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Banque Federative du Credit Mutuel

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Major Rating Factors

Strengths:

- Strong franchise in French retail banking and insurance market.
- Moderate risk profile, benefiting from the large proportion of low-risk residential-housing lending.
- Satisfactory risk-adjusted capitalization.

Counterparty Credit Rating
A+/Stable/A-1
Ratings Detail >>

Weaknesses:

- Just adequate retail profitability.
- Significant increase in cost of credit risk to still below average levels.
- Challenge to integrate sizable acquisitions in higher-risk consumer financing.
- Potential remaining sensitivity to market volatility stemming from legacy securitization portfolio.

Rationale

The ratings on Banque Fédérative du Crédit Mutuel (BFCM) are based on its core position as the funding arm of the French regional retail banking group Crédit Mutuel Centre Est Europe – Crédit Industriel et Commercial--newly renamed CM5-CIC, since the Crédit Mutuel Midi-Atlantique federation (CMMA) joined former CM4-CIC on Jan. 1, 2009. In Standard & Poor's Ratings Services' view, BFCM's credit risk mirrors that of its parent, CM5-CIC, given the bank's total operational integration within the parent group.

CM5-CIC is the largest of the regional federations of cooperative banks that form Groupe Crédit Mutuel (GCM), accounting for 70% of the group's loans and deposits. GCM is the third-largest retail banking network in France, and one of the two most successful bancassurers. The creditworthiness of CM5-CIC is underpinned by its strong franchise in domestic retail banking with a leading position in non-life bancassurance, and a satisfactory financial profile.

Standard & Poor's views the CM5-CIC group as having high systemic importance in France. We classify France as a supportive country under our methodology, reflecting our opinion that the government relies on prudential policies to maintain a sound banking sector. The current ratings on BFCM reflect CM5-

CIC's stand-alone credit profile and do not incorporate explicit uplift for potential external extraordinary support.

Focus on domestic retail banking and insurance has allowed CM5-CIC to weather the economic downturn better than peers, but acquisitions of consumer finance activities, characterized by higher credit risk, has weakened its capital adequacy and increased its risk profile in a tough environment.

Confronted with modest organic growth prospects in its core domestic business, CM5-CIC recently shifted its strategy by making two fairly large consumer finance acquisitions. In late 2008, it acquired the activities of Citibank Deutschland (Citi), followed by the acquisition in March 2009 of a controlling stake in Cofidis Participations, the parent company of Cofidis S.A. (Cofidis, A/Stable/A-1). We recognize the medium-term strategic rationale of these moves, which will provide CM5-CIC with business and geographic diversification. However, benefits are outweighed in our opinion, at least in the short term, by the significant impact of the acquisition of Citi on the group's capitalization and financial flexibility, our rather pessimistic outlook for consumer finance, and the operational risk associated with the acquisition of businesses in which the group has little expertise.

CM5-CIC's profitability deteriorated to a modest level in 2008 due to strong domestic competition amid the economic slowdown and to poor performance in market activities. In 2009, we expect profitability to rebound to a just adequate level. In our view, loans outstanding will stabilize as a result of a sharp decrease in new loan generation, notably for mortgages. The acquisitions of Citi and Cofidis should boost retail revenues and enhance the group's overall cost-to-income ratio. We expect a significant rise of cost of credit risk in 2009 to a still below average level, at about 1% of average net customer loans, partly due to the acquisition of riskier consumer finance activities from Citi and Cofidis which represent close to 10% of gross loans. In 2010, we expect a moderate decrease in CM5-CIC's earnings, reflecting flat revenues pro forma, a low single-digit increase in expenses, and a further rise of cost of risk. Nevertheless, at the current point of the economic cycle, CM5-CIC's risk-adjusted performance remains relatively satisfactory with a coverage of credit risk at about 2x.

Since 2005, CM5-CIC has scaled down its proprietary trading and focused on client-driven operations. Remaining sensitivity to market volatility primarily stems from CIC's securitization portfolio which is managed in a run-off mode. CM5-CIC is structurally exposed to the lowering and flattening of the interest rate curve.

Our risk-adjusted capital (RAC) framework indicated a satisfactory 7.2% RAC ratio at year-end 2008. We expect CM5-CIC's ratio to remain in the same range at year-end 2009, close to the expected average for international peers.

Outlook

The stable outlook incorporates our expectation for some deterioration in the group's risk profile, which should however remain comparatively better than the average for European peers. We also expect CM5-CIC to maintain a satisfactory capital position and just adequate but resilient profitability. We believe that in the short term, the operational risk related to the integration of Cofidis, as well as the high associated credit risk, will balance the revenues and diversification benefits expected from the acquisition. In our view, the contribution from Citi to consolidated earnings should remain marginal in the coming years.

The ratings could come under downward pressure in the case of unexpected major risk issues either in domestic banking, consumer finance operations, or in capital market activities.

Conversely, a clear recovery in the performance of domestic banking would be a positive rating factor.

Profile: Strong Domestic Retail Banking Franchise And Leading Position In Bancassurance

BFCM serves as the holding company for its parent, CM5-CIC, and is the direct parent of CIC. BFCM also acts as the funding arm for the group and a large number of other Crédit Mutuel federations. Moreover, the bank has developed expertise in payment systems and retail banking technology, which it also provides to other Crédit Mutuel entities.

