



# **ANNUAL REPORT 2008**

# **BFCM consolidated accounts**

**General Meeting of May 6, 2009** 

Copies of this document are available on request without charge from the Headquarters of Banque Fédérative du Crédit Mutuel.

Banque Fédérative du Crédit Mutuel – Société Anonyme (public limited company) with capital of €1,302,192,250 Headquarters: 34 rue du Wacken – B.P. 412 – 67002 Strasbourg Cedex – Tel. 03 88 14 88 14 Telegraph address: CREDIMUT – Telex: CREMU X 880 034 F – Facsimile: 03 88 14 67 00 SWIFT: BFCM FR 2A – R.C.S. Strasbourg B 355 801 929

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# Chapter I COMPOSITION OF MANAGEMENT ORGANS on December 31, 2008

Board of Directors:

Etienne PFLIMLIN, President Michel LUCAS, Chief Executive Officer Jacques HUMBERT, Vice-President Marie-Paule BLAISE Jean-Louis BOISSON Maurice CORGINI Gérard CORMORECHE Roger DANGUEL Jean-Louis GIRODOT Robert LAVAL Jean-Paul MARTIN Pierre NEU Gérard OLIGER Albert PECCOUX Jean-Pierre SCHNEIDER, representative of CFCM Maine-Anjou, Basse-Normandie Alain TETEDOIE

Scrutineers:

Michel BOKARIUS Gérard CHAPPUIS Claude DUVAL Michel FORNAS

Statutory Auditors:

#### **Principals:**

Ernst & Young and others Members of Compagnie Régionale de Versailles

KMT Audit Member of Compagnie Régionale de Colmar

#### **Deputies:**

Pascal MACIOCE Member of Compagnie Régionale de Versailles

Pascal BROUARD Member of Compagnie Régionale de Paris

# Chapter II MANAGEMENT REPORT OF THE BOARD OF DIRECTORS

#### 1. Economic balance sheet for fiscal 2008

No expert had forecast and nor did economic laws give advance warning, of what has now become a global financial crisis of such severity that its impact is set to last for some years to come.

2008 will remain in the collective memory as a pivotal year for the world economy, on a par with 1929.

Hard hit by the subprime crisis originating in the United States in June 2007, which was the result of laisser-faire lending policies, the financial markets in the last six months of 2008 entered a period of very considerable turbulence.

The beginning and end of 2008 were marked by two events which in their own right crystallized the unbridled excesses of the financial markets, and to which the investment banks made a particular contribution. While the beginning of the year saw huge risks and liabilities assumed by a major bank, and the end of the year a massive swindle by a big and hitherto respected player in the American markets, in between, the financial markets witnessed by turn massive failures (Lehmann Brothers) and the nationalization of defaulting banks (United Kingdom, Belgium).

Add to this the massive financial bail-out plans in the United States in support of the banking, insurance and automotive industries. Europe followed suit in a somewhat more disunited manner, the actors taking various measures in the light of the needs of their banks and of their differing visions of the politics of the crisis.

This huge financial turbulence, the backwash of which is far from over, will inevitably affect the real economy. This was already in a very weak condition prior to the onset of the financial crisis. The most visible signs became apparent in the fourth quarter of 2008, as major players in a number of industrial sectors edged closer to insolvency (automotive industry).

Most business sectors now expect 2009 to be an extremely hard year, bringing in its wake unemployment and a crisis in investment and confidence. Globalization has spared no-one. The emerging markets have also been hit by the macro-economic crisis, one of the consequences of which will be the longer term emergence of new thinking about global financial mechanisms.

Securitization, rating agencies, internal and external control systems, traders' performance fees, the increasing sophistication of financial products, tax havens, hedge and other exotic funds, accounting standards, are just some of the outstanding issues. The list is far from complete and growing longer by the day.

The financial crisis has made an indelible impression by its sheer amplitude. The public has been affected by the slump in the financial markets, by the loss in value in investment portfolios and the higher cost of borrowing.

The impact on the real economy, for which there is ample evidence in 2009, bodes further aggravation of the crisis. Its macroeconomic upheavals are weighing down on the day-to-day lives of players in the micro economy.

Governments have understood the scale of the disaster. Many have brought forward plans in an attempt to curtail the impact of the crisis on the real economy. Although no-one doubts the seriousness of the situation, no-one can predict how long it will last.

In our banking businesses we were and are doubly affected.

Firstly, the financial crisis has affected our refinancing business and the value of our portfolios, just as our clients' portfolios have lost value. Globalization and securitization have had huge repercussions on our 2008 earnings. At the same time, the domestic business in our home banking market has, until now at least, been relatively less affected.

With the economic crisis, we face a second impact—the aggravation of risks and their knock-on effect on our lending and borrowing. This will be felt in 2009, although there can as yet be no true appreciation of the amplitude or time scale of the mounting risks. Their monitoring will be critically important.

In such periods, there are also opportunities. 2008 was a fruitful year, in which the Group was able to successfully conclude three deals.

First we acquired the French subsidiary of Banco Popular España, geographically reinforcing our branch network in a client segment complementing our existing business. Further collaboration is currently under study with Banco Popular España in the technical and financial fields.

We took advantage of the possibility of buying up Citi Bank Deutschland, a subsidiary of the US global Citi group, badly affected by the financial crisis. Citi Deutschland is well positioned in the consumer credit field, a mature market in Germany. This strategic deal will enable us – once the current downturn in the economic cycle is at an end – to make best use of the skills and scale effects available to us in a business in which we were relatively uninvolved until recently.

Then there was the acquisition of a majority stake in the Cofidis Group, finalized in the first quarter of 2009. The group is well positioned in the finance of consumer spending on internet. Furthermore the Citi business and our existing activity give us an excellent position in the French domestic and European markets, where we benefit from acknowledged skills.

The Group has also set up an insurance unit in Spain. Working with the Royal Automobile Club of Catalonia, an organization well established in the motor insurance field, a joint company was set up, and looks forward to meeting its promising business development goals.

2008 was of course a year of difficulties. It was a year of low earnings, but also one of strategic opportunities. Our overall results should not hide the fact that the retail banking business has continued to push forward, with dynamism and determination in the banking and insurance fields.

As professionals convinced by the soundness of our business, both elected members and employees have been able to provide customers and associates with the reassurance they asked. Our fundamentals are solid.

The French Government, well aware of the situation, is progressively introducing tools both financial and economic to contain the effects of the crisis. These measures will not immediately be effective, and their scope remains limited. In the final analysis, self-reliance is the key.

In this difficult period, where all are affected, we need to be reactive. We need to train, to further develop and adapt our products and services, so that we keep our risks under ever closer control. Now more than ever, we need to cement the relationship of trust with our customers and associates, for the long term sustainability of our business.

The difficult period which we now enter makes a greater call than ever before on the values of responsibility and solidarity that are characteristic of the mutual movement. They are of over-arching importance for the employees and elected members of the Group, as they discharge their day-to-day business with the utmost professionalism.

We place on record our appreciation for the work performed by all our staff and proffer our encouragement and support for the work yet to be done.

#### 2. Board of Directors

The Board of Directors of Banque Fédérative du Crédit Mutuel is currently made up of 16 members appointed by the General Meeting and 4 Scrutineers appointed by the Board under Article 20 of the Statutes.

The Board on June 14, 2002 opted for a system of twin responsibilities at the head of the organization. The President of the Board is Mr Etienne PFLIMLIN and the Chief Executive Officer Mr Michel LUCAS.

The legal provisions governing the numbers and terms of office of the Members of the Board are shown as an attachment to this report.

At the Ordinary General Meeting of Shareholders on May 7, 2008, the terms of office of Messrs. Roger DANGUEL, Jean-Louis GIRODOT, Pierre NEU and Gérard OLIGER were renewed for a further term of three years.

The Report of the Board report is attached alongside the internal control report.

The Crédit Mutuel Group signed a standardized agreement with the French government relating to a number of measures for refinancing credit institutions. The Group entered into commitments, not only to keep up is lending, but also in regard to its Statutes (Articles and Objects of Association), and to the levels of compensation and responsibilities of the officers of business corporations. The decisions taken in this field by the Board at its meeting of December 19, 2008 have been brought the notice of the Statutory Auditors.

The compensation payable to BFCM group senior management is shown below. It includes a portion relating to their work within the Crédit Mutuel and the CIC. The compensation payable to corporate officers is fixed by the BFCM Board of Directors.

This compensation includes a fixed portion in respect of the Crédit Mutuel activity, and a variable portion in respect of the CIC activity. The fixed portion is determined by the Board of Directors, taking into consideration the standards for comparable posts of responsibility. The variable portion is determined on a flat rate basis by the CIC Supervisory Board, by decision of the meeting held at the end of the General Meeting approving the financial statements, in respect of which the variable portion of compensation is paid.

The overall Crédit Mutuel portion of compensation paid in 2008 was €855,868 for Mr Etienne PFLIMLIN and €762,576 for Mr Michel LUCAS, to which should be added in respect of the latter €752,150 for CIC. The senior management of the group also benefits from the provisions of collective providence insurance schemes and of the supplementary pensions set up for all group employees.

