

France  
Credit Analysis

# Banque Federative du Credit Mutuel (BFCM)

## Ratings

|                         | Current Ratings |
|-------------------------|-----------------|
| <b>Foreign Currency</b> |                 |
| Long-Term IDR           | AA-             |
| Short-Term IDR          | F1+             |
| <b>Individual</b>       | n. a.           |
| Support Rating          | 2               |
| Support Rating Floor    | BBB+            |
| <b>Sovereign Risk</b>   |                 |
| Foreign Long-Term IDR   | AAA             |
| Local Long-Term IDR     | AAA             |

## Outlook

|                                 |        |
|---------------------------------|--------|
| Foreign Long-Term IDR           | Stable |
| Sovereign Foreign Long-Term IDR | Stable |
| Sovereign Local Long-Term IDR   | Stable |

## Financial Data

|                                     | Crédit Mutuel Centre Est Europe |           |
|-------------------------------------|---------------------------------|-----------|
|                                     | 31 Dec 07                       | 31 Dec 06 |
| Total assets (USDm)                 | 608,086.3                       | 468,983.3 |
| Total assets (EURm)                 | 413,073.0                       | 356,099.0 |
| Total equity (EURm)                 | 18,691.0                        | 16,761.0  |
| Operating profit (EURm)             | 2,526.0                         | 2,976.0   |
| Published net income (EURm)         | 2,161.0                         | 2,328.0   |
| Comprehensive income (EURm)         | 1,980.0                         | 2,617.0   |
| Operating ROAA (%)                  | 0.66                            | 0.88      |
| Operating ROAE (%)                  | 14.25                           | 19.39     |
| Internal capital generation (%)     | 11.17                           | 17.05     |
| Eligible capital/weighted risks (%) | 10.70                           | 11.41     |
| Tier 1 ratio (%)                    | 8.52                            | 9.19      |

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## Rating Rationale

- The ratings assigned to Banque Fédérative du Crédit Mutuel (BFCM) reflect its integral role within the Crédit Mutuel Centre Est Europe (CMCEE) group. BFCM is the issuing vehicle of CMCEE, the entity which manages the group's liquidity, and the banking subsidiary through which CMCEE controls and coordinates its subsidiaries. Since it performs no banking business of its own, a stand-alone analysis of BFCM is irrelevant. Fitch Ratings' analysis is based on CMCEE's consolidated figures and considers the group's very low risk profile, significant market shares in French retail banking (8% of deposits and 11.9% of loans), solid capitalisation and its ability to deliver satisfactory and recurring profitability.
- Albeit down in 2007, CMCEE's profitability ratios have been very steady over a long period, reflecting the group's retail banking and life assurance focus, as well as its low appetite for risk. Thus, the negative impact of the financial crisis on CMCEE in 2007 was minimal, at EUR180m. At 61.3% in 2007, CMCEE's cost/income ratio remained the lowest among large French banks, mainly because of the unusually high and increasing revenue from the insurance activities in a saturated French retail market.
- CMCEE's loan book is sound. Retail customers account for 86% of the loan book and international lending makes up less than 2% of the total. Impaired loans have fallen to 2.35% of gross loans and are 65.5% covered by reserves. CMCEE's capitalisation is strong, given the nature of its activities.

## Support

- The Confédération Nationale de Crédit Mutuel (CNCM) is Crédit Mutuel's (CM) central body, to which CMCEE is affiliated. CNCM represents CM before the public authorities and is responsible for the liquidity and solvency of its various banking institutions. As such, CMCEE would probably look to CNCM in the first instance in case of need. However, given that CMCEE is the main component of the CM group (70% of total equity), support from CNCM may prove insufficient. Any default by CMCEE would, in Fitch's opinion, pose a systemic risk of domestic importance and thus there is a high probability that support from the French state would be forthcoming if needed. The Support Rating assigned to BFCM reflects its integral role within CMCEE.

## Key Rating Drivers

- The Outlook for the IDR is likely to be Stable for some time. Upside potential for the IDR is limited, although possible if CMCEE significantly and successfully develops its international presence and its franchise in consumer credit. On the other hand, a strong slowdown of French retail banking, on which CMCEE is highly dependent, would exert negative pressure on the group's ratings.

## Profile

CMCEE is not a legal entity; rather, it is the name given to the group of CM entities in north-eastern France, south-eastern France, the Paris region and the Savoy Mont-Blanc region. Retail banking and insurance account for 79% of revenue. CMCEE's two major subsidiaries (consolidated in BFCM) are Crédit Industriel et Commercial (CIC; rated 'AA-') and Groupe des Assurances du Crédit Mutuel (GACM). CMCEE announced in July 2008 the planned acquisition of Citibank Germany (the third largest consumer finance company in the country) to support its diversification.

## Profile

CM is France's second-largest banking group by network size and is the fourth-largest by equity. It had market shares of 12.7% in terms of deposits and 17.3% in loans in 2007. Details about CM can be found in Fitch's Special Report entitled "*Credit Mutuel - Structure, Solidarity Mechanisms and Rating Rationale*" available at [www.fitchratings.com](http://www.fitchratings.com).

- BFCM, CMCEE's issuing vehicle, is entirely integrated into CMCEE
- CMCEE has a strong franchise in French retail banking and insurance activities
- CMCEE is the main component of one of France's strongest cooperative groups
- Has announced the acquisition of Citibank Germany

CMCEE represents around three-quarters of the CM group. It consists of 681 local banks (Caisses de Crédit Mutuel) that function as network branches and own a federal bank (Caisse Fédérale de Crédit Mutuel Centre Est Europe, CFCMCEE). The latter is one of the 13 Caisses Fédérales de Crédit Mutuel (CFCMs) within CM. Through its bank, BFCM (consolidated equity and assets of EUR11bn and EUR396bn at end-2007 respectively), CMCEE also controls several key shareholdings, notably in CIC and GACM. GACM controls all CMCEE's insurance companies; it is 57%-owned by BFCM, while CIC holds 20.5%; the balance is held by other regional CM entities. All CMCEE's banking entities comply with the prudential regulations applicable to other French banks. CMCEE has cooperative bank status and is owned, through the local banks, by 2 million customers. Out of the 18 federations constituting CM, 15 sell GACM's products and 13 use CMCEE's IT platform.

### Solidarity Mechanisms at Group Level

These links (ie between the CFCMs), which are described in the Special Report on CM, show that CMCEE can neither rely on support from any other CFCM nor be forced to support another CFCM experiencing problems. However, past experience shows that support has been forthcoming within the group when necessary through negotiations between the CFCMs, as opposed to more formal and immediate mechanisms which exist in those cooperative groups with a legally-binding cross-guarantee mechanism in place. If another CFCM entity were to be in trouble, CMCEE would be likely to affiliate it with its own federation, but management has stated that it would not support any CFCM if this were to weaken its own financial condition.

### Solidarity Mechanisms at Regional Level

These links, (ie within CMCEE), which are also described in the Special Report on CM, show that the local banks within CMCEE have to support any troubled local bank within CMCEE and CFCMCEE in case of need. In addition, CFCMCEE is expected to support BFCM (mostly composed of CIC) in case of need, in its capacity as reference shareholder. As a consequence, Fitch considers CMCEE's EUR18.7bn of total equity (split as follows: local banks EUR5.6bn, CFCMCEE EUR1.8bn and BFCM EUR11.3bn) to be, in practice, available to support any entity within CMCEE should the need arise.

### Business

CMCEE is principally a group of retail banks specialising in traditional banking services (deposit-taking/housing loans and, to a lesser extent, consumer credits and asset management). It has high regional market shares, especially in Alsace Lorraine (around 48% of both deposits and lending, excluding CIC). Including CIC, it enjoys an 11.9% market share of total lending in France and 8% of total deposits. CMCEE has achieved strong growth in the insurance business since 1971 and is now one of France's leading insurance companies. For information on GACM, see Fitch's separate research entitled "*Groupe des Assurances du Crédit Mutuel*" available at [www.fitchresearch.com](http://www.fitchresearch.com).

Via CIC, CMCEE is a marginal player in corporate and investment banking (CIB)

activities. It provides financial services (especially long-term financing through the syndicated market) to large corporates, the larger SMEs and institutional investors through its branches in New York, London, Singapore and Frankfurt. CMCEE's trading room ("CM-CIC Marchés") has three activities: (1) treasury for the group, (2) commercial activity with customers in the retail networks, and (3) small proprietary account arbitrage operations (mostly credit arbitrage and M&A, but also hybrids and fixed-income). All market-making activities, as well as those reliant on market models (such as equity derivatives) were halted in 2006.

CMCEE (through CM-CIC Asset Management and CM-CIC Gestion) offers asset management services to individuals, institutional investors and corporates (employee savings). Funds under management totalled EUR246bn at end-2007, of which EUR50bn for life insurance and EUR85bn for private banking, and CMCEE also manages a private equity portfolio for its own account.

CMCEE's international presence in retail banking is currently very small, with only an 18% stake in Tunisia's Banque de Tunisie and a 15% stake in Morocco's BMCE Bank.

