

## CREDIT MUTUEL CENTRE EST EUROPE IN 2003

### **Strong development and a 41% increase in net attributable profit to €803 millions , after transfers of €233 millions to the fund for general banking risks**

In a challenging environment, Crédit Mutuel Centre Est Europe recorded a strong increase in its activities thanks to solid performances from its CIC subsidiary as well as from its network, particularly in the South East and Ile-de-France regions.

Net profit before transfers to the fund for general banking risks increased by 28.2% to €1,163m, and by 32.1% to €930m, after these transfers. The group's share of net profit rose by 41.5% to €803m.

Since 1999, the Group (including CIC) has recorded increases of 37% in net banking income and 78% in net profit before transfers to the fund for general banking risks. At the same time, shareholders' equity has risen from €6.9bn to €10.4bn after appropriations, while the cost-to-income ratio has improved from 68.3% to 61.6%.

The rating agencies Fitch and Moody's have assigned double-A ratings to Banque Fédérative du Crédit Mutuel, the Group holding company, thanks to its attractive prospects and the successful implementation of its joint development strategy in the business lines and information systems common to both Crédit Mutuel and CIC.

With its headquarters and management centres located in Strasbourg, the Group is well positioned to take advantage of opportunities in the pan-European market that is currently taking shape.

## **2003: strong growth in activity and earnings**

Managed savings grew by 7.5% to €228.4bn, with accounting savings up by 7.3% to €80.9bn and financial savings up by 7.6% to €147.5bn, including insurance savings up by 7.1% to €34.4bn.

Customer loans grew by 3.2% to €98.4bn, with production up by 14.6% to €25.1bn.

Net income from insurance companies, grouped together in an Insurance division within Crédit Mutuel, increased by 5.2% to €5.1bn. Life insurance accounted for €3.7bn of this amount and non-life insurance for €1.4bn.

Net banking income increased by 10.9% to €6.0bn.

The increase in general operating charges was limited to 3.1%, which, together with the growth in net banking income, resulted in an improvement in the cost-to-income ratio of nearly 5 percentage points to 61.6%.

Cost of risk increased by 10.8% overall to €481m, with specific provisions declining by 6.4% to €388m, and the balance consisting of transfers to general provisions.

Net profit increased by 28.2% to €1,163m, before transfers to the fund for general banking risks.

The Crédit Mutuel division (the banking network and subsidiaries notably providing technical support services) contributed €506m to net profit (up by 16%), while the CIC division contributed €564m (up by 16%) and the Insurance division €287m (up by 67%). Note that these amounts are stated before the amortisation of goodwill arising on the acquisition of CIC and the elimination of intra-group dividends, which together represented a charge of €194m.

Consolidated net profit increased by 32.1% to €930m, after the €233m transfer to the fund for general banking risks. The Group's share of net profit was up 41.5% to €803m.

Shareholders' equity amounted to €9.6bn at 31 December 2003. After appropriation of the net profit for the year, shareholders' equity will stand at €10.4bn, with €9.4bn attributable to the Group.

The European solvency ratio, calculated by reference to core capital, improved sharply, up from 6.96% at 30 June 2002 to 7.78% at 30 June 2003.

## **1999-2003: Performances boosted by significant synergies**

In the five years following the 1998 acquisition of CIC, the Group has increased its customer base by one million.

Over the same period, total assets have increased by around one third.

Managed savings have grown by 35.1% and customer loans and advances by 39.2%.

Net banking income has increased by 37.1%.

The group's share of net profit has been multiplied by 2.4.

The cost-to-income ratio has improved from 68.3% to 61.6%.

Shareholders' equity has risen by 48.4% to €9.6bn, before appropriation of net profit for the year.

Today, the Group has a dynamic branch network, competitive subsidiaries and efficient remote banking techniques and management tools, enabling it to speed up its development. Focused on bankinsurance and technological prowess, the Group is tackling the changes taking place in its own businesses and in banking as a whole, with both confidence and determination.

## **2004 prospects**

Reorganisation around common business lines is continuing at the Group's subsidiaries. This process began with insurance, property and equipment lease financing, and has continued with Crédit Mutuel and CIC sharing the same securities platform since 1 January 2004.

By the end of the year, CIC will have completed its last systems migrations, involving CIAL and SNVB in June and Banque Transatlantique in November. The Group will then have a single information system which will also be shared by 13 of the 18 Crédit Mutuel Regional Federations. This systems harmonisation will facilitate the distribution of common products and services, and lead to even more effective cost control.

The Group intends to develop its insurance business substantially, notably through the CIC network. Moreover, it expects to sign agreements with partners in Italy and Spain.

