

THE CM5-CIC GROUP IN 2009

European growth and financial soundness

servicing shareholders and customers

During a financial year marked by a downturn in demand for finance, stabilisation of financial markets and a rise in credit risks, the CM5-CIC group ¹ has continued to support its shareholders and customers by listening to their needs and benefiting from their renewed confidence. In spite of the economic background, the group has shown steady business and produced net accounting revenue of 1,435 million euro.

Broader horizons

The CM5-CIC group has strengthened its operating base with the Fédération du Crédit Mutuel Midi-Atlantique (Toulouse) joining the group and the integration of Targobank (ex-Citibank Germany), the Cofidis group and CIC Iberbanco (ex-Banco Popular France), while also developing its banking-insurance model.

The group, the core business of which is retail banking, has continued to improve quality and to extend its network that, with the addition of 62 branches (on a comparable basis), has reached 3,939 branches. Furthermore, mobilising its employees has enabled the group to offer better service to its customer base of private individuals, businesses and associations; the group is banker to more than one business in three.

Steady business

The network's dynamism, local image and the quality of its commercial product range have provided:

- net growth of 412,100 new customers (excluding those brought by Cofidis) making a total of 15.5 million, the Cofidis group adding 3.5 million customers;

¹ . CM5 comprises the Fédérations of Crédit Mutuel Centre Est Europe (Strasbourg), Sud-Est (Lyon), Ile-de-France, Savoie-Mont Blanc (Annecy) and Midi-Atlantique (Toulouse).

- a rise in customer credit of 10.2 billion euro, including the contribution from the Cofidis group (7.8 billion); this brings the total of outstanding loans to 225.2 billion;
- a 44.9 billion (+12.5%) increase in managed and retained savings for total funds of 403.8 billion;
- a rise of 1,305,600 insurance contracts bringing the stock to 21.4 million.

Relying on its technological expertise, the group has strengthened its position in the e-banking sector, flows management and mobile telephony. In this way it has opened up new prospects generating income and responding to consumer expectations.

Income

Net accounting revenue has reached 1,435 million euro compared to 509 million in 2008. The group's share of net income is 1,194 million compared to 353 million in 2008.

Total net banking income (NBI) grew from 5,795 million in 2008 to 10,226 million at 31 December 2009, due to inclusion of Crédit Mutuel Midi-Atlantique and the acquisitions of Cofidis and Targobank. One quarter was earned internationally.

The cost of risk came to 1,987 million at 31 December 2009 compared to 1,064 million in 2008.

As a result the cost of risk as a proportion of outstanding credit loans rose to 0.75%. The cover ratio for bad debts was 63% at 31 December 2009.

Share equity reached 23.5 billion.

The European tier one solvency ratio was 10.3% at 31 December 2009 (Basel 1 capped) and 10.5% (Basel 2 rules) and tier one prudential own funds at 17.9 billion euros.

The group was scored A+ by Standard & Poor's, Aa3 by Moody's and AA- by Fitch.

• Retail banking

In 2009 the CM5-CIC group continued to listen to its private customers, professionals, businesses and associations.

In the banking networks, loans at 165 billion euro display good strength with an increase in outstanding loans of 2% compared to 2008, based on home loans (+3%) and investment loans (+5%).

In the same way, deposits standing at 105.4 billion showed growth of 9%. Managed savings funds, at 87 billion, saw growth of 17%.

The NBI from retail banking was 7,691 million compared to 4,818 million (+8.3% on a comparable basis and multiplied by 1.6 through acquisitions) and income before tax was 1,464 million compared to 1,167 million, due to the rise in credit risks.

General costs grew by 7% (on a comparable basis) to 4,712 million. The operating ratio improved from 67.3% to 61.3%.

The cost of risk was 1,538 million, growing by 53% on a comparable basis.

• Insurance

Insurance revenue grew by 20.3% to 8.1 billion euro, including 31.9% for the “life” sector.

In order to develop its international influence, during 2009 the group signed partnership agreements with the Royal Automobile Club of Catalonia (103,800 contracts in the portfolio at 31 December 2009 and 300 new contracts per day) and bought out the company Partners in Belgium.

At the end of 2009, the group’s insurance business covered 7.3 million policyholders with more than 21.4 million contracts. In life assurance managed funds amount to 56.7 billion (+8%).

Net insurance income was 956 million in 2009 compared to 781 million in 2008, after paying out 747 million to the agency network (+6.7% compared to 2008). Income before taxes was 614 million compared to 485 million.