On the other hand, there are no other specific benefits awarded to group senior management. There is no award of title to ownership of capital, whether or not including actual or potential rights to the equity in BFCM or CIC. Senior management are not paid attendance fees for Board Meetings whether their responsibilities are exercised over the companies within the group, or in other companies, insofar as such attendance is required in performance of their duties on behalf of the group.

Group senior management may also own holdings registered in the books of the banks of the group, and may benefit from loans granted under the terms available to all of the banks' staff. The total value of outstanding loans contracted by senior management was  $\in 17,979$  on December 31, 2008.

According to its custom, the General Meeting did not vote to pay Board members attendance fees. As a consequence, no attendance fees were paid to Members of the Board in 2008.

#### 3. Main activities of BFCM

#### MARKET ACTIVITY

In 2008, the increasingly severe liquidity crisis raised market tensions, affecting credit spreads and provoking major to difficulties in accessing market funding.

Tension was apparent as early as August 2007, but intensified in the wake of the failure of Lehman Brothers on September 15, 2008.

In the last quarter of 2008, the unwillingness of customary investors to engage in lending on maturities of longer than one month required ever-increasing intervention by the European Central Bank (ECB) at 3 and 6 months maturities in unlimited amounts, accompanied by the introduction of support measures by national governments.

In France, the Société de Financement de l'Economie Française (SFEF – Company for Financing the French Economy) was set up in October 2008 at the instigation of the French Treasury and of the main French banks. Crédit Mutuel is a stakeholder in this market organization, and the BFCM is an operator acting on behalf of the group as a whole.

BFCM and the CIC rapidly adapted to the new environment by substantially increasing the ECB eligible collateral thereby efficiently refinancing the markets. The groups' procedures for liquidity management set up some years

ago, and based on the ownership of fully fungible assets, remained unchanged in principle, and were simply reinforced to take into consideration the new measures for to support lending accepted by the ECB.

In spite of the difficult context, the funds borrowed in the markets by BFCM and CIC rose by 14% to €17 billion, as compared to year-end 2007.

Investors did not waver in their trust of the CM-CIC group, and were massive buyers of our certificates of deposit, the amounts outstanding rising above €28 billion on December 2007, thence to €37 billion on December 31, 2008, an increase of 32 %.

BFCM took a number of initiatives in the field to secure funding in the medium and longer term.

One was the public issuance of secured bonds for a 2 year maturity to raise e1.5 billion through the intermediary of BCFM's subsidiary, CM-CIC Covered Bonds, an organization AAA rated by the three rating agencies. Numerous private issuances raised close to  $\oiint{e}6$  billion;

4 senior bond issuances at 3 year maturities, and a TSR at 8 year maturity, placed with our clients in the two networks: Crédit Mutuel and CIC raised €1.4 billion overall;

A total of €1.8 billion was raised from the SFEF during the last 3 months of 2008.

Two issuances of super-subordinate securities took place in the last quarter of the year, the first raising  $\notin$ 700 million in October and the second raising  $\notin$ 1,036 million as part of the advance of capital by Société de Prise de Participation de l'Etat.

In 2008, BFCM as a representative of the CM4-CIC Group continued to collaborate with the EIB in the money and capital markets. It signed up to a new version of a small and medium-sized company financing contract, which replaced the traditional funding known as *Prêts Globaux*.

#### **DEPOSITARY FOR MUTUAL FUND ORGANIZATIONS (OPC - UCI)**

The depositaries which act on behalf of OPC mutual funds or undertakings for collective investment (UCI), in their various forms (FCP, SICAV, FCPE, FCPR etc.) are required under regulations to:

- organize holding accounts to take custody of securities, operate cash accounts, and record positions on other securities (financial futures and other pure financial instruments registered in owners' names). This business is handled by specialist organizations within the CM5-CIC Group.
- control the soundness and compliance of management decisions in the OPC/UCI field;
- manage liabilities in the OPC/UCI field where the management company has delegated that responsibility to the depositary. This involves processing orders to subscribe to and redeem units at client request. This business is handled by specialist organizations within the Group.

Events of particular note in the depositary business of Banque Fédérative du Crédit Mutuel 2008 were:

- highly disrupted financial markets, requiring tighter surveillance of management policies in the OPC/UCI field. Note that the OPC/UCIs in the custody of Banque Fédérative du Crédit Mutuel were not invested in underlying instruments of American subprime type
- serious aggravation of the risk of default of financial intermediaries. This had a direct impact on the depositary business, which is the custody of securities, notably in prime brokerage operations, or when sub-custodians are needed for foreign securities.
   International harmonization of the responsibilities of depositaries is desirable, particularly the obligation to return securities to owners or principals.

The depositary business of Banque Fédérative du Crédit Mutuel suffered little from the various collapses of financial institutions occurring in 2008. No mass market OPC/UCI was exposed In regard to the Madoff swindle. Only 3 institutional market FCP/UCI mutual funds had insignificant exposure.

- Groupe Républicain Lorrain restructured as follows:
  - Le Républicain Lorrain SA: financial consideration for the contribution of a building, capital increase, and transfer of equity (€23,499,159) to Groupe Républicain Lorrain Communication.
  - Groupe Républicain Lorrain Communication SAS: equity contribution from Le Républicain Lorrain (€23,499,159) and merger with SOLODIF (wholly owned subsidiary of BFCM), raising BFCM's stake in the equity from 71.77% to 100%;
- France Est SAS: acquisition of an 80% shareholding worth €128,000,000 in this company in consideration of contribution in kind;
- Eurafric Information SA: 40% stake (€360,606) in this company start-up as part of information technology partnership in Morocco;
- Société de Financement de l'Economie Française SA: contribution to start-up capital of this company founded on French government initiative, equitable interest 9.43% against an outlay of €4,715,400;
- SC France Forets II: disposal of 9 % for €731 908;
- Clemet SAS Substant SAS: winding up of two companies in which the Bank owned stakes of 8% and 16% respectively

# **4.** Information on the business and results of subsidiaries and controlled companies (Article L 233-6 of Code de Commerce)

Under the above regulation, the report to the General Meeting must give an account of the results of the subsidiaries and companies controlled by BFCM, by business line.

#### Financial sector and equivalent

**Groupe Crédit Industriel et Commercial** SA: On May 7, 1859 Société Générale de Crédit Industriel et Commercial was founded by imperial decree, its first president being Marquis d'Audiffret. CIC was the first bank of deposit to be set up as a joint stock company for the purpose of introducing into France the British practice of commercial banking, which was to fund lending out of clients' deposits.

Since then, CIC has survived three wars and many financial crises including the Slump of 1929, decolonization, nationalization followed by privatization. As the minutes of the Board repeatedly emphasize, on each critical occasion it has emerged strengthened. 150 years after its foundation, and ten years after its entry into the Crédit Mutuel group, and now with the support of the group including its main shareholder, the pattern of the past will be repeated, in spite of the seriousness of the current financial crisis.

#### Continuing development:

In 2008 the CIC group, whose core business is retail banking, continued to extend its branch network and its client base:

- the number of branches rose from 2,055 to 2,122;
- the number of account holders rose by 4 % to 4,147,827, including 3,455,800 private individuals and 692,000 business customers (CIC being the bank of preference for one in every three companies in France);
- client loans outstanding increased by 10% to €26.2 billion, including a 12 % increase in housing loans to €52.5 billion;
- client deposits increased by 8% to €75 billion.

On the other hand, the capital under management and in custody shrank by 17% to €184 billion.

The total balance sheet value was €251.7 billion.

Breakdown of these funds is as follows for the group's different business lines:

In <b>E</b> billion	Retail	Finance		Private equity	
(∆ / Dec 2007)	banking	banking	Private		Total
			banking		
Lending	101.115	20.978	4.147		126.240
	(+ 10 %)	(+ 24 %)	(- 32 %)		(+ 10 %)
Deposits booked	56.075	4 237	14.649		74.961
	(+ 12 %)	(+ 5 %)	(-5%)		(+8%)
Funds under	49.525	72.441	60.657	1.466	184.089
management and in	(-9%)	(-11%)	(- 28 %)	(+ 14 %)	(-17%)
custody					

Note however the lower rate of new lending from the beginning of the second half of the financial year, which considerably affected the business. The value of new loans, as measured from the time of their issuance including their schedule of repayments, fell by 14% to  $\pounds$ 21.6 billion. The drop in home loans was particularly marked at - 27%, down to  $\pounds$ 1.4 billion.

In contrast to this, the bank's buoyant service business illustrates its successful commercial expansion:

- property insurance: + 13 % to 812,000 contracts,
  personal insurance: + 13,4 % to 1,528,000 contracts,
  personal contracts: + 12,2 % to 973,000 contracts,
  internet banking: + 12,2 % to 1,221,000 contracts,
- payment cards: + 5,8 %.

Financial results affected by the crisis:

CIC group net banking income fell from €4,193 million to €3,206 million.

