 795	82 796
RESERVES SET UP BY COMPANY BY-LAW AND CONTRACT	844 466	786 466
REGULATED RESERVES		
OTHER RESERVES	9 495	9 495
TOTAL	948 756	878 757

2.21 Establishment fees, expenditure on research and development and stock in trade

	2007	2006
ESTABLISHMENT EXPENSES		
Constitution expenses		
Initial establishment expenses		
Capital increase and other expenses		
RESEARCH AND DEVELOPMENT EXPENSES		
STOCK IN TRADE		
TOTAL	0	0

2.22 Borrowing eligible for refinance by Central Bank

On December 31, 2007, loans to customers eligible for refinance by Central Bank amounted to € 39,130,000

2.23 **Accrued interest receivable or payable**

Accrued interest receivable	Accrued interest payable
-----------------------------------	--------------------------------

ASSETS

CASH, CASH EQUIVALENT, CENTRAL BANKS	
GOVERNMENT SECURITIES AND EQUIVALENT	5 374
LOANS TO CREDIT INSTITUTIONS	
Redeemable on demand	1 872
Redeemable at term	450 545
CUSTOMER LOANS	
Commercial lending	
Other lending to customers	11 318
Current account overdrafts	
BONDS AND OTHER FIXED INCOME SECURITIES	97 906
SHARES AND OTHER VARIABLE INCOME SECURITIES	
SHAREHOLDINGS AND PORTFOLIO ACTIVITIES	
SHARES IN RELATED COMPANIES	

LIABILITIES

CASH, CASH EQUIVALENT, CENTRAL BANKS	
DUE FROM CREDIT INSTITUTIONS	
Redeemable on demand	922
Redeemable at term	203 959
CUSTOMER CREDIT ACCOUNTS	
Special savings accounts	
Redeemable on demand	
Redeemable at term	
Other debts	
Redeemable on demand	
Redeemable at term	3 021
SECURITIZED DEBT PAYABLES	
Short term borrowing	
Interbank market securities and negotiable securities	149 187
Bond borrowing	259 401
Other securitized debt payables	
SUBORDINATED DEBT	40 796

TOTAL	567 015	657 286
--------------	----------------	----------------

2.24 **Other assets and other liabilities****OTHER ASSETS**

	2007	2006
CONDITIONAL INSTRUMENTS PURCHASED	8 127	10 785
SETTLEMENT ACCOUNTS FOR SECURITIES TRANSACTIONS	94 138	180 519
OTHER DEBTORS	61 558	60 375
HOLDINGS IN GOLD AND PRECIOUS METALS		
OTHER INVENTORY AND EQUIVALENT		
OTHER USES OF FUNDS		
TOTAL	163 823	251 679

OTHER LIABILITIES

	Montant 2007	Montant 2006
OTHER SECURITIES AND LIABILITIES		
CONDITIONAL INSTRUMENTS SOLD	8 445	11 251
DEBTS ON TRADING SECURITIES		
<i>including debts on the securities borrowed</i>		
SETTLEMENT ACCOUNTS ON SECURITIES TRANSACTIONS	304 656	100 043
PAYMENTS OUTSTANDING ON SECURITIES NOT FULLY PAID UP		
OTHER CREDITORS	70 811	74 013
TOTAL	383 912	185 307

2.25 **Regularisation accounts****ASSETS**

	Montant 2007	Montant 2006
HEADQUARTERS AND BRANCH / NETWORK		
CASH ACCOUNTS	1 041	3 441
ADJUSTMENT ACCOUNTS	352	53 183
VARIANCE ACCOUNTS		
POTENTIAL LOSSES ON HEDGING CONTRACTS OF OPEN FUTURES FINANCIAL INSTRUMENTS		
LOSSES ASSIGNED TO HEDGING CONTRACTS FOR CLOSED FUTURES FINANCIAL INSTRUMENTS	17 841	18 625
DEFERRED EXPENSES	99 797	86 761
DEFERRED CHARGES	98 679	79 995
ACCRUED ASSETS	1 368 252	1 061 832
OTHER REGULARIZATION ACCOUNTS	103 739	20 234
TOTAL	1 689 701	1 324 071

LIABILITIES

	2007	2006
HEADQUARTERS AND BRANCH / NETWORK		
ENCASHMENT ACCOUNTS		
AJUSTMENT ACCOUNTS	1 124 905	470 713
VARIANCE ACCOUNTS		
POTENTIAL LOSSES ON HEDGING CONTRACTS		
OF OPEN FUTURES FINANCIAL INSTRUMENTS		
LOSSES ASSIGNED TO HEDGING CONTRACTS		
OF FOR CLOSED FUTURES FINANCIAL INSTRUMENTS	34 822	27 980
DEFERRED REVENUE	18 025	27 783
ACCRUED LIABILITY	1 416 075	1 091 384
OTHER REGULARIZATION ACCOUNTS	124 985	58 773
TOTAL	2 718 812	1 676 633

2.26 Unamortized balance of the difference between value initially initially received and redemption price of securitized debt payables

	2007	2006
ISSUANCE PREMIUM ON FIXED INCOME SECURITIES	107 710	87 793
REDEMPTION PREMIUMS ON FIXED INCOME SECURITIES	7 913	1 032
TOTAL	115 623	88 825

2.27 Provisions for contingencies and liabilities

	Montant 2007	Montant 2006
PROVISIONS FOR SPECIAL REGIMES	2 651	
PROVISIONS FOR SWAPS	9 644	314
PROVISIONS FOR TAXATION	5 359	9 346
OTHER PROVISIONS	4 886	4 550
TOTAL	22 540	14 210

2.28 Counter value in euros of foreign currency denominated assets and liabilities outside euro zone

ASSETS

	Montant 2007	Montant 2006
CASH, CASH EQUIVALENT, CENTRAL BANKS, GOVERNMENT SECURITIES AND EQUIVALENT DUE FROM CREDIT INSTITUTIONS	8 220 884	5 304 414
CUSTOMER LOANS	164 801	130 523
BONDS AND OTHER FIXED INCOME SECURITIES	97 094	237 703
EQUITIES AND OTHER VARIABLE INCOME SECURITIES	26 128	10 996
PROPERTY DEVELOPMENT		
SUBORDINATED LOANS		
SHAREHOLDINGS AND PORTFOLIO TRADING		
SHARES IN AFFILIATED COMPANIES		
INTANGIBLE ASSETS		
TANGIBLE ASSETS		
OTHER ASSETS	475	3 154
REGULARIZATION ACCOUNTS	219 886	343 995
TOTAL FOREIGN CURRENCY DENOMINATED ACTIVITY	8 729 268	6 030 785
Percentage total assets	5,64%	5,06%

LIABILITIES

	Montant 2007	Montant 2006
CASH, CASH EQUIVALENT, CENTRAL BANKS		
DUE TO CREDIT INSTITUTIONS	5 770 102	5 516 816
CUSTOMER CREDIT ACCOUNTS	590 429	33 611
SECURITIZED DEBT PAYABLES	12 686 447	13 250 065
OTHER LIABILITIES	2 608	1 229
REGULARIZATION ACCOUNTS	123 996	118 562
PROVISIONS FOR CONTINGENCIES AND LIABILITIES		34
SUBORDINATED LOANS		
TOTAL FOREIGN CURRENCY DENOMINATED ACTIVITY	19 173 582	18 920 317
Percentage total liabilities	12,40%	15,88%

3. NOTES TO OFF BALANCE SHEET

3.1 Assets pledged as collateral for commitments

	2007	2006
SECURITIES ASSIGNED AS OPERATIONAL COLLATERAL IN FUTURES MARKETS	0	0
OTHER SECURITIES ASSIGNED AS COLLATERAL	2 050 000	0
TOTAL	2 050 000	0

CM-CIC COVERED Bonds (CM-CIC CB) is a 99.99% subsidiary of BFCM whose purpose is to issue securities secured by bonds and equivalent distributed by Crédit Mutuel and CIC networks, on the exclusive behalf of the parent company. Under the contractual provisions related to these transaction, BFCM could be required to convey assets as surety for issuances made by CM-CIC CB under certain conditions, were they to arise (such as the deterioration of the credit rating below a certain level, or scale of mortgage lending). On December 31, 2007, this mechanism had not been called upon.

3.2 Assets received as collateral

	2007	2006
SECURITIES RECEIVED AS COLLATERAL FOR FUTURES OPERATIONS		
OTHER SECURITIES RECEIVED AS COLLATERAL		
TOTAL	0	0

The bank refinances itself through the Caisse de Refinancement de l'Habitat (Residential Accommodation Refinance Organisation) by the issuance of promissory notes providing backing for its lending as provide for in article L313-42 of the Code Monétaire et financier in the total amount of €2,815,000 as at December 31, 2007. The mortgages providing the asset backing for these promissory notes are set up by Groupe de Crédit Mutuel of which BFCM is a subsidiary, in the amount of €4,276,000 as of that date.

3.3 Foreign currency futures transactions open as of the date of closure.

	Amount 2007		Amount 2006	
	as against		as against	
FOREX FUTURES TRANSACTIONS				
Euros receivable against against foreign currencies deliverable	4 270 476	4 090 015	6 530 471	6 370 998
<i>of which foreign currency SWAPS</i>	<i>591 468</i>	<i>503 368</i>	<i>450 555</i>	<i>402 941</i>
Foreign currencies receivable against Euros deliverable	14 554 303	15 719 492	19 181 698	19 764 840
<i>of which foreign currency SWAPS</i>	<i>6 935 149</i>	<i>7 842 674</i>	<i>6 808 727</i>	<i>7 058 100</i>
Foreign currencies receivable against Euros deliverable	6 903 571	7 007 195	7 167 519	7 055 810
<i>of which foreign currency SWAPS</i>	<i>2 717</i>	<i>2 810</i>	<i>6 486</i>	<i>7 120</i>

3.4 Other futures transactions open as of the date of close-out

	2007	2006
TRANSACTIONS IN ORGANISED MARKETS AND EQUIVALENTS INVOLVING INTEREST RATES INSTRUMENTS		
Firm hedging operations		
<i>of which FUTURE contracts Sales</i>		
<i>of which Future contracts PURCHASES</i>		
Conditional hedging operations		
Other firm transactions		
<i>of which Sale of FUTURE contracts</i>		
TRANSACTIONS PERFORMED ON OVER THE COUNTER BASIS ON INTEREST RATE INSTRUMENTS		
Firm hedging operations	145 086 240	112 687 879
<i>of which interest rates SWAPS</i>	144 629 669	112 306 915
<i>foreign currency interest rate SWAPS</i>	307 571	373 964
<i>FRA Purchase</i>	74 500	3 500
<i>FRA Sales</i>	74 500	3 500
Conditional hedging operations	4 252 607	6 114 120
<i>of which SWAP OPTION Purchase</i>	46 189	1 046 189
<i>SWAP OPTION Sale</i>	46 189	1 046 189
<i>of which CAP/FLOOR Purchase</i>	2 077 427	2 007 404
<i>of which CAP/FLOOR sales</i>	2 082 802	2 014 338
Other firm transactions	852 553	639 235
<i>of which interest rate SWAPS</i>	852 553	639 235
<i>Forex interest rate SWAPS</i>		
Other conditional transactions		
TRANSACTIONS PERFORMED ON OVER THE COUNTER BASIS ON FOREX INSTRUMENTS		
Conditional hedging operations	530 228	396 594
TRANSACTIONS PERFORMED ON OVER THE COUNTER BASIS ON INSTRUMENTS OTHER THAN INTEREST RATE INSTRUMENTS AND FOREX INSTRUMENTS		
Conditional hedging operations	3 577	3 577
Other conditional operations		

3.5 Breakdown of open futures transactions as per residual term

	2007			2006		
	Less than one year	From 1 year to 5 years	More than 5 years	Less than one year	From 1 year to 5 years	More than 5 years
FOREIGN CURRENCY TRANSACTIONS	20 041 813	6 282 621	492 268	26 354 891	6 234 130	602 627
TRANSACTIONS IN ORGANISED INTEREST RATE MARKETS						
Firm transactions						
<i>of which FUTURES Sale contracts</i>						
<i>of which FUTURES Purchase contracts</i>						
Other firm transactions						
<i>of which FUTURES Sales contracts</i>						
TRANSACTIONS PERFORMED ON OVER THE COUNTER BASIS ON INTEREST RATE INSTRUMENTS						
Firm transactions	101 476 167	21 785 413	22 677 213	84 622 832	13 454 042	15 250 240
<i>of which SWAPS</i>	101 327 167	21 785 413	22 677 213	84 615 832	13 454 042	15 250 240
<i>FRA Purchase</i>	74 500			3 500		
<i>FRA Sales</i>	74 500			3 500		
Conditional hedging operations	1 208 312	2 527 973	516 322	3 033 601	2 538 352	542 167
<i>of which SWAP OPTION Purchase</i>		46 189		1 046 189		
<i>SWAP OPTION Sale</i>		46 189		1 046 189		
<i>of which CAP/FLOOR Purchase</i>	604 156	1 215 110	258 161	471 112	1 265 133	271 159
<i>CAP/FLOOR Sale</i>	604 156	1 220 485	258 161	470 111	1 273 219	271 008
Other conditional transactions						
OVER THE COUNTER TRANSACTIONS ON FOREX INSTRUMENTS						
Conditional hedging operations	530 228			396 594		
OVER THE COUNTER TRANSACTIONS ON OTHER FUTURES INSTRUMENTS						
Conditional transactions		3 577			3 577	
Other conditional transactions						

3.6 **Commitments in respect of shareholdings and wholly consolidated subsidiaries**

Commitments given

	2007	2006
Finance commitments		
Sureties	1 780 379	1 582 779
Foreign currency transaction commitments	1 593 694	2 604 639
Financial futures commitments	12 617 115	11 435 702
TOTAL	15 991 188	15 623 120

Commitments received

	2007	2006
Finance commitments		
Sureties	38 506	34 169
Futures commitments	1 424 176	2 382 495
Futures financial instruments commitments	92 268	87 825
TOTAL	1 554 950	2 504 489

This table includes all the commitments received and given in regard to shareholdings and wholly consolidated subsidiaries in the Crédit Mutuel Centre Est Europe consolidation

3.7 **Fair value of derivative instruments**

	2007		2006	
	Assets	Liabilities	Assets	Liabilities
Interest rate risks - including hedging accounting (macro-micro)				
Conditional or optional instruments	16 437	15 778	14 598	13 995
Firm instruments other than swaps				
Embedded derivatives	599 386	1 364	0	0
Swaps	688 919	1 000 648	523 418	404 682
Interest rate risk - excluding hedging accounting				
Conditional or optional instruments				
Firm instruments other than swaps				
Swaps	1 216	32	1 433	20
Interest rate risk				
Conditional or optional instruments	2 587	2 589	1 783	1 767
Firm instruments other than swaps	13 831	4 291	3 652	1 281
Swaps	110 844	382 915	314 403	297 554

This note is drafted by application of regulation CRC no. 2004-14 to 2004-19 relating to information to be supplied on the fair value of financial instruments. The fair value of derivative instruments is determined by market value, or failing this by market models.