### Strategy

CMCEE is opening branches in areas in which it is under-represented, the objective being to attain market shares of 20% in deposit-taking and lending in all regions in which it is already operating. CMCEE's main strategy is thus focused on French retail banking. In this context, (i) it is proposing its insurance products and IT system to other CM federations. Some smaller CM federations are even expected to join CMCEE in the near future; (ii) it will have completed by early 2009 the restructuring at CIC begun in 1998. Efforts are focused on reallocating CIC staff resources towards the network to enhance sales and cut administrative costs. At the same time, CMCEE is continuing to develop cross-selling at CIC, with insurance being a major part of this goal; (iii) it acquired in June 2008 the 18-branch French retail network of Spain's Banco Popular. At the same time, CMCEE is working actively to address its two main weaknesses (insignificant franchises abroad and in consumer finance) and announced on 11 July 2008 the acquisition of Citibank Germany, the 3rd largest consumer finance company in the country (7% market share, with 3.3 millions customers and a 340 branch-network), before end-2008 for EUR4.9bn. This acquisition will also provide CMCEE with a valuable network, which it will build on to sell more traditional retail products. Citibank Germany will be held by BFCM. The asset management, private banking and private equity activities will continue to serve predominantly the retail network's clients. Although CMCEE's proprietary trading activity has been reduced dramatically since 2006, the group is not ruling out a return to this business in the future, provided that strong controls are in place.

### Performance

CMCEE's performance ratios have been very steady over a long period, reflecting its focus on domestic retail banking activities (specifically on housing loans, which have experienced substantial growth and very low loan impairment charges in recent years, and insurance) and its low appetite for risk. The 7% fall in its net income in 2007 was mostly due to the small impact of the financial crisis on the group's EUR3.9bn RMBS portfolio and to the depreciation of securities held by the group, which were not offset by the higher capital gains on the private equity portfolio. However, unlike its French peers (with the exception of La Banque Postale), CMCEE's Profit and Loss account has been very little affected by the financial crisis and the group is now benefiting from its decision to exit risky CIB activities in recent years, when its peers (and notably its cooperative peers) were investing heavily in this lucrative business.

The 5% (or EUR339m) fall in operating income in 2007 was mostly attributable to the EUR180m negative impact of the crisis on the CIB business (split as follows:

- Strong cost/income ratio
- Operating profitability under pressure in 2007 but steady over a long period
- Retail banking contributions dominate results, with a significant contribution from insurance activities

EUR120m write-downs on the portfolio, EUR50m write-downs on the hedging of the AFS portfolio, and EUR8m increase in the cost of wholesale funding) and to the EUR200m loss of value of a convertible bond issued by Banca Popolare di Milano and held by CIC. The retail network also had a challenging year, with operating income up only 0.6%, due to higher funding costs and still fierce pressure on margins. CIC was less affected than its parent as commissions (especially on insurance products) and customer deposits increase at a faster pace. On the positive side, the insurance and private banking divisions increased their revenue by 6.8% and 14.4%, respectively. In 2007 gains on securities considered as operating income included EUR144m of revaluations of the private equity portfolio, against EUR141m in 2006.

Although operating expenses rose by only 3% in 2007 despite the expansion of the branch network, the group's cost/income ratio increased to 61% due to the drop in revenue. This ratio is in line with CMCEE's most efficient European peers rated in the 'AA' range and has been the best among French banks for a few years, mainly because of the high level of revenue from insurance activities. This is all the more positive as CMCEE has a tiny franchise in the very profitable CIB business compared with its larger French peers. Impairment charges dropped to a very low 7bp of average loans in 2007, the lowest ratio ever recorded by the group. This trend was noted throughout the French retail banking sector, and CMCEE's CIB division reported only EUR7m provisions for the year. Non-operating results (line 13 of the spreadsheet) mainly comprised in 2007 capital gains realised on securities/property disposals (EUR385m), of which EUR281m realised on the private equity portfolio.

Table 1 highlights the breakdown of CMCEE's performance by business line. The total differs slightly from the figures published in the group's annual report as Fitch considers the realised capital gains on private equity mentioned earlier to be non-operating. The group derives two-thirds of its revenue from retail banking, followed by insurance activities (15%) and CIB (around 10%). The breakdown of net income per business line shows a safe mix, with 43% of group net income generated from retail banking, compared with 25% from insurance activities, 17% from private equity and 11% from CIB. Proprietary account market activities usually generate approximately EUR130m operating income and approximately EUR60m net income annually, but were loss-making in 2007. The recurring contribution from insurance activities is more significant than at other large French banks.

**Table 1: Divisional Contribution to 2007 Profits**

| EURm                   | Operating income | Operating profit | Pre-tax profit | Net income   |
|------------------------|------------------|------------------|----------------|--------------|
| Retail banking         | 4,654            | 1,361            | 1,383          | 937          |
| Insurance              | 1,056            | 759              | 787            | 549          |
| CIB: financing         | 367              | 278              | 278            | 185          |
| CIB: market activities | 244              | 46               | 46             | 48           |
| Private banking        | 449              | 181              | 181            | 135          |
| Private equity         | 424              | 382              | 382            | 367          |
| Other                  | 16               | (116)            | (121)          | (59)         |
| <b>Total</b>           | <b>7,209</b>     | <b>2,891</b>     | <b>2,936</b>   | <b>2,161</b> |

Source: CMCEE's Annual Report

Table 2 compares CMCEE's performance ratios with those of its French peers: BNP Paribas (BNPP; rated 'AA'), Groupe Caisse d'Epargne (GCE; rated 'AA-'), Société Générale (SG; rated 'AA-'), and Crédit Agricole (CA; rated 'AA'). It should be noted that: (i) insurance activities inflate CMCEE's balance sheet significantly; and (ii) the high proportion of low-risk and very low-margin housing loans in the balance sheet weighs on the ratios. As with most French banks, CMCEE's low interest margin is due to fierce competition pushing down domestic retail pricing (especially on housing loans). The ratio is also penalised by the IFRS accounting of financial instruments (funding costs accounted for as interest charges and revenue accounted for as non-interest operating income). In addition, CMCEE's operating return on average equity (operating ROAE) is penalised by an above-average Tier 1 ratio (see

Funding and Capital below).

**Table 2: Comparative 2007 Financial Highlights**

| (%)                     | CMCEE | BNPP  | GCE   | SG    | CA    |
|-------------------------|-------|-------|-------|-------|-------|
| Net interest margin     | 0.33  | 0.71  | 0.76  | 0.31  | 1.13  |
| Costs/average assets    | 1.09  | 1.20  | 1.45  | 1.41  | 1.35  |
| Cost/income             | 61.28 | 62.50 | 84.43 | 68.14 | 67.71 |
| Pre-impairment op. ROAA | 0.69  | 0.72  | 0.32  | 0.66  | 0.64  |
| Operating ROAA          | 0.66  | 0.61  | 0.27  | 0.57  | 0.44  |
| Operating ROAE          | 14.25 | 19.20 | 7.30  | 20.62 | 9.81  |

Source: Bankscope

### Prospects

In the short-term, CMCEE's profitability is expected to suffer from devaluations on its RMBS portfolio due to the widening of spreads since early 2008, higher loan impairment charges on SMEs in the network (2007 was again exceptional and a reversal to more historical levels has been expected for a while), and lower capital gains in private equity (net income for this division is budgeted to fall to EUR150m in 2008, from EUR367m in 2007). However, as these trends reflect mark-to-market valuations, they are mostly short-term and volatile. In the longer term, Fitch views increased distribution of insurance products as an important source of additional revenues for the group, especially at CIC. While CMCEE is likely to be impacted by higher wholesale funding costs, this could be somewhat offset by the easing competition on housing loans recorded by all French banks since end-2007. On the costs side, the objective is to bring the cost/income ratio for CIC's retail network (72% in 2007) into line with that of the local banks (ie around 55%). As a whole, the group's focus on recurring income activities, strong cost control and solid risk profile should ensure a moderate but steady rise in its performance indicators. Citibank Germany is expected to raise CMCEE's profitability from 2009.

### Risk Management

All CMCEE entities, including CIC, share common credit risk management systems and procedures. Alongside the group's three operational divisions (commitments, market and financial) organisation, three committees meet on a weekly basis to approve credit ("comité des engagements groupe"), market ("comité des marchés groupe") and ALM ("comité ALM groupe") risks, respectively. The group risk committee ("comité des risques groupe") meets on a monthly basis to define risk policies for CMCEE and CIC and monitor large and watchlist/doubtful risks. The risk monitoring committee ("comité de suivi des risques groupe") also meets on a quarterly basis to form an overview on the group's global risks. Finally, a group risk division ("direction des risques groupe") was implemented at end-2007 to ensure that all risks are under control and to have a horizontal view on risks, equity and return on equity. This division has no decisional power and only provides analysis and alert signals to the "comité des risques groupe" and to the "comité de suivi des risques groupe". At end-2007, credit risks accounted for 97% of the group's total capital adequacy requirements.