Retail banking net banking income fell to €,866 million from €,897 million, affected by two contrary trends:

- 5.6% drop in net interest income to €1,470 million due to the higher cost of sourcing funds in the market,
- rise in the commission income of 6% to €1,211 million, a reflection of successful marketing to increase the number of account holders.

Private banking net banking income fell from  $\pounds$ 149 million to  $\pounds$ 27 million due to the softening financial markets, which severely affected business. Private equity net banking income fell from  $\pounds$ 81 million to  $\pounds$ 12 million but note that the business performance of private equity remained significant. The portfolio of 522 lines is valued at  $\pounds$ 1,679 million (of which  $\pounds$ 213 million capital gains under IFRS accounting standards).

Market and finance banking net banking income was –€112 million as against +€519 million in 2007:

- Net banking income of finance banking reported a 14% fall to €282 million, affected by an €36 million loss on the Madoff swindle, affecting assets in bank ownership;
- the net banking income of market activities fell to a negative €394 million from a positive €190 million due to the substantial write-down of the market value of assets, although they were in the main still sound.

In a context of an utterly disrupted market, where even the soundest assets were illiquid, and where market prices were no longer representative of economic value, the regulators, in the light of these exceptional circumstances amended accounting standards IAS 39 and IFRS 7 to enable the transfer of trading portfolios to other categories of asset:

- under the new accounting regulations which came into force on July 1, 2008, CIC transferred €18.8 billion from the trading portfolio to the AFS portfolio (€16.1 billion) and to the Loans & Receivables portfolio (€2.7 billion), including €5.5 billion from the AFS portfolio into the Loans & Receivables portfolio. Yields on these securities after porting costs were positive;
- the change in market value of these assets between July 1, and December 31, 2008 was €942 million.

To comply with IFRS standards, the shares representing long term investments and classified as AFS were valued at their market prices on December 31, 2008. Impairment was booked in the amount of €335 million.

General expenses fell slightly (- 0.4%) to 2,673 million, due in particular to lower reserves for profit share and employee incentives, and to there being no bonuses payable for market trading activities. On the other hand, the branch network expansion plan was an item of 20 million extra cost as compared to 2007.

Gross operating profit amounted to €33 million, as against €1,509 million in 2007, down 64.7 %.

The cost of risk rose to  $\pounds$ 30 million from  $\pounds$ 20 million in 2007, of which  $\pounds$ 72 million on the collapse of Lehman Brothers and  $\pounds$ 5 million for the Icelandic banking sector. But excluding these extraordinary items, the actual cost of risk in the branch network increased markedly, rising from  $\oiint$ 9 million in 2007 to  $\pounds$ 267 million in 2008. Furthermore, the increase in the outstandings listed E+ resulted in a  $\pounds$ 40 million transfer to collective reserves. Overall, the cost of risk as a ratio of total loans outstanding rose to 0.51%.

As a result, operating losses of ⊕7 million were made as against an operating profit of €1,389 million in 2007.

CIC disposed of its 15% equity stake in BMCE Bank to Banque Fédérative du Crédit Mutuel (BFCM), the group's holding company, and a 20% stake in the equity of Banque de Tunisie, booking capital gains of 316 million, which were neutralized at BFCM level. The CIC operating account also recorded a contribution of 68 million from GACM in respect of its 20.5% stake in the capital. Finally, a deferred taxation item of 320 million resulted in profit after tax of 224 million.

As a result, overall consolidated net income was 206 million (170 million attributable) as against 1,204 million in 2007.

The bank's European Tier I solvency ratio stood at 9.1% on December 31, 2008 and on provisional figures at 9.5% from January 1, 2009 on, due to the progressive removal of the upper limit on the Basel II ratio. Regulatory Tier I capital amounted to  $\leq 10.2$  billion on December 31, 2008 as against  $\oplus .5$  billion on December 31, 2007.

Finally, the Board will propose to the General Meeting of Shareholders convened on May 12, 2009 a net dividend of €1 per share as against €4.80 paid for the previous financial year, and an option for payment in shares.

#### Outlook:

Against a difficult and fast moving economic background, the CIC group will continue:

- expanding its retail network,
- enriching its range of products and services across all of its markets,
- its goal of providing its clients, both private and business, with even better service.

**Banque de l'Economie du Commerce et de la Monétique** SAS: BECM is a subsidiary of the group which as part of its retail banking activity, is an adjunct to the Caisses de Crédit Mutuel for joint business development involving the CIC network in four major markets:

- large and medium-sized companies,
- financing property development, mainly in the housing sector
- property owning companies whose purpose is the management of residential housing for rent, and rental income from commercial and office leaseholds,
- asset management as an extension of financial engineering activities undertaken in the interest of senior management and partners across a broad spectrum of business ventures.

BECM is able through its positioning to conduct business on behalf of two specialty business sectors, real estate professionals, and major players in the field of the management of means of payment and corporate cash flow

Its business is nationwide through a French network of 38 branches (26 commercial branches, 8 branches for real estate development, 1 realtor branch, and 3 asset management branches).

In support of the group's international development, BECM is also developing its business abroad in the small and medium-sized company sector, where it has a subsidiary in Frankfurt, and in the asset management market, where a branch operates in the Dutch part of Saint-Martin.

Given the developments currently underway in the European means of payment system, and the growing internationalization of its GME customers, BECM is increasingly expanding its business in Europe, where it looks forward to major developments in the future.

As an integral part of the group's retail network, BECM develops new business or services comprehensively meeting the needs of its clients, leveraging its deposit and lending business. BECM provides real value-added in the field of social and financial engineering, the processing of domestic and international means of payment, hedging of interest rate and forex risks, and support to business expansion abroad.

Relying on the group's logistics and production facilities, BECM is organizing in synergy with CIC regional banks' common or converging frameworks for the organization of its business.

After setting up a branch in October 2008 in the Dutch East Indies in partnership with the Antilles-Guyane Federation, BECM also opened a branch in Orléans, France, in November 2008 to support the development of Fédération du Crédit Mutuel du Centre in the market for services to business corporations.

In spite of increasingly tough trading conditions due to the macroeconomic environment, BECM had been able to pursue an active policy of business development, both in terms of prospecting new business, and in seeking to intensify the rewards from its existing lines of business.

As a result, the new lending increased at a substantial rate of 21.7% and sources of funds booked have risen by 16.6% as a ratio of monthly capital.

This growth has generated a 15% increase in interest margin, and in the corporate markets, an 8.2% rise in commissions.

The cost of risk although rising due to the general macroeconomic environment, has been contained and has not exceeded its mean historic level of 0.28% of loans outstanding.

After a contribution to FRBG general banking operating capital of 15 million, net income was booked at 55.2 million, virtually equivalent to 2007.

**CM-CIC Covered Bonds** SA: The Covered Bonds format continued to be taken up by French banks in 2008. CNCE and Credit Agricole announced the launch of their programs, confirming that this approach was particularly suited to refinancing housing loans in France.

CM-CIC Covered Bonds, after being in a position to make two issuances raising a total of €4.5 billion in 2007, in the year of its foundation, was confronted in 2008 with a devastatingly poor market in debt instruments.

The liquidity crisis had already emerged in summer 2007, and its effect intensified in the wake of the Lehman Brothers collapse in September 2008.

Investors completely forsook the credit markets. Covered bond issuances, in spite of the guarantees on offer, were not spared.

The CM-CIC market-related business was reduced to a single public issuance raising 1.5 billion on a 2 year maturity, in June 2008. This benefited from a diversified international placement, over and above the French, German, Scandinavian, Italian, Irish and Portuguese investors who made major contribution to underwriting this issuance.

Furthermore, with the aim of supporting the group's liquidity management, issuances raising a total of B billion were made and underwritten internally. These securities are available as guarantees in the event of injections of

liquidity by the European Central Bank, which has stepped into the breach during the liquidity crisis, in the absence of traditional investors.

Income was mainly generated by investments of the companies' own stock, and amounted to €2.7 million in 2008.

**Ventadour Investissement** SA: investing in other companies is the main business. The gross value of investments outside the Crédit Mutuel Group was 0.7 million, unchanged on the previous financial year. The CIC line was also unchanged at 1,060 million, as there were no transactions in 2008, a year in which Banque Fédérative underwrote the issuance of 6,000,000 securities for 0.00 million under a rights issue.

**Groupe SOFEMO** SA: the business remains mainly concentrated on financial packages for the purchase of goods by installment payments and the development of seller credit. Total outstandings rose from  $\notin$ 431 million to  $\notin$ 36 million in 2008, book income being  $\notin$ 2.5 million. Shareholders' equity prior to appropriation of income was  $\notin$ 24.5 million.

**Citi Deutschland:** the Citi Deutschland group was acquired on December 5, 2008, being one of the main players in the German consumer credit market.

With more than 3.3 million customers, outstanding consumer credits of 0.4 billion and a 7.5% market share, deposits worth 0.4 billion, 2008 should end with income of 386 million after tax, thus improving on the previous financial year.

In 2009, the 339 branches will be servicing a market suffering from the macro-economic crisis, the effects of which are likely to be long lasting in the German market. This mature market if it is to continue to expand, will have to deal with issues such as rising risk, although these were under control at year-end 2008, due to the skills of the staff, and the use of high performance monitoring tools.