4. NOTES TO PROFIT AND LOSS STATEMENT

4.1 Income and expenses

	Income 2007	Income 2006
INCOME FROM OPERATIONS WITH CREDIT INSTITUTIONS	10 593 853	6 963 338
INCOME FROM OPERATIONS WITH CUSTOMERS	158 017	87 687
INCOME FROM BONDS OR OTHER FIXED INTEREST SECURITIES	453 435	348 683
INCOME FROM SUBORDINATED LOANS	69 702	51 086
OTHER INTEREST AND EQUIVALENT INCOME	8 119	6 480
REVERSALS / PROVISIONS ON INTEREST ON DOUBTFUL DEBT		
REVERSAL / PROVISIONS ON INTEREST AND EQUIVALENT INCOME		
TOTAL	11 283 126	7 457 274

	Expenses 2007	Expenses 2006
EXPENSES ON OPERATIONS WITH CREDIT INSTITUTIONS	8 425 669	5 724 993
EXPENSES ON TRANSACTIONS WITH CUSTOMERS CHARGES SUR TRANSACTIONS AVEC LA C	108 336	24 047
EXPENSES ON BONDS AND OTHER FIXED INCOME SECURITIES	2 431 915	1 410 960
EXPENSES ON SUBORDINATED LOANS	266 544	169 250
OTHER INTEREST AND EQUIVALENT EXPENSES	3 238	4 412
REVERSALS / PROVISIONS ON INTEREST ON DOUBTFUL DEBT		
REVERSAL / PROVISIONS ON INTEREST AND EQUIVALENT EXPENSE		
TOTAL	11 235 702	7 333 662

4.2 Breakdown of income from variable income securities

	2007	2006
INCOME FROM OTHER VARIABLE INCOME SECURITIES FOR RESALE	4 681	1 942
INCOME FROM SHAREHOLDINGS AND AFFILIATES	346 515	155 609
INCOME FROM SECURITIES HELD IN PORTFOLIO		
TOTAL	351 196	157 551

4.3 Commissions

	Income 2007	Income 2006
COMMISSIONS ON TRANSACTIONS WITH CREDIT INSTITUTIONS	180	1 757
COMMISSIONS ON TRANSACTIONS WITH CUSTOMERS	4 521	821
COMMISSIONS SECURITIES TRANSACTIONS	211	1 318
COMMISSIONS ON FOREIGN EXCHANGE TRANSACTIONS	2	1
COMMISSIONS ON FINANCIAL SERVICES	42 237	6 289
COMMISSIONS ON OFF BALANCE SHEET TRANSACTIONS		
OTHER OPERATING COMMISSIONS	298	1 948
REVERSAL OF PROVISIONS ON COMMISSIONS		
TOTAL	47 449	12 134

	Expenses 2007	Expenses 2006
COMMISSIONS ON TRANSACTIONS WITH CREDIT INSTITUTIONS	1 621	3 488
COMMISSIONS ON TRANSACTIONS WITH CUSTOMERS		2
COMMISSIONS SECURITIES TRANSACTIONS	15 752	2 449
COMMISSIONS ON FOREIGN EXCHANGE TRANSACTIONS	1 245	1
COMMISSIONS ON FINANCIAL SERVICES	25 851	3 821
COMMISSIONS ON OFF BALANCE SHEET TRANSACTIONS	1 242	
OTHER OPERATING COMMISSIONS	12 236	2 933
REVERSAL OF PROVISIONS ON COMMISSIONS		
TOTAL	57 947	12 694

4.4 Gains or losses on trading portfolio

	2007	2006
SECURITIES HELD FOR RESALE	(20)	217
FOREX	14 239	6 094
FINANCIAL FUTURES INSTRUMENTS	818	(73)
NET ALLOWANCE/REVERSAL OF PROVISIONS	(9 333)	686
TOTAL	5 704	6 924

4.5 Gains or losses on portfolio of securities held for resale and equivalent

	2007	2006
ACQUISITION EXPENSE ON SECURITIES HELD FOR RESALE	(292)	(434)
NET CAPITAL GAINS OR LOSSES ON DISPOSALS	(40 677)	(33 100)
NET ALLOWANCES OR REVERSALS OF PROVISIONS	(65 478)	12 914
TOTAL	(106 447)	(20 620)

4.6 General operating expenses

	2007	2006
SALARIES AND EMOLUMENTS	5 657	5 010
POST-EMPLOYMENT EXPENSES	571	523
OTHER SOCIAL CHARGES AND EMPLOYMENT BENEFITS	1 524	1 379
EMPLOYEE PROFIT SHARE AND INCENTIVES	344	362
TAXES AND SIMILAR LEVIES ON COMPENSATION	877	746
OTHER TAXES	10 639	13 162
EXTERNAL SERVICES	25 570	22 697
REVERSALS / PROVISIONS FOR GENERAL OPERATING EXPENSES	2 651	(4 923)
REINVOICED EXPENSES	(6 890)	(9 258)
TOTAL	40 943	29 698

Under regulation CRBF 91-01, Article 3.6 and Annexe IV.4, the overall sums paid out in consideration of direct and indirect compensation in 2007 were €5 267 049.70 as against €4 491 258.64 in 2006. No attendance fees were paid. There were no pension commitments.

"Entitlements accruing at the end of the financial year in respect of the individual right to training known as DIF, provided for by Articles L933-1 à L933-6 of the French Code of Labour amounted to 1,872 hours".

4.7 Cost of risk

	2007	2006
PROVISIONS RELATED TO RECEIVABLES	(10)	0
REVERSAL OF PROVISIONS RELATED TO RECEIVABLES	70	0
TOTAL	60	0

4.8 Gains/Losses on fixed assets

	2007	2006
GAINS OR LOSSES ON TANGIBLE ASSETS	2	
GAINS OR LOSSES ON FINANCIAL ASSETS	6 047	207
REVERSALS / PROVISIONS ON ASSETS	(3 104)	(3 950)
TOTAL	2 945	(3 743)

4.9 Breakdown of corporation tax

	2007	2006
(A) TAX ON ORDINARY PROFIT	244	36 556
(B) TAX ON EXTRAORDINARY ITEMS		308
(C) EFFECT OF TAX CONSOLIDATION	(293)	(9 972)
(A+B+C) TAX ON PROFIT FOR FINANCIAL YEAR	(49)	26 892
PROVISIONS IN THE NATURE OF TAXATION ON PROFIT	6 726	14 114
REVERSAL OF PROVISIONS IN THE NATURE OF TAXATION ON PROFIT	(10 713)	(15 844)
CORPORATION TAX	(4 036)	25 162

FINANCIAL RESULTS
in the last five financial years (in €)

	2003	2004	2005	2006	2007
1. Share capital at end of financial year					
a) Share Capital	1 302 192 250,00	1 302 192 250,00	1 302 192 250,00	1 302 192 250,00	1 302 192 250,00
b) Number of ordinary shares in circulation	26 043 845	26 043 845	26 043 845	26 043 845	26 043 845
d) Number of priority dividend shares (without voting right) in circulation					
2. Trading and profits for financial year					
a) Net banking income, income from securities portfolio and other	233 845 968,34	268 789 580,07	245 014 648,72	266 998 127,43	287 983 430,27
b) Profit before tax, employee incentives and profit share, and allowance for depreciation and provisions	213 648 079,29	231 563 355,69	346 280 183,23	218 866 113,79	330 939 819,96
c) Corporation tax	33 933 941,88 ^(NB)	39 242 132,74	48 489 536,70	25 161 694,01	-49 750,00
d) Employee profit share for financial year	22 050,17	24 915,43	23 375,10	25 856,64	66 099,08
e) Profit after tax, employee incentives and profit share and allowance for depreciation and provisions	191 602 995,80	216 233 251,60	286 803 372,01	209 112 479,74	254 274 957,81
f) Distributed earnings	91 934 772,85	109 384 149,00	138 553 255,40	140 115 886,10	194 807 960,60
3. Earnings per share					
a) Earnings after tax, employee profit share but before allowance for depreciation, amortisation and provisions	6,77	7,54	11,13	7,38	12,71
b) Earnings after tax, employee incentives and profit share, and allowance for amortisation, depreciation and p	7,36	8,30	11,01	8,03	9,76
c) Dividend per share	3,53	4,20	5,32	5,38	7,48
4. Employees					
a) Average employees on payroll during financial year	33	35	36	36	30
b) Average payroll for financial year	3 237 041,71	3 653 416,91	4 464 646,58	5 009 659,15	5 656 716,16
c) Sums paid in consideration of employee benefits in financial year (social security and other benefit funds)	1 305 107,67	1 435 464,95	1 751 277,12	1 902 472,09	2 095 605,05

(NB) : "Amounts shown in respect of tax on profits show, in addition to the taxes due for the financial year, the changes in provisions relating to these taxes..

This modified presentation arises from the application of the principles of regulation CRC No. 2000-03, effective in 2001 and financial years thereafter."

DETAILED INFORMATION ON SHAREHOLDINGS OF GROSS BOOK VALUE IN EXCESS OF 1 % OF SHAREHOLDERS EQUITY NAMELY: €13 021 922.50	Capital in last balance sheet	Shareholders' equity other than capital and profit in last balance sheet	Percentage ownership of capital as at December 31, 200 in %	Book value of securities on December 31, 2007		Loans and advances granted by Bank and not redeemed December 31, 2007	Edges and securiti provided by Bank December 31, 2007	Revenues last financial year	Profit or loss last financial year	Net dividends received by Bank as at December 31, 2007	Comments: year ending:
				Gross	Net						
1) Subsidiaries (more than 50% of share capital owned by parent company)											
VENTADOUR INVESTISSEMENT 1, SA, Paris	288 000 000	-46 432 934	100,00	288 293 790	288 293 790	812 500 000		32 817 001	-1 725 382		December 31, 2007 (1)
CM-CIC COVERED BONDS, SA, Paris	120 000 000		100,00	120 000 000	120 000 000			75 434 942	366 380		December 31, 2007 (1)
SOLODIF SAS, Woippy	200 000	16 534 441	100,00	27 675 000	27 675 000	1 500 000			1 056 193		December 31, 2007 (1)
BANQUE DU CREDIT MUTUEL ILE-DE-France, SA, Paris	15 200 000	3 883 000	100,00	19 040 589	19 040 589			785 000	515 000	351 493	31/12/2007 (1)
BANQUE DE L'ECONOMIE DU COMMERCE ET DE LA MONETIQUE, BECM, SAS, Strasbourg	91 094 420	202 243 038	98,50	157 410 486	157 410 486	8 194 408 000	1 760 000 000	167 665 985	57 008 597	18 708 409	31/12/2007 (1)
GRUPE REPUBLICAIN LORRAIN COMUNICATION, SAS, Woippy	992 000	49 471 886	71,77	43 340 000	43 340 000			2 080 690	-4 011		31/12/2007 (1)
CREDIT INDUSTRIEL ET COMMERCIAL, SA, Paris	573 626 848	2 810 000 000	70,78	2 642 037 815	2 642 037 815	31 594 081 000		1 215 000 000	546 000 000	110 684 294	31/12/2007 (1)
GRUPE DES ASSURANCES DU CREDIT MUTUEL, SA, Strasbourg	926 146 654	891 221 823	55,96	658 583 298	658 583 298			590 924	149 359 545	50 829 706	31/12/2007 (1)
2) Affiliates (10% to 50% of share capital owned by parent company)											
CM-CIC LEASE, SA, Paris	64 399 232	70 011 857	45,94	47 778 610	47 778 610	1 109 178 111			19 168 689	6 250 438	31/12/2007 (1)
BANQUE de Luxembourg	100 000 000	392 332 000	28,95	144 746 191	144 746 191			205 200 000	69 198 000	11 001 000	31/12/2006
CLUB SAGEM, SAS, Paris	170 934 565	288 689 384	22,92	101 006 463	99 747 463	1 109 178 111			3 330 419	6 250 438	31/12/2006
CAISSE DE REFINANCEMENT DE L'HABITAT, SA, Paris	129 664 924	4 532 000	20,26	31 386 870	31 386 870	191 960 797		1 032 451	1 048 000	73 299	31/12/2006
3) Other shareholdings (share capital owned by parent company less than 10%)											
SICOVAM HOLDING, SA, Paris	10 267 764	593 798 668	2,50	14 545 687	14 545 687			35 908 840	35 089 851	224 700	31/07/2006

(1) Balance sheet and financial statements not as yet closed out

RENSEIGNEMENTS GLOBAUX CONCERNANT LES PARTICIPATIONS	Capital au dernier bilan	Capitaux propres autres que le capital et le résultat au dernier bilan	Quote-part du capital détenu au 31.12.2007 en %	Valeur comptable des titres détenus au 31.12.2007		Prêts et avances consentis par la Banque et non remboursés au 31.12.2007	Montant des cautions et avais fournis par la Banque au 31.12.2007	Chiffre d'affaires au dernier exercice	Bénéfice net ou perte au dernier exercice	Dividendes nets encaissés par la Banque au 31.12.2007
				Brute	Nette					
1) Filiales non reprises au paragraphe A										
a) filiales françaises (ensemble) dont SNC Rema, Strasbourg dont GIE Ventadour Bail III Bis, Strasbourg dont GIE Ventadour Bail III Ter, Strasbourg				45 121 639	45 121 639	433 691 186	0			3 036 414
b) filiales étrangères (ensemble)				304 883	304 883					
				913 779	913 779					
				15 230	15 230					
2) Participation non reprises au paragraphe A										
a) participations françaises (ensemble) dont Société de Gestion des Parts du Crédit Mutuel dans le Journal "L'Alsace", Société Civile, Strasbourg				25 062 742	23 565 742	206 710 908				143 396 406
b) participations étrangères (ensemble)				6 003 519	6 003 519					
				4 444 990	4 444 990					510 079
3) Autres titres de participation non repris au paragraphe A										
a) autres titres de participations dans les sociétés françaises (ensemble) dont France Forêts II, société civile, Paris dont GIE Spring Rain, Paris dont GIE Vulcain Energie, Paris				29 043 496	29 031 496	187 551 763	20 379 000			867 756
				731 908	731 908					5 000
				3 577 295	3 577 295					
				2 608 738	2 608 738					
b) autres titres de participations dans les sociétés étrangères (ensemble)				59 354	59 354					

2. Consolidated financial statements

CONSOLIDATED FINANCIAL STATEMENTS OF BFCM IFRS DECEMBER 31st, 2007

BALANCE SHEET ASSETS in millions of euros	Notes	Dec 31, 2007	Dec 31, 2006
Cash, Cash equivalent, due from Central Banks,	4	6 083	4 021
Financial assets at fair value through profit or loss	5	97 349	65 506
Derivative hedging instruments - assets	6	3 165	1 346
Available-for-sale financial assets	7	51 063	48 950
Loans to and receivables from credit institutions	4	96 977	95 205
Loans to and receivables from customers	8	121 660	99 963
Interest rate hedged portfolio revaluation difference	9	-63	13
Financial assets held to maturity	10	6 085	6 007
Current taxation	12a	454	371
Current taxation	12b	383	285
Regularization accounts and other assets	13	8 992	13 912
Shareholdings in companies consolidated by equity method	14	447	250
Investment properties	15	928	987
Tangible assets and real estate leasing	16	1 520	1 441
Intangible assets	17	202	120
Goodwill	18	664	646
Total assets		395 910	339 025

BALANCE SHEET LIABILITIES in millions of euros	Notes	Dec 31, 2007	Dec 31 2006
Due to Central Banks	19	59	387
Financial liabilities at fair value through profit or loss	20a	65 563	26 603
Hedging derivative instruments - liabilities	6	2 857	1 406
Due to credit institutions	19	82 100	103 385
Customer deposits	21	69 980	61 080
Securitized debt payables	22	99 770	72 029
Interest rate hedged portfolio revaluation difference	9	201	121
Current taxation	12a	151	177
Current taxation	12b	527	561
Regularization accounts and other liabilities	23	10 701	13 361
Technical provisions for insurance contracts	24	45 355	42 187
Provisions for contingencies and liabilities	25	620	648
Subordinated debt	26	6 748	7 137
Shareholders' equity	27	11 277	9 942
Shareholders' equity group share		9 493	8 359
- <i>Capital paid-up</i>		1 302	1 302
- <i>Additional paid-in capital</i>		578	578
- <i>Consolidated reserves</i>		5 644	4 150
- <i>Unrealized or deferred gains or losses</i>		505	686
- <i>Profit for financial year</i>		1 464	1 642
. Shareholders' equity - minority interests		1 785	1 584
Total liabilities		395 910	339 025

PROFIT AND LOSS STATEMENT in millions of euros	Notes	Dec 31, 2007	Dec 31 2006
Interest income and equivalent	29	14 763	11 913
Interest expenses and equivalent	29	-14 666	-11 251
Commissions (income)	30	2 303	2 112
Commissions (expenses)	30	-828	-797
Net profit on financial operations		2 768	2 616
Net gains or losses on portfolios at fair value through profit or loss	31	2 576	2 391
Net gains or losses on available for sale financial assets	32	192	225
Income from other activities	33	1 047	1 065
Net Banking Income		5 388	5 657
General operating expenses	34	-2 940	-2 866
Depreciation and amortization	35	-145	-135
Gross Operating Profit		2 303	2 656
Cost of risk	36	-128	-90
Operating Profit		2 176	2 566
Interest in net profit of companies consolidated by equity method	14	64	30
Net gains or losses on other assets	37	13	10
Profit before tax		2 253	2 606
Corporation tax	38	-549	-724
Total net profit		1 704	1 883
Consolidated profit minorities' interests		239	240
NET PROFIT		1 464	1 642

CASH FLOW STATEMENT

In millions of euros	Year 2007	Year 2006
Net profit	1 704	1 883
Tax	549	724
Profit before tax	2 253	2 606
+/- Dotations nettes aux amortissement des immobilisations corporelles et incorporelles	149	130
- Impairment of goodwill and depreciation of other fixed assets	6	0
+/- Net provisions	-234	-195
+/- Share in profit of companies consolidated by equity method	-36	-19
+/- Net loss/gain on investment activities	-102	-70
+/- (Income)/expenses of financing activities		
+/- other movements	2 317	4 375
= Total non-monetary items included in net profit before tax and other adjustments	2 102	4 221
+/- Cash inflow/outflow relating to inter-bank transactions	-15 686	-8 141
+/- Cash inflow/outflow relating to customer transactions	-13 218	-12 392
+/- Cash inflow/outflow relating to transactions related to other financial assets or liabilities	28 731	126
+/- Cash inflow/outflow relating to transactions related to other non-financial assets or liabilities	1 425	-971
- Tax paid	-752	-683
= Net decrease/(increase) in cash related to operating assets and liabilities	500	-22 061
NET CASH FLOW RELATED TO OPERATING ACTIVITIES (A)	4 855	-15 234
+/- Cash inflow/outflow relating to acquisition and disposal of financial assets and long term investments	-548	163
+/- Cash inflow/outflow relating to investments in real estate	46	1
+/- Cash inflow/outflow relating to tangible and intangible assets	-214	-210
NET CASH FLOW RELATED TO INVESTMENT ACTIVITIES (B)	-715	-45
+/- Cash flow from/to shareholders	-183	-168
+/- Other net cash flows arising from financing activities	5 862	12 844
TOTAL NET CASH FLOW RELATED TO FINANCING ACTIVITIES (C)	5 679	12 675
EFFECT OF CHANGES IN FOREIGN CURRENCY ON CASH AND CASH EQUIVALENTS (D)	13	37
Net inflow (outflow) in cash and cash equivalents (A + B + C + D)	9 831	-2 567
Net cash flow generated by operating activities (A)	4 855	-15 234
Net cash flow generated by investment activities (B)	-715	-45
Net cash flow related to financing activities (C)	5 679	12 675
Effect of change in foreign currency on cash and cash equivalent (D)	13	37
Cash and cash equivalents at start of year	934	3 501
Cash accounts and accounts with central banks (assets and liabilities)	3 634	3 919
Net balance of accounts, demand deposits and loans with banks	-2 699	-418
Cash and cash equivalent at end of year	10 765	934
Net balance of cash accounts and accounts with central banks	6 023	3 634
Net balance of cash accounts, demands/deposits and loans with banks	4 742	-2 699
NET CASH FLOW VARIATION	9 831	-2 567

CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

	Shareholders' equity Group share					Total	Minority interests
	Capital	Additional paid in capital	Reserves (1)	+ / - deferred values of AFS assets (2)	Profit		
Balance as at January 1, 2006	1 302	578	3 360	368	944	6 552	1 230
Consolidated profit					1 642	1 642	240
Appropriation of profit previous financial year			944		-944		
Dividend distribution			-139			-139	-29
Capital increase							
Change in foreign currency translation			-28			-28	-2
Change in fair value of AFS assets (2)				318		318	26
Effects of change of scope of consolidation			12			12	119
Balance as at December 31, 2006	1 302	578	4 150	686	1 642	8 358	1 584
Balance as at January 1, 2007	1 302	578	4 150	686	1 642	8 358	1 584
Consolidated profit					1 464	1 464	239
Appropriation of profit previous financial year			1 642		-1 642		
Dividend distribution			-140			-140	-43
Capital increase							
Change in foreign currency translation			-34			-34	-3
Change in fair value of AFS assets (2)				-182		-182	-27
Effects of changes in scope of consolidation			26			26	34
Balance as at December 31, 2007	1 302	578	5 644	505	1 464	9 493	1 785

(1) Reserves as of December 31, 2007; in the amount of € 95 million for the legal reserve, of € 844 million for reserves required by company statutes (objects and articles of association), and € 4,705 million for other reserves.