### Credit Risks

A 12-grade rating system has been used throughout the group since 2003, and all counterparties are rated on a monthly basis. Provisioning procedures are fully automated for private individuals. All exposures to corporates are reviewed annually; coverage ratios for each corporate is decided at group level and applied throughout the group. Collateral is taken into account, and is valued at between 25% of its market value for pledged businesses and 75% for real estate. Decisions for small and standard commitments with good-quality individuals or small- to medium-sized enterprises (SMEs) can be taken at branch level. This process is supported by the group's common IT system, which provides online information on the exposure of any CMCEE entity to a given customer throughout CMCEE (including at CIC). The

- Integrated risk management procedures throughout the group
- Low risk appetite, with a strong focus on housing loans
- Asset quality in line with the sector average

system also allows online analysis (on a consolidated basis – or at branch level at CM’s central body’s request if need be) of credit risk at the 13 federations that share CMCEE’s IT system. All other decisions (ie non-standard decisions in terms of amount, structure or quality of borrower) are taken by the committees mentioned above, that monitor risks at CMCEE and CIC at the same time, with representatives from both banks working together. For the implementation of Basel II, CMCEE’s internal ratings-based (IRB) approach for the retail clientele (ie private individuals and corporates with which CMCEE’s exposure does not exceed EUR1m) and advanced IRB approach for banking counterparties were validated by the authorities in June 2008. On the other hand, the validation of its foundation IRB approach for risks to corporates may be postponed to 2011, which is not a concern to the group given its low exposure to this clientele. CMCEE will use the standard approach for weighting credit risks to sovereign/public sector entities as well as risks in international subsidiaries. CMCEE has chosen the advanced measurement approach for operational risks, which should be validated by early 2009. Table 3 highlights the credit risks the group is exposed to.

### *Customer and Interbank Exposure*

Customer loans have increased annually at an average of 13% in the last decade. Growth has intensified in the last few years (2007: 23%, 2006: 20%, 2005: 15%) due to housing loans (up 22% in 2007). Annual growth in on- and off-balance-sheet CIB commitments is more modest, at around 10%. At end-2007, the loan book was split as follows: retail banking 86% (including specialised financial services 5%), CIB 11% (including large corporates 6%), and private banking 3%. International lending (mostly EU countries) accounts for less than 2% of the total and is mostly in CIC’s books and net exposure to non-OECD countries is insignificant. The only sectoral concentration in the loan book is housing loans, which account for half of the total and have an average Loan to Value of 48%. Consumer loans account for less than 5% of the loan book and constitute a weakness compared with some peers. CMCEE follows closely its exposure to the real estate, transportation and automobile sectors. Weighted credit authorisations (two-thirds of which are drawn) to the real estate sector accounts for 42% of equity. The 20 largest on- and off-balance-sheet risk-weighted credit authorisations amounted to EUR23.5bn at end-2007, equivalent to 126% of consolidated equity and 13% of total weighted credit risk, which Fitch considers conservative. Only nine exceeded EUR1bn; these are to large French corporates, none of which has financial difficulties. Of the EUR23.5bn credit authorisations, only EUR12.5bn were drawn, and only two draw-downs exceeded EUR1bn. A list of CMCEE’s main banking counterparties shows that these are large and well rated European or US institutions. CMCEE has no exposure to hedge funds. The 20 largest weighted LBO authorisations totalled EUR3.2bn at end-2007 (only one exceeded EUR300m) and the 20 largest weighted LBO draw-downs totalled EUR1.6bn (no individual draw-down reached EUR200m). CMCEE is attempting to syndicate EUR833m of these, with potential difficulties only on two names totalling less than EUR100m.

**Table 3: Breakdown of Credit Risk Exposure**

| (EURbn)   | (%)        | 2007         | 2006         |
|---|------------|--------------|--------------|
| <b>On-balance-sheet exposure</b>  | <b>87</b>  | <b>369.4</b> | <b>308.5</b> |
| Customer exposure   | 42         | 179.0        | 149.2        |
| Financial inst. at FV through P&L (excl variable inc. fin. inst.)       | 21         | 88.1         | 52.7         |
| Available-for-sale financial inst. (excl variable inc. financial inst.) | 12         | 49.8         | 49.4         |
| Interbank exposure  | 10         | 41.6         | 48.4         |
| Financial inst. held to maturity and Deriv. held for hedging            | 2          | 10.9         | 8.8          |
| <b>Off-balance-sheet exposure</b>                                       | <b>13</b>  | <b>54.7</b>  | <b>50.1</b>  |
| <b>Total credit exposure</b>  | <b>100</b> | <b>424.1</b> | <b>358.6</b> |

Source: CMCEE’s annual report

CMCEE’s credit exposure is of strong quality, with 92% of housing loans, 82% of loans to SMEs, 82% of loans to large corporates and 79% of consumer loans rated in the

best three categories at end-2007. At end-2007, doubtful customer loans accounted for 2.35% of gross customer loans and their total reserve coverage (including collective reserves) stood at 65.5%, which is slightly below the ratio at some of CMCEE's French peers but is satisfactory, given the unusually high portion of housing loans in its loan book, as these loans are backed by either first mortgages on properties or insurance. Citibank Germany is quick in selling or writing off bad loans and its asset quality is sound.

***Financial Instruments at fair value through the P&L***

Excluding variable-income instruments, these totalled EUR88bn at end-2007. Of these, EUR56bn were bonds (T-Bills: EUR21bn), EUR26bn were repos instruments, and EUR6bn were derivative instruments. CMCEE's ABS/RMBS portfolio totals EUR3.9bn. In this portfolio, gross subprime exposure is limited to EUR142m, which was 56% written down in Q407. Net subprime exposure was thus EUR62m, or 0.3% of equity, at end-2007. CMCEE has no exposure to monoline insurers, SIVs or ABCP conduits, and holds no subprime CDOs.

***Available-for-sale financial instruments***

Excluding variable-income instruments, these totalled EUR50bn at end-2007, only 5% of which were T-Bills. Financial instruments held to maturity totalled EUR7.7bn at end-2007, 2% of which were T-Bills. These figures include the investments by the insurance business (for which GACM maintains a conservative approach) with a book value of EUR60.9bn at end-2007 (2006: 52.9bn). Excluding EUR6.3bn of unit-linked related investments, the breakdown of investments was approximately as follows: fixed-income securities 81%, equities 13%, money market 4% and property 2%. The credit quality of the bond portfolio appears excellent, with over 83% of the total rated at least 'AA', and less than 1% rated speculative grade or not rated. In addition, reinsurance protection has been purchased in order to cover the group against significant events. Reinsurance providers have solid financial strength, most of them being rated above 'A'.

**Market Risk**

CMCEE's market activities are exclusively based in its trading room. The official measurement of market risk is based on both the Capital Adequacy Directive and stress scenario measures, depending on activities. It covers interest rates, foreign exchange and equity risks. These risks are monitored and produced daily and submitted monthly to the dealing-room committee, in the presence of the head of periodic internal control and the head of credit risk. Global limits are validated by the board of directors on an annual basis. According to the Capital Adequacy Directive, capital at risk at end-2007 was EUR451m (against a EUR650m internally set limit), of which EUR306m was on credit/fixed-income instruments and EUR134m on equity instruments. CMCEE has also been using a value at risk (VaR) and is expecting a validation by the French authorities in early 2009.

Line B5 of the attached spreadsheet included (at end-2007) CMCEE's EUR1.3bn private equity portfolio (market value: EUR1.6bn), only 15% of which is quoted. These consist of minority stakes in 580 clients of the retail network. In addition to EUR6.5bn of available-for-sale equities, at end-2007 line B6 of the attached spreadsheet included CMCEE's EUR2.6bn equity portfolio and EUR438m of equity investments in financial institutions.

**Assets and Liabilities Management (ALM)**

On- and off-balance-sheet structural interest rate and liquidity risks are monitored by the ALM department (which is not a profit centre) within BFCM. A 1% increase in the yield curve would reduce operating income by 2.4% in year 1 and by 1.4% in year 2 (against an internally set limit of 4%). If interest rates went up 2%, the group's Net Asset Value (NAV) would reduce by EUR2.5bn, or 13% of regulatory capital, against a 20% limit under Basel II. The group's liquid assets (cash and securities repoable at the ECB) always exceed 30% of customer sight deposits (as

- Solid base of retail deposits
- Strong banking and insurance capitalisation

the group estimates that it could lose up to 30% of sight deposits if its rating was downgraded) or two weeks of reimbursement to the market. They total around EUR12bn, including EUR9bn repoable assets (only EUR2bn being actually repo'd). Dated resources account for at least 90% of assets at any time over five years.

### Funding and Capital

Growth in the loan book largely exceeded the increase in customer deposits (+11%) again in 2007, and CMCEE (like other French banks) increased its recourse to the bond market during the year by 36%. This included the first-time issuance of covered bonds (collateralised by residential French housing loans – EUR4.5bn, issued by CM-CIC Covered Bonds and rated 'AAA'). As a result, only 47% of CMCEE's funding came from customer retail deposits at end-2007, compared with 45% for the bond market and 8% for equity. Management has decided to put an end to this trend, given the increased cost of market funding and the sustained low margins on its loan book and, starting in 2008, growth in the loan book (in absolute figures) will be limited by an equivalent growth in customer deposits (unless interest rates – and thus margins – increase sufficiently to justify a refinancing of housing loans in the market). CMCEE is consequently slowing down new housing loans, selling on-balance-sheet savings products rather than off-balance-sheet (ie insurance) savings products, and issuing debt in its network. The maturity of medium- and long-term debt is well spread until 2037. CM has for many years benefited from being the only distributor of the "Livret Bleu" special regulated savings accounts. These have been held at the Caisse Des Dépôts et Consignations (CDC) since 1998 and CMCEE will not be affected by the EC's decision to liberalise the distribution of such savings products as from 2008.