The Citi group is also entering a phase of transition over the next 24 to 36 months when it will change its name and will migrate its information system towards the Group's. The transitional phase will also be used to conceive and plan synergies with other group entities in the same business lines.

**CM-CIC SCPI Gestion** SA manages the Scpi commercial property companies trading under the names CMI1 and OPI whose assets include some fifty buildings, owned by 2,500 partners and clients of CM-CIC. The management facility for this business operates out of the Nantes CIC unit, and the company is set to generate earnings of close to €200,000.

**Banque de Luxembourg**, an international private banking skills centre in the CM-CIC group, whose earnings affected by the financial crisis.

Commercial development remained strong in the first half of 2008, but the business was disrupted in early summer by the financial crisis and the falling stock markets. Purchase-sales volumes which had put on 35% to 30 June, slowed to growth of 18% for the year as a whole. Funds under management followed the trend, falling 24.3% over the year as against 8.7% growth at June 30, as there was a flight from securities into cash deposits. The number of clients remained almost unchanged.

Lower net banking income was due to elements not directly related to the bank's service delivery activity. The interest margin increased by 48.7% (+ $\pounds$ 48 million), as interest rates rose in tight market conditions and as client deposits increased. On the other hand, commissions were strongly affected by the drop in funds under management, and fell by 23.3% (down  $\pounds$ 1.5 million as compared to 2007). General expenses were virtually flat on a like-for-like basis (+0.6%), as the increase in payroll costs was kept down to 1.4% and as other operating costs fell by 1.8%. As a result, gross operating profit fell by 6.9%.

The cost of risk was directly affected by charges on positions taken on Lehman Brothers.

The contribution from Banque de Luxembourg to attributable net income, after tax and minority interests, fell by 81.1% to  $\pounds 12.2$  million in the wake of the financial crisis and the charges booked. Had there not been banking failures, the financial year's performance could have been described as good, and earnings would have increased by 17.2%.

**Banco Popular France**: a subsidiary of BFCM from spring 2008, Banco Popular France has a network of 14 branches, thus strengthening the group's delivery of services to the private client segment. Many synergies are expected in the context of the relationship we have kept with the Banco Popular Spain group.

Profits of  $\pounds$ .6 million in 2008 were in line with expectations, given market conditions in the second part of the year, which caused a number of provisions to be made against losses.

The switch over to the group's information system is expected in the spring 2009, along with the change in branding and the business name.

**Boréal** SAS: client revenue at €3.2 million increased 6%. The drop in client business volume was limited by capturing one new client, Skandia, and by the contribution of the Palatine business (CFF and CNCE remitters).

Submissions were made to 6 invitations to tender, of which one was awarded to Boreal, one is still in process, and the others unsuccessful.

With a 6% increase in the revenue stream ( $\mathfrak{S}$ ,244 K) and a fall of 3.8% in expenses ( $\mathfrak{E}$ ,056 K), operating profit increased by 29% to  $\mathfrak{E}$ ,188 K.

Financial income rose 7% to  $\bigcirc 181$  K and taxes by 26% to  $\bigcirc 455$  K.

Overall net income rose 26% to 013 K, on a margin of 20%.

**CM-CIC Lease** SA: newly signed property leasing contracts ascribable to the branch network, were worth  $\notin$ 174 million over the year, a 10.7% improvement on 2007. New leases covering 279 commercial properties (+ 12.5%), were signed against the economic backdrop of a substantial fall in commercial property investment and in building starts. The improvement in the numbers is testimony to the continuing interest from our client base in CM-CIC Group property leasing services.

A feature of 2008 was internal reorganization and the development of services more closely tailored to the needs of the corporate sector, particularly larger business organizations. After some years of little change, total outstandings grew by 5.5% to  $\pounds$ .04 billion.

Net banking income excluding extraordinary disposals of properties grew by 4%. Net income rose to more than  $\pounds 2$  million, after paying back  $\pounds 3.2$  million to the sales networks in respect of their services as business providers and risk-takers (commissions + 8% vs.2007).

Applications for funding new property developments were more focused on retail premises or warehousing, each of which sectors now accounts for 26% of total outstandings, instead of 24% at year-end 2007). Industrial facilities account for no more than 26% (as against 33 % in 2007), offices and other properties remaining unchanged at 12% and 10% respectively of outstandings.

**CM-CIC Asset Management** SA: this company is the core of the asset management business of Group Crédit-Mutuel-CIC.

CM-CIC AM began deploying its three year 2008-2010 plan, putting the controlled growth strategy into a higher gear.

At year-end 2008, assets under management rose to €4.6 billion from €53.1 billion at year-end 2007. Employee share ownership schemes (*épargne salariale*) under management of CM-CIC AM were worth €3.8 billion. Over and above this, CM-CIC AM is an accounting services provider to 54 management companies, funds under management being valued at €7 billion in 231 OPCVMs (UCITS).

In France in 2008 and as a result of the financial crisis, the net assets of OPCVM (UCITS) across the Board fell by more than 15 %. By comparison, CM-CIC AM, through its regular money market OPCVM (UCITS) compartment, was able to resist, as its assets remained relatively unaffected. It increased its market share as compared to the other major French retail banking networks, and was 3<sup>rd</sup> ranked in terms of net collections and 5<sup>th</sup> ranked French financial group in terms of assets under management.

In 2008 as in 2007, CM-CIC AM was a frequent financial award-winner, illustrating the quality of its management over time (4 Trophées du Revenu, Corbeilles et Labels de Mieux Vivre Votre Argent, Lipper Funds Award).

Revenues in 2008 were €288.5 million as against €329.5 million at year-end 2007, a fall of more than 12 % over the year, net income being €1.6 million.

#### Insurance sector

**Groupe des Assurances du Crédit Mutuel – GACM** SA: the CM4-CIC insurance business operates through Groupe des Assurances du Crédit Mutuel (GACM) and its subsidiaries.

2008 earnings as stated by IFRS in the insurance business were €395 million, a drop of 29% compared to 2007, mainly due to two factors. The first was lower premium income from life assurance (-25.2% on the previous financial year), but the second and more important factor was the depressed financial markets.

Consolidated premium income in the insurance business was €6.710 billion as compared to €7.792 billion in 2007, a drop of 13.9%. The 25.2% fall in premium income in life assurance and with profits insurance was in part offset by a marked improvement in other businesses, as premium income from property and casualty increased by 12.3%. Growth remained sustained in the first half by the transfer of the non-life business of Fédération de Crédit Mutuel de Loire-Atlantique et de Centre-Ouest, from Suravenir Assurance to ACM IARD SA. GACM also disposed of its 34% equity holding in Suravenir Assurances.

2008 earnings reflect both excellent technical results (from good claims management), but also impairment and fair value adjustments under standards IAS 39 and IFRS 4.

#### Information technology sector

**Euro-Information** SAS had a good year in 2008, net income being €50.9 billion. Euro-Information raised its stake in NRJ Mobile from 50% to 90%. Business was in line with expectations. Banque Fédérative du Crédit Mutuel owns 14% of the equity.

#### Real estate sector

**CM-CIC Participations Immobilières** SA supports property developers by investing in SCI property companies, developing residential housing projects across France. CM-CIC Participations Immobilières was an instrument of group policy in 2008, by bringing forward 9 new developments including 471 units of accommodation, generating a revenue stream of O5 million, on an investment of C1.1 million from own funds. Net book income was C1.5 million.

**Sarest** SA, a real estate development company, generated substantial new business from recently opened branches in Lyon, Lille and Paris, and had 448 projects underway. 189 land plots were sold, basically in Alsace Lorraine, and 126 lots reserved, generating a revenue stream of  $\leq 13,062$  k and  $\otimes,873$  k. Note that the increase in structural costs and interest expense affected profit to the tune of some  $\leq 000$  k.

**CM-CIC Agence Immobilière** SAS, an intermediation company involved in the sale of new residential housing has expanded its business under the provisions of the Hoquet legislation operating on behalf of the joint interests of the Crédit Mutuel sales and customer service networks, CIC and private banking. This group targets an investor client base and prospective owner occupiers. The property developments coming to market are approved by an engagement committee which takes into consideration the asset management and commercial sides of the bank's business. In 2008, 1,869 land plots were earmarked for development, for an outlay of G21 million, likely to generate G3.5 million fee income and G2.8 million proceeds from resale to the network. At the same time, reservations on 2,750 plots were made for an outlay of G480 million, invoiced fee income being G18.3 million with proceeds of G17.4 million on resale to the network.

**Sofédim** SAS: this business provides services of arbitrage, management of renovation works and other support services to CM-CIC Group. After inclusion of joint property development through SCI companies, earnings for the financial year were 250 k.

**CM-CIC Foncière** SNC: this company, 60% owned by BFCM and 40% owned by CIC, was set up to provide the management and supervision of the construction and extension works of the Group CM-CIC training centers at Bischenberg and Verrières-le-Buisson. At Bischenberg, works continued on the new restaurant and extension of the hotel in 2008. Concurrently the company acquired land at the Verrières-le-Buisson site, works being at the initial and investigative stages. Finance of the two projects, initially planned from bank loans, was finally raised by successive drawings on shareholder loan funds, raising €23,250,727 on December 31, 2008.