CM5-CIC enjoys a wide domestic retail banking franchise and position as one of the two most successful domestic bancassurers in France. Initially a regional cooperative bank based in northeastern France, CM5-CIC diversified geographically, both through aggregation with four other Crédit Mutuel regional federations and the acquisition of CIC and its nationwide branch network. More recently it expanded its consumer finance activities in France and abroad through the acquisitions of Citi and Cofidis. The group has a still moderate risk profile. Corporate and investment banking (CIB) activities are

relatively small, and the weight of international activities is still very moderate. We expect loans outstanding to stabilize in 2009 as a result of a sharp decrease in new loan generation, notably for mortgages.

Retail banking

The group has attained its strong retail banking position through two branch networks: the 1,394 outlets of the five Crédit Mutuel regional banking federations--Centre-Est Europe, Ile-de-France, Sud-Est, Savoie Mont-Blanc, and, since 2009, CMMA (collectively referred to as Crédit Mutuel Centre-Est Europe; CMCEE)--and the 2,122 branches of CIC and its five regional banking hubs spread across the entire country. The group had nationwide market shares of 11.6% in loans and 7.4% in deposits as of Dec. 31, 2008 (these figures do not include CMMA which joined in 2009). CM5-CIC has conducted a consistent policy of increasing lending in the past few years, generally gaining market share over its competitors, and aims to pursue this development in the years ahead.

The two recent, fairly large acquisitions in consumer finance increase the group's overall credit risk, which remains moderate, though. We expect the acquisitions to provide business diversification and much wider margins, which should balance CM5-CIC's only modest organic growth prospects in its core domestic business.

CM5-CIC's insurance business, centralized at Groupe des Assurances du Crédit Mutuel (GACM), has proven very profitable for years. The group has built up a leading position, with collected premiums reaching €6.8 billion in 2008. GACM's products are distributed by 15 of the 18 Crédit Mutuel federations and CIC. With €52 billion in managed savings, GACM's position is less outstanding in life, but remains healthy.

Corporate and investment banking

CIC is the primary center for CIB activities within the group. CM5-CIC organizes capital market activities under one unified management and control structure made up of three units: treasury (at BFCM), client-driven operations, and own-account trading (at CIC). The group has scaled down its proprietary trading operations and now focuses on client-driven operations as part of its global product offering.

The group also conducts private banking services through a certain number of brands, notably Banque Transatlantique and Banque de Luxembourg.

On the private equity side, the group engaged in operations which are mostly small-ticket and local. The own-account portfolio was worth €1.7 billion at midyear 2009, unchanged since year-end 2007.

Support And Ownership: The Drivers Of The Crédit Mutuel Cooperative Group's Creditworthiness

The ratings on BFCM reflect CM5-CIC's stand-alone credit profile and do not incorporate any explicit uplift for external support. Standard & Poor's views the CM5-CIC group as a systemically important banking group in France. We classify France as a supportive country under our methodology, reflecting our opinion that the government relies on prudential policies to maintain a sound banking sector. The credit ratings on private sector banks in supportive countries receive no uplift for potential external extraordinary support.

The Confédération Nationale du Crédit Mutuel (CNCM) is GCM's central body. It is the representative and supervisory body in charge of ensuring adequate group liquidity and solvency, and is empowered to take any steps to this end. GCM's uneven structure, under which certain regional federations hold greater financial and political power than others, means that, in practice, CNCM shares power with the largest regional federations, particularly CM5-CIC. Going beyond the support required by regulatory mechanisms, CM5-CIC has often supported weaker Crédit Mutuel federations, eventually merging with them. In addition, it plays a key role for several other federations by offering funding, information technology (IT), and insurance services.

BFCM and CIC do not have cooperative status and therefore are not bound by the group's system of solidarity. We believe, however, that these entities' core status in CM5-CIC ensures them of equivalent implicit support from the group.

On Dec. 31, 2008, BFCM was 95% owned by CM5-CIC, mostly through the latter's "caisse fédérale" (regional clearing bank). Eleven other Crédit Mutuel federations owned the rest of BFCM's capital.

Strategy: Strong Growth Appetite And Recent

Expansion In Consumer Finance

Focus on domestic retail banking and insurance has allowed CM5-CIC to weather the economic downturn better than peers.

In the past, CM5-CIC mostly focused on organic growth in France, but 2008 marked a change in this development policy. In that year, BFCM made its first large move abroad with the acquisition of Citi, which had roughly 3.4 million customers and €12 billion in net loans, mainly in consumer finance, and operated through 340 outlets. It also took control, in March 2009, of Cofidis. Although we believe that the timing for the acquisition of Citi was not optimal, given the subsequent economic downturn, we recognize the medium-term strategic rationale of these moves, which will provide business and geographic diversification. However, benefits are outweighed in our opinion, at least in the short term, by the significant impact of the acquisition of Citi on capitalization and financial flexibility, our rather pessimistic outlook for consumer finance, and the operational risk associated with the acquisition of businesses in which the group has little expertise.

CM5-CIC's domestic organic growth strategy has focused on branch openings, with more than 600 branches opened since 1999, and a further acceleration in recent years. The group has enhanced its domestic franchise in the past few years through gains in both deposit and credit market shares, as well as through cross-selling. According to the bank, its domestic loan and deposit market shares increased by 1.3 and 0.6 percentage points in the past three years to reach 11.6% and 7.4% on Dec. 31, 2008. The organic growth strategy translated into higher-than-average cost growth and should continue to weigh on the group's operating profitability, considering that the group's domestic revenue growth has been lagging behind that of best performing peers.