**Table 4: Equity Reconciliation**

| (EURm)  | 31 Dec 07     |
|---|---------------|
| Total group share equity as published by the bank | 16,509        |
| + Minority interests as published by the bank     | +2,182        |
| <b>Total equity as published by the bank</b>      | <b>18,691</b> |
| Deductions  | 0             |
| Fitch equity                                      | 18,691        |
| - Goodwill & revaluation reserves                 | -1,166        |
| <b>Fitch core capital</b>                         | <b>17,525</b> |
| + Hybrid capital tolerated by Fitch               | +1,800        |
| <b>Fitch eligible capital</b>                     | <b>19,325</b> |

Source: Fitch

The group has a proven track record of solid internal capital generation due to strong profitability and a pay-out ratio of only 5% (much below that of its French peers). Capitalisation is solid, with a banking Tier 1 ratio of 8.52% at end-2007 (this ratio excludes capital held in the group's significant insurance activities as well as insurance risks) and a low-risk business. Hybrid issues accounted for 9% of eligible capital at end-2007 – well below Fitch's internally set limit of 30%. At 10.7% at end-2007, CMCEE's eligible capital to weighted risks ratio (which includes insurance capital) was well above that of its French peers (BNP Paribas: 8.4%; SG: 7.4%). Its Core Tier 1 ratio is also ample, at 7.66%. According to the group's calculations, its Tier 1 ratio calculated under Basel II is around 12% excluding transitional floors as weighted exposure to customers is nearly halved due to the high proportion of housing loans on its balance sheet. While CMCEE's capital ratios will be impacted in 2008 by the goodwill paid on the acquisition of Citibank Germany, they will remain adequate and are expected to be restored to comfortable levels in 2009. In 2007, GACM's capital adequacy remained adequate, with 179% coverage of its solvency requirement, excluding unrealised capital gains (235% if these are included), providing satisfactory protection against unfavourable developments in the financial markets or on the non-life underwriting side.

**Balance Sheet Analysis**

**BANQUE FEDERATIVE DU CREDIT MUTUEL (BFCM)**

|   | 31 Dec 2007      |                  |                   |                  | 31 Dec 2006      |                   | 31 Dec 2005      |                   | 01 Jan 2005      |                   |
|---|------------------|------------------|-------------------|------------------|------------------|-------------------|------------------|-------------------|------------------|-------------------|
|   | Year End<br>USDm | Year End<br>EURm | As % of<br>Assets | Average<br>EURm  | Year End<br>EURm | As % of<br>Assets | Year End<br>EURm | As % of<br>Assets | Year End<br>EURm | As % of<br>Assets |
|   | Original         | Original         | Original          | Original         | Original         | Original          | Original         | Original          | Original         | Original          |
| <b>A. LOANS</b>                               |                  |                  |                   |                  |                  |                   |                  |                   |                  |                   |
| 1. Private                                    | n.a.             | n.a.             | -                 | n.a.             | n.a.             | -                 | n.a.             | -                 | n.a.             | -                 |
| 2. Corporate                                  | n.a.             | n.a.             | -                 | n.a.             | n.a.             | -                 | n.a.             | -                 | n.a.             | -                 |
| 3. Government                                 | n.a.             | n.a.             | -                 | n.a.             | n.a.             | -                 | n.a.             | -                 | n.a.             | -                 |
| 4. Other                                      | 182,325.9        | 123,854.0        | 31.28             | 113,078.5        | 102,303.0        | 30.18             | 85,730.0         | 28.69             | 74,594.0         | 28.53             |
| 5. Loan Impairment                            | 3,229.8          | 2,194.0          | 0.55              | 2,267.0          | 2,340.0          | 0.69              | 2,480.0          | 0.83              | 2,582.0          | 0.99              |
| 6. Loan Impairment (memo)                     | n.a.             | n.a.             | -                 | n.a.             | n.a.             | -                 | n.a.             | -                 | n.a.             | -                 |
| 7. Less: Loans from the Insurance Business    | n.a.             | n.a.             | -                 | n.a.             | n.a.             | -                 | n.a.             | -                 | n.a.             | -                 |
| <b>TOTAL A</b>                                | <b>179,096.1</b> | <b>121,660.0</b> | <b>30.73</b>      | <b>110,811.5</b> | <b>99,963.0</b>  | <b>29.49</b>      | <b>83,250.0</b>  | <b>27.86</b>      | <b>72,012.0</b>  | <b>27.55</b>      |
| <b>B. OTHER EARNING ASSETS</b>                |                  |                  |                   |                  |                  |                   |                  |                   |                  |                   |
| 1. Loans and Advances to Banks                | 142,760.2        | 96,977.0         | 24.49             | 96,091.0         | 95,205.0         | 28.08             | 80,123.0         | 26.81             | 66,570.0         | 25.46             |
| 2. Government Securities                      | 4,035.0          | 2,741.0          | 0.69              | 1,636.5          | 532.0            | 0.16              | 1,464.0          | 0.49              | 994.0            | 0.38              |
| 3. Trading Assets                             | n.a.             | n.a.             | -                 | n.a.             | n.a.             | -                 | n.a.             | -                 | n.a.             | -                 |
| 4. Derivatives                                | 13,565.4         | 9,215.0          | 2.33              | 7,177.5          | 5,140.0          | 1.52              | 6,347.0          | 2.12              | 3,980.0          | 1.52              |
| 5. Other Securities and Investments           | 208,248.2        | 141,463.0        | 35.73             | 127,099.0        | 112,735.0        | 33.25             | 103,295.0        | 34.56             | 97,516.0         | 37.30             |
| 6. Equity Investments                         | 8,271.8          | 5,619.0          | 1.42              | 5,127.5          | 4,636.0          | 1.37              | 3,296.0          | 1.10              | 2,706.0          | 1.04              |
| 7. Insurance                                  | n.a.             | n.a.             | -                 | n.a.             | n.a.             | -                 | n.a.             | -                 | n.a.             | -                 |
| <b>TOTAL B</b>                                | <b>376,880.6</b> | <b>256,015.0</b> | <b>64.66</b>      | <b>237,131.5</b> | <b>218,248.0</b> | <b>64.38</b>      | <b>194,525.0</b> | <b>65.09</b>      | <b>171,766.0</b> | <b>65.70</b>      |
| <b>C. TOTAL EARNING ASSETS (A+B)</b>          | <b>555,976.7</b> | <b>377,675.0</b> | <b>95.39</b>      | <b>347,943.0</b> | <b>318,211.0</b> | <b>93.86</b>      | <b>277,775.0</b> | <b>92.94</b>      | <b>243,778.0</b> | <b>93.25</b>      |
| <b>D. TANGIBLE FIXED ASSETS</b>               | <b>2,237.6</b>   | <b>1,520.0</b>   | <b>0.38</b>       | <b>1,480.5</b>   | <b>1,441.0</b>   | <b>0.43</b>       | <b>1,377.0</b>   | <b>0.46</b>       | <b>1,324.0</b>   | <b>0.51</b>       |
| <b>E. NON-EARNING ASSETS</b>                  |                  |                  |                   |                  |                  |                   |                  |                   |                  |                   |
| 1. Cash and Due from Banks                    | 8,954.8          | 6,083.0          | 1.54              | 5,052.0          | 4,021.0          | 1.19              | 3,919.0          | 1.31              | 2,367.0          | 0.91              |
| 2. Other                                      | 15,651.4         | 10,632.0         | 2.69              | 12,992.0         | 15,352.0         | 4.53              | 15,792.0         | 5.28              | 13,955.0         | 5.34              |
| <b>F. TOTAL ASSETS</b>                        | <b>582,820.6</b> | <b>395,910.0</b> | <b>100.00</b>     | <b>367,467.5</b> | <b>339,025.0</b> | <b>100.00</b>     | <b>298,863.0</b> | <b>100.00</b>     | <b>261,424.0</b> | <b>100.00</b>     |
| <b>G. DEPOSITS &amp; MONEY MARKET FUNDING</b> |                  |                  |                   |                  |                  |                   |                  |                   |                  |                   |
| 1. Due to Customers - Current                 | 44,248.5         | 30,058.0         | 7.59              | 28,074.0         | 26,090.0         | 7.70              | 25,464.0         | 8.52              | 22,497.0         | 8.61              |
| 2. Due to Customers - Savings                 | 31,233.6         | 21,217.0         | 5.36              | 21,242.0         | 21,267.0         | 6.27              | 20,506.0         | 6.86              | 19,942.0         | 7.63              |
| 3. Due to Customers - Term                    | 27,535.7         | 18,705.0         | 4.72              | 16,214.0         | 13,723.0         | 4.05              | 10,911.0         | 3.65              | 11,067.0         | 4.23              |
| 4. Deposits with Banks                        | 120,946.6        | 82,159.0         | 20.75             | 92,965.5         | 103,772.0        | 30.61             | 89,185.0         | 29.84             | 77,821.0         | 29.77             |
| 5. Other Deposits and Short-term Borrowings   | n.a.             | n.a.             | -                 | n.a.             | n.a.             | -                 | n.a.             | -                 | n.a.             | -                 |
| <b>TOTAL G</b>                                | <b>223,964.4</b> | <b>152,139.0</b> | <b>38.43</b>      | <b>158,495.5</b> | <b>164,852.0</b> | <b>48.63</b>      | <b>146,066.0</b> | <b>48.87</b>      | <b>131,327.0</b> | <b>50.24</b>      |
| <b>H. OTHER LIABILITIES</b>                   |                  |                  |                   |                  |                  |                   |                  |                   |                  |                   |
| 1. Derivatives                                | 13,593.4         | 9,234.0          | 2.33              | 7,425.5          | 5,617.0          | 1.66              | 6,750.0          | 2.26              | 4,631.0          | 1.77              |
| 2. Trading Liabilities                        | 18,586.8         | 12,626.0         | 3.19              | 13,809.0         | 14,992.0         | 4.42              | 16,123.0         | 5.39              | 13,436.0         | 5.14              |
| 3. Fair Value Portion of Debt                 | n.a.             | n.a.             | -                 | n.a.             | n.a.             | -                 | n.a.             | -                 | n.a.             | -                 |
| 4. Insurance                                  | 66,914.5         | 45,455.0         | 11.48             | 43,861.5         | 42,268.0         | 12.47             | 37,990.0         | 12.71             | 33,226.0         | 12.71             |
| <b>TOTAL H</b>                                | <b>99,094.7</b>  | <b>67,315.0</b>  | <b>17.00</b>      | <b>65,096.0</b>  | <b>62,877.0</b>  | <b>18.55</b>      | <b>60,863.0</b>  | <b>20.36</b>      | <b>51,293.0</b>  | <b>19.62</b>      |
| <b>I. OTHER FUNDING</b>                       |                  |                  |                   |                  |                  |                   |                  |                   |                  |                   |
| 1. Long-term Borrowing                        | 215,412.9        | 146,330.0        | 36.96             | 112,880.0        | 79,430.0         | 23.43             | 62,914.0         | 21.05             | 53,146.0         | 20.33             |
| 2. Subordinated Debt                          | 7,578.4          | 5,148.0          | 1.30              | 5,342.5          | 5,537.0          | 1.63              | 4,142.0          | 1.39              | 4,205.0          | 1.61              |
| 3. Other Funding                              | n.a.             | n.a.             | -                 | n.a.             | n.a.             | -                 | n.a.             | -                 | n.a.             | -                 |
| <b>TOTAL I</b>                                | <b>222,991.3</b> | <b>151,478.0</b> | <b>38.26</b>      | <b>118,222.5</b> | <b>84,967.0</b>  | <b>25.06</b>      | <b>67,056.0</b>  | <b>22.44</b>      | <b>57,351.0</b>  | <b>21.94</b>      |
| <b>J. NON-INTEREST BEARING</b>                | <b>17,813.9</b>  | <b>12,101.0</b>  | <b>3.06</b>       | <b>13,444.0</b>  | <b>14,787.0</b>  | <b>4.36</b>       | <b>15,496.0</b>  | <b>5.18</b>       | <b>14,095.0</b>  | <b>5.39</b>       |
| <b>K. HYBRID CAPITAL</b>                      |                  |                  |                   |                  |                  |                   |                  |                   |                  |                   |
| 1. Hybrid capital accounted for as equity     | 2,355.4          | 1,600.0          | 0.40              | 1,600.0          | 1,600.0          | 0.47              | 1,600.0          | 0.54              | 750.0            | 0.29              |
| 2. Hybrid Capital accounted for as debt       | n.a.             | n.a.             | -                 | n.a.             | n.a.             | -                 | n.a.             | -                 | n.a.             | -                 |
| <b>L. TOTAL LIABILITIES</b>                   | <b>566,219.6</b> | <b>384,633.0</b> | <b>97.15</b>      | <b>356,858.0</b> | <b>329,083.0</b> | <b>97.07</b>      | <b>291,081.0</b> | <b>97.40</b>      | <b>254,816.0</b> | <b>97.47</b>      |
| <b>M. EQUITY</b>                              |                  |                  |                   |                  |                  |                   |                  |                   |                  |                   |
| 1. Common Equity                              | 13,231.3         | 8,988.0          | 2.27              | 8,330.0          | 7,672.0          | 2.26              | 6,184.0          | 2.07              | 5,287.0          | 2.02              |
| 2. Minority Interest                          | 2,626.2          | 1,784.0          | 0.45              | 1,684.0          | 1,584.0          | 0.47              | 1,230.0          | 0.41              | 1,093.0          | 0.42              |
| 3. Revaluation Reserves                       | 743.4            | 505.0            | 0.13              | 595.5            | 686.0            | 0.20              | 368.0            | 0.12              | 228.0            | 0.09              |
| <b>TOTAL M</b>                                | <b>16,600.9</b>  | <b>11,277.0</b>  | <b>2.85</b>       | <b>10,609.5</b>  | <b>9,942.0</b>   | <b>2.93</b>       | <b>7,782.0</b>   | <b>2.60</b>       | <b>6,608.0</b>   | <b>2.53</b>       |
| <b>MEMO: CORE CAPITAL</b>                     | <b>14,880.0</b>  | <b>10,108.0</b>  | <b>2.55</b>       | <b>9,359.0</b>   | <b>8,610.0</b>   | <b>2.54</b>       | <b>6,816.0</b>   | <b>2.28</b>       | <b>5,783.0</b>   | <b>2.21</b>       |
| <b>MEMO: ELIGIBLE CAPITAL</b>                 | <b>17,529.8</b>  | <b>11,908.0</b>  | <b>3.01</b>       | <b>11,159.0</b>  | <b>10,410.0</b>  | <b>3.07</b>       | <b>8,616.0</b>   | <b>2.88</b>       | <b>n.a.</b>      | <b>-</b>          |
| <b>N. TOTAL LIABILITIES &amp; EQUITY</b>      | <b>582,820.6</b> | <b>395,910.0</b> | <b>100.00</b>     | <b>367,467.5</b> | <b>339,025.0</b> | <b>100.00</b>     | <b>298,863.0</b> | <b>100.00</b>     | <b>261,424.0</b> | <b>100.00</b>     |