Losses in financial 2008 chargeable to the shareholders were - €859,205.98.

#### Communications sector

Société Civile de Gestion des Parts du Crédit Mutuel dans le Journal "L'Alsace": 55% of the equity of Journal de L'Alsace recorded in the balance sheet for €1.6 million.

**Société Française d'Edition de Journaux et d'Imprimés Commerciaux 'L'Alsace''** SAS: holding company controlling all the companies in the Alsace group operating in the publishing, communications, radio and advertising sectors. Banque Fédérative's equitable interest is 23%.

Devestmedia SAS was set up as part of group's expansion into the media, and has interests in the radio sector.

**Ebra** SAS: vehicle set up for the purposes of acquiring Groupe Delaroche and partnering the Est Républicain Group. Its sole purpose is ownership of all of the equity of the Delaroche group. It has no operational role.

**Groupe Républicain Lorrain**, wholly controlled by Banque Fédérative, underwent substantial restructuring in 2008. In spite of a sluggish advertising market and flat sales, the year ended with profit of  $\mathfrak{S}$  million.

**France Est**, as an entity in the Est Républicain Group, benefited from receivables contributed by BFCM as part of the Group's financing policy. The company, which has no operational role, is a vehicle for the ownership of an equitable interest in the *Est Républicain* newspaper

#### Services and other businesses

**Réma** SNC: revenues from this specialist equipment reseller fell in 2008 by 24%, from  $\triangleleft 4.3$  to  $\triangleleft 0.8$  million. Earnings for the year were  $\triangleleft 49,033,13\%$  down on the previous year.

**Bischenberg** SA: revenues were 3.3 million, slightly down on 2007, generating gross pre-tax profit of 3.2,000. Outside clients account for only 18% of the revenue stream, which was mainly generated by extension works. The cost of out of house hotel accommodation was 3.2,000, and 3.2,000 business was outsourced to Villa Mathis.

The first tranche of extension works should be completed by May-June with the restaurant facilities. The new hotel should open in September, allowing for demolition of the old restaurant in July and August, and the beginning of renovation works on the hotel.

Sofédis SA: revenues were up on the previous year to €44.6 million, generating profit of €1.7 million.

**Devest 6** SA: by means of a lease arrangement with a local partner, Devest 6 has continued to deliver services to the aerospace and related industries.

## 5. Developments and prospects

There are many uncertainties as to trends going forward in the markets and the wider economy.

Careful monitoring of risks, close control over expenses and ever greater attention to ensuring client and membership loyalty, will ensure we nurture the relationships of trust that are need in the difficult period that lies ahead.

# 6. Financial elements relating to the parent company accounts of Banque Fédérative du Crédit Mutuel

#### **Balance sheet**

The balance sheet as at December 31, 2008 stood at €193.7 billion, an increase of 25.2% over the previous financial year.

Liabilities toward credit institutions included deposits from Caisses de Crédit Mutuel des Fédérations Centre Est Europe, Sud-Est, Ile-de-France and Savoie-Mont Blanc via Caisse Fédérale du Crédit Mutuel Centre Est Europe (CFCMCEE); in the amount of €42 billion (+ 14.9%).

Client accounts in credit recorded as liabilities amounted to 6.8 billion, mainly made up of OPCVM/UCIT instant access accounts standing at 6.6 billion in credit, and client accounts (including term deposits) in credit to the tune of 6.2 billion.

Securities on loans, interbank paper and negotiable securities ( $\mathfrak{S}4$  million), in addition to bond debt ( $\mathfrak{S}3.5$  billion) added up to securities holdings of  $\mathfrak{S}7.5$  billion.

The fund for general banking risks, in an amount of  $\pounds$ 1.6 million, and the value of Super Subordinated Debt Securities at  $\pounds$ .6 billion remained unchanged. However BFCM issued  $\pounds$ 1.036 billion in the form of Subordinated Securities underwritten by Société de Prise de Participation de l'Etat (SPPE), the fund injecting liquidity into the economy in the context of the financial crisis.

Total shareholders' equity and equivalent amounted to €6.3 billion, excluding profit for the financial year.

On the asset side, the centralizing treasury role played by Group CM4-CIC gave rise to loans to credit institutions in the amount of I46.2 billion. The refinancing of CFCMCEE to fund lending by Caisses de Crédit Mutuel made up most of this, amounting to S2.7 billion. On the other hand, specific uses of funds by Caisse Fédérale du Crédit Mutuel CEE were refinanced to the tune of C7.2 billion. Banque Fédérative refinancing activity also included Banque de l'Economie du Commerce et de la Monétique, and the entities in the CIC Group. The overall funding of these entities was S3.5 billion.

Client transactions amounted to  $\oplus$ .2 billion, mainly lending to major companies, and refinancing the Citibank Deutschland acquisition entity.

Trading securities, securities held for sale and securities held to maturity made up the other uses of funds (24,7 billion).

Equitable interests in related companies amounting to 5.1 billion were mainly made up of stakes in CIC (2.8 billion) and in Groupe des Assurances du Crédit Mutuel (60 million). Shareholdings amounted to 617 million, mainly investments in Banque Marocaine du Commerce extérieur (BMCE) and Banque de Tunisie, which were acquired from CIC at the end of 2008, in order to bolster the holding company role of BFCM.

# **Profit and Loss Statement**

Interest and equivalent amounted to €14.2 billion, €13.3 billion of which were through transactions with credit institutions.

Interest and equivalent expenses amounted to 14.1 billion. Interest paid to credit institutions (10.9 billion) and interest on securities issued at 2.7 billion made up most of this.

Revenues from securities (€282 billion) were mainly in the form of dividends, breaking down as CIC (€122 million), Groupe des Assurances du Crédit Mutuel (€54 million), CMCP (€54 million), BECM (€20 million) and CM-CIC Lease (€9 million).

Losses on the portfolio of securities held for sale were 359 million, most of which are unrealized. The general fall in the stock markets has led to charges recorded in the amount of 302 million.

Given commissions and other items of income from operations, net banking income dropped to €21.6 million from €288 million in 2007.

General operating expenses totaled €76.6 million.

The cost of risk at €311 million was exclusively ascribable to exposure to Lehman Brothers.

Disposals of shareholdings generated gains on long term assets of €200.5 million.

Furthermore, €11,728 million expenses were recorded for such rents and depreciation of company vehicles as were not tax deductible, and written back into income as chargeable to corporation tax at the standard rate.

The deferred taxes in 2007 and for the current financial year have been set off against prior period profits, so that a positive income entry in respect to corporation tax of €79 million was recorded.

#### Proposals from the Board to the General Meeting of Shareholders

In a particularly difficult economic and financial context, BFCM made a loss of €130.6 million.

The Board therefore proposes the General Meeting of Shareholders to forego paying a dividend for fiscal 2008.

It is proposed that the sum of €130,608,227.75 be recorded as retained losses.

In accordance with the legal provisions in force, we remind shareholders that the dividends per share paid in the last three financial years were as follows:

Exercice	2005	2006	2007
Montant en €	5,32 €	5,38 €	7,48 €
Dividende éligible à			
l'abattement prévu par l'article 158 du CGI	oui	oui	oui

# 7. Financial elements relating to the consolidated financial statements of Banque Fédérative du Crédit Mutuel

Under CE regulation 1606/2002 on the application of international accounting standards and regulation CE 1126/2008 in regard to their adoption, the consolidated financial statements for the fiscal year have been drawn up in accordance with the IFRS reference framework adopted by the European Union at the date of close out of the financial year. This framework includes standards IAS 1 to 41, IFRS standards 1 to 7 and their SIC and IFRIC interpretations adopted as of that date. The summary documents are presented in accordance with recommendation CNC 2004-R.03.

The accounting principles, methods of evaluation and presentation of international standards are detailed in Note 1 of the Notes to the Financial Statements.

Amendment IAS 39 of October 2008 has been applied, enabling the reclassification of certain financial instruments accounted for at fair value as loans and receivables or as available for sale assets, and the reclassification of available for sale assets as loans and receivables.

Information relating to risk management required under standard IFRS 7 is covered in a special chapter.

#### Analysis of Balance Sheet

The total consolidated balance sheet under IFRS standards of the BFCM Group amounted to  $\notin$ 425.2 billion as against  $\notin$ 395.9 billion in 2007 (+3.0%)<sup>1</sup>.

The financial liabilities at fair value by profit or loss amounted to  $\pounds$ 7.1 billion in 2008 as against  $\pounds$ 5.6 billion in 2007, mainly comprised of derivatives and other financial liabilities on traded securities and the debt liabilities in respect of credit institutions, valued at fair value by profit or loss.

Other liabilities in respect of credit institutions ( $\notin 101.2$  billion) increased by 15.5%<sup>1</sup> from one financial year to the next.