We view positively the group's past decision to cut its most complex trading activities following the market risk management issues that came to light in 2004-2005. The downsizing and reorganization of these activities and establishment of a detailed risk management framework has reduced to a moderate level the bank's structural exposure to trading risk. Significant write-downs registered in 2007 and 2008 reflect, however, remaining sensitivity to market volatility.

Risk Profile And Management: Sound Assets And Improved Market Risk Management

Enterprise risk management: adequate

CM5-CIC's enterprise risk management (ERM) is adequate given its moderate risk profile. While the network of CIC and its regional banks remains separate from that of CMCEE, risk control has been coordinated across the whole CM5-CIC group. This is made easier by the fact that all CIC banks have migrated to CM5-CIC's IT platform, which is also currently being used by 15 regional bank federations within GCM. With the acquisition of Citi and Cofidis, the group is set to intensify its efforts to preserve comprehensive coverage and groupwide risk management integration.

Credit risk

CM5-CIC's asset quality is sound and set to continue comparing well with that of both domestic and international peers. This is the result of the group's historic domestic focus, as well as the large size of its retail mortgage book. We factor in a significant rise of cost of risk in 2009 to a still below average level, at about 1% of average net customer loans, partly due to the acquisition of riskier consumer finance activities from Citi and Cofidis which are equivalent to close to 10% of the gross loan amount at year-end 2008.

At group level, 71% of customer loans were retail exposures at year-end 2008, and about 50% of total loans were housing loans. Exposures to small and midsize enterprises (SMEs), mostly located in CIC's portfolio, made up 21% of the group's total customer loans.

The group has a robust credit risk management framework which covers its domestic activities, supported by very efficient IT systems. Despite the decentralized nature of the CM5-CIC network, the bank monitors risk management tightly. Concentration risk is therefore well identified, and remains moderate at the CM5-CIC group level. However, in our opinion the group will face challenges to extend its credit risk management framework to encompass its recent acquisitions.

The overall level of nonperforming loans has increased, at 4.3% of gross loans at midyear 2009, which incorporates the recently acquired consumer lending portfolios. In our view, the coverage by loan loss reserves is adequate given the proportion of collateralized housing loans. Due to the deterioration in the French economy, the group's cost of credit risk increased in 2008, to 0.27% of average customer loans

when excluding the €549 million one-time impact of Lehman Brothers and the Icelandic Banks. This rise follows historically low levels that prevailed between 2005 and 2007, at about 10 basis points. The group's cost of risk will likely further rise in 2009, by 0.6 to 0.8 percentage points, including Citi and Cofidis. In our view CM5-CIC's cost of risk could deteriorate further in 2010, but to a lesser extent.

Market risk

We consider CM5-CIC's market risk management to be adequate, following the 2006 reorganization of control functions into a single "CM-CIC marchés" risk management division. The group further improved risk management by creating in 2007 an integrated group risk department.

As a commercial bank with a large amount of sight deposits and many long-term fixed-rate mortgages, CM5-CIC is structurally exposed to the lowering and flattening of the interest rate curve, before any hedging of this exposure. The group's large fixed-rate mortgage book also creates some sensitivity to long-term interest rate hikes.

The group keeps market activities moderate, and above all limits them to a certain number of well-defined products. In addition to cutting its equity derivatives activities, CM5-CIC also reduced its market-making activities and all those using mark-to-model valuation techniques. A specific team in charge of hedging supports the client-oriented business and carries out back-to-back hedging on the markets for the most complex operations.

BFCM still engages in some sophisticated market activities, including correlation risk arbitrage and a proprietary spread book, but positions are small relative to the group's size. Remaining sensitivity to market volatility also stems from CIC New-York's legacy securitization portfolio, which still included U.S. residential mortgage-backed securities (RMBS) for a net amount of €2.5 billion at midyear 2009, more than 50% of which was rated below 'B'. The coverage of this portfolio, which we believe was in a likely 20% to 30% range in 2009, could be revised upward in 2010 depending on economic trends in the U.S.

Funding and liquidity risk

CM5-CIC's liquidity is satisfactory due to careful management and to the market's favorable perception of its risk profile. While remaining adequate, CM5-CIC's funding structure is less favorable than that of French peers. The group benefits from a stable deposit base, but CIC's corporate portfolio remains largely wholesale funded. Also, €9.7 billion of CMCEE's deposits consist of Livret Bleu savings products, which have to be transferred to a French state institution and therefore cannot be used to fund the group's loans. As a result, the group's loans-to-deposits ratio stood at a high 181% at year-end 2008.

BFCM mainly handles the group's access to debt capital markets. It collects all of the CMCEE local banks' deposits and provides them in turn with necessary funding. BFCM also acts as the funding arm for 10 other federations.

Profitability: Increasing Cost Of Risk Dents Recurrent Retail And Insurance Revenues

We expect CM5-CIC's profitability to rebound to a just adequate level in 2009. In our view, 2010 should see a material decline of the group's profitability reflecting stable revenues pro forma, low single-digit growth in expenses, and a further increase in loan loss provisions. At this point in the economic cycle, CM5-CIC's risk-adjusted performance remains relatively satisfactory with a 2x coverage ratio of credit risk by net operating income.