(2) AFS : available for sale

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: PRINCIPLES AND ACCOUNTING METHODS

1.1 Accounting framework

Under CE regulation 1606/2002 regarding the application of international accounting standards and CE regulation 1725/2003 for their adoption, the consolidated financial statements for the financial year ending December 31, 2007 were drawn up according to the IFRS framework adopted by the European Union on the date of close-out. This IFRS framework includes IAS standards 1 to 41, IFRS standards 1 to 7 and their SIC and IFRIC interpretations adopted as of this date. The summary documents are presented according to recommendation CNC 2004-R.03. The European Union in 2007 adopted the IFRIC 10 interpretation for "Intermediate financial information and loss of value (impairment) and IFRIC 11 "IFRS 2 — Treasury shares and intra-group transactions" (the latter being mandatory in Europe only with effect from 2009). The above recommendations have been applied since January 1, 2007, and have no impact on the financial statements. The new standards and following interpretations shown below were also adopted, but were not applicable to 2007, and will not be adopted by way of anticipation. This is because IFRS 8 "Operating segments" has as its date of application January 1, 2009 and IFRIC 12 "concession contracts" is mandatory for the financial years beginning January 1, 2008 and later.

1.2 Scope and methods of consolidation

Scope of consolidation

The general principles of inclusion of an entity into the scope of consolidation are defined by IAS 27, IAS 28 and IAS 31.

The scope of consolidation is comprised of:

- **Entities under exclusive control:** presumption is made of exclusive control when the group directly or indirectly owns a majority stake in the equity or majority of voting rights or the power to appoint the majority of the members of the organs of administration, management, or supervision, or when the group exercises a dominant influence. The financial statements of entities controlled in an exclusive manner are wholly consolidated.
- **Entities under joint control:** joint control is exercised by virtue of a contractual agreement, or of the shared control of an economic activity, irrespective of the structure or form under which that activity is undertaken or performed. The entities under joint control are consolidated by the equity method.
- **Entities under notable influence:** these are the entities which are not controlled by the consolidating entity, but over which there is the ability to contribute to the financial and operational policies. The share capital of the entities in which the group exercises a notable influence is consolidated by the equity method.

The entities controlled or under notable influence which are not by nature significant in regard to the consolidated financial statements are excluded from the scope of consolidation. The situation is deemed to arise when the total balance sheet or profit and loss of the company in question has an effect no greater than 1% on the equivalent consolidated or sub-consolidated entity (in the event of consolidation by tiers). This quantitative criterion is of relative value only, as an entity may be part of the scope of consolidation irrespective of the 1% threshold provided its activity or intended business development makes that entity a strategic investment.

A special purpose entity is consolidated if the conditions set out under SIC 12 are met (activities of an entity undertaken for the exclusive account of the Group, decision-making power or management power resulting in the appropriation of the majority of gains arising from the day-to-day activities of that entity, ability to benefit from the rewards generated by that entity, assumption of the majority of risks).

Shareholdings owned by private equity companies over which joint control or notable influence is exercised are excluded from the scope of consolidation and their value accounted for by fair value hedges.

❑ **Changes in the scope of consolidation**

The changes in the scope of consolidation were as follows as at December 31, 2007:

- Entry into scope of consolidation:

SwissFirst Bank Zurich (acquired in January 2007 merged into Banque Pasche in the first half of 2007), SwissFirst Bank Liechtenstein (which became Banque Pasche Liechtenstein by change of name), CM-CIC Bail Belgium, GPK Finance, CM-CIC Gestion, RMA-Watanya, Caisse Agricole du Crédit Mutuel, NRJ Mobile and CM-CIC Covered Bonds.

- Exit from scope of consolidation:

Cigogne Fund, Immofinance, Valimar 3 and La Pérennité

- Mergers:

Merger of Crédit Fécampois into CIC, merger of Cial Invest into Cial, merger of Cial into SNVB; merger of CM-CIC Nord Ouest Gestion and Sud Est Gestion into CM-CIC Gestion, merger of CM Participations into CIC Epargne Salariale.

These mergers have no impact on the consolidated financial statements.

Methods of consolidation

Methods of consolidation used were as follows:

❑ **Full consolidation**

This method consists of replacing each of the liability and asset items of each subsidiary at values commensurate with that of its shareholders' equity whilst isolating the equitable interest of the minority shareholders and their claim on profits. The method is applicable to all entities under exclusive control, including those whose accounting structure is different, whether or not the business or activity undertaken is an extension or otherwise of the activity of the consolidating entity.

❑ **Consolidation by the equity method**

This involves substituting for the value of the stocks, the equitable interest of the group and share in the earnings of the relevant entities attributable to the group as the consolidating entity. This method is applied to entities under the joint control of the consolidated company or under its notable influence.

Date of close-out

All the companies of the group falling within the scope of consolidation closed out their parent company financial statements on December 31.

Elimination of reciprocal transactions

Reciprocal transactions and the earnings arising from disposals between entities within the group and which have a significant effect on the consolidated financial statements are eliminated.

Receivables, debts, reciprocal engagements, internal expenses and income are eliminated for wholly consolidated entities.

Foreign currency translation

In regard to the financial statements of foreign entities denominated in foreign currencies, the balance sheet is translated using the official exchange rate on the date of close-out. The difference in respect of capital, reserves, and retained earnings are recorded in shareholders' equity, under the account translation reserves. The profit and loss statement is translated using the average exchange rate for the financial year. Translation differences arising are directly recorded in the translation reserves account, the difference being written back into profit (or loss) in the event of a disposal or liquidation of all or part of the shareholding in the foreign entity.

The group opted for zeroing out of translation reserves in the opening balance sheet of January 1, 2004, as allowed for by IFRS 1.

Goodwill

□ Goodwill at time of acquisition

On taking control of a new entity, the assets, liabilities and operational liabilities if any, are valued at fair value. Any difference between fair value and book value is accounted for as goodwill.

□ Goodwill

In accordance with IFRS 3, on the date of taking control of a new entity, the assets and potential liabilities are assessed at fair value. The difference between the acquisition price of the shares acquired and the total valuation for assets, liabilities and potential liabilities, is known as goodwill. A positive goodwill entry is recorded on the asset side, and if negative, is immediately accounted for on the profit and loss statement as “Changes in goodwill”.

In the event of an increase in the percentage interest of the group in an entity already under its control, the difference between the acquisition costs of the securities and the additional equitable interest in the consolidated entity on the acquisition date, gives rise to a book entry under shareholders’ equity.

The Group regularly and at least once a year undertakes goodwill impairment tests whose purpose is to ensure that the goodwill has not been impaired. If the salvage value of a cash flow generating unit to which goodwill is assigned is less than its book value, an impairment entry in the amount is recorded. The impairment entry in the profit and loss statement is irreversible. In practice, cash flow generating units are defined with respect to the business lines operated by the Group in its business operations.

1.3 Principles and accounting methods

IFRS offers a choice of methods of accounting for certain items. The main options adopted by the group relate to the following:

- The use of fair value or a re-valuation as presumed cost of fixed assets at time of conversion. This option may apply to any tangible asset or intangible asset meeting the re-valuation criteria or any investment property valued on a cost basis. The group has chosen not to adopt this option;
- Immediately record under shareholders equity the actuarial differences relating to employee benefits. This option hasnot been implemented by the group;
- The group has opted for the zeroing out of conversion reserves in the opening balance sheet as of January 1, 2005, as allowed by IFRS 1.
- The valuation at market price of certain liabilities issued by the company not forming part of the trading portfolio. IASB published in June 2005 an amendment to standard IAS 39 “Financial instruments: accounting and valuation”, specifying the conditions for the adoption of the fair value hedges and fair value through profit and loss (FVTPL) for financial assets and liabilities, adopted by the European Union on November 15, 2005. The group opted for its application with effect from January 1, 2005;
- The group applied eligibility for fair value hedging of the macro-hedging operations performed as part of the asset/liability management of fixed income positions (including in particular customer instant access deposits) as authorized by regulation no. 2086/2004 of the European Commission.

1.3.1 Loans and outstandings

Loans and outstandings are financial assets yielding fixed or determinable income, but not listed on an active market. They include loans directly granted or the share in syndicated loans, loans acquired and unlisted debt securities. All are accounted for at market value on acquisition as a balance sheet entry in an amount generally equivalent to the net outlay. Rates applied are presumed to be market rates insofar as rates are adjusted continuously in line with the interest rates of the great majority of competitor institutions. The outstandings on

loans are then valued at the subsequent close-out at amortized cost using the effective interest rate method (except for such loans as are accounted for by fair value hedges).

The commissions directly related to the set up of the loan whether received or paid out, but in the nature of interest, are spread over the full term of the loan using the effective interest rate method, and are recorded in profit and loss under the interest heading.

The fair value of loans is shown in the appendix on each date of close-out, corresponding to the discounting of future cash flows as estimated using a zero coupon interest rate curve which does not include such cost of the commitment by signature as is borne by the debtor.

1.3.2 Provisions for depreciation of loans and outstandings, financing engagements and sureties

□ Individual provision for depreciation of loans and outstandings

Depreciation is recorded when there is objective proof of impairment arising from one or more events liable to generate a loss at each close-out, on a contract by contract basis. The impairment entry is equal to the difference between the book value and the value by discounted cash flow method using the interest rate at which the loan was granted, taking into consideration the effect of sureties. In the event of a variable rate loan, the interest rate adopted is the last interest rate contractually applicable.

The existence of amounts due and unpaid for more than three months, or more than six months in the case of property loans, and nine months in the case of loans to local authorities is deemed to be an objective proof of a loss event. Similarly when it is likely that the debtor will not be able to reimburse the whole of the sums due or in the event of foreclosure or of receivership, bankruptcy or equivalent, this is deemed an objective indication of loss.

The impairment is accounted for as an allowance included in the le Cost of Risk. The reversal of the allowance is recorded as a Cost of Risk for that portion relating to the change in the risk, and as a margin on interest for that portion relating to the lapse of time. The allowance is in the nature of a deduction from the asset value in the event of the impairment of loans, and a liability and part of provisions for contingencies in respect for financing commitment and sureties.

Unrecoverable debt is registered as a loss, and the provisions corresponding to it are then written back.

□ Collective provisions for loans and outstandings

Loans to customers not individually depreciated are covered by provisions by portfolio of homogeneous loans in the event that their rating (internal or external) is written down, or on the basis of loss at default or probability of default to maturity, depending on observations made internally or externally, and applied to the value of the loan book. The provision is accounted for as a deduction from the value of the book on the asset side, and changes in value the course of the financial year are recorded under cost of risk in the profit and loss statement.

1.3.3 Lease contracts

A lease contract is an agreement whereby the lessor assigns to the lessee for a given term the right to use of an asset in exchange for a single or series of payments.

A Finance Lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset from lessor to lessee

Title may or may not eventually be transferred.

A simple or operating lease means any lease other than a finance lease.

□ Landlord finance lease

In accordance with IAS 17, finance leases entered into with companies outside the group are shown in the consolidated balance sheet in the amounts outstanding as determined by the financial accounting processes.

In the lessor's accounts, the analysis of the economic substance of such operations leads to:

- Attaching to the lessee a receivable entry paid down over time by the receipt of rental payments;
- Breakdown of the rental payments into the interest portion and the amortization of principal, known as financial amortization;

- A net unrealized reserve equal to the difference between:
 - The net financial outstanding debt, being the debt of the tenant in the form of the outstanding principal and the interest accrued at the date of close-out;
 - the net book value of the assets leased;
 - provisions for deferred taxation.
- **Tenant finance lease**

In accordance with IAS 17, fixed assets are recorded on the asset side of a balance sheet, as a counterparty to the loan granted by credit institution, entered as a liability. The rental payments paid in are broken down into interest expenses and repayment of the principal amount of the debt.

1.3.4 Securities acquired

- **Financial assets and liabilities at fair value by profit or loss**
 - *Classification*

The heading "Financial instruments valued by fair value through profit or loss (FVTPL)" includes:

- a) Financial instruments used for trading or dealing purposes. These are mainly instruments which:
 - a. Have been acquired for resale or are repurchased in the short term, or
 - b. Form part of a portfolio of financial instruments under overall management for which there exists an effective and recent timetable for short term profit taking, or
 - c. An instrument comprising a derivative not deemed to be a hedge;
- b) Financial instruments may be classified by deliberate choice from the outset at fair value through profit or loss (FVTPL), in application of the option available under IAS 39, whose conditions of applicability were spelt out in the amendment published in June 2005. The purpose of the fair value hedge is to produce more appropriate financial information including in particular:
 - a. Fair value appraisal of certain composite financial instruments without separating out their embedded derivatives, whose valuation on a separate basis would not have been sufficiently reliable,
 - b. Significant reduction in the distortions of the accounting treatment of certain assets and liabilities,
 - c. The management and monitoring of the performance of a group of assets and or liabilities in respect of risk management or of an investment strategy, whose acquisitions were made on a fair value basis. Assigned to this category are the securities of private equity business and the balance sheet items relating to market operations.

The group has used this option for unit of account contracts for insurance activities, in order to ensure consistency in the treatment of liabilities, and when accounting for securities in private equity operations, and some of the debts issuances containing embedded derivatives.

- *Embedded derivatives*

An embedded derivative is a component in a hybrid instrument which if separated from its host contract meets the definition of derivative. Its effect is to change some cash flows in a manner similar to that of a standalone derivative.

This derivative is detached from the host contract and accounted for separately as a derivative instrument at fair value through profit or loss (FVTPL) provided the following three conditions are met:

- Hybrid instrument hosting this embedded derivative is not valued at fair value through profit or loss (FVTPL),
- The economic characteristics of the derivative and its associated risks are not considered as being closely bound up with those of the host contract,
- The separate valuation of the embedded derivative, if it is to be separated, is sufficiently reliable to provide relevant information.

- *Basis of valuation and accounting for income and expenditure*

The instruments classified as assets and liabilities at “fair value through profit or loss (FVTPL)” are accounted for at their fair value on acquisition and entered as such in the balance sheet, and similarly at the time of subsequent close-outs, until the moment of their disposal. Changes in fair value and the revenues received or accrued on fixed income securities classified in this category are recorded in the profit and loss statement under the heading “Net profit or loss on financial instruments at fair value through profit or loss (FVTPL)”.

Purchases and shares of securities valued at their fair value through profit or loss (FVTPL) are accounted for on the date of settlement. Changes in fair value between the date of transaction and the date of settlement are accounted for in the profit and loss statement. Assessment of counterparty risks on such securities is allowed for in the fair value.

- *Fair value or market value*

Fair value is that at which an asset could change hands or a liability be extinguished, between parties well-informed and consenting acting under conditions of normal competition. At the time of initial accounting for an instrument, its fair value is generally the transaction price.

The fair value in the event of a financial instrument listed in an active market is the listed price or market value, as this is the best estimate of its fair value.

The listed price for an asset owned or a liability to be issued is generally the price offered on sale (asking price) and the bid price for a liability owned or an asset which it is sought to acquire.

In the event of symmetry of the asset and liability items, only the net position is valued at the asking price, if it is a net asset or a net liability to be issued, and at the bid price if its a net liability or a net asset to be acquired.

The market is said to be active when the list prices are easily and frequently available, and these prices represent real transactions, and regularly take place under conditions of normal competition on very similar financial instruments.

If the listed market is not active, the fair value is determined using a valuation technique.

Derivative products are revalued using data observed in the market (for example interest rate curves). The bid/ask notion should then be applied to the observable data.

For securities in the private equity business, a multi-criterion approach is adopted, completed by experience in the field of valuation of unlisted companies.

- *Available-for-sale financial assets*

- *Classification*

Available-for-sale financial assets include financial assets not classified as *Loans and outstandings*, nor as *Financial assets held until maturity*, nor in *Fair value through profit or loss (FVTPL)*.