Exchange Rate

USD1 = EUR 0.6793

USD1 = EUR 0.7593

USD1 = EUR 0.8477

USD1 = EUR 0.7342

**Income Statement Analysis**

**BANQUE FEDERATIVE DU CREDIT MUTUEL (BFCM)**

|   | 31 Dec 2007    |               | 31 Dec 2006    |               | 31 Dec 2005    |               | 01 Jan 2005  |               |
|---|----------------|---------------|----------------|---------------|----------------|---------------|--------------|---------------|
|   | Income         | As % of       | Income         | As % of       | Income         | As % of       | Income       | As % of       |
|   | Expenses       | Total AV      | Expenses       | Total AV      | Expenses       | Total AV      | Expenses     | Total AV      |
|   | EURm           | Earning Assts | EURm           | Earning Assts | EURm           | Earning Assts | EURm         | Earning Assts |
|   | Original       | Original      | Original       | Original      | Original       | Original      | Original     |               |
| 1. Interest Income                                    | 13,015.0       | 3.74          | 10,288.0       | 3.45          | 9,979.0        | 3.83          | n.a.         | -             |
| 2. Interest Expense                                   | 12,851.0       | 3.69          | 9,560.0        | 3.21          | 9,297.0        | 3.57          | n.a.         | -             |
| <b>3. NET INTEREST REVENUE</b>                        | <b>164.0</b>   | <b>0.05</b>   | <b>728.0</b>   | <b>0.24</b>   | <b>682.0</b>   | <b>0.26</b>   | <b>n.a.</b>  | <b>-</b>      |
| 4. Net Fees & Commissions                             | 1,475.0        | 0.42          | 1,315.0        | 0.44          | 1,214.0        | 0.47          | n.a.         | -             |
| 5. Net Insurance Revenue                              | n.a.           | -             | n.a.           | -             | n.a.           | -             | n.a.         | -             |
| 6. Other Operating Income                             | 3,750.0        | 1.08          | 3,616.0        | 1.21          | 2,498.0        | 0.96          | n.a.         | -             |
| 7. Personnel Expenses                                 | 1,746.0        | 0.50          | 1,721.0        | 0.58          | 1,663.0        | 0.64          | n.a.         | -             |
| 8. Other Operating Expenses                           | 1,338.0        | 0.38          | 1,281.0        | 0.43          | 1,220.0        | 0.47          | n.a.         | -             |
| <b>9. PRE-IMPAIRMENT OPERATING PROFIT</b>             | <b>2,305.0</b> | <b>0.66</b>   | <b>2,657.0</b> | <b>0.89</b>   | <b>1,511.0</b> | <b>0.58</b>   | <b>n.a.</b>  | <b>-</b>      |
| 10. Loan Impairment Charge                            | 128.0          | 0.04          | 90.0           | 0.03          | 104.0          | 0.04          | n.a.         | -             |
| 11. Other Credit Impairment and Provisions            | n.a.           | -             | n.a.           | -             | n.a.           | -             | n.a.         | -             |
| <b>12. OPERATING PROFIT</b>                           | <b>2,177.0</b> | <b>0.63</b>   | <b>2,567.0</b> | <b>0.86</b>   | <b>1,407.0</b> | <b>0.54</b>   | <b>n.a.</b>  | <b>-</b>      |
| 13. Other Income and Expenses                         | 77.0           | 0.02          | 40.0           | 0.01          | 33.0           | 0.01          | n.a.         | -             |
| <b>14. PUBLISHED PRE-TAX PROFIT</b>                   | <b>2,254.0</b> | <b>0.65</b>   | <b>2,607.0</b> | <b>0.87</b>   | <b>1,440.0</b> | <b>0.55</b>   | <b>n.a.</b>  | <b>-</b>      |
| 15. Taxes   | 550.0          | 0.16          | 724.0          | 0.24          | 347.0          | 0.13          | n.a.         | -             |
| 16. Profit/(Loss) from Discontinued Operations        | n.a.           | -             | n.a.           | -             | n.a.           | -             | n.a.         | -             |
| 17. Change in Value of AFS investments                | -181.0         | -0.05         | 318.0          | 0.11          | 140.0          | 0.05          | 228.0        | -             |
| 18. Currency Translation Differences                  | n.a.           | -             | n.a.           | -             | n.a.           | -             | n.a.         | -             |
| 19. Other Gains/(Losses) not in Published Net Income  | n.a.           | -             | n.a.           | -             | n.a.           | -             | n.a.         | -             |
| <b>20. FITCH COMPREHENSIVE INCOME</b>                 | <b>1,523.0</b> | <b>0.44</b>   | <b>2,201.0</b> | <b>0.74</b>   | <b>1,233.0</b> | <b>0.47</b>   | <b>228.0</b> | <b>-</b>      |
| 21. Total Gains/(Losses) not in Published Net Income  | -181.0         | -0.05         | 318.0          | 0.11          | 140.0          | 0.05          | 228.0        | -             |
| 22. IFRS Dividends included in Fitch Interest Expense | n.a.           | -             | n.a.           | -             | n.a.           | -             | n.a.         | -             |
| <b>23. PUBLISHED NET INCOME</b>                       | <b>1,704.0</b> | <b>0.49</b>   | <b>1,883.0</b> | <b>0.63</b>   | <b>1,093.0</b> | <b>0.42</b>   | <b>n.a.</b>  | <b>-</b>      |