The acquisitions of Citi and Cofidis should boost retail revenues and enhance the group's overall cost-to-income ratio, which we expect to recover to about 60% compared with 75.7% in 2008, based on a normalized environment for market activities. We expect the underlying cost of risk to increase significantly and to weigh on profitability in 2009. We believe that Cofidis will bring some additional earnings to the group, while, in our view, the contribution to net income from the integration of Citi should remain marginal in the coming years.

Table 1 presents the trends in profitability by business line.

Table 1 | [Download Table](#)

CM5-CIC Group Net Income By Business Line						
(Mil. €)	1H2009/1H2008		2008/2007 (%)			
	1H2009	(%)	1H2008	2008	2008/2007 (%)	2007
Retail	345	(8.5)	377	760	(18.9)	937

Insurance	180	(33.1)	269	390	(29.0)	549
Corporate banking	57	(47.2)	108	128	(30.8)	185
Market activities	215	(189.2)	(241)	(604)	N.M.	48
Private banking	52	(27.8)	72	42	(68.9)	135
Private equity	3	(95.9)	74	77	(76.5)	327
Structure and holding	(278)	82.9	(152)	(285)	N.M.	(20)
Total	574	13.2	507	509	(76.4)	2,161

Source: CM5-CIC Group. N.M.--Not meaningful.

Because Cofidis began to be consolidated from March 2009, it contributed only for four months to the group's first-half 2009 profit and loss. Citi, which was first consolidated in December 2008, contributed for one month to the group's profit and loss in 2008, but will contribute on a full year basis to the group's profitability in 2009.

In our expectations for group retail revenues in 2009, we incorporated two analytical adjustments regarding Citi. First, the amount paid for the acquisition included a positive amount reflecting the portfolio revaluation difference at fair value based on the market interest rates for such types of loans, which will be amortized through profit and loss over the lifetime of the loans. Although this was classified under "structure and holding" in the bank's financial disclosures in 2008, we adjust for this amortization charge when we make revenue projections for the retail business line. Second, we reinstate in the retail revenues the cost of financing of the acquisition, which the bank also classified under structure and holding.

In our view, profitability is likely to rebound to some extent in 2009, after having bottomed out in 2008 primarily due to the tough financial market conditions. The overall interest rate margin is structurally constrained by the high proportion of housing loans on CM5-CIC's balance sheet. Although we believe that the group will manage to increase rates on new loans generated in 2009, we expect the interest margin to remain tight in the medium term.

The group's marketing skills and leveraging of CIC's clientele have allowed a sustained increase in noninterest revenues, with fees and commissions, insurance income, and revenues from other activities amounting to 52% of total revenues in 2008. Retail revenues grew by 2% in 2008, more or less in line with the market. In the current context of reduced loan generation, we see CM5-CIC's well-performing insurance business as a key competitive advantage. The consumer finance activities will bring sizable additional revenues stemming from wider margins, and representing potentially close to half of the revenues generated by the retail activities in 2008.

Expenses were stable in 2008. Despite extended sharing of tools, systems, and products throughout the group, including in CIC, we believe expenses are set to resume steady organic growth in 2009, at a high rate of more than 5%. The consolidation of Citi and Cofidis is likely to help bring down the cost-to-income ratio, which we expect to decrease to 60% for 2009. A potential natural increase in retirement at CIC could help lower operating costs in the future.

We expect a significant increase in underlying cost of credit risk to weigh on earnings in 2009, notably stemming from new consumer financing businesses. Our calculation of the ratio of annualized cost of risk to average customer loans for first-half 2009 indicated a high 6.9% for Cofidis and 3.2% for Citi. In our view, the rise of the group's cost of risk will also result from a roughly doubling of cost of risk on lending to SMEs and self-employed professionals as compared with 2008. In 2010, we expect some further increase of the group's cost of risk and a material decline in profitability.

In applying new accounting regulations, in 2008 the group reclassified sizable amounts of financial assets between its trading, available-for-sale, loans and receivables, and held-to-maturity portfolios. These reclassifications did not significantly affect the cumulated net profit and loss from July 1, 2008, to June 30, 2009.

Capital: Satisfactory Despite The Citi Acquisition

Reflecting its moderate credit and market risk profile, CM5-CIC's risk-adjusted capitalization is satisfactory, despite the impact in 2008 of the acquisition of Citi, including a large portion of goodwill, almost entirely debt financed.

Our new RAC framework indicated a satisfactory 7.2% RAC ratio at year-end 2008 (see table 4). We computed a one-to-one capital charge for the insurance activities, sized on a 180% solvability margin basis. We expect CM5-CIC's ratio to remain in the same range at year-end 2009, close to the expected

average for international peers.

The group's Tier 1 capital base increased in 2008. This resulted notably from the group's decision to apply, starting from 2008, a temporary exceptional treatment which allows the deduction of all insurance equity from Tier 2 capital (previously the deduction was limited to the capital part of the equity but was made from the Tier 1 capital base).

At year-end 2009, we expect the group's Tier 1 ratio to increase to about 10% versus 8.8% at year-end 2008, notably reflecting significant capital relief under Basel II's 80% transition floor. BFCM reimbursed on Oct. 1, 2009, the €1.0 billion hybrid capital that the French state had injected in 2008 as part of its plan to support the country's six main domestic banks in exchange for their commitment to boost loan growth to the domestic economy. In our view, the group has the ability to further increase its Tier 1 capital base in 2009.