• Financing and Capital Markets

Income before taxes was 882 million euro to 31 December 2009 compared to -744 million in 2008, with net banking income of 1,532 million compared to 26 million.

In this business, the financing activity saw income before taxes grow by 13.7% to 225 million and its net banking income by 37.4% to 461 million. Outstanding credits rose to 18.6 billion. The cost of risk went from 64 million in 2008 to 158 million at 31 December 2009.

For capital activities, after a year marked by the financial and banking crisis and the rise in credit spreads during 2008, 2009 saw a stabilisation of financial markets. As a result, income before taxes went from -942 million in 2008 to 657 million to 31 December 2009 and net banking income from -310 million to 1,072 million. The cost of risk in 2009 was 221 million compared to 465 million in 2008.

The CM5-CIC group stayed strictly within G20 guidelines for payment of bonuses to market professionals. More than 50% of bonuses were deferred and subject to a surcharge. The ratio of total salary payments to income was 10.4%.

• Private banking

Income before taxes went from 47 million euro in 2008 to 95 million at 31 December 2009 and net banking income from 427 million to 397 million.

Despite the crisis, commercial performance is satisfactory.

• Capital development

In a relatively unfavourable economic environment, this business achieved income before taxes of 21 million euro to 31 December 2009. Invested funds were increased to 2 billion.

The group is represented in 480 French businesses with a portfolio of more than 2 billion. These investments were made to help the economy and not speculatively, since 50% of these lines are held for more than 5 years and 20% for more than ten years.

CM5 (excluding CIC, Targobank, Cofidis and CIC Iberbanco)

Since 1 January 2009, Fédération du Crédit Mutuel of Midi-Atlantique — 90 sales outlets and 275,000 customers — joined the Joint Federal Fund to the Centre East Europe (Strasbourg), South-East (Lyon), Ile-de-France and Savoie-Mont Blanc Federations, so forming the CM5 group.

Moreover, the Crédit Mutuel Anjou and Océan Federations joined the CM5-CIC data processing network in May 2009.

The group continues to strengthen its network, which at 31 December 2009 had 1,412 sales outlets service 4,371,500 customers (+35,000 on a comparable basis).

2,592,000 members (165,000 joined CM5 in 2009) take part in the life and development of their 804 local branches. The quality of the relationship formed by the group with its customers is especially confirmed by the first place gained in 2009, for the second year running, on the BearingPoint/TNS Sofres customer relations podium, for the banking sector.

Outstanding **customer credits** went from 75.6 to 78.3 billion, taking account in particular of the contribution from Midi-Atlantique (3.1 billion). Home loans represented 51 billion (+1.4%¹), and consumer credit of 5 billion (+5.8%¹).

Total **savings funds** grew by 9%¹ to 81.4 billion, including 51 billion for account deposits (+1.4%¹) divided between 32.2 billion for savings accounts, special savings accounts and current accounts, 9.2 billion for “building society” accounts (+5.7%¹) and 9.5 billion for bonds and deposit accounts (23.3%). Bank financial savings funds rose by 31.5%¹ to 10.7 billion and assurance savings by 12.3%¹ to 19.5 billion.

Prospects: always supporting customers and members

The group is strengthening its network in France and neighbouring countries, broadening its business and field of activity.

The rationalisation of technical and financial tools is continuing.

With 23.5 billion euro in recognised share equity and super-subordinated debt, increased by 3 billion after repayment of the 1.036 billion load to SPPE, the CM5-CIC group is facing the future with confidence and determination.

It is taking an active part in financing local, regional and national economies. In these difficult times, with its strong roots and the involvement of its teams of elected directors and employees, the group is continuing to assert its mutual character by remaining close to all its members (shareholders) and customers.

For several years, and even in periods of crisis, Crédit Mutuel, “financial cooperative” focused on the individual, the family, local, regional and national businesses, has demonstrated the soundness of its business model, which is based on responsi-

1. on a comparable basis.

lity and not on profit. It is different from other financial institutions in three essential ways.

– In terms of **ownership**: at Crédit Mutuel, users, “member-customers”, are all owners of the institution by holding shares in the business. This affects more than 12 million people. In a capitalist bank, the owners are not customers, but shareholders (investors, hedge funds, individual owners, businesses, speculators, etc.) who expect sizeable annual dividends. At Crédit Mutuel, there is a strong link between member and customer. It is therefore an association of people while the traditional bank is an association of capital.