- *Basis of valuation and accounting for income and expenditure items*

These assets are accounted for on acquisition and entered into the balance sheet at fair value, and similarly at the times of subsequent close-out until disposal. Changes in fair value are recorded in a specific shareholders' equity heading “Unrealized or deferred gains or losses”, excluding accrued revenues. These unrealized gains or losses accounted for as equity are not recorded in the profit and loss statement except in the event of disposal or sustained impairment. At the time of disposal, these unrealized gains or losses, previously accounted for as shareholders' equity, are recorded in the profit and loss statement under the heading “Net gains or losses on available-for-sale financial assets”, alongside the capital losses on disposal. Purchase and sales of securities are accounted for on settlement date.

Revenues accrued or acquired from fixed income securities are accounted for in the profit and loss statement under the heading “Interest and equivalent income”. Dividends receivable on variable income securities are recorded in the profit and loss statement under the heading “Net gains or losses on available-for-sale financial assets”.

- *Impairment of available-for-sale assets*

An impairment entry is made on available-for-sale assets in the event of prolonged or significant fall in their fair value compared to the acquisition price.

Losses as a result of sustained impairment of available-for-sale financial assets, under the heading “Securities or equivalent” made in the profit and loss statement, are irreversible so long as the asset is carried in the balance sheet. Losses are accounted for under the heading “Net gains or losses on available-for-sale financial assets”.

The losses for sustainable depreciation of fixed income available-for-sale financial assets (notably bonds) are reversible and accounted for under the heading "Cost of Risk", when they relate to credit risk.

□ **Financial assets held to maturity**

▪ *Classification*

Financial assets held to maturity are fixed or determinable income financial assets necessarily listed in an active market, which the group intends or has the capacity to, hold to maturity and has not decided to classify as financial instruments at fair value through profit or loss (FVTPL), or as available-for-sale financial instruments. The criteria for intention and ability to hold securities until maturity are verified at close-out.

▪ *Basis of evaluation and accounting for income and expenses*

The securities are recorded at fair value at time of acquisition. Transaction costs are spread over time, as they are included in the calculation of the cost of the effective interest rate. Income received on the security is shown under the heading "Interest and equivalent income" in the profit and loss statement.

▪ *Impairments*

Financial assets owned to maturity are written down in the same way as loans and outstanding a soon as their value is affected by a credit risk. This impairment is shown in the cost of risk in the profit and loss statement.

□ **Derivatives and hedging**

▪ *Financial instruments at fair value through profit or loss (FVTPL) - derivatives*

A derivative is a financial instrument:

- whose fair value depends on an interest rate, on the price of a financial instrument, on the prices of commodities, on the exchange rate, on the price index for an interest rate or credit, or on another variable, said to be underlying;
- which requires a net low or nil investment, or an investment lower than that for a non-derivative financial instrument, in order to obtain the same sensitivity to change as the underlying instrument;
- for which settlement is made at a future date.

Derivatives are financial instruments owned for trading purposes except when they are used for hedging.

They are accounted for on the balance sheet as financial instruments at fair value through profit or loss (FVTPL). Changes in fair value and interest accrued or due are accounted for in net gains and losses on financial instruments at fair value through profit or loss (FVTPL).

Hedging derivatives which meet the criteria required by standard IAS 39 to be qualified for book purposes as hedging instruments are classified in the category "Hedging at fair value" or "Hedging of treasury flows", as the case may be. Other derivatives are by default all classified in the category trading assets or liabilities, even though, from an economic point of view they may have been subscribed with a view to hedging one or more risks.

Embedded derivative

An embedded derivative is made up of a hybrid instrument which, when separated from its host contract, meets the definition of a derivative. Its purpose is to vary certain treasury flows in a manner equivalent or similar to that of a standalone derivative.

This derivative is detached from the host contract so as to be accounted for separately as a derivative instrument at fair value through profit or loss (FVTPL) when the following three conditions are met:

- The hybrid instrument hosting the embedded instrument is not valued at fair value through profit or loss (FVTPL)
- The economic characteristics of the derivative and its associated risks are not considered as narrowly tied to those of the host contract
- The separate value of the embedded derivative is sufficiently reliable to provide relevant information.

- *Financial instruments at fair value through profit or loss (FVTPL) - derivatives - structured products*

Structured products are financial packages offered to customers to respond in a more precise manner to their needs. They are built up from elementary products, generally options. There are various categories of structured products based on the following elementary products: classic options, binary options, barrier options, Asian options, look back options, multiple asset options, index swaps.

There are three main families of valuation of these products: partial differential equation, discrete time tree-based, and Monte-Carlo. The first and last methods are used. The analytical methods applied are those adopted by the market for the modeling of the underlying securities.

The parameters used for valuation purposes are those observed in or deduced from a standard model of the observed values, at the date of close-out. In the absence of an organized market, the values used are taken from those observably in use by the most active brokers in regard to equivalent or quasi-equivalent products or extrapolated from listed securities. All the parameters used are historicized. Unlisted futures financial instruments are revalued from the prices observed in the market, according to the flash procedure. This method involves observing every day at the same time the bid and asking price from several contributors, using market tracking software.

A single price is adopted for each useable market parameter. Some complex financial instruments, and particularly single and multi-asset equity-based structured products with knock-in barriers, are generally tailor-made, relatively illiquid, and of long maturity. They are valued using models developed internally, adopting parameters such as long volatility, correlations, or dividend estimates for their non-observable value component in traded markets. On initial recognition, these complex instruments are recorded in the balance sheet at fair value, although the valuation arising from the above models may be very different. The differences between fair value of the complex instrument and the value obtained by using an internal model, generally known as a "Day one P&L", must be disclosed. The accounting regulations forbid the recording as an item of income the difference between fair value and the product when valued using either such models and/or non-observable elements of value in traded markets, recording of that difference being deferred to a later date. However, for a single underlying asset structured product without knock-in barrier, the difference is spread over the instrument's lifetime and recorded as an item of income. For structured products embedding knock-in barrier options, given the specific barrier risk, the difference is recorded on the maturity of the structured product.

- *Hedge accounting*

The IAS 39 standard allows three hedging relationships. The choice of hedging relationship is made depending on the nature of the risk hedged. Hedging at fair value enables hedging for the exposure to changes in the fair value of financial assets or liability, and is used to hedge the interest rates risk on fixed rate assets and liabilities, and on instant access deposits, as part of the possibilities for investors allowed for by the European Union. Hedging of treasury flows, hedges exposure to changes in financial asset or liability treasury flows, firm commitments and future transactions. It is used to hedge the interest rate risks on variable rate assets and liabilities, including their renewal, and the foreign exchange risk on future highly probable income in foreign currency. The hedging of net investment in foreign currencies is a special case of the hedging of treasury flows.

The group documents the relationship between the instrument hedged and the hedging instrument as soon as the hedging is initiated. This documentation includes the goals of the management of the hedging relationship, the nature of the risk hedged, and the underlying strategy, the identification of the hedging instrument and the element hedged, and the procedures for measuring the hedging efficiency.

The group values this efficiency when it sets up the hedging relationship and throughout its lifetime, at least until each date of close-out.

The inefficient portion of the hedging is accounted for in the profit and loss statement under the heading "Net profit or loss on financial instruments at fair value through profit or loss (FVTPL)".

Fair value hedging

The component corresponding to the rediscounting of a derivative financial instrument is recorded in the profit and loss statement under the heading "Interest, income and expenditure - Hedging derivatives", symmetrically opposed to the interest, income and expenditure relating to the item hedged.

In the event of a fair value hedging relationship, derivatives are valued at their fair value by counterparty in the profit and loss statement under the heading "Net profit and losses on financial instruments at fair value through profit or loss (FVTPL)" symmetrically opposed to the revaluation of the risk of the elements hedged in result. This route also applies if the hedged item is accounted for at amortized cost or if this is a financial asset classified as an available-for-sale asset. If the hedging relationship is fully efficient, the fair value change in the hedging instrument offsets the value of the element hedged.

Hedging must be considered as “highly efficient” to qualify for hedging accounting. The change in the fair value of the hedging instrument or in the treasury cash flow must practically offset the change in the item hedged at fair value, or in treasury cash flow. The ratio between the two changes must be in the range of 80% to 125%.

If the hedging relationship is broken, or if the efficacy criterion is not met, hedging accounting ceases to be applied on a forward looking basis. Hedging derivatives are transferred to a transaction instrument and are accounted for by the accounting principles applied to that category. The balance sheet value of the hedged element is no longer adjusted at a later date to reflect changes in fair value, and the adjustments to date in the security processing the hedging, are amortized over the residual lifetime of the item hedged. If the items hedged are not shown in the balance sheet, because of early redemptions, among other reasons, the adjustments to date are immediately shown in the profit and loss statement.

Fair value hedging of the interest rate risk by portfolio

The changes brought in by the European Union to IAS 39 in October 2004 include instant access cash deposits for customers in their portfolios of fixed rate liabilities.

For each portfolio of assets or liabilities, the bank checks that there is no over coverage, and does so by pillar and at each close-out.

The liability portfolio is scheduled as per the discharge of these liabilities over time, as defined in balance sheet management procedures.

Changes in fair value of the interest rate risk on the portfolios of hedged instruments are recorded in a special line of the balance sheet (“revaluation difference of portfolios hedged by interest rates”), the counterparty being in the profit and loss statement.

Hedging of cash flow

In the event of a cash flow hedging relationship, the gains or losses of the hedging instrument considered to be effective are recorded in the specific line of equity “Unrealized gains or losses deferred on hedging treasury flows”, whenever the party considered as being non-performing is recorded in the profit and loss statement under the heading “Net gains and losses on financial instruments at fair value through profit or loss (FVTPL)”.

The amounts recorded as shareholders’ equity are shown in the profit and loss statement under the heading “Income and interest expenses”, keeping pace with the the effect on final profit of the cash flows of the element hedged. The items hedged remain accounted for by the specific rules for their accounting category.

In the event of interruption to the hedging relationship, or failing to comply with efficiency criteria, hedging accounting ceases to be applied. The amounts to date are recorded in shareholders’ equity as a revaluation of the coverage derivative, and are kept in shareholders’ equity until the transaction hedged itself affects earnings or when it become apparent that the transaction will not take place. The amounts arising are then shown in the profit and loss statement.

1.3.5 Securitized debt payables

Securitized debt payables (treasury bills, inter-banking market certificates, bond borrowing), not classified at fair value through profit or loss (FVTPL) or by fair value hedges, are accounted for at their issuance value, generally reduced by transaction cost.

The debts are then valued at amortized cost according to the effective interest rate method.

Certain structured debt instruments may include embedded derivatives. These embedded derivatives are separated out from the host contracts as soon as the separation criteria have been met, and as soon as they can be valued in a reliable manner.

Their host contract is at a later stage accounted for at amortized cost. The determination of fair value is based on listed market prices or on valuation models.

1.3.6 Subordinated debt

Subordinated debt, be it at term, or indeterminate, is separated from other securitized debt payables, as their reimbursement, in the event that a debtor is required to wind up its business, is only possible after the other creditors have had their outstandings met. These debts are valued at amortized cost basis.

1.3.7 Distinction between Debt and Shareholders' Equity

According to the IFRIC 2 interpretation, shares owned by members of an entity are equity if the entity has an unconditional right to refuse redemption, or if there are provisions under the law or under the company's statutes forbidding or strongly limiting redemption. Under such provisions of the law or company statutes as exist, the equitable interest issued by the structures making up the consolidating entity of the Crédit Mutuel group, are accounted for as shareholders' equity.

The other financial instruments issued by the group are in accounting terms qualified as debt instruments subject to their existing contractual obligations for the group to make a treasury available to the security holders. This is the case for all the subordinated securities issued by the group.

1.3.8 Provisions pour contingencies

Allowances for and write-backs on the provisions for contingencies are classified by kind in the corresponding headings of income or expenditure.

A provision is made as soon as it is likely that financial resources providing an economic benefit shall be required to extinguish an obligation arising from a past event, and as soon as the amount of that obligation may be reliably estimated. The amount of the obligation is discounted to present value as the case may be for determining the amount of the provision required.

The provisions made by the Group cover in particular:

- *Operational risks;*
- *Liabilities in respect of employees;*
- *Execution risk of commitments by signature;*
- *Disputes and sureties;*
- *Tax risks;*
- *Risks relating to home ownership loans.*

1.3.9 Customer deposits and and loans from credit institutions

Customer deposits and loans from credit institutions give rise to financial liabilities on the bank, discharged in the form of fixed income or determinate income yielded to the creditor. Such liabilities are accounted for at market value when they are entered in the balance sheet, and are then valued at the subsequent close-outs at amortized costs using the effective interest method, except those that are accounted for by fair value hedges.

□ Regulated savings contracts

The *comptes épargne logement* (CEL – mortgage savings account) and *plans épargne logement* (PEL – mortgage savings plan) are products regulated under French law available to individual customers, being a combination of deposits made by them yielding interest and giving rights to a loan for residential property buying at a later stage. The liabilities that arise are of two orders for the distributing institution:

- A commitment to pay the future yield on the amounts deposited as savings at a fixed interest rate (only on PEL, the rate of yield on CEL being equivalent to variable interest, periodically revised according to an indexation formula);
- A commitment to grant a loan to customers so requesting under predetermined conditions (both for PEL and CEL).

These liabilities have been estimated on the basis of the behavioral statistics of customers and market data. A provision has been made on the assets and the liabilities side of the balance sheet in order to cover the future expenditure related to potentially unfavorable terms and conditions arising on such products as compared to the interest rates offered to individual customers for similar products, but not regulated in terms of their interest rate. This approach depends on the homogeneous generation of the terms and conditions of the outgoings for which the bank is liable in the form of interest payable on the deposits of customers subscribing to PEL and CEL schemes. Impacts on the profit and loss statement are recorded as interest paid to customers.

1.3.10 Treasury and treasury equivalents

Treasury and treasury equivalents include cash in till, deposits and loans and borrowings immediately payable to and redeemable from all the central banks and credit institutions.

In the table of cash flows, OPCVM mutual funds are classed as an “operational” business, and not reclassified as treasury.

1.3.11 Employee benefits

Employee benefits are accounted for under standard IAS 19. Commitments in regard to employment and related benefits give rise, as the case may be to a provision under the "Provisions for contingencies" heading. The changes are accounted for in profit and loss under the heading "Personnel expenses".

□ Post-employment defined benefits

These are pension schemes, early retirement schemes, and additional pension schemes, in which the group has a formal or implicit liability to provide benefits promised to employees.

Liabilities are calculated according to the method of projected credit units, which involves allocating entitlement to benefit to the periods of service under the contractual formula for calculating the benefits from the scheme, subsequently discounted to present day values on the basis of demographic and financial assumptions among them:

- The discount rate, determined by reference to the long term rates interest rates on state-issued debt securities, taking into consideration the duration of the commitments,
- The rate of payroll increase, assessed by age ranges, management and non-management status, and regional characteristics
- Inflation rate, estimated by comparison of the OAT government bond yields and OAT yields inflated for various maturities
- Rates of employee turnover by age range on the basis of an average ratio of 3 years of the number of resignations and dismissals over the number of employees working in the company under non-fixed term contracts at the financial year end
- Age of departure on retirement, an estimate being made by individual on the basis of actual date of entry into the company or estimated date of start of working life, and the assumptions under the Fillon law, capped at maximum age 65
- Mortality tables according to INSEE TH/TF 00-02.

The differences generated by the changes in assumptions and by the differences between earlier assumptions and the actual are known as actuarial variances. The assets of the scheme, if any, are valued at their fair value, and affect the profit and loss statement in the amount of their expected yield. The variance between the actual yield and expected yield is also an actuarial variance.

The group has opted for the immediate recording of actuarial variances—in excess of the 10% of the discounted value of the gross liability in respect of the benefits on the date of close-out, or of the fair value of the assets in the régime, or whichever is the highest—as an entry in the profit and loss statement for the year, in the form of provisions not spread over the remaining service life of the employees. Any reductions in, or realizations of the value of the scheme, generate changes in the commitment accounted for in the profit and loss for the financial year.

Additional pensions under caisse de retraite schemes

The AFB staging agreement of September 13, 1993, made an amendment to banking institution pension schemes. Since January 1, 1994, the banks are members of the French national Arrco and Agirc regimes. The *caisses de retraite* or pension schemes of which the banks in the group are variously members are still in existence and make payment in respect of the various liabilities provided for under the staging agreement, drawing on their reserves topped up if necessary by additional annual contributions paid in by the banks concerned, whose average rate over the next ten years is capped at 4% of payroll. The liabilities of the *caisses de retraite* are comprehensively estimated every two years by an actuary, the latest estimate taking place at the end of 2006.

Other post-employment defined benefits

End of career indemnities and top-up pensions including those of the special regimes are provided for, provisions being assessed on the basis of the entitlements accruing to all of the serving personnel, taking into consideration the rate of staff turnover specific to the consolidated entities, and to the future final salary of beneficiaries at the time of leaving on retirement increased as the case may be by social security contributions. The end of career

indemnities of the group's banks in France are covered in the amount of at least 60% by an insurance scheme taken out with ACM Vie, the Crédit Mutuel's insurance group, wholly consolidated.

□ **Post-employment defined contribution benefits**

The group's entities contribute to a number of pensions schemes managed by organizations independent of the group, in respect of which the entities have no additional formal or implicit obligation to payment, notably if the assets in the pensions schemes are not sufficient to meet liabilities.

As these schemes do not represent liabilities in respect of the group, no provision is made for them, and expenditures in their respect are accounted for in the financial year of payment of contributions.