## **Crédit Mutuel Centre Est Europe (excluding CIC) (\*)**

### *A bank that has made local service its priority*

With 1,213 branches and 1,112 ATMs, Crédit Mutuel Centre Est Europe provides local services through an extremely dense network meeting the needs and expectations of local populations and regional economies. The network is still being strengthened, notably in the Lyon and Ile-de-France regions.

Nine regional banks were created in 2003 and thirty branches are scheduled to be opened by the end of 2006.

This organisation facilitates remote bankinsurance relationships through the development of new services (account information, a warning system and secure Internet payment facilities) and more convenient access (common identifier for all types of access).

### *Positive momentum, with increases of 6.9% in savings and 7.2% in lending(\*\*)*

Total managed savings increased by 6.9% to €69.8bn. Of this amount, the regional banks of Crédit Mutuel Centre Est Europe held €35.4bn (up by 6%), those of Crédit Mutuel Sud-Est €4.3bn (up by 11%), and those of Crédit Mutuel Ile-de-France €5.9bn (up by 7.6%).

Members again showed a preference for risk-free savings products in 2003.

Accounting deposits increased by 6.6% to €30.6bn.

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(\*) Consolidated figures for the regional banks of Crédit Mutuel Centre Est Europe, Crédit Mutuel Sud-Est and Crédit Mutuel Ile-de-France, their common Federal Bank, Banque Fédérative du Crédit Mutuel and its main subsidiaries, notably ACM and BECM, and subsidiaries providing IT services.

(\*\*) At constant consolidation scope

Savings certificates and term deposits accounted for around one quarter of the amounts collected, with outstanding balances increasing by 14.4% to €4.7bn. Amounts deposited in passbook accounts increased by 5.4% to €8.9bn despite the cut in interest rates beginning on 1 August. Home savings accounts remained extremely popular, with amounts deposited increasing by 6.4% to €8.3bn.

The Group is strengthening its offer in asset management. Some 126 customer representatives received their diploma in asset management at the end of a training programme organised together with the Robert Schuman University.

Insurance financial savings remained the most popular savings products amongst members, with amounts deposited increasing by 7.7% to €10.3bn. Of this amount, €6.9bn has been deposited in retirement passbook accounts.

At €4.8bn, banking financial savings continued to be affected by a lack of confidence in the financial markets. Most of the 7.1% increase in 2003 was due to the improved conditions in the stock markets.

In deposit-taking, Crédit Mutuel's market share increased by 0.2 percentage points to 7%.

Loans and advances increased by 7.2% to €36.9bn overall, with production up by 22.7% to €10.9bn. Business was more sustained in the regional banking network, where outstanding loans increased by 8.2% to €22.1bn at Crédit Mutuel Centre Est Europe, by 18% to €4.2bn at Crédit Mutuel Sud-Est, and by 32.8% to €3.1bn at Crédit Mutuel Ile-de-France. Together with insurance, lending is the activity spearheading the Group's growth in areas into which it has expanded most recently, notably the Lyon and Ile-de-France regions.

Home loans increased by 13.7% to €21.7bn, with production up 29.2% to €5.8bn.

Reflecting the poor economic environment, consumer credits recorded a small 2% increase to €3.7bn, with production up by 3% to €2bn. For the same reason, loans to professional customers inched down by 3.5% to €8.7bn, even though production climbed by 26% to €2.5bn.

Loans to local authorities rose by 4.8% to €1.4bn, with production soaring 77% to €0.3bn.

In lending, Crédit Mutuel saw its overall market share rise by 0.6 percentage points to 7.9%.

## *The mutual bank*

Crédit Mutuel has almost 2 million members, with 200,000 attending the General Meetings held by the 573 regional banks notably to elect their unpaid board representatives.

The mutual system is reflected on a daily basis in the high quality of the products and services offered. Crédit Mutuel ranked highest in the 2003 TNS/Sofres survey on relationships between banks and their customers. Assurances du Crédit Mutuel took second place in a similar survey for insurance companies.

The financing provided by Crédit Mutuel, a genuine local bank, contributes to the development of the local economic fabric and to the creation of new jobs, as well as to improving infrastructure and quality of life.

Ever attentive to the needs of its members, Crédit Mutuel broke new ground in 1970 when it integrated insurance products into its offer. It was also the first to introduce retirement saving accounts in 1983. Today, it is calling on the public authorities to breathe new impetus into popular saving schemes, notably passbook savings, by streamlining the current range of products (Livret A and “Livret Bleu” passbook accounts and Codevi industrial development savings accounts), by allowing all networks to distribute these products, and by introducing more flexibility into the allocation of these funds in order to facilitate the local financing of priority investments.