Issuances of securities other than those valued at fair value by profit or loss amounted to  $\bigcirc 100.6$  in total as against  $\bigcirc 9.8$  billion in 2007 (+0.9%). Interbank paper and negotiable securities made up most of the whole, totaling  $\bigcirc 70.1$  billion, followed by bond debt of  $\bigcirc 0.1$  billion. The balance under this heading is made up of short term borrowing and other securities.

The "Customer deposits" heading on the liabilities side of the balance sheet is made up of customer deposits as booked, including attached receivables. These deposits increased by  $12.4\%^{1}$  to  $\pounds 8.3$  billion in 2008, confirming a substantial increase in customer deposits. Contributions from CIC entities amounted in their own right to 80% of the total, equivalent to  $\pounds 70.4$  billion, the contribution from Citibank being 11%.

Technical provisions on insurance contracts, representative of commitments to policy holders amounted to €45.8 billion, 1.1% more than last year. Most of this (€42.7 billion) was made up of client investment in life assurance companies through the Groupe Assurance du Crédit Mutuel.

The minority interests recorded on the liabilities side (e.9 billion at year-end 2008) in the main concerned other groups in Crédit Mutuel involved in GACM (their equitable interest being 27%), and external shareholders investing in CIC (8% interest).

On the assets side, placements in the interbank market increased by 8.0% between 2007 and 2008 rising to €104.7 billion.

Loans to customers amounted to 147.7 billion as at December 31, 2008, an increase of  $11.5\%^1$  over the previous financial year. More than 82% of loans were granted through CIC entities. Over the period, considerable lending activity continued. The loan book of Citibank Deutschland (consolidated for the first time in 2008) amounted to 1.8 billion.

<sup>&</sup>lt;sup>1</sup> Increase on a like-for-like basis. In regard to Citibank, the acquisition took place on December 31, 2008. Assets and liabilities were 100% consolidated on December 31, 2008, and earnings are recorded on a *prorata temporis* basis from the date of acquisition onward.

Financial instruments valued at fair value by profit or loss amounted to €56.2 billion as against €97.3 billion last year.

Goodwill on the asset side (S.5 billion in total) related essentially to the acquisition of Citibank securities in December 2008 (C.8 billion) and to CIC securities (residual goodwill S06 million).

#### Analysis of profit and loss statement

In 2008, the BFCM Group was hit by the increasingly severe financial crisis, particularly in the second half, and from the sudden macroeconomic slowdown.

Attributable net income was down to  $\in 28.8$  million from  $\in 1,464.4$  million in fiscal 2007 as a result of the extraordinary cost of risk and the substantial impairment of the value of otherwise sound assets.

BFCM Group net banking income fell from 5.4 billion to 3.9 billion (by -29.9 %<sup>2</sup>), taking a 86 million hit from the Madoff swindle, which was by nature recorded as a reduction of net banking income, and not as an increase in the cost of risk.

However, retail banking net banking income, the core business of the BFCM group, remained unchanged (on a like-for-like basis) at €3,288.7 million.

Net premium income from the insurance business was €765 million, down 20.3% due to life assurance revenues.

Private banking revenue fell marginally (-4.8%) to €427 million, although income increased in the fourth quarter.

In private equity, net banking income was €12 million, after an unusually good 2007.

Finance market net banking income was recorded as 26 million, breaking down as 335 million for finance banking, reduced by a 66 million loss from the Madoff swindle <sup>3</sup>, and a further loss of 310 million in market trading due to the substantial impairment of otherwise sound assets.

Cost of risk rose to  $\textcircledarrow1,016$  million of which  $\textcircledarrow484$  million was ascribable to the failure of Lehman Brothers, and  $\textcircledarrow55$  million to the Icelandic banking system. Hence the actual cost of risk on clients as a ratio of the outstanding loan book was 0.27% at year-end 2008. The rate of coverage of doubtful and unrecovered debt on lending to customers is 73.6%.

#### Analysis by Business Line

#### Description of activity

Activity categories for analytical purposes are those of the BFCM organization chart. Please consult this chart on page....showing the breakdown into categories.

The full scale elimination of reciprocal operations between the banking and insurance sectors would have led to book transfers of assets and earnings between the banking and insurance business making for an imperfect representation of economic value in each of these sectors. Thus the analytical breakdown by business line shows elements of the insurance business prior to the elimination of reciprocal operations, subject to the proviso that such operations are representative of policy holder benefits (income from investments under the bank's insurance schemes, insurance premiums paid by the bank on behalf of employees etc.). In particular the data shown under the heading "Income from Insurance" in the analysis of activity by business line below, is at variance from the data presented in the financial statements, due to the latter's restatement.

 $<sup>^2</sup>$  Increase on a like-for-like basis. The Citibank acquisition took place on December 5,2008, and assets and liabilities were wholly consolidated from December 31, 2008. Earnings are shown on a prorata basis from the date of purchase.

<sup>&</sup>lt;sup>3</sup> This being a swindle, the losses are subtracted from net banking income, and not recorded as an increase in the cost of risk.

- > Retail banking, the BFCM core business includes:
  - ⇒ BECM network, the network of CIC regional banks and the CIC retail network in Ile-de-France, including the 18 branches of Banco Popular France and the Citibank Deutschland network.
  - $\Rightarrow$  It includes also all the specialist activities whose products are marketed through the above retail network, instruments being consumer product leasing and other leasehold business, property lease and buyback, installment credits, factoring, mutual fund management, employee share ownership schemes (*épargne salariale*), property businesses.
- Insurance is written by the Groupe des Assurances du Crédit Mutuel (GACM) and its subsidiaries, whose products are sold the bank's branch network. GACM companies write both life and non-life business, provide insurance brokerage, reinsurance, remote surveillance, and management of automobile maintenance costs
- > Finance and market banking includes two business lines:
  - ⇒ Financial services for major corporations and institutional customers, value-added financing (project finance and export finance, etc....), and services for the international business and foreign branches;
  - ⇒ The market trading businesses of BFCM and CIC, which form part of a single entity, CM-CIC Markets, under single management. Market activities are organized along three business lines: refinance, sales of financial products

Market activities are organized along three business lines: refinance, sales of financial products and own account trading. Transactions which are handled on two sites (Paris and Strasbourg) are recorded in two separate balance sheets:

- \* BFCM balance sheet for Refinancing
- \* CIC balance sheet for Sales and Own Account;
- Private banking includes companies which are dedicated to this business, both in France (Banque Transatlantique, Dubly-Douilhet SA) and abroad (Banque de Luxembourg, Banque CIC Suisse, Banque Transatlantique Luxembourg, CIC Private banking-Banque Pasche, Banque Transatlantique Belgium, Banque Transatlantique London).
- Private equity activity pursued on own account is part of a main profit center. The business is organized through three main entities, CIC Finance, CIC Banque de Vizille and IPO.
- The Structure and Holding Company heading includes elements not allocated to other business lines, and purely logistical organizations, such as intermediate holding companies and property management businesses operated by specialist companies.

#### **Results by Business Line**

	2008	2007	Change <sup>4</sup>
(in € million)			2008/2007
Net banking income	3 289	3 151	+ 0,3%
General expenses	(2 267)	(2 191)	+0,0%
Gross operating profit	1 021	960	+ 1,2%
Cost of risk	(378)	(114)	n.s.
Operating profit	643	846	-22,0%
Profit before tax	654	862	-26,2%
Net book profit	467	590	-22,9%

In 2008, the BFCM Group pursued its strategy of network expansion both nationally and internationally.

<sup>&</sup>lt;sup>4</sup> Changes on a like-for-like basis

- 69 points of sale were newly set up in the BFCM Group network
- 18 points of sale were acquired from the Banco Popular France network.
- A new stage was reached with the acquisition of Citibank Deutschland, a specialist in consumer credit, and its network of 339 branches, with their 6,092 employees and 3.4 million customers.

Overall, retail banking attributable net banking income generated by the BFCM Group (83% of group attributable net banking income) increased by  $+0.3\%^{5}$ .

General expenses were unchanged on 2007<sup>5</sup> and the operating multiple moved from 69.5% to 68.9% in 2008.

Gross operating profit (RBE) increased by 1.2%<sup>5</sup>.

Pre-tax profit was 654 million<sup>5</sup> down from 862 million at year-end 2007, as a result of a considerable increase in provisions on non-performing customer loans.

Net profit from retail banking amounted to  $\notin$ 467 million <sup>5</sup> at year-end 2008. The dynamism of the retail network, its closeness to customer concerns, the quality of its sales and marketing and its ability to meet the needs of bank associates and clients ensured that:

- 160,000 new clients were added, raising client numbers by 4%<sup>5</sup> to 7,600,000;
- a 12,2%<sup>5</sup> increase in the lending business to  $\triangleleft 52.7$  billion, the loan book of Citibank Deutschland on initial consolidation in 2008 amounting to  $\triangleleft 10.8$  billion;
- increase 10.2%<sup>5</sup> in deposits to €89 billion;

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	2008	2007	Change
<i>(in</i> €million)			2008/2007
Net banking income	765	960	- 20,3%
General expenses	(309)	(278)	+ 11,2%
Gross operating profit	456	682	-33,1%
Cost of risk	0	0	n.s.
Operating profit	456	682	-33,1%
Pre-tax profit	472	710	-33,4%
Net book profit	377	<b>490</b>	- 23,1%

#### Insurance

This business accounted for 19% of BFCM group net banking income.