**Ratio Analysis**

**BANQUE FEDERATIVE DU CREDIT MUTUEL (BFCM)**

|   |   | 31 Dec 2007 | 31 Dec 2006 | 31 Dec 2005 | 01 Jan 2005 |
|---|---|-------------|-------------|-------------|-------------|
|   |   | Year End    | Year End    | Year End    | Year End    |
|   |   | EURm        | EURm        | EURm        | EURm        |
|   |   | Original    | Original    | Original    | Original    |
| <b>I. PERFORMANCE</b>   |   |             |             |             |             |
| 1. Net Interest Margin  | % | 0.05        | 0.24        | 0.26        | n.a.        |
| 2. Loan Yield   | % | 11.41       | 11.25       | 9.89        | n.a.        |
| 3. Cost of Funds  | % | 4.62        | 4.10        | 4.60        | n.a.        |
| 4. Costs/Average Assets   | % | 0.84        | 0.94        | 1.03        | n.a.        |
| 5. Costs/Income   | % | 57.23       | 53.05       | 65.61       | n.a.        |
| 6. Pre-Impairment Operating ROAA  | % | 0.63        | 0.83        | 0.54        | n.a.        |
| 7. Operating ROAA   | % | 0.59        | 0.80        | 0.50        | n.a.        |
| 8. Pre-impairment Operating ROAE  | % | 21.73       | 29.98       | 21.00       | n.a.        |
| 9. Operating ROAE   | % | 20.52       | 28.97       | 19.56       | n.a.        |
| <b>II. CAPITAL ADEQUACY</b>   |   |             |             |             |             |
| 1. Internal Capital Generation  | % | 14.36       | 24.84       | 17.14       | n.a.        |
| 2. Core Capital/Total Assets  | % | 2.56        | 2.54        | 2.29        | 2.22        |
| 3. Eligible Capital/Regulatory Weighted Risks                               | % | n.a.        | n.a.        | n.a.        | n.a.        |
| 4. Eligible Capital+Eligible Revaluation Reserves/Regulatory Weighted Risks | % | n.a.        | n.a.        | n.a.        | n.a.        |
| 5. Tier 1 Regulatory Capital Ratio  | % | n.a.        | n.a.        | n.a.        | n.a.        |
| 6. Total Regulatory Capital Ratio   | % | n.a.        | n.a.        | n.a.        | n.a.        |
| 7. Free Capital/Equity  | % | 459.80      | 478.90      | 536.69      | 546.72      |
| <b>III. LIQUIDITY (year end)</b>  |   |             |             |             |             |
| 1. Liquid Assets/Deposits & Money Mkt Funding                               | % | 28.53       | 24.56       | 25.71       | 26.92       |
| 2. Loans/Deposits   | % | 173.85      | 163.66      | 146.36      | 134.59      |
| <b>IV. ASSET QUALITY</b>  |   |             |             |             |             |
| 1. Loan Impairment Charge/Gross Loans (av.)                                 | % | 0.11        | 0.10        | 0.13        | n.a.        |
| 2. Total Credit Impairment/Pre-impairment Operating Profit                  | % | 5.55        | 3.39        | 6.88        | n.a.        |
| 3. Loan Impairment/Gross Impaired Loans                                     | % | 66.22       | 66.97       | 68.21       | 68.09       |
| 4. Individual Loan Impairment/Gross Impaired Loans                          | % | n.a.        | n.a.        | n.a.        | n.a.        |
| 5. Impaired Loans Gross / Loans Gross                                       | % | 2.67        | 3.42        | 4.24        | 5.08        |
| 6. Impaired Loans Net/Eligible Capital                                      | % | 9.40        | 11.09       | 13.42       | n.a.        |
| 7. Net Charge-offs/Gross Loans (av.)  | % | n.a.        | n.a.        | n.a.        | n.a.        |