□ **Long term benefits**

These are benefits to be paid other than those subsequent to the period of employment and end of contract indemnities. These benefits are payable twelve months later than the end of the financial year in which the staff rendered the corresponding services, such as for example *médailles du travail* (length of service bonus) or *compte épargne temps* (amounts payable in respect of time in lieu under shorter working week arrangements, or similar).

The group's liability in respect of other long term benefits is quantified by the projected credit units method. However actuarial variances are immediately recorded in the profit and loss for the accounting period, as the corridor method is not allowed.

Commitments in respect of *médailles du travail* are on occasion covered by insurance contracts, in which case only the amount so covered is provided for.

□ **CARMUT**

The staff serving in the CEE/SE/IDF/SMB group benefit, in addition to the mandatory state pensions schemes, from the services provided for the Caisse de Retraite du Crédit Mutuel Centre Est Europe (CARMUT), through an organization under joint employer and employee management classified as a supplementary pensions institution. CARMUT operates on a fully funded basis and manages two schemes, one defined contributions, and the other aggregative defined benefits scheme. The contributions and bonuses are a liability wholly borne by the employers. The special technical provisions recorded on the liabilities side of the CARMUT balance sheet in respect of all participants were on 31 December, 2007, €448 million in respect of the points-based fund and €63 million for the aggregative fund. The actuarial valuation of the defined benefits scheme was drawn up by an independent actuarial company using the unit cost method per year of service. Coverage of the schemes and their liabilities was by an annual premium payable by the employers of 1.7% of the payroll and accounted for in the expenses of the financial year. CARMUT is governed by the *Code de la Sécurité Sociale*, and was set up in the interest of its beneficiaries and is under joint employer/employee management, the economic benefits accruing to the sole membership, the decision-making power being shared between management and staff representatives, and exercisable only in the exclusive interest of the beneficiaries. CARMUT is consequently not taken into consideration under the IFRS scope of consolidation, under the consolidation criteria of IAS 27 which are grounded in the notion of control or influence.

□ **Early retirement under CATS (Cessation Anticipée d'Activité des Travailleurs Salariés – Termination of Service by Salaried Worker Scheme)**

A framework agreement for the application of the CATS scheme in the CIC group of companies was signed on June 27, 2001. CIC and most of the regional banks have implemented this agreement which enables beneficiaries to terminate their working life 2 to 3 years prior to their statutory date of retirement, in consideration of a payment of between 57.5% and 65% of their salary. Admissions to the scheme were possible until March 31, 2006. The total future liability has been estimated for the whole period of the liability, as an expense for which provisions have been made on a straight line basis between the date of effect of the agreement (when approved by the Ministry of Labor in France), and the date at which the employee may opt for it. Given the limited duration of the agreement, no discounting of the future cash flows has been effected, nor has account been taken of future employee salary increases. The percentage of potential beneficiaries opting for the system has been estimated on an entity by entity basis.

□ **End of labor contract indemnities**

These indemnities arise from the benefits granted by the group on termination of the contract before the normal age of retirement or following an employee's decision to voluntarily leave in consideration of receipt of an indemnity. These provisions are discounted to present day values subject to their being payable more than twelve months after the date of close-out.

□ **Short term benefits**

These are benefits payable within twelve months of close-out (other than end of contract indemnities), and include salaries, social security contributions and certain bonuses.

An expense item is entered under the short term benefits heading for the financial year in which the services giving entitlement to these benefits were rendered to the company.

1.3.12 Insurance

The accounting principles and rule of assessment of the assets and liabilities brought into being by the issuance of insurance contracts including re-insurance contracts whether issued or subscribed and of the financial contracts including a discretionary with-profits clause (granting subscribers to contracts the right, in addition to guaranteed remuneration, to receive a portion of the financial profits made) have been drawn up in accordance with standard IFRS 4.

The other assets owned and liabilities issued by the wholly consolidated insurance companies are governed by the rules common to all the group's assets and liabilities. Financial assets in the amount of the technical provisions for unit of account contracts are presented under "Financial assets at fair value through profit or loss (FVTPL)" and assets and liabilities are assessed at the date of close-out at the realization value of the reference investment vehicles.

Furthermore, the contracts governed by IFRS 4 remain accounted for and consolidated as under French standards and are valued and accounted for under those same rules, with the exception of a number of restatements limited to those affecting the elimination of regulatory equalization provisions and the accounting for deferred shareholdings in accordance with the principles of French regulations applied to the differences in asset valuation. At issue here are mainly the provisions for deferred with-profit benefit arising from the unrealized capital gains or losses accounted for on assets arising under IAS 39 (corresponding under IFRS 4 to the application of reflex accounting to reflect the relevant contribution accruing from or liability arising from unrealized capital gains and losses, as well as the "discretionary participatory element", being recorded wholly in provisions and not under shareholders' equity).

In addition to the various provisions so made as a liability (with write-back as the case may be), the other transactions generated by these contracts are valued and accounted for under the same rules. Included here are contract acquisition expenses, outstandings and liabilities arising from the contracts, advances in regards to policies and sums arising under recourse and subrogated entitlements from insurance and re-insurance contracts.

As of the date of close-out, a liability stress test under these contracts is made (net of other asset or liability items such as deferred acquisition expenses and value of the portfolios acquired). A check is made that the liability accounted for is sufficient to cover the future estimated cash flow as of this date. Any shortfall in technical provisions is recorded in the profit and loss for the period (with write-back at later date if necessary).

The capitalization return reserve made on a tax exempt basis in individual accounts of the French companies in respect of the sale of amortizable securities, whose purpose is to defer the net capital gains generated in order to keep up the actuarial yield on the portfolio made in consideration of contractual commitments, is cancelled in the consolidated financial statements. Entries into or out of this reserve for the financial year, when recorded in the profit and loss on individual accounts are cancelled in the consolidated profit and loss statement. Under IAS 12, deferred taxation liability is recorded in regard to the actual reclassification as shareholders' equity of the capitalization reserve. On the other hand, if there is a strong probability of allocation of benefit to the policyholders, in particular in consideration of their entitlements under certain insurance portfolios of the group entities, an entry for deferred contributory payment to the policyholders is made, after the restatement of the capitalization reserve.

1.3.13 Fixed assets

Fixed assets recorded in the balance sheet include tangible fixed assets and intangible operating assets, as well as investment properties. Fixed operating assets are used for own business administration purposes and service delivery. Investment property is the real estate owned for the purposes of generating rental income or a yield on invested capital. Real estate held for investment is recorded at historic cost, as is commercial property held for own business operations.

Fixed assets are accounted for at acquisition cost increased by the expenses directly attributable to and required for their refurbishment for operational purposes. The cost of borrowing incurred at the time of construction or refurbishment or fitting out of real estate is not separately entered as an accounting item.

Fixed assets after acquisition and initial accounting entry are valued at historic cost, i.e. at their original cost reduced by the amortization accruing and by impairment of value if any.

When a fixed asset is made up of a number of elements replaceable in parts at regular intervals, and where use is made thereof in a differentiated manner, or if their economic benefits arise according to different timescales, each item is separately accounted for at outset, and each of the components is amortized according to a specific amortization plan. A component-based approach has been adopted both for property occupied by the bank for its own business purposes, and for investment properties.

The amount entered for amortization purposes in respect of a fixed asset is determined after deduction of its residual value, net of exit or disposal costs. The duration of serviceable life of fixed assets is generally equivalent to the expected life of that asset for economic purposes, and hence no entry is made for residual value.

Fixed assets are amortized over the expected useful life of the asset for the company, according to the time frame during which it remains serviceable, and in the light of the economic benefits arising.

Intangible assets of indeterminate useful life are not subject to amortization. The allowances for amortizations in respect of operating assets are shown under the heading "Allowance / write-back of amortization and provisions for operating assets" in the profit and loss account.

Allowances for amortization in regard to investment property are accounted for under "Expenses of other activities" in the profit and loss statement.

The ranges of amortization periods adopted are:

Tangible assets:

- Land, fixtures, fit-out and utility services: 15-30 years
- Buildings – structural work: 20-80 years (depending on the type of building in question)
- Construction – equipment: 10-40 years
- Fit-out and installations: 5-15 years
- Office equipment and furniture: 5-10 years
- Safety equipment: 3-10 years
- Rolling stock: 3-5 years
- Computer equipment: 3-5 years

Intangible assets:

- Software bought in or developed in-house: 1-10 years
- Business acquired: 9-10 years (if acquisition of customer contract portfolio)

Amortizable fixed assets are subject to impairment testing on the date of close-out. Non-amortizable fixed assets (such as *droits au bail*, or the average price that a tenant is likely to be able to secure from the transfer of its lease to a successor), are subject to impairment testing once a year.

If there is an indication of impairment, the salvage value of the asset is compared to its net book value. In the event of impairment, a depreciation entry is made in profit and loss, changing the amortizable value going forward of the asset. The depreciation entry is written back in the event of change in the estimated salvage value, or if the indications of impairment no longer exist. The net book value after write-back of the impairment entry may not be in an amount greater than the net book value that would have been calculated if no impairment had been recorded.

Depreciations of fixed operating assets are accounted for under the heading "Allowance and write-back of amortization and provisions for depreciation of operating assets" in the profit and loss statement.

Depreciations in respect of investment property are accounted for under the heading "Expenses of other activities" (in respect of allowances) and "Income from other activities" (in respect of their reversal) in the profit and loss statement.

Capital gains and losses on the disposal of fixed operating assets (including commercial real estate occupied for own business operations) are recorded in the profit and loss statement on the line "Net gains or losses on other assets".

Capital gains and losses on the disposal of investment properties are recorded in the profit and loss statement on the line "Income from other activities" or "Expense of other activities".

1.3.14 Corporation tax

The heading “Corporation tax” includes all taxes on corporate income, whether payable or deferred. Taxes payable on corporate income are calculated according to the tax rules in force.

□ Deferred taxation

Under IAS 12, deferred taxation entries are made in respect of time differences between the taxable value and the book value of the items of a consolidated balance sheet, with the exception of goodwill (*écarts d'acquisition*).

Deferred taxation entries are calculated according to the liability method of tax allocation by reference to the known rate of corporation tax at time of close-out, and applicable to the following financial years.

Tax assets net of deferred liabilities are recorded when there is a high probability that they will be realized. Taxes payable or deferred are accounted for as either income or expenditure with the exception of those entries relating to unrealized or deferred gains and losses accounted for as equity, in respect of which deferred taxation entry is directly made.

Deferred tax asset or liability entries are offset one against another when they arise within a given entity or taxable group, and from the same tax authority, and when there is legal empowerment so to do.

Deferred taxation entries are not discounted to present values.

1.3.15 Interest on certain loans borne by the State

As part of the measures of assistance to the agricultural and rural sector, and in the matter of home loans, some entities in the group grant reduced interest rate loans according to scales fixed by the French State. These entities therefore receive from the State compensation in the amount of the difference between the reduced interest rate receivable from customers and a predefined interest standard interest rate. As a result, no entry is made for reduced interest income on the loans covered by such compensatory payments.

The procedures for these compensation mechanisms are regularly re-examined by the French State.

The compensatory amounts received from the State are recorded under the heading “Interest and equivalent” and spread over the lifetime of the corresponding loans, in accordance with IAS 20.

1.3.16 Financial guarantees and commitments to finance

Financial guarantees are regarded as equivalent to an insurance contract when they make provision for specific payments to reimburse to the beneficiary losses incurred as a result of the default of a debtor required to make a payment at a given due date and a debt instrument.

Under IFRS 4, these financial guarantees are valued according to French standards, either on an off-balance sheet basis, pending the issuance of standards additional to the current arrangements. Consequently, these guarantees give rise to provisions for liabilities in the event of likely pay-out.

On the other hand, contracts for financial guarantees providing for payment in response to changes in a financial variable (price, rating, or credit index), or non-financial variables (on condition that in this case the variable is not specific to one of the parties to the contract), fall within the scope of IAS 39. These guarantees are then dealt with as if they were derivative instruments.

Financing commitments not considered as derivative instruments in the meaning of IAS 39 are not shown in the balance sheet, but provisions are made for them in accordance with IAS 37.

1.3.17 Currency transactions

Foreign currency (i.e. other than the local currency) denominated assets and liabilities, are converted at the exchange rate of the date of close-out.

□ **Monetary financial assets or liabilities**

Foreign exchange gains or losses arising from currency translation are accounted for in profit and loss under the heading “net gains and losses on JV portfolio by result”.

□ **Non-monetary financial assets or liabilities**

Foreign exchange gains or losses arising from translations are accounted for in profit and loss under the heading “Net gains or losses on financial instruments at fair value through profit or loss (FVTPL)” if the item is classified for fair value through profit or loss (FVTPL) or as an unrealized or deferred capital gain and loss, when available-for-sale financial assets are involved.

When foreign currency denominated securities in the consolidation are financed by a loan in the same foreign currency, this is hedged by an entry in respect of future cash flow.

1.3.18 Non-current assets intended for disposal and businesses terminated

A non-current asset or group of assets meets the definition of an asset intended for disposal if it is available-for-sale and if its sale is highly likely to take place in the next twelve months.

The related assets and liabilities are presented on two distinct lines on the balance sheet under the headings “Non-current assets intended for disposal and debts related to non-current assets intended for disposal”. They are accounted for at book value or fair value reduced by the cost of disposal, whichever is the lowest, and are no longer amortized.

In the event of a record of impairment of value on this type of asset and liability, a write-down is made in the profit and loss statement.

Activities are considered to be terminated, when they are intended for disposal, when the activities are wound up, and when subsidiaries have been acquired for the sole purpose of resale. These activities are presented on a separate line of the profit and loss statement under the heading “Gains and losses net of tax on terminated activities”.

1.3.19 Judgments and estimates used in drawing up the financial statements

The drafting of the financial statements requires the making of assumptions in order to make the necessary evaluations. Such assumptions give rise to risks and uncertainties as to future outcomes.

Future outcomes may be influenced by a number of factors, in particular:

- National and international market activity
- Fluctuations in interest rate and foreign currencies
- Economic and political situation in certain activity sectors or countries
- Changes in regulations or legislation.

Accounting estimates based on assumptions are used mainly in respect of the following valuations:

- Unlisted financial instruments valued at fair value
- Retirement schemes and other future employment benefits
- Sustained capital losses
- Provisions for write-down of outstandings
- Provisions for contingencies
- Impairment of intangible assets and write-down of goodwill

1.3.20 Standards and interpretations adopted by the European Union and as yet unapplied

IAS / IFRS Standards	Name of standard	Date of application	Consequences of application
IFRS			
IFRS 8	Sectorial information	Mandatory application with effect from 01/01/2009 in replacement of IAS 14	Insignificant impact
IFRIC			
All of the interpretations adopted by the European Union have been adopted by the group			

INFORMATION ON BALANCE SHEET AND PROFIT AND LOSS STATEMENT

The notes are presented in millions of euros.

NOTE 2 - Breakdown of the balance sheet and profit and loss statement by activities and by geographical zone

Activities are as follows:

- The retail bank includes the network of regional banks and CIC Ile-de-France as well as all the specialist businesses selling products take place through the network, including real estate and equipment leasing, factoring, mutual fund management, employee trust fund (*épargne salariale*), real estate;
- The insurance business is handled by the Crédit Mutuel insurance group. The finance and market activities include:
 - a) financing of major companies and institutional customers, specialist finance, international and foreign subsidiaries;
 - b) market activities in the wider sense of the word, i.e. including interest rate and foreign exchange transactions and equities, whether exercised on behalf of customers or on own account, including market intermediation.
- Private equity activities including the companies whose primary purpose this is, both in France and abroad.
- Private equity exercised on own account and financial engineering make up a separate arm of the business.
- The holding structure covers elements as not allocated to other specific business lines and logistics organisations, including intermediate holding companies, and real estate occupied by the bank for its business use, lodged in specific entities, as well as IT entities.

The consolidated entities are shown as wholly attached to their main business lines, and by their contribution to their consolidated financial statements. The only exceptions are two entities, CIC and BFCM, which operate across several business lines. In this case, the parent company financial statements reflect these analytically under differentiated headings, the same principle applying to the balance sheet.