We include B shares in our adjusted common equity measure. These shares amounted €3.4 billion outstanding at year-end 2008. B shares are redeemable shares, with redemption at the discretion of the local banks' boards of directors and no mandatory dividend payments.

Table 2 | [Download Table](#)

CM5-CIC Group Balance Sheet Statistics										
(Mil. €)	--Year ended Dec. 31--					Breakdown as a % of assets (adj.)				
	2008	2007	2006	2005	2004	2008	2007	2006	2005	2004
Assets										
Cash and money market instruments	58,344	48,225	53,342	51,809	42,014	13.51	11.88	15.25	16.53	15.44
Securities	134,988	160,564	126,178	117,896	62,108	31.26	39.56	36.07	37.62	22.83
Trading securities (marked to market)	53,140	93,691	61,530	66,133	29,340	12.31	23.08	17.59	21.10	10.78
Nontrading securities	81,848	66,873	64,648	51,763	32,768	18.96	16.48	18.48	16.52	12.04
Customer loans (gross)	214,372	181,826	152,162	126,682	110,804	49.65	44.80	43.50	40.42	40.73
All other loans	214,372	181,826	152,162	126,682	110,804	49.65	44.80	43.50	40.42	40.73
Loan loss reserves	4,826	2,796	2,997	3,133	3,223	1.12	0.69	0.86	1.00	1.18
Customer loans (net)	209,546	179,030	149,165	123,549	107,581	48.53	44.11	42.65	39.42	39.54
Earning assets	391,237	383,968	326,700	290,979	210,951	90.61	94.60	93.41	92.84	77.54
Equity interests/participations (nonfinancial)	224	324	71	57	1,250	0.05	0.08	0.02	0.02	0.46
Inv. in unconsolidated subsidiaries (financial co.)	119	114	105	92	N.A.	0.03	0.03	0.03	0.03	N.A.
Intangibles (nonservicing)	4,104	902	797	737	656	0.95	0.22	0.23	0.24	0.24
Fixed assets	3,452	3,218	3,156	2,627	2,182	0.80	0.79	0.90	0.84	0.80
Derivatives credit amount	4,523	3,167	1,346	722	N.A.	1.05	0.78	0.38	0.23	N.A.
Accrued receivables	4,042	4,047	8,893	8,891	9,787	0.94	1.00	2.54	2.84	3.60
All other assets	21,217	13,482	13,046	12,160	50,846	4.91	3.32	3.73	3.88	18.69
Total reported assets	440,559	413,073	356,099	318,540	276,422	102.03	101.77	101.81	101.64	101.60
Less insurance statutory funds	(4,667)	(6,297)	(5,535)	(4,393)	(3,706)					
Less nonservicing intangibles+ I/O strips	(4,104)	(902)	(797)	(737)	(656)	(0.95)	(0.22)	(0.23)	(0.24)	(0.24)
Adjusted assets	431,788	405,874	349,767	313,410	272,061	100.00	100.00	100.00	100.00	100.00
Breakdown as a % of liabilities + equity										
	2008	2007	2006	2005	2004	2008	2007	2006	2005	2004

Liabilities										
Total deposits	183,907	131,022	118,401	109,734	89,043	41.74	31.72	33.25	34.45	32.21
Noncore deposits	65,578	32,444	29,824	27,928	10,861	14.89	7.85	8.38	8.77	3.93
Core/customer deposits	118,329	98,578	88,577	81,806	78,181	26.86	23.86	24.87	25.68	28.28
Repurchase agreements	4,596	19,046	45,916	38,548	56,668	1.04	4.61	12.89	12.10	20.50
Other borrowings	105,138	103,328	75,833	54,499	44,397	23.86	25.01	21.30	17.11	16.06
Other credit reserves	N.A.	N.A.	N.A.	N.A.	455	N.A.	N.A.	N.A.	N.A.	0.16
Other liabilities	126,667	139,280	97,291	99,899	72,914	28.75	33.72	27.32	31.36	26.38
Total liabilities	420,308	392,676	337,441	302,680	263,476	95.40	95.06	94.76	95.02	95.32
Total shareholders' equity	20,251	20,397	18,658	15,860	12,946	4.60	4.94	5.24	4.98	4.68
Limited life preferred and quasi equity	107	107	297	323	323	0.02	0.03	0.08	0.10	0.12
Preferred stock and other capital	2,636	1,600	1,600	1,600	750	0.60	0.39	0.45	0.50	0.27
Minority interest-equity	2,218	2,182	1,939	1,515	1,205	0.50	0.53	0.54	0.48	0.44
Common shareholders' equity (reported)	15,290	16,508	14,822	12,422	10,668	3.47	4.00	4.16	3.90	3.86
Share capital and surplus	323	242	208	192	158	0.07	0.06	0.06	0.06	0.06
Revaluation reserve	(1,086)	511	692	403	0	(0.25)	0.12	0.19	0.13	0.00
General banking risk reserves	0	0	0	0	1,883	0.00	0.00	0.00	0.00	0.68
Reserves (incl. inflation revaluations)	12,320	10,616	8,684	7,282	4,932	2.80	2.57	2.44	2.29	1.78
Retained profits	353	1,845	2,017	1,414	892	0.08	0.45	0.57	0.44	0.32
Other equity	3,381	3,294	3,221	3,131	2,803	0.77	0.80	0.90	0.98	1.01
Memo: Dividends (not yet distributed)	(148)	(191)	(137)	(124)	(109)					
Total liabilities and equity	440,559	413,073	356,099	318,540	276,422	100.00	100.00	100.00	100.00	100.00