The business in what is the Group's second largest line of activity can best be assessed from the highlights of the GACM insurance business<sup>6</sup> (approximately 73.3% owned by the BFCM Group):

- 9% increase in insurance contracts under management to €19.3 million.
- Property and casualty premium income increased by 12% to €2.6 billion, but consolidated premium income (life, non-life) fell by 13.3% from €6.4 billion in 2007 to €3.8 billion, due to the lesser attractiveness of life assurance (- 25%).

2.4% rise in funds under management in life assurance, to €42.7 billion in 2008 from €41.7 billion in 2007.

In the cross-border markets, the group also set up an insurance company on a partnership basis with the Royal Automobile Club of Catalonia.

<sup>&</sup>lt;sup>5</sup> Changes on a like-for-like basis

<sup>&</sup>lt;sup>6</sup> Excluding ACM Vie Mutuelle

#### Finance and market banking

( <i>in</i> €million)	2008	2007	Change 2008/2007
Net banking income	26	611	n.a.
General expenses	(239)	(279)	- 14,1%
Gross operating profit	(214)	332	n.s.
Cost of risk	(530)	(7)	n.s.
Operating profit	(744)	325	n.s.
Pre-tax profit	(744)	325	n.s.
Net book profit	(476)	233	n.s.

Net banking income in finance and market banking was €26 million as against €611 million at year-end 2007.

Net banking income in this field rose 8.6% to 35 million, after the loss of 86 million<sup>7</sup> on assets owned by the bank involved in the Madoff swindle, the bank's customers remaining unaffected;

Market banking net banking income fell from 244 million on December 31, 2007 to - 310 million at year-end 2008, due to the substantial impairment of otherwise sound assets.

In a wholly disrupted market, where even the soundest of assets were illiquid and where market prices were no longer representative of economic value, regulators invoked extraordinary circumstances, by reason of which standards IAS 39 and IFRS 7 were amended to allow for the transfer of trading portfolios to other accounting categories and the Available For Sale portfolio was transferred to the Loans & Receivables portfolio.

- ⇒ under these new accounting regulations, BFCM Group on July 1, 2008 transferred a total of €18.8 million, from the trading portfolio to the Available For Sale portfolio (€16.1 billion), and €2.7 billion to the Loans & Receivables portfolio. €6.4 billion was transferred from the AFS portfolio to the Loans & Receivables portfolio. The yield on the securities after portage cost was positive;
- ⇒ The change in market value between July 1 and December 31, 2008 of the securities transferred from the trading portfolio to the AFS and Loans & Receivables portfolio was €969 million. The effective interest rates on the securities transferred were positive, the highest being 10.97%.

	2008	2007	Change
(in Emillion)			2008/2007
Net banking income	427	449	- 4,8%
General expenses	(272)	(261)	+ 3,9%
Gross operating profit	156	187	- 16,9%
Cost of risk	(108)	(6)	n.s.
<b>Operating profit</b>	47	181	- 73,8%
Pre-tax profit	47	181	- 73,8%
Net book profit	42	135	- 68,7%

#### Private banking

This BFCM group business line is operated exclusively by CIC entities and its net banking income (10.8% of the group's) fell slightly to €427 million. However over the last 3 months of the year, revenues increased. Net profit was €42 million at year-end 2008.

#### Private equity

<sup>&</sup>lt;sup>7</sup> This being a swindle, the losses are subtracted from net banking income, and not recorded as an increase in the cost of risk.

	2008	2007	2007	Changed
<i>(in</i> €million)		Pro forma	Published	2008/2007
Net banking income	112	381	424	- 70,7%
General expenses	(38)	(42)	(42)	- 8,1%
Gross operating profit	73	339	382	- 78,3%
Cost of risk	1	(0)	(0)	n.s.
Operating profit	74	339	382	- 78,1%
Pre-tax profit	74	339	382	- 78,1%
Net book profit	77	327	367	- 76,5%

Net banking income from this business (3% of group net banking income) was €112 million, after a fiscal 2007 where significant capital gains were made at moments of opportunity. Net banking income was generated by the three CIC entities (including CIC Finance, IPO, and Banque de Vizille), private equity investments being €342 million as against €427 million in 2007, for a total portfolio value of €1,670 billion, after revaluation.

Towards the end of the second half, the whole of the BFCM's private equity business was reclassified under the Structure and Holding heading; the nature of the BFCM securities portfolio being now more in the nature of long term holdings than private equity.

Net income from the private equity business was €77 million.

#### Structure and Holding

	2008	2007	2007	Changed
<i>(in</i> €million)		Pro forma	Published	2008/2007
Net banking income	(671)	(139)	(182)	n.s.
General expenses	(75)	(58)	(58)	+ 10,1%
Gross operating profit	(747)	(197)	(240)	n.s.
Cost of risk	0	0	0	n.s.
Operating profit	(747)	(197)	(240)	n.s.
Pre-tax profit	(671)	(164)	(207)	n.s.
Net book profit	(348)	(71)	(111)	n.s.

After an extraordinarily good 2007, where BFCM's Structure & Holding business yielded substantial dividends from its shareholdings ( $\triangleleft$  30 million in Investessor), supplemented by capital gains on disposals of its interests (Mittal, Euronext), the Group was affected in 2008 by rising charges on subordinated debt and by long term asset impairments.

To comply with IFRS standards, securities held for the longer term and classed in the portfolio of Available For Sale (AFS) securities, have been valued at their stock market prices on December 31, 2008. Impairment was €481 million.

The BFCM Group also reported €76 million income from dividends in companies consolidated by the equity method, including CMCP (€5.7 millions) and Euro-information (€15.4 million).

The Board of Directors

# 8. Appendix 1 to the Management Report (list of offices held and responsibilities discharged during financial 2008 – Article L 225-102-1 Code de Commerce)

# **Mr Etienne PFLIMLIN**, President of the Board of Directors *Is also:*

**President of the Board of Directors**: Confédération Nationale du Crédit Mutuel – Caisse Centrale du Crédit Mutuel – Fédération du Crédit Mutuel Centre Est Europe – Caisse Fédérale du Crédit Mutuel Centre Est Europe – Caisse de Crédit Mutuel "Strasbourg Esplanade" – Le Monde Entreprises.

**President of the Supervisory Board**: Banque de l'Economie du Commerce et de la Monétique - Editions Coprur – Crédit Industriel et Commercial – Société d'Etudes et de Réalisation pour les Equipements Collectifs (Soderec) – Société Alsacienne de Publications "L'Alsace".

**Member of the Board of Directors**: Groupe des Assurances du Crédit Mutuel – Société Française d'Edition de Journaux et d'Imprimés Commerciaux "L'Alsace" – Fimalac.

Member of the Supervisory Board: Le Monde SA – Le Monde et Partenaires Associés – Société Editrice du Monde.

**Permanent representative of: Fédération du Crédit Mutuel Centre Est Europe** (Board of Directors *Sofédis*, Board of Directors *Euro-Information*), of **Caisse Centrale du Crédit Mutuel** (Supervisory Board *CM-CIC AM*), of **Crédit Industriel et Commercial** (Board of *CIC Banque BSD-CIN*, Board of *CIC Banque CIO-BRO*, Board of *CIC Société Bordelaise*, Board of *CIC Est*).

**Mr Jacques HUMBERT**, Vice-President of the Board of Directors *Is also:* **President**: Union des Caisses de Crédit Mutuel du District de Mulhouse.

President of the Board of Directors: Caisse de Crédit Mutuel La Doller.

**Member of the Board of Directors**: Fédération du Crédit Mutuel Centre Est Europe – Caisse Fédérale du Crédit Mutuel Centre Est Europe – Société Française d'Edition de Journaux et d'Imprimés Commerciaux "l'Alsace".

Permanent representative: ADEPI on the Board of Directors of GACM.

**Mr Michel LUCAS,** Member of the Board of Directors – Chief Executive Officer *Is also:* **President and CEO:** Carmen Holding Investissement.

CEO: Confédération Nationale du Crédit Mutuel.

**President of the Board of Directors**: Groupe des Assurances du Crédit Mutuel – Assurances du Crédit Mutuel Vie SA – Assurances du Crédit Mutuel Iard SA – Assurances du Crédit Mutuel Vie SFM – Banque du Crédit Mutuel Île-de-France.

President of the Board of Directors: Crédit Industriel et Commercial.

President: Crédit Mutuel Cartes de Paiements – Europay France.

**Chairman of the Supervisory Board**: Euro Information Production – Citicorp Deutschland GmbH – Citicorp Management AG – Citibank Privatkunden AG.

Vice-President of the Supervisory Board: Banco Popular France - Banque de Luxembourg.

**Member of the Board of Directors – Chief Executive Officer**: Fédération du Crédit Mutuel Centre Est Europe – Caisse Fédérale du Crédit Mutuel Centre Est Europe.