Through CIC in particular, the Group is actively contributing to the financing of companies throughout France.

**GROUPE CREDIT MUTUEL CENTRE EST EUROPE – CIC** (1)  
**Consolidated Key figures as at December 31<sup>st</sup>, 2003**  
(€m)

	<b>2002</b>	<b>2003</b>	<b>2003/2002</b>
<b>Shareholders' equity</b>			
Shareholder's equity before	8,430	<b>9,599</b>	+13,9%
Group share	6,042	<b>6,968</b>	+15,3%
Minority interests	845	<b>899</b>	+6,4%
Fund for general banking risks	1,542	<b>1 732</b>	+12,3%
<b>Activity</b>			
Total assets	251,663	<b>251,224</b>	-0,2%
Total Saving managed	212,417	<b>228,396</b>	+7,5%
Customer loans (including lease financing)	95,412	<b>98,425</b>	+3,2%
Customer deposits (2)	75,359	<b>80,882</b>	+7,3%
Funds managed and held by the Of which	137,058	<b>147,514</b>	+7,6%
Life insurance	32,154	<b>34,450</b>	+7,1%
<b>Profit and loss account highlights</b>			
Net banking income (3)	5,384	<b>5,970</b>	+10,9%
Gross operating profit	1,810	<b>2,295</b>	+26,8%
Operating profit	1,376	<b>1,813</b>	+31,8%
Pre-tax profit on ordinary activities	1,432	<b>1,845</b>	+28,8%
Total consolidated net profit	704	<b>930</b>	+32,1%
Group share	568	<b>803</b>	+41,5%
<b>Key ratios</b>			
Cost-to-income ratio	66.4%	<b>61,6%</b>	
Return on equity	11.6%	<b>12,8%</b>	
Ratio Tier One as at June 30 <sup>th</sup> , 2003	6,96%	<b>7,78%</b>	
<b>Employees</b>	<b>37,193</b>	<b>37,745</b>	
<b>Branches</b>	<b>2,858</b>	<b>2,877</b>	
<b>Customers</b>	<b>6,666,000</b>	<b>6,799,000</b>	

(1) Consolidated figures for Caisses de Crédit Mutuel Centre Est Europe, Sud-Est and Ile-de-France, Caisse Interfédérale, Banque Fédérative du Crédit Mutuel and its main subsidiaries: ACM, BECM, information systems, etc. The above figures include CIC

(2) excluding related receivables / payables

(3) Excluding impact of intercompany transactions between banking and insurance companies relating to the insurance cover provided to employees and to investments between insurance and banking activities.

**CREDIT MUTUEL CENTRE EST EUROPE (\*)**  
**Key figures as at December 31<sup>st</sup>, 2003**

	<b>2003</b>	
Branches and counters	<b>1,213</b>	
Centre Est Europe	<b>965</b>	
Sud-Est	<b>125</b>	
Ile-de-France	<b>123</b>	
Automated teller machines	<b>1,112</b>	
Members	<b>1,868,000</b>	
Administrators	<b>9,785</b>	
Employees	<b>12,818</b>	
Customers	<b>3,534,000</b>	
Total savings managed (€ bn)	<b>69,8</b>	
Of which:		
Accounting deposits	<b>30,6</b>	<b>+6.6%</b>
Bank financial savings	<b>4,8</b>	<b>+7.1%</b>
Insurance financial savings	<b>34,4</b>	<b>+7.1%</b>
<b>Loans outstanding</b>	<b>36,9</b>	<b>+7.2%</b>
<b>Markets share</b>		
<b>Share of deposit-taking</b>	<b>7,0%</b>	<b>+0,2%</b>
Alsace	<b>45.2%</b>	
Lorraine	<b>18.8%</b>	
Franche-Comté	<b>13.9%</b>	
Bourgogne	<b>6.9%</b>	
Sud-Est	<b>5.0%</b>	
Ile-de-France	<b>1.7%</b>	
<b>Share of lending</b>	<b>7.9%</b>	<b>+0,6%</b>
Alsace	<b>47.5%</b>	
Lorraine	<b>20.7%</b>	
Franche-Comté	<b>17.3%</b>	
Bourgogne	<b>12.6%</b>	
Sud-Est	<b>9.8%</b>	
Ile-de-France	<b>1.7%</b>	

*(1) Consolidated figures for Caisses de Crédit Mutuel Centre Est Europe, Sud-Est and Ile-de-France, Caisse Interfédérale, Banque Fédérative du Crédit Mutuel and its main subsidiaries: ACM, BECM, information systems, etc.*