Equity Reconciliation Table

Common shareholders' equity (reported)	15,290	16,508	14,822	12,422	10,668
+ Minority Interest (equity)	2,218	2,182	1,939	1,515	1,205
- Dividends (not yet distributed)	(148)	(191)	(137)	(124)	(109)
- Revaluation reserves	1,086	(511)	(692)	(403)	0
- Non servicing Intangibles	(4,104)	(902)	(797)	(737)	(656)
- Postretirement benefit adjustments	0	(9)	(12)	(12)	0
Adjusted common equity	14,342	17,077	15,123	12,661	11,109
+ Admissible Prefs and hybrids	2,743	1,707	1,897	1,923	1,073
- Equity in Unconsolidated Subsidiaries	(119)	(114)	(105)	(92)	N.A.
- Capital of Insurance Subsidiaries	(4,750)	(4,139)	(3,502)	(2,914)	(2,914)
Adjusted total equity	12,216	14,531	13,413	11,578	9,267

N.A.--Not available.

Table 3 | Download Table

CM5-CIC Group Profit And Loss Statement Statistics										
	--Year ended Dec. 31--					Adj. avg. assets (%)				
(Mil. €)	2008	2007	2006	2005	2004	2008	2007	2006	2005	2004
Profitability										
Interest income	19,247	15,226	12,611	12,427	13,000	4.60	4.03	3.80	4.25	5.01
Interest expense	16,773	14,133	10,960	10,743	10,946	4.00	3.74	3.31	3.67	4.22
Net interest income	2,474	1,093	1,651	1,684	2,054	0.59	0.29	0.50	0.58	0.79
Operating noninterest income	3,277	6,142	5,805	4,474	3,688	0.78	1.63	1.75	1.53	1.42
Fees and commissions	1,833	1,795	1,686	1,510	1,493	0.44	0.48	0.51	0.52	0.58
Equity in earnings of unconsolidated subsidiaries	25	26	23	17	10	0.01	0.01	0.01	0.01	0.00
Trading gains	377	2,581	2,406	1,394	799	0.09	0.68	0.73	0.48	0.31
Other market-sensitive income	(131)	226	227	268	290	(0.03)	0.06	0.07	0.09	0.11
Net insurance income	939	1,282	1,161	1,068	822	0.22	0.34	0.35	0.36	0.32
Other noninterest income	234	232	302	217	274	0.06	0.06	0.09	0.07	0.11
Operating revenues	5,751	7,235	7,456	6,158	5,743	1.37	1.91	2.25	2.10	2.21
Noninterest expenses	4,319	4,193	4,064	3,818	3,692	1.03	1.11	1.23	1.30	1.42
Personnel expenses	2,444	2,490	2,457	2,309	2,159	0.58	0.66	0.74	0.79	0.83
Other general and administrative expense	1,539	1,394	1,300	1,223	1,224	0.37	0.37	0.39	0.42	0.47
Depreciation	336	309	307	286	308	0.08	0.08	0.09	0.10	0.12
Net operating income before loss provisions	1,432	3,042	3,392	2,340	2,051	0.34	0.81	1.02	0.80	0.79
Credit loss provisions (net new)	1,064	124	143	138	270	0.25	0.03	0.04	0.05	0.10
Net operating income after loss provisions	368	2,918	3,249	2,202	1,781	0.09	0.77	0.98	0.75	0.69
Nonrecurring/special income	13	19	13	15	51	0.00	0.01	0.00	0.01	0.02
General banking risk provisions	0	0	0	0	159	0.00	0.00	0.00	0.00	0.06
Amortization of goodwill and intangibles	0	0	0	0	57	0.00	0.00	0.00	0.00	0.02
Pretax profit	381	2,937	3,262	2,217	1,615	0.09	0.78	0.98	0.76	0.62
Tax expense/credit	(127)	776	934	607	574	(0.03)	0.21	0.28	0.21	0.22
Net income before minority interest	508	2,161	2,328	1,610	1,042	0.12	0.57	0.70	0.55	0.40
Minority interest in consolidated subsidiaries	155	316	311	196	150	0.04	0.08	0.09	0.07	0.06
Net income before extraordinary	353	1,845	2,017	1,414	892	0.08	0.49	0.61	0.48	0.34
Net income after extraordinary	353	1,845	2,017	1,414	892	0.08	0.49	0.61	0.48	0.34
Core Earnings Reconciliation										
Net Income (before Minority Interest)	508	2,161	2,328	1,610	1,042					
- Nonrecurring/Special Income	(13)	(19)	(13)	(15)	(51)					
+/- Tax Impact of	(4)	5	4	4	18					