**Balance Sheet Analysis**  
**CREDIT MUTUEL CENTRE EST EUROPE**

|   | 31 Dec 2007      |                   |               |                  | 31 Dec 2006       |               | 31 Dec 2005       |               | 01 Jan 2005       |               |
|---|------------------|-------------------|---------------|------------------|-------------------|---------------|-------------------|---------------|-------------------|---------------|
|   | Year End         | Year End          | As % of       | Average          | Year End          | As % of       | Year End          | As % of       | Year End          | As % of       |
|   | USDm             | EURm              | Assets        | EURm             | EURm              | Assets        | EURm              | Assets        | EURm              | Assets        |
|   | Original         | Original          | Original      | Original         | Original          | Original      | Original          | Original      | Original          | Original      |
| <b>A. LOANS</b>                               |                  |                   |               |                  |                   |               |                   |               |                   |               |
| 1. Private                                    | n.a.             | n.a.              | -             | n.a.             | n.a.              | -             | n.a.              | -             | n.a.              | -             |
| 2. Corporate                                  | n.a.             | n.a.              | -             | n.a.             | n.a.              | -             | n.a.              | -             | n.a.              | -             |
| 3. Government                                 | n.a.             | n.a.              | -             | n.a.             | n.a.              | -             | n.a.              | -             | n.a.              | -             |
| 4. Other                                      | 267,666.7        | 181,826.0         | 44.02         | 166,994.0        | 152,162.0         | 42.73         | 126,682.0         | 39.77         | 110,507.0         | 39.48         |
| 5. Loan Impairment                            | 4,116.0          | 2,796.0           | 0.68          | 2,896.5          | 2,997.0           | 0.84          | 3,133.0           | 0.98          | 3,265.0           | 1.17          |
| 6. Loan Impairment (memo)                     | n.a.             | n.a.              | -             | n.a.             | n.a.              | -             | n.a.              | -             | n.a.              | -             |
| 7. Less: Loans from the Insurance Business    | n.a.             | n.a.              | -             | n.a.             | n.a.              | -             | n.a.              | -             | n.a.              | -             |
| <b>TOTAL A</b>                                | <b>263,550.7</b> | <b>179,030.0</b>  | <b>43.34</b>  | <b>164,097.5</b> | <b>149,165.0</b>  | <b>41.89</b>  | <b>123,549.0</b>  | <b>38.79</b>  | <b>107,242.0</b>  | <b>38.31</b>  |
| <b>B. OTHER EARNING ASSETS</b>                |                  |                   |               |                  |                   |               |                   |               |                   |               |
| 1. Loans and Advances to Banks                | 61,207.1         | 41,578.0          | 10.07         | 44,969.0         | 48,360.0          | 13.58         | 46,401.0          | 14.57         | 37,505.0          | 13.40         |
| 2. Government Securities                      | 4,049.8          | 2,751.0           | 0.67          | 1,647.0          | 543.0             | 0.15          | 1,464.0           | 0.46          | 1,019.0           | 0.36          |
| 3. Trading Assets                             | n.a.             | n.a.              | -             | n.a.             | n.a.              | -             | n.a.              | -             | n.a.              | -             |
| 4. Derivatives                                | 13,571.3         | 9,219.0           | 2.23          | 7,187.5          | 5,156.0           | 1.45          | 6,349.0           | 1.99          | 3,956.0           | 1.41          |
| 5. Other Securities and Investments           | 220,699.2        | 149,921.0         | 36.29         | 135,409.5        | 120,898.0         | 33.95         | 110,561.0         | 34.71         | 104,306.0         | 37.26         |
| 6. Equity Investments                         | 14,083.6         | 9,567.0           | 2.32          | 8,629.5          | 7,692.0           | 2.16          | 5,450.0           | 1.71          | 4,719.0           | 1.69          |
| 7. Insurance                                  | n.a.             | n.a.              | -             | n.a.             | n.a.              | -             | n.a.              | -             | n.a.              | -             |
| <b>TOTAL B</b>                                | <b>313,611.1</b> | <b>213,036.0</b>  | <b>51.57</b>  | <b>197,842.5</b> | <b>182,649.0</b>  | <b>51.29</b>  | <b>170,225.0</b>  | <b>53.44</b>  | <b>151,505.0</b>  | <b>54.12</b>  |
| <b>C. TOTAL EARNING ASSETS (A+B)</b>          | <b>577,161.8</b> | <b>392,066.0</b>  | <b>94.91</b>  | <b>361,940.0</b> | <b>331,814.0</b>  | <b>93.18</b>  | <b>293,774.0</b>  | <b>92.23</b>  | <b>258,747.0</b>  | <b>92.44</b>  |
| <b>D. TANGIBLE FIXED ASSETS</b>               | <b>3,279.8</b>   | <b>2,228.0</b>    | <b>0.54</b>   | <b>2,165.0</b>   | <b>2,102.0</b>    | <b>0.59</b>   | <b>1,962.0</b>    | <b>0.62</b>   | <b>1,836.0</b>    | <b>0.66</b>   |
| <b>E. NON-EARNING ASSETS</b>                  |                  |                   |               |                  |                   |               |                   |               |                   |               |
| 1. Cash and Due from Banks                    | 9,785.1          | 6,647.0           | 1.61          | 5,814.5          | 4,982.0           | 1.40          | 5,408.0           | 1.70          | 3,975.0           | 1.42          |
| 2. Other                                      | 17,859.6         | 12,132.0          | 2.94          | 14,666.5         | 17,201.0          | 4.83          | 17,396.0          | 5.46          | 15,364.0          | 5.49          |
| <b>F. TOTAL ASSETS</b>                        | <b>608,086.3</b> | <b>413,073.0</b>  | <b>100.00</b> | <b>384,586.0</b> | <b>356,099.0</b>  | <b>100.00</b> | <b>318,540.0</b>  | <b>100.00</b> | <b>279,922.0</b>  | <b>100.00</b> |
| <b>G. DEPOSITS &amp; MONEY MARKET FUNDING</b> |                  |                   |               |                  |                   |               |                   |               |                   |               |
| 1. Due to Customers - Current                 | 55,624.9         | 37,786.0          | 9.15          | 35,469.5         | 33,153.0          | 9.31          | 31,946.0          | 10.03         | 28,357.0          | 10.13         |
| 2. Due to Customers - Savings                 | 66,574.4         | 45,222.0          | 10.95         | 44,622.0         | 44,020.0          | 12.36         | 41,676.0          | 13.08         | 40,542.0          | 14.48         |
| 3. Due to Customers - Term                    | 35,689.7         | 24,244.0          | 5.87          | 21,740.0         | 19,236.0          | 5.40          | 15,856.0          | 4.98          | 16,014.0          | 5.72          |
| 4. Deposits w/ Banks                          | 62,661.6         | 42,566.0          | 10.30         | 55,095.0         | 67,624.0          | 18.99         | 58,549.0          | 18.38         | 48,749.0          | 17.42         |
| 5. Other Deposits and Short-term Borrowings   | n.a.             | n.a.              | -             | n.a.             | n.a.              | -             | n.a.              | -             | n.a.              | -             |
| <b>TOTAL G</b>                                | <b>220,550.6</b> | <b>149,820.0</b>  | <b>36.27</b>  | <b>156,926.5</b> | <b>164,033.0</b>  | <b>46.06</b>  | <b>148,027.0</b>  | <b>46.47</b>  | <b>133,662.0</b>  | <b>47.75</b>  |
| <b>H. OTHER LIABILITIES</b>                   |                  |                   |               |                  |                   |               |                   |               |                   |               |
| 1. Derivatives                                | 13,596.3         | 9,236.0           | 2.24          | 7,437.0          | 5,638.0           | 1.58          | 6,773.0           | 2.13          | 4,632.0           | 1.65          |
| 2. Trading Liabilities                        | 18,588.3         | 12,627.0          | 3.06          | 13,809.5         | 14,992.0          | 4.21          | 16,123.0          | 5.06          | 13,436.0          | 4.80          |
| 3. Fair Value Portion of Debt                 | n.a.             | n.a.              | -             | n.a.             | n.a.              | -             | n.a.              | -             | n.a.              | -             |
| 4. Insurance                                  | 82,455.5         | 56,012.0          | 13.56         | 54,410.0         | 52,808.0          | 14.83         | 48,461.0          | 15.21         | 43,169.0          | 15.42         |
| <b>TOTAL H</b>                                | <b>114,640.1</b> | <b>77,875.0</b>   | <b>18.85</b>  | <b>75,656.5</b>  | <b>73,438.0</b>   | <b>20.62</b>  | <b>71,357.0</b>   | <b>22.40</b>  | <b>61,237.0</b>   | <b>21.88</b>  |
| <b>I. OTHER FUNDING</b>                       |                  |                   |               |                  |                   |               |                   |               |                   |               |
| 1. Long-term Borrowing                        | 217,225.1        | 147,561.0         | 35.72         | 113,544.5        | 79,528.0          | 22.33         | 62,938.0          | 19.76         | 53,160.0          | 18.99         |
| 2. Subordinated Debt                          | 5,738.3          | 3,898.0           | 0.94          | 4,092.5          | 4,287.0           | 1.20          | 3,642.0           | 1.14          | 3,735.0           | 1.33          |
| 3. Other Funding                              | n.a.             | n.a.              | -             | n.a.             | n.a.              | -             | n.a.              | -             | n.a.              | -             |
| <b>TOTAL I</b>                                | <b>222,963.3</b> | <b>151,459.0</b>  | <b>36.67</b>  | <b>117,637.0</b> | <b>83,815.0</b>   | <b>23.54</b>  | <b>66,580.0</b>   | <b>20.90</b>  | <b>56,895.0</b>   | <b>20.33</b>  |
| <b>J. NON-INTEREST BEARING</b>                | <b>20,061.8</b>  | <b>13,628.0</b>   | <b>3.30</b>   | <b>15,040.0</b>  | <b>16,452.0</b>   | <b>4.62</b>   | <b>17,039.0</b>   | <b>5.35</b>   | <b>15,544.0</b>   | <b>5.55</b>   |
| <b>K. HYBRID CAPITAL</b>                      |                  |                   |               |                  |                   |               |                   |               |                   |               |
| 1. Hybrid capital accounted for as equity     | 2,355.4          | 1,600.0           | 0.39          | 1,600.0          | 1,600.0           | 0.45          | 1,600.0           | 0.50          | 750.0             | 0.27          |
| 2. Hybrid Capital accounted for as debt       | n.a.             | n.a.              | -             | n.a.             | n.a.              | -             | n.a.              | -             | n.a.              | -             |
| <b>L. TOTAL LIABILITIES</b>                   | <b>580,571.2</b> | <b>394,382.0</b>  | <b>95.48</b>  | <b>366,860.0</b> | <b>339,338.0</b>  | <b>95.29</b>  | <b>304,603.0</b>  | <b>95.62</b>  | <b>268,088.0</b>  | <b>95.77</b>  |
| <b>M. EQUITY</b>                              |                  |                   |               |                  |                   |               |                   |               |                   |               |
| 1. Common Equity                              | 23,550.7         | 15,998.0          | 3.87          | 15,064.0         | 14,130.0          | 3.97          | 12,019.0          | 3.77          | 10,254.0          | 3.66          |
| 2. Minority Interest                          | 3,212.1          | 2,182.0           | 0.53          | 2,060.5          | 1,939.0           | 0.54          | 1,515.0           | 0.48          | 1,322.0           | 0.47          |
| 3. Revaluation Reserves                       | 752.2            | 511.0             | 0.12          | 601.5            | 692.0             | 0.19          | 403.0             | 0.13          | 258.0             | 0.09          |
| <b>TOTAL M</b>                                | <b>27,515.1</b>  | <b>18,691.0</b>   | <b>4.52</b>   | <b>17,726.0</b>  | <b>16,761.0</b>   | <b>4.71</b>   | <b>13,937.0</b>   | <b>4.38</b>   | <b>11,834.0</b>   | <b>4.23</b>   |
| <b>MEMO: CORE CAPITAL</b>                     | <b>25,798.6</b>  | <b>17,525.0</b>   | <b>4.24</b>   | <b>16,478.5</b>  | <b>15,432.0</b>   | <b>4.33</b>   | <b>12,945.0</b>   | <b>4.06</b>   | <b>10,988.0</b>   | <b>3.93</b>   |
| <b>MEMO: ELIGIBLE CAPITAL</b>                 | <b>28,448.4</b>  | <b>19,325.0</b>   | <b>4.68</b>   | <b>18,278.5</b>  | <b>17,232.0</b>   | <b>4.84</b>   | <b>14,745.0</b>   | <b>4.63</b>   | <b>n.a.</b>       | <b>-</b>      |
| <b>N. TOTAL LIABILITIES &amp; EQUITY</b>      | <b>608,086.3</b> | <b>413,073.0</b>  | <b>100.00</b> | <b>384,586.0</b> | <b>356,099.0</b>  | <b>100.00</b> | <b>318,540.0</b>  | <b>100.00</b> | <b>279,922.0</b>  | <b>100.00</b> |
| Exchange Rate                                 |                  | USD1 = EUR 0.6793 |               |                  | USD1 = EUR 0.7593 |               | USD1 = EUR 0.8477 |               | USD1 = EUR 0.7342 |               |