Breakdown of balance sheet by business line

ASSETS	2007	retail	insurance	finance	private	private	structure	Total
		banking		and markets	banking	equity	and holding	
Cash, cash equivalent, due from Central banks - Assets		332	0	5 023	339	0	389	6 083
Financial assets at fair value through profit or loss		368	13 315	81 236	214	1 627	589	97 350
Derivative hedging instruments - Assets		2 655	62	308	137	0	3	3 166
Available-for-sale financial assets		290	30 072	8 664	10 631	148	1 258	51 062
Loans to and receivables from credit institutions		38 434	36	56 593	1 739	4	171	96 977
Loans to and receivables from customers		98 431	301	18 370	4 241	0	317	121 660
Financial assets held to maturity		139	5 507	415	24	0	0	6 085
Shareholdings in companies consolidated by the equity method		50	244	0	0	0	154	447

LIABILITIES	2007	retail	insurance	finance	private	private	structure	Total
		banking		and markets	banking	equity	and holding	
Due to Central banks - Liabilities		0	0	0	59	0	0	59
Financial liabilities at fair value through profit or loss		237	2 386	62 830	71	5	34	65 563
Derivative hedging instruments - Liabilities		2 495	0	162	152	0	48	2 857
Due to credit institutions		44 964	0	33 817	1 305	0	2 013	82 100
Customer deposits		51 043	80	3 902	14 480	0	474	69 980
Securitized debt payables		18 254	0	81 088	127	0	300	99 770

Breakdown of profit and loss statement by activity

December 31, 2007	retail	insurance	finance	private	private	structure	inter	Total
	banking		and markets	banking	equity	and holding	activities	
Net banking income	3 151	960	611	449	424	-182	-24	5 388
General expenses	-2 191	-278	-279	-262	-42	-58	24	-3 084
Gross operating profit	960	682	332	187	382	-240	0	2 303
Cost of risk	-114		-7	-6				-128
Gain on other assets*	16	28				33		77
Pre-tax profit	862	710	325	181	382	-207	0	2 253
Corporation tax	-272	-220	-92	-46	-16	96		-549
Net book profit	590	490	233	135	367	-111	0	1 704
Minority interests								239
Attributable net profit								1 464

December 31, 2006 pro forma	retail	insurance	finance	private	private	structure	inter	Total
	banking		and markets	banking	equity	and holding	activities	
Net Banking income	3 099	910	815	392	335	132	-26	5 657
General Expenses	-2 108	-282	-317	-233	-34	-54	26	-3 001
Gross operating profit	990	628	499	160	302	78	0	2 656
Cost of risk	-115	0	32	-5	-1	0		-90
Gain on other assets*	6	12	0	0	0	22		40
Net book profit	881	639	531	155	300	100		2 606
Corporate income tax	-306	-209	-163	-37	3	-12		-724
Net book profit	575	430	368	118	303	88		1 883
Minority interests								240
Attributable net profit								1 643

* including net profit of entities consolidated by the equity method and goodwill impairment

December 31, 2006	retail	insurance	finance	private	private	structure	inter	Total
Published	banking		and markets	banking	equity	and holding	activités	
Net Banking income	3 109	909	888	392	335	50	-26	5 657
General Expenses	-2 108	-282	-321	-233	-34	-50	26	-3 001
Gross operating profit	1 001	627	567	159	301	0	0	2 656
Cost of risk	-115		32	-5	-1			-89
Gain on other assets*	6	12				22		40
Net book profit	892	639	599	154	300	22		2 607
Corporate income tax	-297	-209	-163	-37	-1	-17		-724
Net book profit	595	430	436	117	299	5		1 883
Minority interests								240
Attributable net profit								1 643

* including net profit of entities consolidated by the equity method and goodwill impairment

Breakdown of balance sheet by geographical zones

ASSETS

	December 31, 2007				December 31, 2006			
	France	Europe outside France	Other countries*	Total	France	Europe outside France	Other countries*	Total
Cahs and cash equivalent, due from Central banks	5 723	355	5	6 083	3 769	249	3	4 021
Financial assets at fair value through profit or loss	94 824	232	2 293	97 349	59 791	3 493	2 222	65 506
Hedging financial instruments - Assets	2 973	192	1	3 165	1 272	71	3	1 346
Available-for-sale financial assets	37 652	10 833	2 577	51 063	36 728	9 755	2 467	48 950
Loans to and borrowing from credit institutions	93 789	1 804	1 385	96 977	92 757	1 515	933	95 205
Loans to and liabilities with respect to customers	112 760	6 421	2 479	121 660	92 694	5 078	2 190	99 962
Financial assets held to maturity	5 719	366	0	6 085	5 662	345	0	6 007
Shareholdings in companies consolidated by the equity methc	230	0	217	447	216	0	34	250

LIABILITIES

	December 31, 2007				December 31, 2006			
	France	Europe outside France	Autres pays*	Total	France	Europe outside France	Autres pays*	Total
Due to Central banks	0	59	0	59	0	386	0	386
Financial liabilities at fair value through profit and loss	61 505	3 900	159	65 563	18 877	7 667	59	26 603
Derivative hedging instruments - Liabilities	2 693	164	0	2 857	1 168	237	1	1 406
Due to credit institutions	74 030	4 030	4 041	82 100	110 329	-9 707	2 763	103 385
Customer deposits	55 485	13 914	581	69 980	49 190	11 417	473	61 080
Securitized debt payables	82 302	13 588	3 880	99 770	58 675	9 045	4 309	72 029

* USA, Singapore, Tunisia and Morocco

Breakdown of profit and loss statement by geographical zone

	December 31, 2007				December 31, 2006			
	France	Europe outside France	Other countries*	Total	France	Europe outside France	Other countries*	Total
Net Banking income	5 074	416	-103	5 388	5 169	406	82	5 657
General Expenses	-2 820	-218	-47	-3 084	-2 763	-193	-45	-3 001
Gross operating profit	2 254	198	-149	2 303	2 406	212	38	2 656
Cost of risk	-121	-10	4	-128	-88	-7	5	-90
Gain on other assets **	58	0	19	77	36	0	4	40
Net book profit	2 191	188	-126	2 253	2 354	205	47	2 606
Overall net profit	1 620	139	-55	1 704	1 677	170	35	1 883
Attributable net profit	1 384	130	-50	1 464	1 455	155	33	1 642

* USA, Singapore, Tunisia and Morocco

** including net profit of entities consolidated by the equity method and goodwill impairment

NOTE 3 - Scope of consolidation

		December 31, 2007			December 31, 2006		
		Percentage Control	Interest	Method *	Percentage Control	Interest	Method *
A. Banking network							
Banque de l'Economie du Commerce et de la Monétique		99	99	IG	99	99	IG
Banque du Crédit Mutuel Ile-de-France (BCMI)		100	100	IG	100	100	IG
CIC Banque CIO - BRO	CIC	100	92	IG	100	92	IG
CIC Banque Scalbert Dupont - CIN	CIC	100	92	IG	100	92	IG
CIC Bonnasse Lyonnaise de Banque (BLB)	CIC	100	92	IG	100	92	IG
CIC Crédit Fécampois	CIC			FU	89	82	IG
CIC Banque CIAL	CIC			FU	100	92	IG
Crédit Industriel et Commercial (CIC)	CIC	92	92	IG	92	92	IG
CIC Lyonnaise de Banque (LB)	CIC	100	92	IG	100	92	IG
CIC Société Bordelaise (SBCIC)	CIC	100	92	IG	100	92	IG
CIC Est (ex Société Nancéienne Varin Bernier)	CIC	100	92	IG	100	92	IG
B. Subsidiaries of banking network							
SCI La Tréflière		46	46	EM	46	46	EM
SOFEMO - Société Fédérative Europ.de Monétique et de Financement		100	97	IG	100	97	IG
Banque de Tunisie	CIC	20	18	EM	20	18	EM
CIAL Invest (ex:CIAL Finance)	CIC			FU	100	92	IG
CIC Nord ouest gestion (ex Bourgtheroulde patrimoine)	CIC			FU	100	92	IG
CM-CIC Asset Management (ex Crédit Mutuel Finance)		74	72	IG	74	72	IG
CM-CIC Epargne salariale (ex CIC Epargne salariale)	CIC	100	92	IG	100	92	IG
CM-CIC Bail (ex Bail Equipement)	CIC	99	91	IG	99	91	IG
CM-CIC Bail Belgium	CIC	100	91	IG			NC
CM-CIC Gestion	CIC	100	92	IG			NC
CM-CIC Lease	CIC	100	96	IG	100	96	IG
Factocic	CIC	51	47	IG	51	47	IG
Imofinance	CIC			NC	100	92	IG
CM-CIC Laviolette Financement	CIC	100	92	IG	100	92	IG
Saint-Pierre SNC	CIC	100	92	IG	100	92	IG
SNVB finance	CIC	100	92	IG	100	92	IG
Sofim	CIC	100	92	IG	100	92	IG
Sud Est Gestion (ex Lyonnaise de Gestion et de Patrimoine)	CIC			FU	100	92	IG
CM-CIC Covered Bonds		100	100	IG			NC
C. Banques de financement et activités de marché**							
Ventadour Investissement		100	100	IG	100	100	IG
Cigogne Fund	CIC			NC	100	86	IG
Cigogne Management	CIC	100	96	IG	100	96	IG
CM-CIC Mezzanine	CIC	90	81	IG	90	81	IG
CM-CIC Securities	CIC	100	92	FC	100	92	FC
D. Private equity							
CIC Suisse (ex Banque CIAL Suisse)	CIC	100	92	FC	100	92	FC
Banque de Luxembourg	CIC	100	94	FC	100	94	FC
Banque Pasche (Liechtenstein) AG	CIC	53	49	FC			NC
Banque Pasche Monaco SAM	CIC	100	92	FC	100	92	FC
CIC Private Banking - Banque Pasche	CIC	100	92	FC	100	92	FC
CIC Banque Transatlantique	CIC	100	92	FC	100	92	FC
Banque Transatlantique Belgium	CIC	100	90	FC	100	90	FC
Banque Transatlantique Jersey	CIC	100	92	FC	100	92	FC
BLC gestion	CIC	100	92	FC	100	92	FC
Dubly-Douilhet	CIC	62	57	FC	62	57	FC
GPK Finance	CIC	87	80	FC			NC
Pasche (International) Services Ltd Gibraltar	CIC	100	92	FC	100	92	FC
Pasche Bank & Trust Ltd Nassau	CIC	100	92	FC	100	92	FC
Pasche Finance SA Fribourg	CIC	100	92	FC	100	92	FC
Pasche Fund Management Ltd	CIC	100	92	FC	100	92	FC
Pasche International Holding Ltd	CIC	100	92	FC	100	92	FC
Banque Transatlantique Luxembourg (ex Mutual Bank Luxembourg)	CIC	90	85	FC	90	85	FC
Serficom Family Office SA	CIC	100	92	FC	100	92	FC
Serficom Maroc SARL	CIC	100	92	FC	100	92	FC
Transatlantique Finance	CIC	100	92	FC	100	92	FC

		December 31, 2007			December 31, 2006		
		Percentage	Interest	Method	Percentage	Interest	Method
		Control			Control		
E. Private equity							
CIC Finance	CIC	100	92	FC	100	92	FC
CIC Investissement (ex CIC Capital Développement)	CIC	100	92	FC	100	92	FC
CIC Investissement Alsace (ex Finances et Stratégies)	CIC	100	92	FC	100	92	FC
CIC Investissement Est (ex SNVB Participations)	CIC	100	92	FC	100	92	FC
CIC Investissement Nord (ex CIC Régions Expansion)	CIC	100	92	FC	100	92	FC
CIC Vizille Participation (ex CIC Lyonnaise de Participations)	CIC	100	91	FC	100	91	FC
Financière Ar men	CIC	100	92	FC	100	92	FC
Financière Voltaire	CIC	100	92	FC	100	92	FC
Institut de Participations de l'Ouest (IPO)	CIC	77	71	FC	77	71	FC
Sudinnova	CIC	50	45	FC	49	45	FC
CIC Banque de Vizille	CIC	98	90	FC	98	90	FC
Vizille Capital Finance	CIC	100	90	FC	100	90	FC
Vizille Capital Innovation	CIC	100	90	FC	100	90	FC
F. Structure and logistics							
CMCP - Crédit Mutuel Cartes de Paiement		45	46	EM	45	46	EM
Euro-Information		27	26	EM	27	26	EM
Adepi	CIC	100	92	FC	100	92	FC
CIC Migrations	CIC	100	92	FC	100	92	FC
CIC Participations	CIC	100	92	FC	100	92	FC
Cicor	CIC	100	92	FC	100	92	FC
Cicoval	CIC	100	92	FC	100	92	FC
Efsa	CIC	100	92	FC	100	92	FC
Gesteurop	CIC	100	92	FC	100	92	FC
Gestunion 2	CIC	100	92	FC	100	92	FC
Gestunion 3	CIC	100	92	FC	100	92	FC
Gestunion 4	CIC	100	92	FC	100	92	FC
Impex Finance	CIC	100	92	FC	100	92	FC
Marsovalor	CIC	100	92	FC	100	92	FC
Pargestion 2	CIC	100	92	FC	100	92	FC
Pargestion 3	CIC	100	92	FC	100	92	FC
Pargestion 4	CIC	100	92	FC	100	92	FC
Pargestion 5	CIC	100	92	FC	100	92	FC
Placinvest	CIC	100	92	FC	100	92	FC
Sofiholding 2	CIC	100	92	FC	100	92	FC
Sofiholding 3	CIC	100	92	FC	100	92	FC
Sofiholding 4	CIC	100	92	FC	100	92	FC
Sofinaction	CIC	100	92	FC	100	92	FC
UfFCestion 2	CIC	100	92	FC	100	92	FC
UfFCestion 3	CIC	100	92	FC	100	92	FC
Ugépar Service	CIC	100	92	FC	100	92	FC
Valimar 2	CIC	100	92	FC	100	92	FC
Valimar 3	CIC			NC	100	92	FC
Valimar 4	CIC	100	92	FC	100	92	FC
VTP 1	CIC	100	92	FC	100	92	FC
VTP 5	CIC	100	92	FC	100	92	FC

		December 31, 2007			December 31, 2006		
		Percentage Control	Interest	Method *	Percentage Control	Interest	Method *
G. Insurance companies							
La Pérennité				NC	21	21	EM
ACM IARD	GACM	96	72	FC	96	72	FC
ACM Nord IARD	GACM	49	37	EM	49	37	EM
ACM Vie	GACM	100	75	FC	100	75	FC
Serenis Assurances (ex Assurances du Sud)	GACM	99	74	FC	99	74	FC
Astree	GACM	30	22	EM	30	22	EM
Euro Protection Services	GACM	100	75	FC	100	75	FC
Foncière ACM (ex ACM Retraite)	GACM	89	66	FC	89	66	FC
Groupe des Assurances du Crédit Mutuel (GACM)	GACM	76	75	FC	76	75	FC
ICM Life	GACM	100	75	FC	100	75	FC
ICM Ré	GACM	100	72	FC	100	72	FC
Immobilière ACM	GACM	100	75	FC	100	75	FC
Partners	GACM	100	75	FC	100	75	FC
Procourtage	GACM	100	75	FC	100	75	FC
SCI Socapierre	GACM	100	75	FC	96	72	FC
Serenis Vie (ex Télévie)	GACM	100	75	FC	100	75	FC
Suravenir insurances	GACM	34	25	EM	34	25	EM
RMA-Watanya	GACM	20	15	EM			NC
H. Other companies							
ACM GIE	GACM	100	75	FC	100	75	FC
ACM Services	GACM	100	75	FC	100	75	FC
Massena Property	GACM	100	75	FC	100	75	FC
Massimob	GACM	100	72	FC	100	72	FC
SA Saint Germain	GACM	100	75	FC	78	58	FC
SCI ADS	GACM	100	74	FC	100	74	FC
SNC Foncière Massena	GACM	98	68	FC	94	70	FC

CIC = Company belonging to the sub-group of Compagnie Financière CIC

GACM = Company belonging to the sub-group of Groupe des Assurances du Crédit Mutuel

* Method:

FC= Full consolidation

PC = Proportional Consolidation

EM = Equity Method

NC = Non Consolidation

MER = Merged

**NOTE 4 - Cash, Cash equivalent Central banks
Loans to and receivables from credit institutions**

	December 31, 2007	December 31, 2006
Cash, cash equivalent, Central banks		
Central banks	5 762	3 747
<i>of which mandatory reserves</i>	2 580	1 823
Cash, cash equivalent	321	274
TOTAL	6 083	4 021
Loans to and receivables from credit institutions		
Crédit Mutuel network accounts	253	235
Other ordinary accounts	2 259	2 084
Loans	91 841	69 042
Other receivables	1 056	1 053
Securities not listed on active markets	330	291
Loan of securities	983	22 250
Individually impaired receivables	12	20
Attached receivables	251	239
Provisions	-8	-9
TOTAL	96 977	95 205

NOTE 5 - Financial assets at fair value through profit or loss

	December 31, 2007	December 31, 2006
Securities	65 646	61 049
- Government securities	20 760	22 763
- Bonds and other fixed income securities	33 802	27 203
. Listed	33 651	26 726
. Unlisted	151	476
- Securities and other variable income securities	11 084	11 083
. Listed	9 735	9 948
. Unlisted	1 348	1 135
. Derivative instruments	6 049	3 795
. Other financial assets	25 655	562
<i>of which securities loaned</i>	0	0
TOTAL	97 349	65 506

NOTE 6 - Hedging derivative instruments

	December 31, 2007		December 31, 2006	
	Assets	Liabilities	Assets	Liabilities
. Cash flow hedge	6	9	13	9
- value change recorded in shareholders' equity	0	0	0	0
- value change recorded in profit and loss	6	9	13	9
. Fair value hedge (change recording in P&L total)	3 160	2 847	1 332	1 397
TOTAL	3 165	2 857	1 345	1 406

Analysis of derivative instruments

	December 31, 2007			December 31, 2006		
	Notional	Assets	Liabilities	Notional	Assets	Liabilities
Derivative instruments						
<i>Interest rate instruments</i>						
Swaps	421 356	4 209	5 274	353 691	1 817	2 385
Other firm contracts	22 827	11	8	16 784	8	0
Options and conditional instruments	37 611	806	178	48 995	247	148
<i>Forex instruments</i>						
Swaps		45	51		30	27
Other firm contracts	183	258	209	159	827	717
Options and conditional instruments	6 632	82	79	2 821	20	19
<i>Other than interest rate and forex</i>						
Swaps	37 529	125	40	41 488	47	91
Other firm contracts	2 718	0	11	4 799	0	5
Options and conditional instruments	13 892	513	528	19 619	800	819
Sub-total	542 749	6 049	6 377	488 356	3 796	4 211
Derivative hedging instruments						
<i>Fair Value Hedge</i>						
Swaps	19 896	3 071	2 847	11 784	1 286	1 397
Other firm contracts	0	0	0	0	0	0
Options and conditional instruments	21	89		45	47	
<i>Cash Flow Hedge</i>						
Swaps	77	6	9	250	12	9
Other firm contracts	0			0		
Options and conditional instruments	0			0		
Sub-total	19 994	3 165	2 857	12 079	1 345	1 406
TOTAL	562 743	9 214	9 233	500 435	5 141	5 617

NOTE 7 - Available-for-sale financial assets

	December 31, 2007	December 31, 2006
. Government securities	2 602	317
. Bonds and other fixed income securities	40 677	42 281
- Listed	40 169	42 026
- Unlisted	508	256
. Equities and other variable income securities	5 172	4 386
- Listed	5 118	4 323
- Unlisted	53	63
. Capitalized securities	2 358	1 720
- Securities held for sale	1 248	1 177
- Other long term securities	846	411
- Shares in affiliated companies	264	133
- Foreign currency translation difference	0	0
- Securities loaned	0	0
- Doubtful loans to CC SCI	0	0
. Attached receivables	254	245
TOTAL	51 063	48 949
<i>Of which listed shareholdings</i>	<i>842</i>	<i>631</i>

List of major non-consolidated shareholdings

		% ownership	Shareholders equity	Total balance sheet	Net banking income or other revenue	Profit
Veolia	Listed	< 5%	6 553	40 124	28 620	995
Crédit logement	Unlisted	< 5%	1 395	10 348	142	66
Banca Popolare di Milano	Listed	< 5%	3 052	40 181	ND	404
Nyse Euronext (1)	Listed	< 5%	1 669	3 466	2 376	205
Foncière des Régions	Listed	< 5%	4 059	10 683	552	729
BMCE Bank	Listed	< 5%	633	7 636	324	75
Banca di Legnano	Unlisted	< 10%	1 263	4 056	ND	134
Groupe Républicain Lorrain	Unlisted	100%	51	53	4	1
CRH (Caisse de refinancement de l'habitat)	Unlisted	< 20%	ND	26 998	ND	1

The different figures (excluding percentage ownership) relate to financial 2006.