Adjustments										
+ Amortization/ Impairment of Goodwill/ Intangibles	0	0	0	0	57					
+ General banking risk provisions	0	0	0	0	159					
Core earnings	491	2,147	2,319	1,599	1,225	0.12	0.57	0.70	0.55	0.47
	2008	2007	2006	2005	2004					
Asset Quality										
Nonperforming assets	6,742	4,267	4,506	4,652	4,744					
Nonaccrual loans	6,742	4,267	4,506	4,652	4,744					
Net charge-offs	253	320	268	277	292					
Average balance sheet										
Average customer loans	194,288	164,098	136,357	115,565	103,219					
Average earning assets	387,603	355,334	308,840	250,965	200,628					
Average assets	426,816	384,586	337,320	297,481	263,823					
Average total deposits	157,465	124,712	114,068	99,388	86,890					
Average interest-bearing liabilities	273,518	246,773	221,466	196,444	182,590					
Average common equity	15,899	15,665	13,622	11,545	10,090					
Average adjusted assets	418,831	377,821	331,589	292,735	259,589					
Other data										
Number of employees (end of period, actual)	45,729	38,908	38,376	37,441	38,211					
Total assets under management	231,000	255,300	227,000	220,500	157,600					
Off-balance-sheet credit equivalents	56,069	54,651	50,130	45,560	41,917					

Table 4 | [Download Table](#)

CM5-CIC Group Risk-Adjusted Capital Data					
(Mil. €)	Exposure*	Basel II RWA	Average Basel II RW (%)	Standard & Poor's RWA	Average Standard & Poor's RW (%)
Credit risk					
Government and central banks	49,300	640	1	1,625	3
Institutions	54,900	8,835	16	8,644	16
Corporate	81,500	78,930	97	63,701	78
Retail	159,200	34,490	22	80,607	51
Of which mortgage	59,600	7,088	12	11,866	20
Securitization	10,600	9,900	93	15,468	146
Other assets	5,700	5,800	102	8,550	150
Total credit risk	361,200	138,595	38	178,595	49
Market risk					
Equity in the banking book¶	3,819	9,050	245	31,523	825
Trading book market risk	--	4,650	--	6,975	--
Total market risk	--	13,700	--	38,498	--
Insurance risk					
Total insurance	--	--	--	49,475	--

risk§					
Operational risk					
Total operational risk	--	9,475	--	13,980	--
(Mil. €)		Basel II RWA		Standard & Poor's RWA	% of Standard & Poor's RWA
Diversification adjustments					
RWA before diversification		161,770		280,548	100
Total adjustments to RWA		--		(44,497)	(16)
RWA after diversification		161,770		236,050	84
(Mil. €)		Tier 1 capital	Tier 1 ratio (%)	Total adjusted capital	Standard & Poor's RAC ratio (%)
Capital ratio					
Capital ratio before adjustments		16,766	10.4	17,085	6.1
Capital ratio after adjustments**		16,766	8.8	17,085	7.2

*Exposure at default. †Exposure and Standard & Poor's risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions. §We computed a one-to-one capital charge for the insurance activities, sized on a 180% solvability margin basis. **Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital. Sources: Company data as of Dec. 31, 2008; Standard & Poor's.

Table 5 | Download Table**CM5-CIC Group Ratio Analysis**

	--Year ended Dec. 31--				
	2008	2007	2006	2005	2004
ANNUAL GROWTH (%)					
Customer loans (gross)	17.90	19.50	20.11	14.33	8.63
Loss reserves	72.60	(6.71)	(4.34)	(14.82)	(0.24)
Adjusted assets	6.38	16.04	11.60	15.20	10.09
Customer deposits	20.04	11.29	8.28	4.64	5.40
Total equity	(0.72)	9.32	17.64	22.51	19.21
Operating revenues	(20.51)	(2.96)	21.08	7.24	(3.85)
Noninterest expense	3.01	3.17	6.44	3.42	0.83
Net operating income before provisions	(52.93)	(10.32)	44.96	14.10	(11.28)
Loan loss provisions	758.06	(13.29)	3.62	(48.93)	(43.84)
Net operating income after provisions	(87.39)	(10.19)	47.55	23.66	(2.72)
Pretax profit	(87.03)	(9.96)	47.14	37.24	4.07
Net income	(76.49)	(7.17)	44.60	54.54	11.99
	2008	2007	2006	2005	2004
PROFITABILITY (%)					
Interest Margin Analysis					
Net interest income (taxable equiv.)/avg. earning assets	0.64	0.31	0.53	0.67	1.02
Net interest spread	(1.17)	(1.44)	(0.87)	(0.52)	0.48
Interest income (taxable equiv.)/avg. earning assets	4.97	4.29	4.08	4.95	6.48
Interest expense/avg. interest-bearing liabilities	6.13	5.73	4.95	5.47	5.99

Revenue Analysis

Net interest income/revenues	43.02	15.11	22.14	27.35	35.77
Fee income/revenues	31.87	24.81	22.61	24.52	26.01
Market-sensitive income/revenues	4.28	38.80	35.31	26.99	18.96
Noninterest income/revenues	56.98	84.89	77.86	72.65	64.23
Personnel expense/revenues	42.50	34.42	32.95	37.50	37.60
Noninterest expense/revenues	75.10	57.95	54.51	62.00	64.29
Noninterest expense/revenues less investment gains	73.43	59.82	56.22	64.82	67.71
Net operating income before provision/revenues	24.90	42.05	45.49	38.00	35.71
Net operating income after provisions/revenues	6.40	40.33	43.58	35.76	31.01
New loan loss provisions/revenues	18.50	1.71	1.92	2.24	4.71
Net nonrecurring/abnormal income/revenues	0.23	0.26	0.17	0.24	(1.88)
Pretax profit/revenues	6.62	40.59	43.75	36.00	28.13
Tax/pretax profit	(33.33)	26.42	28.63	27.38	35.51
Core Earnings/Revenues	8.53	29.68	31.10	25.97	21.33
	2008	2007	2006	2005	2004

