

THE CM4-CIC GROUP IN 2008

Financial strength and a new development phase

In a year marked by an unprecedented financial and economic crisis, the CM4-CIC Group ¹ registered sustained business and showed a net accounting profit of 509 million euros, consolidating its financial strength (20.1 billion in equity capital).

It continues its determined development strategy in France and overseas. Ten years after the takeover of CIC, it has embarked upon a new phase. The acquisition of Citibank Germany and control of Cofidis — as of March 2009 — will enable it to diversify its businesses and significantly reinforce its international presence to the tune of 25% of its NBI.

The impact of the crisis

The Group has suffered from the effects of the escalation of the financial crisis and the sudden cyclical downturn in the economy, especially in the second half.

Net accounting profit came in at 509 million (2,161 million in 2007).

The Group's total NBI was down from 7,253 million to 5,795 million.

But for the retail bank, CM4-CIC's core business, it remains stable (on a like-for-like basis) at 4,752 million.

In insurance, the NBI amounted to 781 million, down by 26% owing to the fall in income from life insurance.

That of the private bank is down slightly to 427 million (-4.8%) but income increased in the 4th quarter.

For private equity, the NBI came in at 112 million after an exceptional year in 2007.

1. CM4 comprises the Fédérations du Crédit Mutuel Centre Est Europe (Strasbourg), du Sud-Est (Lyon), Ile-de-France and Savoie-Mont Blanc (Annecy).

The NBI of the financing and money market bank is 26 million: 335 million for the financing bank with an impact of 86 million from the Madoff fraud ¹; -310 million for money market business owing to the significant fall in valorisation of healthy assets.

The cost of risk increased to 1,064 million, including 484 million in respect of the bankruptcy of Lehman Brothers and 65 million in respect of the Icelandic banks. The rate of cover of non-performing loans was 71.6%.

The **European Solvency Ratio** (ESR tier one) came in at 8.60% on 31 December 2008 and at 9.60% (provisional figure) on 1 January 2009 owing to the progressive removal of the ceiling on the Basel II ratio, one of the best in the market place. **Tier 1 capital** amounted to 16.7 billion euros (provisional figure) as opposed to 15.6 billion at the end of 2007.

The CM4-CIC Group (BFCM) is rated by the ratings agencies: A+ by Standard & Poor's, Aa3 by Moody's and AA- par Fitch.

Sustained business

The dynamism of the network and the quality of its products have guaranteed it:

- The conquest of 216,000 new customers giving a total of 11,627,000 (+2.7% ²);
- A rise in loans outstanding of 10.9% ² to 214.3 billion euros; the loans outstanding of Citibank Germany, consolidated for the first time in 2008, represent 10.8 billion;
- An increase in deposits of 9% ² to 128.9 billion;
- An increase of 8.1% in the number of insurance contracts managed: 20.1 million. Though non-life insurance premium has increased by 12% to 2.6 billion, total insurance premium (6.7 billion) is down by 13.9% owing to the reduced attractiveness of life insurance premium at 4.1 billion (-25%).

Relying on its extensive understanding of technology, the Group has reinforced its position in the field of monetics (2nd largest European group in monetics in retail outlets) and flow management, in particular with agreements with major players in distribution and mobile telephony (with 90% control of NRJ Mobile).

Perspectives: a new development phase

The Group is continuing its development strategy by strengthening its network and expanding its business and its sphere of activity.

1. As this is a fraud, the loss is noted under reductions in the NBI and not under cost of risk.

2. Growth on a like-for-like basis. As regards Citibank Germany, the acquisition took place on 5 December 2008. The assets and liabilities are consolidated at 100% on 31 December 2008 and the income has been used pro rata temporis since the date of purchase.

It has created 65 branches in the CM4-CIC networks, bringing their number to a total of 3,788 and will continue its plan to create a hundred branches per annum.

It has acquired 18 branches from the French network of Banco Popular Español (which will be renamed CIC Iberbanco on May 1st, 2009).

It has reinforced its relations with the other Crédit Mutuel groups. In January 2009, the Midi-Atlantique group joined the Caisse Interfédérale already common to the Fédérations Centre Est Europe, Ile-de-France, Sud-Est and Savoie-Mont Blanc. Rationalisation of the technical and financial tools continues.

Finally, by taking control of the capital of NRJ Mobile, the Group has given itself the means to fully exploit the synergies between mobile telephony, payment management and the selling of insurance products by the banks.

Internationally, the Group has embarked upon a new phase by acquiring Citibank Germany, a network of 339 agencies, 6,092 employees and 3.4 million customers, specialised in consumer loans. It has concluded an agreement for the control (in 2009) of Cofidis — the consumer loan subsidiary of 3 Suisses International, which numbers 11.5 million customers in 9 European countries.

In Spain, it has created an insurance company in partnership with the Royal Automobile Club of Catalunya. In North Africa, it has reinforced its ties with the Banque Marocaine du Commerce Extérieur — raising its holding in the capital from 15.4% to 19.9% — and created a joint computer subsidiary, Eurafric Information, to assist our partners in the development of their insurance products sales businesses in Morocco and Tunisia.

These operations will enable the Group to diversify its businesses and complete its commercial offer. They provide it with new perspectives for development and income.

Ten years after the takeover of CIC, the Group is embarking upon a new phase in its development strategy.

Bolstered by more than 20 billion in accounting equity capital and deeply subordinated notes, it looks to the future with confidence and determination.