(1) Amounts in USD (in regard to 2007)

NOTE 8 - Loans to and receivables from customers

	December 31, 2007	December 31, 2006
Sound loans and receivables	114 063	92 857
. Commercial lending	4 902	4 976
. Other lending to customers	108 686	87 522
- home purchase lending	49 682	40 019
- other lending and receivables including securities lending	59 004	47 512
. Attached receivables	313	233
. Securities not listed on inactive market	162	116
Individually impaired receivables	3 204	3 367
Provisions	-2 115	-2 250
SUB TOTAL I	115 152	93 974
Finance leasing (net investment)	6 393	5 887
. Equipment, plant, machinery	4 297	3 754
. Real Estate	1 987	2 007
. Individually impaired receivables	109	127
Provisions	-79	-90
SUB TOTAL II	6 314	5 797
Reinsurance receivables	195	192
Advances to policy holders		
TOTAL	121 660	99 963
<i>of which equity loans</i>	<i>0</i>	<i>0</i>
<i>of which subordinated loans</i>	<i>21</i>	<i>11</i>

Lease finance transactions with customers

	Opening	Acquisition	Disposal	Other	Close
Gross book value	5 887	994	-471	-18	6 392
Write-down of unrecoverable instalments due	-90	-20	31	0	-79
Net book value	5 798	974	-441	-18	6 313

Breakdown by duration of minimum future instalments receivable from finance leasing

	<1 year	>1 yr and <5 yrs	>5 years	Total
Minimum future instalment receivables	1 831	3 688	867	6 386
Future instalment receivables updated to present value	1 660	3 481	850	5 991
Financial income receivable	171	207	16	395

NOTE 9 - Interest rate hedged portfolio revaluation difference
Description of assets and liabilities hedged, and hedging instruments

	Fair value		Change in fair value
	December 31, 2006	December 31, 2007	
Fair value of interest rate risk by portfolio			
. Financial assets	-63	13	-76
. Financial liabilities	201	121	80

NOTE 10 - Financial assets held to maturity

	December 31, 2007	December 31, 2006
. Securities	6 082	6 004
- Government securities	139	215
- Bonds and other fixed income securities	5 943	5 788
. Listed	5 600	5 439
. Unlisted	343	349
. Translation	0	0
. Attached receivables	6	6
TOTAL GROSS	6 088	6 010
Provisions for depreciation	-3	-3
TOTAL NET	6 085	6 007

NOTE 11 - Change in provisions for impairment

	December 31, 2006	Dotation	Reprise	Autres	December 31, 2007
Loans to and receivables from credit institutions	-9	-2	0	3	-8
Loans to and receivables from customers*	-2 250	-588	610	113	-2 115
Available-for-sale securities	-238	-5	2	19	-221
Held-to-maturity securities	-3	0	0	0	-3
Total	-2 500	-595	612	135	-2 348

* of which collective provision

* As at December 31, 2007, provisions on loans to and receivables from customers amounted to €2,115M (as against €2,250M at year end 2006), of which €80M (as against €76M at year end 2006) of collective provisions. Individual provisions were mainly overdrafts on ordinary accounts in the amount of €925M (as against €1,047 at year end 2006) and provisions against commercial receivables and other lending (including mortgages), in the amount of €989M (as against €1,009M at year-end 2006).

NOTE 12 a - Current taxation

	December 31, 2007	December 31, 2006
Assets (by result)	454	371
Assets (by shareholders' equity)	0	0
Liabilities (by result)	151	177
Liabilities (by shareholders' equity)	0	0

NOTE 12 b - Deferred taxation

	December 31, 2007	December 31, 2006
Assets (P/L)	310	277
Assets (by shareholders' equity)	72	8
Liabilities (P/L)	447	465
Liabilities (by shareholders' equity)	80	95

Breakdown of deferred taxation by category

	December 31, 2007		December 31, 2006	
	Assets	Liability	Assets	Liability
. Temporary difference in regard to:				
- Deferred capital gains / losses on available-for-sale securities	72	80	8	95
- provisions	54		84	
- unrealized lease finance reserve		121		74
- profits from transparent companies		29		25
- tax losses	160			
- insurance activities	111	303	74	294
- temporary time differences	233	241	223	176
. Cross-settlement	-247	-247	-104	-104
Total deferred taxation assets and liabilities	383	527	285	560

NOTE 13 - Regularization account and other assets

	December 31, 2007	December 31, 2006
<i>Regularization accounts assets</i>		
Securities received on account of settlement	280	6 462
Foreign currency adjustment accounts	6	58
Accrued asset	543	535
Other regularization accounts	2 866	1 261
<i>Sub-total</i>	3 695	8 316
<i>Other assets</i>		
Securities settlement accounts / transaction accounts	164	892
Other receivables	4 789	4 347
Inventory and equivalent	0	0
Other uses	-4	-9
<i>Sub-total</i>	4 949	5 230
<i>Other insurance assets</i>		
Insurance and reinsurance receivables	347	366
Deposits with credit institutions	0	0
Reinsurer share in technical provisions	0	0
Others	0	0
<i>Sub-total</i>	347	366
TOTAL	8 992	13 912

**NOTE 14 - Shareholdings in companies consolidated by the equity method
Interest in net profit of companies consolidated by the equity method**

	December 31, 2007		December 31, 2006	
	Equitable interest	Profit % contribution	Equitable interest	Profit % contribution
Banque de Tunisie	38	5	34	4
La Pérennité*	0	0	19	1
SCI Tréflière	12	0	12	0
CMCP	19	13	16	0
Euro Information	135	17	116	14
Subsidiaries of GACM sub-group	243	28	52	11
<i>Of which RMA Watanaya</i>	179	14		
<i>Of which Suravenir</i>	31	7	25	5
<i>Of which ACM Nord</i>	21	5	17	4
<i>Of which ASTREE</i>	12	2	10	2
TOTAL	447	64	249	30

*Disposal outside group by BFCM

NOTE 15 - Investment properties

	Value at beginning of financial year	Increase	Decrease	Other change	Value at end of financial year
Historic cost	1 067	24	-72	0	1 017
Amortization and Depreciation	-80	-7	1	0	-89
Net value	987	17	-70	0	928

NOTE 16 - Tangible assets

<u>Basic accounting procedure</u>	Value at beginning of financial year	Increase	Decrease	Other variations	Value at end of year
Historic cost					
Land for own business operations	313	5	0	10	327
Construction for own business operations	1 680	161	-22	116	1 934
Other tangible fixed assets	749	60	-52	-95	662
Total	2 742	225	-75	31	2 923
Amortization and depreciation					
Land for own business operations	0	0	0	0	0
Buildings for own business operations	-767	-91	17	-89	-930
Other tangible fixed assets	-534	-49	34	76	-472
Total	-1 301	-140	51	-13	-1 403
Net value	1 441	85	-24	17	1 520

Of which buildings covered by finance leases

	Opening	Acquisition	Disposals	Other	Close
Land for own business operations	45	0	0	0	45
Buildings for own business operations	47	-2	0	-3	42
Total	92	-2	0	-3	87

Breakdown by duration of future minimal installment payments receivable in respect of finance leasing

	<1 year	>1yr and <5yrs	>5yrs	Total
Future minimum instalment receivables		14	28	42
Future instalment receivables discounted to present day value		14	27	40
Financial expenses not booked		0	1	1

NOTE 17 - Intangible assets

	December 31, 2006	Acquisitions	Disposals	Other change	December 31, 2007
Historic cost					
. Assets generated internally	0	0	0	0	0
. Assets acquired	182	22	-3	64	265
- software	1	0	-1	0	0
- other	181	21	-2	64	265
Total	182	22	-3	65	265
Amortization and depreciation					
. Assets generated internally	0	0	0	0	0
. Assets acquired	-62	-9	7	1	-63
- software	-1	0	1	0	0
- other	-61	-9	7	1	-63
Total	-62	-9	7	1	-63
Net value	120	12	4	65	202

NOTE 18 - Goodwill

Subsidiaries	Goodwill as at December, 31 N-1	Increase	Decrease (*)	Change impairment	Goodwill as at December, 31 N
Groupe CIC	505				505
IPO	21				21
P��rennit��	19		-19		0
Banque du Luxembourg	13				13
Groupe ACM	8				8
Sous Groupe ACM	64				64
Banque Transatlantique	6				6
Banque Pasche	3	32			35
GPK Finance	0	5			5
Other	7				7
TOTAL	646	37	-19	0	664

The good will regarding Banque Pasche relates to its acquisition from SwissFirst Bank Zurich for an outlay of €24M and the acquisition of SwissFirst Bank Liechtenstein for an outlay of €8M. SwissFirst Bank Zurich was merged with Banque Pasche after its acquisition.

The acquisition by Banque Transatlantique of GPK Finance generated goodwill of €5M.

(*) *Deconsolidation of la P  rennit  *

NOTE 19 - Central Banks CCP

Due to credit institutions

	December 31, 2007	December 31, 2006
Central banks, CCP		
Central banks	59	386
CCP	0	0
Total	59	386
Due to credit institutions		
Cr��dit Mutuel branch network accounts	0	0
Other ordinary accounts	0	0
Borrowing	4 719	3 428
Other debt	61 100	57 166
Securities lending	15 992	42 187
Attached debt	288	604
Total	82 100	103 385

NOTE 20 a - Financial liabilities on securities recorded at fair value through profit or loss

	December 31, 2007	December 31, 2006
Financial liabilities on securities held for trading purposes	19 003	19 202
Financial liabilities on securities assessed by fair value hedging or at fair value through profit or loss	46 560	7 401
TOTAL	65 563	26 603

NOTE 20 b - Financial liabilities on securities held for trading purposes

	December 31, 2007	December 31, 2006
.Short sales of securities		
- Government securities	0	0
- Bonds and other fixed income securities	11 102	13 208
- Equities and other variable income securities	897	1 124
. Liabilities arising from securities loaned with obligation to repurchase	0	0
. Trading derivatives	6 377	4 210
. Other financial liabilities held for trading purposes	628	560
TOTAL	19 003	19 202

NOTE 20 c - Financial liabilities on securities assessed by fair value hedges

	December 31, 2007	December 31, 2006
.Securities issued		
- Bonds	0	0
- Certificate of deposit	0	0
- Others	1 759	2 476
. Liabilities arising from securities loaned with obligation to repurchase	42 731	1 259
. Subordinated debt	0	0
. Liabilities	2 070	3 666
- interbank	2 069	3 666
- to customers	1	1
. Other fair value hedge liabilities	0	1
TOTAL	46 560	7 401

NOTE 21 - Customer deposits

	December 31, 2007	December 31, 2006
. Special savings accounts	21 189	21 234
- instant access or on demand deposits	13 610	13 114
- term deposits	7 579	8 121
. Liabilities attached to savings accounts	29	32
<i>Sub-total</i>	<i>21 217</i>	<i>21 266</i>
. Ordinary accounts	28 613	24 929
. Term accounts and borrowings	18 705	13 723
. Securities lending	924	1 017
. Reinsurance liabilities	80	73
. Attached debts	441	72
<i>Sub-total</i>	<i>48 763</i>	<i>39 814</i>
TOTAL	69 980	61 080

NOTE 22 - Securitized debt payables

	December 31, 2007	December 31, 2006
Short term lending	39	35
TMI & TCN	68 542	46 509
Bonds	30 391	24 842
Attached liabilities	799	643
TOTAL	99 770	72 029

NOTE 23 - Regularization accounts and other liabilities

	December 31, 2007	December 31, 2006
<i>Regularization accounts - liabilities</i>		
Accounts unavailable due to debt recovery proceedings	176	6 254
Foreign exchange adjustment accounts	1 653	844
Expenses payable	665	632
Other regularization accounts	5 483	1 829
<i>Sub-total</i>	7 977	9 559
<i>Other liabilities</i>		
Accounts for securities transaction settlements	463	935
Settlements outstanding on securities transactions	47	35
Other creditors	2 114	2 751
<i>Sub-total</i>	2 624	3 721
<i>Other insurance liabilities</i>		
Insurance and reinsurance debts	0	0
Due to credit institutions	0	0
Deposits and pledges received	100	81
<i>Sub-total</i>	100	81
TOTAL	10 701	13 361

NOTE 24 - Technical provisions on insurance contracts

	December 31, 2007	December 31, 2006
Life	37 289	34 874
Non life	1 845	1 793
Units of account	6 023	5 321
Other	197	199
TOTAL	45 355	42 187

NOTE 25 - Provisions for contingencies and liabilities

	Opening balance	Allowance for financial year	Writeback for financial year (provisions used)	Writeback for financial year (provisions not used)	Other change	Balance at close
Provisions for pension commitments	153	9	-44	0	0	118
Provisions pour contingencies*	324	88	-110	-1	-17	284
Other **	171	90	-61	0	18	218
TOTAL	648	187	-215	-1	1	620

At December 31, 2007:

* *provisions for contingencies* are mainly the provisions for tax liability of €116M at year end 2007 (as against €119M year end 2006), provisions for counterparty risks in the amount of €91M (as against €101M at year end 2006), on commitments by signature and €52M (as against €61M at year end 2006) on risks on various receivables and counterparty risks.

** *Other provisions for contingencies and liabilities* are provisions for épargne logement scheme (mortgage savings accounts) in the amount of €68M (also at year end 2006) and other contingencies and liabilities in the amount of €150M (as against €103M at year end 2006), of which provisions for GIE economic interest groups in the amount of €40M and tax provisions to cover the tax risk on future repayments in the amount of €42M.

Post-employment commitment and similar benefits

	Opening balance	Allowance for financial year	Writebacks for financial year	Other change	Balance on close
<i>Defined benefit pension commitments and equivalent, outside standard caisses de retraite pensions schemes</i>					
End of career indemnity	52	7	-23	0	38
Top-up pensions	52	1	-6	0	47
Bonuses related to <i>médailles du travail</i> (length of service bonus and other equivalents)	32	1	-4	0	28
<i>Sub-total</i>	136	9	-32	0	113
<i>Supplementary defined benefits provided by group pensions schemes</i>					
Commitments to employees and retirees	9	0	-5	0	4
Fair value of assets					
<i>Sub-total</i>	9	0	-5	0	4
(Pensions schemes assets include 35,000 CIC shares)					
<i>Commitments in respect of early retirement of employees</i>					
Commitments	8	0	-7	0	1
<i>Sub-total</i>	8	0	-7	0	1
TOTAL	153	9	-44	0	118

In the calculation of post-employment benefits and equivalent the assumption is made of a discount rate equal to the long term yield on government bonds.

These assumptions are reviewed annually and by country taking into consideration regulatory conditions. The AFB French banking industry branch agreement of March 29, 2005 and the social security finance law of 2007 promulgated on December 22, 2006 formed part of this review

Insufficiency of retirement scheme reserves

	Opening	Discount effect	Financial income	Partial redemption	Change in actuarial difference	Payment to beneficiaries	Subsidies received	Close
Commitments	64	3			3	-6		64
Assets in scheme	71		3		1	-7	3	71
Deferred actuarial difference	12				-3			9
Provisions	5	3	-3	0	-1	1	-3	2
Foreign subsidiaries	4							2
TOTAL	9	3	-3	0	-1	1	-3	4

* The CIC group only is concerned, the CEE subsidiaries being handled by Carmut, an entity outside the consolidation.