**Income Statement Analysis**

**CREDIT MUTUEL CENTRE EST EUROPE**

|   | 31 Dec 2007    |               | 31 Dec 2006    |               | 31 Dec 2005    |               | 01 Jan 2005 |               |
|---|----------------|---------------|----------------|---------------|----------------|---------------|-------------|---------------|
|   | Income         | As % of       | Income         | As % of       | Income         | As % of       | Income      | As % of       |
|   | Expenses       | Total AV      | Expenses       | Total AV      | Expenses       | Total AV      | Expenses    | Total AV      |
|   | EURm           | Earning Assts | EURm           | Earning Assts | EURm           | Earning Assts | EURm        | Earning Assts |
|   | Original       | Original      | Original       | Original      | Original       | Original      | Original    | Original      |
| 1. Interest Income                                    | 13,508.0       | 3.73          | 10,987.0       | 3.51          | 10,745.0       | 3.89          | n.a.        | -             |
| 2. Interest Expense                                   | 12,319.0       | 3.40          | 9,269.0        | 2.96          | 9,098.0        | 3.29          | n.a.        | -             |
| <b>3. NET INTEREST REVENUE</b>                        | <b>1,189.0</b> | <b>0.33</b>   | <b>1,718.0</b> | <b>0.55</b>   | <b>1,647.0</b> | <b>0.60</b>   | <b>n.a.</b> | <b>-</b>      |
| 4. Net Fees & Commissions                             | 1,795.0        | 0.50          | 1,686.0        | 0.54          | 1,511.0        | 0.55          | n.a.        | -             |
| 5. Net Insurance Revenue                              | 1,282.0        | 0.35          | 1,161.0        | 0.37          | 1,068.0        | 0.39          | n.a.        | -             |
| 6. Other Operating Income                             | 2,578.0        | 0.71          | 2,618.0        | 0.84          | 1,604.0        | 0.58          | n.a.        | -             |
| 7. Personnel Expenses                                 | 2,490.0        | 0.69          | 2,457.0        | 0.79          | 2,309.0        | 0.84          | n.a.        | -             |
| 8. Other Operating Expenses                           | 1,704.0        | 0.47          | 1,607.0        | 0.51          | 1,512.0        | 0.55          | n.a.        | -             |
| <b>9. PRE-IMPAIRMENT OPERATING PROFIT</b>             | <b>2,650.0</b> | <b>0.73</b>   | <b>3,119.0</b> | <b>1.00</b>   | <b>2,009.0</b> | <b>0.73</b>   | <b>n.a.</b> | <b>-</b>      |
| 10. Loan Impairment Charge                            | 124.0          | 0.03          | 143.0          | 0.05          | 138.0          | 0.05          | n.a.        | -             |
| 11. Other Credit Impairment and Provisions            | n.a.           | -             | n.a.           | -             | n.a.           | -             | n.a.        | -             |
| <b>12. OPERATING PROFIT</b>                           | <b>2,526.0</b> | <b>0.70</b>   | <b>2,976.0</b> | <b>0.95</b>   | <b>1,871.0</b> | <b>0.68</b>   | <b>n.a.</b> | <b>-</b>      |
| 13. Other Income and Expenses                         | 411.0          | 0.11          | 286.0          | 0.09          | 346.0          | 0.13          | n.a.        | -             |
| <b>14. PUBLISHED PRE-TAX PROFIT</b>                   | <b>2,937.0</b> | <b>0.81</b>   | <b>3,262.0</b> | <b>1.04</b>   | <b>2,217.0</b> | <b>0.80</b>   | <b>n.a.</b> | <b>-</b>      |
| 15. Taxes   | 776.0          | 0.21          | 934.0          | 0.30          | 607.0          | 0.22          | n.a.        | -             |
| 16. Profit/(Loss) from Discontinued Operations        | n.a.           | -             | n.a.           | -             | n.a.           | -             | n.a.        | -             |
| 17. Change in Value of AFS investments                | -181.0         | -0.05         | 289.0          | 0.09          | 145.0          | 0.05          | n.a.        | -             |
| 18. Currency Translation Differences                  | n.a.           | -             | n.a.           | -             | n.a.           | -             | n.a.        | -             |
| 19. Other Gains/(Losses) not in Published Net Income  | n.a.           | -             | n.a.           | -             | n.a.           | -             | n.a.        | -             |
| <b>20. FITCH COMPREHENSIVE INCOME</b>                 | <b>1,980.0</b> | <b>0.55</b>   | <b>2,617.0</b> | <b>0.84</b>   | <b>1,755.0</b> | <b>0.64</b>   | <b>n.a.</b> | <b>-</b>      |
| 21. Total Gains/(Losses) not in Published Net Income  | -181.0         | -0.05         | 289.0          | 0.09          | 145.0          | 0.05          | n.a.        | -             |
| 22. IFRS Dividends included in Fitch Interest Expense | n.a.           | -             | n.a.           | -             | n.a.           | -             | n.a.        | -             |
| <b>23. PUBLISHED NET INCOME</b>                       | <b>2,161.0</b> | <b>0.60</b>   | <b>2,328.0</b> | <b>0.74</b>   | <b>1,610.0</b> | <b>0.58</b>   | <b>n.a.</b> | <b>-</b>      |

**Ratio Analysis**

**CREDIT MUTUEL CENTRE EST EUROPE**

|   |   | 31 Dec 2007 | 31 Dec 2006 | 31 Dec 2005 | 01 Jan 2005 |
|---|---|-------------|-------------|-------------|-------------|
|   |   | Year End    | Year End    | Year End    | Year End    |
|   |   | EURm        | EURm        | EURm        | EURm        |
|   |   | Original    | Original    | Original    | Original    |
| <b>I. PERFORMANCE</b>   |   |             |             |             |             |
| 1. Net Interest Margin  | % | 0.33        | 0.55        | 0.60        | n.a.        |
| 2. Loan Yield   | % | 7.99        | 8.03        | 7.35        | n.a.        |
| 3. Cost of Funds  | % | 4.46        | 3.98        | 4.47        | n.a.        |
| 4. Costs/Average Assets   | % | 1.09        | 1.20        | 1.28        | n.a.        |
| 5. Costs/Income   | % | 61.28       | 56.58       | 65.54       | n.a.        |
| 6. Pre-Impairment Operating ROAA  | % | 0.69        | 0.92        | 0.67        | n.a.        |
| 7. Operating ROAA   | % | 0.66        | 0.88        | 0.63        | n.a.        |
| 8. Pre-impairment Operating ROAE  | % | 14.95       | 20.32       | 15.59       | n.a.        |
| 9. Operating ROAE   | % | 14.25       | 19.39       | 14.52       | n.a.        |
| <b>II. CAPITAL ADEQUACY</b>   |   |             |             |             |             |
| 1. Internal Capital Generation  | % | 11.17       | 17.05       | 13.62       | n.a.        |
| 2. Core Capital/Total Assets  | % | 4.25        | 4.34        | 4.07        | 3.93        |
| 3. Eligible Capital/Regulatory Weighted Risks                               | % | 10.70       | 11.41       | 12.93       | n.a.        |
| 4. Eligible Capital+Eligible Revaluation Reserves/Regulatory Weighted Risks | % | 10.98       | 11.87       | 13.28       | n.a.        |
| 5. Tier 1 Regulatory Capital Ratio  | % | 8.52        | 9.19        | 9.17        | n.a.        |
| 6. Total Regulatory Capital Ratio   | % | 10.51       | 11.80       | 11.66       | n.a.        |
| 7. Free Capital/Equity  | % | 367.42      | 381.43      | 411.62      | 425.87      |
| <b>III. LIQUIDITY (year end)</b>  |   |             |             |             |             |
| 1. Liquid Assets/Deposits & Money Mkt Funding                               | % | 33.05       | 28.81       | 30.09       | 31.94       |
| 2. Loans/Deposits   | % | 166.92      | 154.72      | 138.08      | 126.30      |
| <b>IV. ASSET QUALITY</b>  |   |             |             |             |             |
| 1. Loan Impairment Charge/Gross Loans (av.)                                 | % | 0.07        | 0.10        | 0.12        | n.a.        |
| 2. Total Credit Impairment/Pre-impairment Operating Profit                  | % | 4.68        | 4.58        | 6.87        | n.a.        |
| 3. Loan Impairment/Gross Impaired Loans                                     | % | 65.53       | 66.51       | 67.35       | 68.45       |
| 4. Individual Loan Impairment/Gross Impaired Loans                          | % | n.a.        | n.a.        | n.a.        | n.a.        |
| 5. Impaired Loans Gross / Loans Gross                                       | % | 2.35        | 2.96        | 3.67        | 4.32        |
| 6. Impaired Loans Net/Eligible Capital                                      | % | 7.61        | 8.76        | 10.30       | n.a.        |
| 7. Net Charge-offs/Gross Loans (av.)  | % | n.a.        | n.a.        | n.a.        | n.a.        |

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