Other Returns

Pretax profit/avg. risk assets (%)	0.00	1.71	2.23	1.74	1.41
Revenues/avg. risk assets (%)	N.A.	4.21	5.09	4.83	5.02
Net operating income before LLP/LLP	134.59	2453.23	2372.03	1695.65	759.04
Net operating income before loss provisions/avg. risk assets (%)	N.A.	1.77	2.32	1.84	1.79
Net operating income after loss provisions/avg. risk assets (%)	N.A.	1.70	2.22	1.73	1.56
Net income before minority interest/avg. adjusted assets	0.12	0.57	0.70	0.55	0.40
Net income/employee (currency unit)	11,816	58,123	63,466	44,356	29,461
Non-interest expenses/average adjusted assets	1.03	1.11	1.23	1.30	1.42
Personnel expense/employee (currency unit)	56,848	66,971	66,983	63,614	61,056
Core earnings/average risk-weighted assets	N.A.	1.25	1.58	1.26	1.07
Core earnings/average adjusted assets	0.12	0.57	0.70	0.55	0.47
Core earnings/ Average ACE (ROE)	3.12	13.34	16.69	13.46	11.73
	2008	2007	2006	2005	2004

FUNDING AND LIQUIDITY (%)

Customer deposits/funding base	40.30	38.90	36.88	40.34	41.12
Total loans/customer deposits	181.17	184.45	171.79	154.86	141.73
Total loans/customer deposits + long-term funds	120.83	120.98	108.68	109.25	105.02
Customer loans (net)/assets (adj.)	48.53	44.11	42.65	39.42	39.54
	2008	2007	2006	2005	2004

CAPITALIZATION (%)

Adjusted common equity/risk assets	N.A.	9.17	9.62	9.32	9.33
Internal capital generation/prior year's equity	3.03	13.74	15.13	12.09	8.23
Tier 1 capital ratio	8.78	8.52	9.19	9.17	9.67
Regulatory total capital ratio	8.98	10.51	11.80	11.66	12.47

Adjusted total equity/adjusted assets	2.83	3.58	3.83	3.69	3.41
Adjusted total equity/adjusted assets + securitizations	2.83	3.58	3.83	3.69	3.41
Adjusted total equity/risk assets	N.A.	7.80	8.53	8.53	7.79
Adjusted total equity plus LLR (specific)/customer loans (gross)	7.95	9.53	10.78	11.61	11.27
Common dividend payout ratio	(41.93)	(10.35)	6.79	8.77	12.22
	2008	2007	2006	2005	2004
ASSET QUALITY (%)					
New loan loss provisions/avg. customer loans (net)	0.55	0.08	0.10	0.12	0.26
Net charge-offs/avg. customer loans (net)	0.13	0.20	0.20	0.24	0.28
Loan loss reserves/customer loans (gross)	2.25	1.54	1.97	2.47	2.91
Credit-loss reserves/risk assets	N.A.	1.50	1.91	2.31	3.09
Nonperforming assets (NPA)/customer loans + ORE	3.15	2.35	2.96	3.67	4.28
NPA (excl. delinquencies)/customer loans + ORE	3.15	2.35	2.96	3.67	4.28
Net NPA/customer loans (net) + ORE	0.91	0.82	1.01	1.23	1.41
NPA (net specifics)/customer loans (net specifics)	0.91	0.82	1.01	1.23	1.41
Loan loss reserves/NPA (gross)	71.58	65.53	66.51	67.35	67.94

N.A.--Not available.

Ratings Detail (As Of 18-Dec-2009)***Banque Federative du Credit Mutuel**

Counterparty Credit Rating	A+/Stable/A-1
Certificate Of Deposit	A+/A-1
Commercial Paper	
<i>Local Currency</i>	A-1
Junior Subordinated (5 Issues)	BBB+
Senior Unsecured (61 Issues)	A+
Senior Unsecured (1 Issue)	A+/A-1
Subordinated (5 Issues)	A

Counterparty Credit Ratings History

21-Oct-2008	A+/Stable/A-1
11-Jul-2008	AA-/Watch Neg/A-1+
26-Jan-2007	AA-/Stable/A-1+
10-Jan-2005	A+/Positive/A-1

Sovereign Rating

France (Republic of)	AAA/Stable/A-1+
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Related Entities**Caisse Centrale du Credit Mutuel**

Issuer Credit Rating	A+/Stable/A-1
Certificate Of Deposit	A+/A-1
Senior Unsecured (1 Issue)	A+

Cofidis S.A.

Issuer Credit Rating	A/Stable/A-1
Certificate Of Deposit	A/A-1
Junior Subordinated (2 Issues)	BBB
Senior Unsecured (4 Issues)	A
Short-Term Debt (1 Issue)	A-1
Subordinated (2 Issues)	A-

Credit Industriel et Commercial

Issuer Credit Rating	A+/Stable/A-1
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Certificate Of Deposit	A+/A-1
Senior Unsecured (4 Issues)	A+
Short-Term Debt (1 Issue)	A-1

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

Additional Contact: Financial Institutions Ratings Europe;
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