Provisions for risks on commitments in respect of *épargne-logement* mortgage savings account schemes

	Years of investment			December 31, 2007
	0 - 4 years	4 - 10 years	> 10 years	
Investments in <i>plans épargne-logement</i> mortgage savings plans	522	2 369	2 930	5 822
Investments in <i>comptes épargne logement</i> mortgage savings accounts				727
Loans outstanding under <i>épargne-logement</i> giving rise to provisions for risks on asset side of balance sheet				221
<i>Provisions for risks in regard to plans épargne-logement:</i>				
Mortgage savings plans	22	1	16	40
Mortgages savings accounts				23
Mortgage savings loans				6
TOTAL				68

	Opening balance	Allowance for financial year	Writeback for financial year	Other changes	Balance on close
Provisions for <i>épargne-logement</i> mortgage savings schemes	68	9	-9		68

Comptes épargne logement (CEL) and *plans épargne logement* (PEL) are products under French state regulation allowing individual customers to invest over time in an interest-bearing account giving subsequent entitlement to a mortgage. CEL and PEL schemes place a twofold commitment on distributor establishment:

- commitment to provide return to depositors on amounts invested at a fixed rate (on PELs only, the yield on CELs being equivalent to variable rate, because periodically revised in the light of an indexing formula);

- commitment to grant loan to customers on application under pre-determined conditions for both CEL and PEL.

The commitments have been estimated by reliance on the statistics of client behavior and market data.

A provision has been made on the assets and the liabilities side of the balance sheet in order to cover the future expenditure related to potentially unfavorable terms and conditions arising on such products as compared to the interest rates offered to individual customers for similar products, but not regulated in terms of their interest rate. This approach depends on the homogeneous generation of the terms and conditions of the outgoings for which the bank is liable in the form of interest payable on the deposits of customers subscribing to PEL and CEL schemes. Impacts on the profit and loss statement are recorded as interest paid to customers.

NOTE 26 - Subordinated debt

	December 31, 2007	December 31, 2006
Subordinated debt	3 552	3 746
Equity loans	156	156
Non-fixed term subordinated debt	2 957	3 147
Other debt	0	0
Attached debt	84	88
TOTAL	6 748	7 137

Main subordinated debt

	Type	Date Issuance	Amount Issuance	Amount end year	Rate	Maturity
Banque Fédérative du Crédit Mutuel	TSR		50 M€	50 M€	5,40	29.06.2011
Banque Fédérative du Crédit Mutuel	TSR		700 M€	700 M€	6,50	19.07.2013
Banque Fédérative du Crédit Mutuel	TSR		800 M€	800 M€	5,00	30.09.2015
Banque Fédérative du Crédit Mutuel	TSS		1600 M€	1600 M€		indéterminé
CIC	TSR	19.07.01	300 M€	300 M€	a	19.07.2013
CIC	TSR	30.09.03	350 M\$	350 M\$	b	30.09.2015
CIC	Participatif	28.05.85	137 M€	137 M€	c	d
CIC	TSDI	30.06.06	200 M€	200 M€	e	
CIC	TSDI	30.06.06	550 M€	550 M€	f	
Banque Fédérative du Crédit Mutuel	TSR	19.12.06	1000 M€	1000 M€	g	19.12.2016

a Euribor 3 months + 89.5 basis points

b Libor USD 6 months + 55 basis points

c Minimum 85% (TAM+TMO)/2 Maximum 130% (TAM+TMO)/2

d Non amortizable, but reimbursable at borrower discretion with effect from May, 28 1997 at 130% nominal revalued by 1.5% annually for subsequent years

e Euribor 6 months + 167 basis points

f Euribor 6 months increased by 107 basis points in the first ten years and for the following years and failing early redemption increased by 207 basis points.

g Euribor 3 months + 25 basis points

NOTE 27 - Shareholders' equity group share

	December 31, 2007	December 31, 2006
. Capital	1 302	1 302
. Reserves, linked to capital	0	0
. Reserves, consolidated	6 222	4 727
- Reserves, legal	0	0
- Reserves, required by by-laws and contract	0	0
- Reserves, regulated	7	6
- Reserves for foreign currency translation	-44	-9
- Other reserves (including effects of first application)	6 259	4 730
- Retained earnings	0	1
TOTAL	7 524	6 030
. Profit	1 464	1 642
Sub-total	1 464	1 642
<i>Unrealized gains or losses or deferred gains or losses* related to:</i>		
- available-for-sale assets	505	686
- hedging derivatives	0	0
Sub-total	505	686
TOTAL	9 493	8 359

* balance net of corporation tax

NOTE 28 - Commitments given and received

	December 31, 2007	December 31, 2006
Commitments given		
Finance commitments		
Commitments to credit institutions	1 498	1 721
Commitments to customers	30 485	28 258
Surety commitments		
Commitments from credit institutions	971	830
Commitments from customers	12 212	10 816
Commitments, securities		
Securities acquired under repurchase agreement	0	0
Other commitments given	1 796	925
Commitments received from insurance activities	361	316
Commitments received		
Finance commitments		
Commitments received from credit institutions	4	1
Commitments, sureties		
Commitments received from credit institutions	18 177	14 943
Commitments on securities		
Securities acquired under repurchase agreement	0	0
Other commitments given	891	500
Commitments received	7 188	6 589

NOTE 29 - Interest and equivalent income and expenditure

	December 31, 2007		December 31, 2006	
	Interest	Expenditure	Interest	Expenditure
. Credit institutions and central banks	5 524	-6 092	4 546	-5 163
. Customers	5 138	-1 596	3 913	-1 161
. Finance leasing	2 113	-1 815	1 934	-1 691
. Financial assets / liabilities at fair value hedge or fair value through profit and loss	0		0	0
. Derivative hedging instruments	1 080	-1 070	732	-757
. Available-for-sale financial assets	882		753	0
. Financial assets held to maturity	25		34	0
. Securitized debt payables		-3 947	0	-2 349
. Subordinated debt		-146	0	-130
TOTAL	14 763	-14 666	11 913	-11 251

NOTE 30 - Commissions

	December 31, 2007		December 31, 2006	
	Interest	Expenditure	Interest	Expenditure
Credit institutions	8	-6	8	-7
Customers	649	-16	633	-10
Securities	820	-99	719	-137
Derivative instruments	4	-10	7	-9
Foreign exchange	18	-6	24	-9
Finance and guarantee commitments	3	-5	2	-3
Services	801	-686	719	-622
TOTAL	2 303	-828	2 112	-797

NOTE 31 - Gains or loss on financial instruments at fair value through profit or loss

	December 31, 2007	December 31, 2006
Trading instruments	2 622	1 943
Fair value hedging instruments	-64	363
Hedging inefficiency	-13	59
Forex results	31	26
Total changes in fair value	2 576	2 391
<i>including trading derivatives</i>	<i>-30</i>	<i>738</i>

NOTE 32 - Gains or losses on available-for-sale financial assets

	December 31, 2007			
	Dividends	Capital Gains / Losses	Impairment	Total
. Government securities, bonds and other fixed income securities		3	1	4
. Equities and other variable income securities	9	37	0	45
. Capitalized securities	58	88	-3	143
. Others	0	0	0	0
TOTAL	67	128	-2	192

	December 31, 2006			
	Dividend	Capital Gains / Losses	Impairment	Total
. Government securities, bonds and other fixed income securities		15	0	15
. Equities and other variable income securities	12	88	2	101
. Capitalized securities	55	61	-6	110
. Autres	0	0	0	0
TOTAL	67	164	-4	226

NOTE 33 - Income / expenses from other activities

	December 31, 2007	December 31, 2006
<i>Income from other activities</i>		
. Insurance contracts:	8 894	9 177
- premiums received	7 320	7 452
- net income from investments	1 540	1 693
- technical and non-technical income	35	31
. Investment in real property:	0	1
- income (1)	0	0
- reversal provisions / amortization	0	0
- changes in fair value	0	0
- capital gains on disposals	0	0
. Income from rentals	0	0
. Re invoiced charges	0	0
. Other income	159	146
Sub-total	9 053	9 321
<i>Expenses on other activities</i>		
. Insurance contracts:	-7 886	-8 205
- service charges	-3 765	-3 412
- changes in provisions	-4 122	-4 802
- technical and non-technical charges	2	8
. Investment real estate:	-15	-10
- expenses	0	0
- allowance for provisions / amortization (depending on adopted process)	-15	-10
- capital losses on disposals	0	0
. Other expenses	-106	-41
Sub-total	-8 007	-8 256
Total net income / other net expenses	1 047	1 065

(1) of which conditional rents.

NOTE 34 - General operating expenses

	December 31, 2007	December 31, 2006 published	mber 31, 2006 *
Payroll expenses			
Salaries and remunerations	-1 075	-1 060	-1 060
Social security expenses	-436	-466	-441
Employment benefits	-10	0	0
Employee profit sharing and incentives	-121	-121	-121
Taxes and similar payment on compensation	-113	-96	-96
Others	10	22	22
Sub-total	-1 746	-1 721	-1 696
Other administrative charges			
Taxes	-167	-169	-169
External services	-1 038	-1 000	-1 025
Other charges (transport, travel)	11	24	24
Sub-total	-1 193	-1 145	-1 170
TOTAL	-2 940	-2 866	-2 866

* Change in presentation on elimination of reciprocal transactions between banks and insurance in respect of employee providence schemes.

Average numbers employed

	December 31, 2007	December 31, 2006
Bank technicians	15 721	15 951
Management	9 476	9 295
TOTAL	25 197	25 246

NOTE 35 - Allowance / reversals of amortization and provisions for tangible and intangible assets

	December 31, 2007	December 31, 2006
Amortization:	-145	-137
- tangible assets	-141	-135
- intangible assets	-3	-2
Depreciation:	0	2
- tangible assets	0	-1
- intangible assets	0	3
TOTAL	-145	-135

Intangible assets include *droits aux bails* (lease transfer fees), deemed indeterminate, and for this reason not amortized. As other fixed assets, they are subject to impairment testing

NOTE 36 - Cost of risk

	Allowances	Reversals	Irrecoverable debt hedged	Irrecoverable debt not-hedged	Recovery of receivables after writedown	TOTAL
Credit institutions	-2	1	0	0	0	-1
Customers	-580	709	-261	-37	21	-147
. Lease finance	-2	6	-3	-4	1	-2
. Other customers	-578	703	-258	-32	21	-145
Sub total	-582	710	-261	-37	21	-148
HTM - DJM	0	0	0	0	0	0
AFS - DALV	0	1	-3	0	0	-2
Others	-73	96	0	0	0	23
TOTAL	-655	807	-264	-37	21	-127

NOTE 37 - Gains or losses on other assets

	December 31, 2007	December 31, 2006
Tangible and intangible assets	13	10
. Capital losses on disposals	-12	-7
. Capital gains on disposals	25	17
Capital gains / losses on consolidated securities on disposal	0	0
TOTAL	13	10

NOTE 38 - Corporation tax

Breakdown of tax charge

	December 31, 2007	December 31, 2006
Tax charge due	-598	-654
Tax charge deferred	40	-82
Impact of changes in tax rate on deferred taxation	0	0
Prior period adjustments	8	12
TOTAL	-549	-724

The group made up of CIC, the regional banks, the main subsidiaries and the main (more than 95% owned) subsidiaries form a group for tax consolidation purposes. Each regional bank in the group sets up a sub-group on an agreed basis with its own subsidiaries.

Reconciliation of booked tax charge and theoretical tax charge

	December 31, 2007	December 31, 2006
Theoretical tax rate		34,4%
Impact of specific SCR and SICOMI regimes		-3,3%
Impact of reduced rate on long term capital gains		-1,3%
Impact of specific tax rates between foreign entities		-0,8%
Permanent deferrals		-2,2%
Tax credits on zero interest loans		-0,6%
Others		-1,3%
Effective tax rate		25,1%
Taxable profit		2 189
Tax charge		-549

NOTE 39 - Earnings per share

	December 31, 2007	December 31, 2006
Net attributable profit	1 464	1 642
Number of shares at start of financial year	26 043 845	26 043 845
Number of shares at end of financial year	26 043 845	26 043 845
Weighted average number of shares	26 043 845	26 043 845
Basic earnings per share	56,23	63,07
Average weighted number of shares available for issuance	0	0
Earnings per share after dilution	56,23	63,07

NOTE 40 - Fair value of financial instruments booked at amortized cost

The fair values presented are an estimate based on observable elements of assessment on December 31, 2007, using the discounted cash flow method (DCF) based on an interest rate curve excluding any cost of signature attached to the debtor.

The financial instruments presented here are those associated with lending and borrowing. Excluded are non-monetary elements (shares), trade receivables and payables and other assets and liability accounts as well as regularization accounts. Non-financial instruments are not covered by note 40.

The fair value of financial instruments due at first request and customer deposits in regulated savings schemes is the value due to the customer, i.e. its book value.

Some entities in the group may also apply assumptions: the market value is the book value for contracts where variable interest rates are part of the conditions, or where the residual term is equal to or less than one year.

We draw attention to the fact that, with the exception of financial assets held to maturity, financial instruments accounted for at amortized cost are not assignable to third parties or are not in practice assigned to third parties or not otherwise traded before maturity. Hence no entries are made for capital gains and capital losses.

If however financial instruments accounted for at amortized cost were to be assigned to a third party, the price of its disposal could differ significantly from the fair value calculated as at December 31.

Amounts in €M as at December 31, 2007	balance sheet value	market value
Assets		
Loans to and borrowing from credit institutions	96 977	96 895
Loans to and receivables from customers	121 660	119 662
Financial assets held to maturity	6 085	6 013
Liabilities		
Due to credit institutions	82 100	82 067
Customer deposits	69 980	69 347
Securitized debt payables	99 770	98 859
Subordinated debt	6 748	6 542

NOTE 41 - Transactions with related parties

	December 31, 2007			December 31, 2006		
	Companies consolidated by equity method	Confédération Nationale	Parent companies group CMCEE	Companies consolidated by equity method	Confédération Nationale	Parent companies group CMCEE
Assets						
Loans, advances and securities						
Loans to and receivables from credit institutions	0	25	74 293	0	10	64 361
Loans to and receivables from customers	0	19	0	0	9	0
Securities	0	319	5	0	166	6
Other assets	0	0	0	0	0	0
Total	0	363	74 297	0	185	64 367
Liabilities						
Deposits						
Due to credit institutions	0	2 146	40 874	0	0	38 919
Customer deposits	0	17	0	0	0	0
Securitized debt payables	0	362	0	0	87	0
Other liabilities	0	7	1 250	0	3	1 252
Total	0	2 531	42 125	0	90	40 171
Finance and guarantee commitments						
Finance commitments given	8	0	0	0	0	0
Guarantee commitments given	14	0	0	0	0	0
Finance commitments received	0	0	0	0	0	0
Guarantee commitments received	0	42	196	0	16	138

Elements of profit and loss relating to transactions with related parties

	December 31, 2007			December 31, 2006		
	Companies consolidated by equity method	Confédération Nationale	Companies consolidated by equity method	Companies consolidated by equity method	Confédération Nationale	Companies consolidated by equity method
Interest received	0	13	2 627	0	1	1 776
Interest paid	0	-86	-1 461	0	0	-1 147
Commissions received	0	0	3	0	0	3
Commissions paid	0	-22	-224	-3	-16	-213
Other income and expenditure	2	-149	4	0	-143	8
General Expenses	0	0	-28	0	-3	-23
Total	2	-244	922	-3	-161	404

The national confederation is made up of the central organs of Crédit Mutuel and the other regional federations of the Crédit Mutuel not affiliated to the CMCEE group. Relationships with parent companies mainly involve loans and borrowings as part of treasury management.

Relations with Group senior directors

The Board of Directors of Banque Fédérative du Crédit Mutuel is currently made up of 15 members appointed by the general meeting for a 3 year term and 3 scrutineers also appointed for a 3 year term by the board pursuant to article 20 of the statutes (articles and objects of association). The list of directors indicating their functions in other companies is presented in appendix in accordance with legal requirements. The Board includes representatives of the partner Crédit Mutuel Groups (Ile-de-France and Sud-Est) and the representatives of associate Groups (Loire-Atlantique Centre Ouest, Laval, Normandie and Centre). Two employee members have seats on the Board representing the Comité d'entreprise interfédéral (Federal employee representative committee). No attendance fees are paid nor stock options granted. The Group President and CEO are paid compensation determined with the assistance of a compensation committee in accordance with the law. The group senior directors may be the beneficiaries of credits or borrowings shown in the books of the group's banks under the same terms and conditions as are available to employees more generally.

Overall compensation paid to senior directors

in €K	overall compensation
Officers - Management Committee - Directors receiving compensation	5 267

By decision of the BFCM Board of July 2007, the officers receiving compensation who, by reason of their status, do not benefit from the common law mechanisms applicable to group employees in regard to employee profit share and incentive payments and to retirement indemnities, are on leaving paid a compensatory indemnity which is determined by analogy with the provisions relating to profit share, incentive payments and retirement indemnities available to the employees who are not officers, but are in equivalent situations. The provisions made in this respect were €2.65M.

NOTE 42 - Events subsequent to the closure of accounts and other information

The consolidated accounts of the BFCM group for the year ending December 31, 2007 were drawn up by the board of directors on February 21, 2008.

NOTE 43 - Exposure to risks

The information relating to exposure to risk as required by IFRS 7 is presented in Chapter 4 of the management report, on risks. Specific information on exposure and the effects of the American subprime mortgages and housing crisis is presented in Chapter 1 of the management report under the heading "Analysis by activity", in the consolidated financial statements of the finance and market banking arm.