– Crédit Mutuel is also different in terms of **participation in decisions** because all member-customers can attend the company’s annual shareholders’ meetings. These member-customers are eligible to hold voluntary administrative positions (so free) in their local bank and in other levels of the organisation. In a capitalist bank, the customer does not take part in shareholders’ meetings, is not eligible for administrative roles and it is the shareholder investors that elect members of the Board of Directors on the recommendation of directors. At the time when capitalism was learning about the concept of control by “independent governance” of the paid management, at Credit Mutuel management is controlled by 11,000 independent elected volunteers, as it has been for 130 years. No decision is taken without first asking the question: “what will our elected volunteers representing the member-customers say?”

– The third point that differentiates Crédit Mutuel is in the way it **shares income**. Management surpluses are paid into general reserves that cannot be shared between member-customers (1947 law on cooperatives). One of the most significant characteristics is that our financial cooperative is inalienable, in other words it can be neither sold nor subject of a takeover bid. On the other hand, it can be liquidated by members’ decision. In some ways we are part of the “national heritage”, which gives us a certain freedom of expression and action in an environment controlled by free market politics and which has deviated into unbridled capitalism.

In general the society has changed and so have the needs of our member-customers. Crédit Mutuel and its local banks have adapted themselves to offer the same products as other banks and insurance companies. This requires us to be as good, if not better, than other banks while being guided not by profit — even if we have to be good managers —, but by an ethic of “mutual well-being”.

Crédit Mutuel has demonstrated that it has the right ethic for 130 years. In 2009, the economic crisis combined with the financial crisis did not prevent it from continuing its development and evolution, while still maintaining a good solvency ratio (10.3% in 2009 compared to 8.8% in 2008). All our employees, who given our decentralised structure are close to customers, are encouraged to serve them better and restart the economy.

Audit procedures for the consolidated accounts have been carried out. The certification report will be issued after finalisation of the required additional procedures to publish the annual financial report.

CM5-CIC group ¹**Consolidated figures at 31 December 2009**

(in millions of euros)

	2009	2008
Business		
Total assets	434 298	440 559
Customers loans, including leasing ²	225 166	214 931
Savings managed and held ²	403 751	358 873
– including customer deposits ²	146 207	127 564
– including life insurance	56 662	52 432
Equity capital		
Equity capital and super-subordinated loans (including the results of the financial year and before distribution)	23 468	20 145
Workforce at 31 December		
Branches	50 831	45 729
Customers	3 939	3 787
	15 536 100	11 626 800
Profit and loss account items		
Net banking income ³	10 226	5 795
General operating expenses	- 6 052	- 4 387
Gross operating income	4 174	1 409
Cost of risk	- 1 987	- 1 064
Operating income	2 187	344
Net gains/losses on other assets and share	- 83	37
Income before tax	2 103	381
Income tax	- 668	127
Net accounting profit	1 435	509

1. Consolidated figures for the local banks of Crédit Mutuel Centre Est Europe (Strasbourg), Sud-Est (Lyon), Ile-de-France, Savoie-Mont Blanc (Annecy) and Midi-Atlantique (Toulouse), of their joint Caisse fédérale, of Banque Fédérative du Crédit Mutuel and its main subsidiaries : ACM, BECM, informatique, etc., including CIC, Targobank, Cofidis and CIC Iberbanco.

2. Including related accounts receivable and payable; SFEF issues are not counted as customer deposits.

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

Consolidated figures at 31 December 2009

	2009	2008
Local banks et branches	1 412	1 308
<i>Centre Est Europe</i>	889	902
<i>Sud-Est</i>	138	133
<i>Ile-de-France</i>	189	171
<i>Savoie-Mont Blanc</i>	65	61
<i>Midi-Atlantique</i>	90	-
<i>BECM</i>	41	41
Customers	4 371 500	4 061 000
Members	2 592 400	2 377 200
Elected officers	10 903	9 980
Workforce	17 726	16 527
Current savings (in billions of euros)	81,4	72,1
Customer deposits ²	51,2	46,7
Bank financial savings	10,7	7,9
Insurance financial savings	19,5	17,4
Loans outstanding (in billions of euros) ²	78,3	75,6
Home	51,0	47,9
Consumer	5,0	4,5
Corporate	15,5	16,5
Public bodies	2,2	2,2

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