Crédit Mutuel Centre Est Europe, Sud-Est, Ile-de-France, Savoie-Mont Blanc (excluding CIC, Citibank Germany and Banco Popular France)

• Reinforcement of the network and partnerships

The Group continues to reinforce its network which, on 31 December 2008, consisted of 709 “Caisses” and 1,309 branches, 1,194 ATMs, and 4,061,000 customers (+56 000).

Since January 1st, the Fédération du Crédit Mutuel de Midi-Atlantique — 84 branches and 260,000 customers — has joined the Caisse Fédérale common to the Fédérations Centre Est Europe (Strasbourg), Sud-Est (Lyon), Ile-de-France and Savoie-Mont Blanc, thus forming the CM5 Group.

The Fédération du Crédit Mutuel de Loire-Atlantique Centre-Ouest has opted for Assurances du Crédit Mutuel and those of Crédit Mutuel Anjou and Océan will join the CM5-CIC information system in May.

Loans outstanding have again increased by 9.4% to 75.4 billion. But production is down by 26.3% to 16.2 billion, owing in particular to the collapse in demand for home loans in the fourth quarter.

Home loans account for 47,9 billion (+ 8.5%), consumer credits 4,7 billion (+ 5.4%), trade credit 16,2 billion (+ 11.1%) and local authority credits 2,2 billion (+ 0.2%).

Total current savings have increased by 7.7% to 73.8 billion: including 44.5 billion (+3.5%) in the CEE network; 6.5 billion (+5.1%) for that of Sud-Est; 9 billion (+9.2%) for that of Ile-de-France and 2.4 billion (+7.1%) for that of Savoie-Mont Blanc.

Savings are buoyed up by deposits and the total is up by 13.5% to 48.5 billion, particularly on savings book accounts (+21.8%) at 15.5 billion and on savings bonds and term deposits (+12.3%) at 7.4 billion.

Home savings schemes (8.2 billion) are down by 7.3%.

Total financial savings are down by 1.9% to 25.3 billion, including 17.4 billion in insurance savings (+1.4%) and 7.9 billion (-8.4%) in bank financial savings.

• Confidence in and through mutualism

160,000 members joined CM4 in 2008. They now number 2,377,000 (+58,000) who participate in the life of the company and its development in 709 local “Caisses”, in particular through the election of 10,000 members of their boards of directors and supervisory boards.

Its non-centralised organisation and democratic governance make the Crédit Mutuel the truly local bank, the guarantee of quality, security and trust.

Studies carried out in 2008 on 14,000 members show that 94% totally trust it. Which is confirmed by the 1st place obtained by the Crédit Mutuel in the customer relations awards 2008 – Bearing Point TNS Sofrès.

At a difficult time, the Crédit Mutuel actively supports the projects of its members and customers and makes firm undertakings for businesses and jobs.

Its advice and commitment inspire trust and its development gives it new means the better to fulfil its mission to serve the economic and social community.

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Consolidated figures at 31 December 2008

(in millions of Euros)

	2008	2007	Evolution 2008/2007 on a like-for-like basis
Equity capital			
Equity capital and deeply subordinated notes (including the results of the financial year and before distribution)	20,145	20,291	- 0,7%
Business			
Loans to clientele, including leasing ²	214,292	182,241	+ 10,9%
Savings managed and held	359,938	365,243	- 6,3%
– including deposits by clientele ²	128,919	109,475	+ 9,0%
– including life assurance	52,432	51,619	+ 1,6%
Profit and loss account items			
Net banking income ³	5,795	7,253	- 22,1%
General operating expenses and depreciation	4,387	4,236	+ 0%
Gross operating income	1,409	3,016	- 53%
Cost of risk	1,064	124	n.s.
Net accounting profit	509	2,161	- 76%
Branches	3,788	3,366	+ 65
Clients	11,627,000	7,993,000	+ 216,000
Workforce at 31 December	45,729	38,908	+ 536

1. Consolidated figures for the Caisses of the Crédit Mutuel Centre Est Europe, Sud-Est, Ile-de-France and Savoie-Mont Blanc, of their joint Caisse Fédérale, the Banque Fédérative du Crédit Mutuel and its main subsidiaries: ACM, BECM, informatique, etc., including the CIC, Citibank Germany and Banco Popular France.

2. Excluding related accounts receivable and payable.

3. Excluding the effect of reciprocal operations between banks and insurance companies relating to the employee benefit plan and investments between insurance companies and banks.

Consolidated figures at 31 December 2008

	2008	Evolution 2008/2007
Caisses and branches	1,309	- 2
<i>Centre Est Europe</i>	900	- 17
<i>Sud-Est</i>	134	+ 2
<i>Ile-de-France</i>	171	+ 10
<i>Savoie-Mont Blanc</i>	64	+ 1
<i>BECM</i>	40	+ 2
Customers	4,061,001	+ 56,318
Members	2,377,226	+ 57,733
Elected officers	9,980	+ 59
Workforce	16,399	+ 345
Current savings (in billions of Euros)	73.8	+ 7.7%
Customer deposits ²	48.5	+ 13.5%
Bank financial savings	7.9	- 8.4%
Insurance financial savings	17.4	+ 1.4%
Loans outstanding (in billions of Euros) ²	75.4	+ 9.4%
Home	47.9	+ 8.5%
Consumer	4.7	+ 5.4%
Corporate	16.2	+ 11.1%
Public bodies	2.2	+ 0.2%

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