**Member of the Board of Directors**: ACMN Iard – ASTREE – Desjardins Assurances Générales – Banque de Tunisie – Banque Marocaine du Commerce Extérieur - CIC Banque Transatlantique – Banque Transatlantique Belgium – Caisse de Crédit Mutuel « Grand Cronenbourg » - CRCM Midi-Atlantique - Crédit Mutuel Paiements Electroniques – CIC Investissements – CIC Finance – CIC Lyonnaise de Banque – SOFEDIS.

**Member of the Supervisory Board**: Banque de l'Economie du Commerce et de la Monétique - Fonds de Garantie des Dépôts – CM-CIC Asset Management – CM-CIC Services - Manufacture Beauville – SAFRAN.

Member of the Board of Directors: Euro-Information – Euro-Information Développement – EBRA.

Ms Marie-Paule BLAISE, Member of the Board of Directors *Is also:* President: Union des Caisses de Crédit Mutuel de la Communauté Urbaine de Strasbourg.

**Member of the Board of Directors**: Caisse de Crédit Mutuel Strasbourg Europe - Fédération du Crédit Mutuel Centre Est Europe.

Mr Jean-Louis BOISSON, Member of the Board of Directors *Is also:* President: Union des Caisses de Crédit Mutuel du District de Bourgogne Champagne.

President of the Board of Directors: Caisse de Crédit Mutuel de Montbard Venarey.

Vice-President of the Board of Directors: Fédération du Crédit Mutuel Centre Est Europe.

Vice-President of the Supervisory Board: Banque de l'Economie du Commerce et de la Monétique.

**Member of the Board of Directors**: Confédération Nationale du Crédit Mutuel – Caisse Fédérale du Crédit Mutuel Centre Est Europe.

Member of the Supervisory Board: EI Production.

Is also:

Mr Maurice CORGINI, Member of Board of Directors

President: Union des Caisses de Crédit Mutuel du District de Besançon.

President of the Board of Directors: Caisse de Crédit Mutuel Beaume-Valdahon-Rougement.

Member of the Board of Directors: Fédération du Crédit Mutuel Centre Est Europe – Caisse Agricole Crédit Mutuel.

Member of the Supervisory Board: Crédit Industriel et Commercial.

Joint Manager: Cogithommes Franche-Comté.

Mr Gérard CORMORECHE, Member of Board of Directors *Is also:* 

**President**: Fédération du Crédit Mutuel du Sud-Est – Caisse de Crédit Mutuel du Sud-Est – Cecamuse – Caisse de Crédit Mutuel Neuville-sur-Saône – Caisse Agricole Crédit Mutuel.

Vice-President of the Supervisory Board: Crédit Industriel et Commercial – CMAR (Crédit Mutuel Agricole et Rural).

**Member of the Board of Directors**: Confédération Nationale du Crédit Mutuel – Caisse Fédérale du Crédit Mutuel Centre Est Europe – Société des Agriculteurs de France.

Manager: Scea Cormoreche Jean-Gérard – Sàrl Cormoreche.

Permanent representative of CCM Sud-Est and on the Board of Directors ACM Vie Sfm.

Mr Roger DANGUEL, Member of Board of Directors

*Is also:* **President**: Union des Caisses de Crédit Mutuel du District de Sélestat.

President of the Board of Directors: Caisse de Crédit Mutuel de Sélestat-Scherwiller.

**Member of the Board of Directors**: Fédération du Crédit Mutuel Centre Est Europe – Confédération Nationale du Crédit Mutuel.

Member of the Supervisory Board: Banque de l'Economie du Commerce et de la Monétique.

**Permanent representative** of **Banque Fédérative du Crédit Mutuel** on the Board of Directors *Caisse Centrale du Crédit Mutuel*.

Mr Jean-Louis GIRODOT, Member of Board of Directors

Is also:

**President of the Board of Directors**: Fédération des Caisses de Crédit Mutuel d'Île-de-France – Caisse Régionale de Crédit Mutuel d'Île-de-France – Caisse de Crédit Mutuel de Paris Montmartre Grands Boulevards – and of several Caisses in the Crédit Mutuel group, during their set-up phase.

Chairman and Managing Director: Coopérative d'Edition de la Lettre de l'Economie Sociale (CODLES).

President: Chambre Régionale de l'Economie Sociale Île-de-France (CRES IDF) – AUDIENS – PEMEP.

**Vice-President**: Conseil Economique et social d'Île-de-France – Fédération Nationale de la Presse Spécialisée (FNPS).

**Member of the Board of Directors**: Confédération Nationale du Crédit Mutuel – Caisse Fédérale du Crédit Mutuel Centre Est Europe – MEDIAFOR.

Member of the Supervisory Board: Crédit Industriel et Commercial - El Production.

Member: Conférence Nationale des CRES - Groupe APRI.

**Permanent representative** of **Caisse Régionale du Crédit Mutuel d'Île-de-France** (on Board of Directors *ACM Vie Sfm* – on the *Commission paritaire des Publications et Agences de Presse*).

**Mr Robert LAVAL**, Member of Board of Directors *Is also:* **President**: Union des Caisses de Crédit Mutuel du District de Sarrebourg.

President of the Board of Directors: Caisse de Crédit Mutuel Sarrebourg et Environs.

Member of the Board of Directors: Fédération du Crédit Mutuel Centre Est Europe.

Member of the Supervisory Board: Banque de l'Economie du Commerce et de la Monétique.

**Permanent representative** of **CCM Sarrebourg et Environs** *Manager of property company SCI Crédit Mutuel Les Cordeliers.* 

Director: Retirement Home "Sainte Véronique" - Retirement Home "La Charmille".

Mr Jean-Paul MARTIN, Member of Board of Directors *Is also:* President: Union des Caisses de Crédit Mutuel du District de Metz.

President of the Board of Directors: CME 57.

Member of the Board of Directors: Fédération du Crédit Mutuel Centre Est Europe.

**Member of the Supervisory Board**: Citicorp Deutschland GmbH – Citicorp Management AG – Citibank Privatkunden AG.

Mr Pierre NEU, Member of Board of Directors *Is also:* President: Union des Caisses de Crédit Mutuel du District de Haguenau.

Vice-President of the Board of Directors: Caisse de Crédit Mutuel Alsace du Nord.

Member of the Board of Directors: Fédération du Crédit Mutuel Centre Est Europe.

Member of the Supervisory Board: Editions Coprur.

Mr Gérard OLIGER, Member of Board of Directors *Is also:* President: Union des Caisses de Crédit Mutuel du District de Sarreguemines.

President of the Board of Directors: Caisse de Crédit Mutuel Emile Gentil (Volmunster).

Member of the Board of Directors: Fédération du Crédit Mutuel Centre Est Europe.

#### Mr Albert PECCOUX, Member of Board of Directors

Is also:

**President**: Fédération du Crédit Mutuel Savoie-Mont Blanc – Caisse Régionale du Crédit Mutuel Savoie-Mont Blanc – SICA Haute-Savoie (Société Civile Coopérative d'Intérêt Collectif Agricole).

Vice-President of the Board of Directors: Caisse de Crédit Mutuel d'Annecy-les-Fins.

**Member of the Board of Directors**: Confédération Nationale du Crédit Mutuel – Caisse Fédérale du Crédit Mutuel Centre Est Europe.

Member of the Supervisory Board: Crédit Industriel et Commercial.

Permanent representative of CRCM Savoie-Mont Blanc au Conseil des ACM VIE Sfm.

**Mr Jean-Pierre SCHNEIDER**, representative of CFCM Maine-Anjou, Basse-Normandie, Member of Board of Directors

## Other duties performed by Mr Jean-Pierre SCHNEIDER

Chief Executive Officer: Caisse Fédérale du Crédit Mutuel de Maine-Anjou, Basse-Normandie

**Director:** Fédération du Crédit Mutuel de Maine-Anjou, Basse-Normandie – Caisse Générale de Financement (CAGEFI).

President of the Board of Directors: SAS Volney Développement.

Member of the Board of Directors: Confédération Nationale du Crédit Mutuel - SAS Cloé.

**Member of the Supervisory Board:** Haption – Euro Information Production - Société de Réassurance Lavalloise (SOCREAL SA).

**Permanent representative:** of the **Caisse Fédérale du Crédit Mutuel Maine-Anjou, Basse-Normandie** (President of *Caisse Centrale du Crédit Mutuel*, of *Assurances du Crédit Mutuel Iard SA*, of *Assurances du Crédit Mutuel Maine-Anjou Normandie*, of *GIE Cloé-Services* - Member of Supervisory Board of *CM-CIC Asset Management* – Member of the Board *Euro-Information* – Joint Manager: *Société Immobilière de Développement des Environs de Laval* (SIDEL SNC) of **Assurances du Crédit Mutuel Iard** (President of *Sérénis-Vie*).

## Other duties performed by Caisse Fédérale du Crédit Mutuel Maine-Anjou, Basse-Normandie

President of the Board of Directors: Assurances du Crédit Mutuel Maine-Anjou-Normandie.

**Member of the Board of Directors**: Caisse Centrale du Crédit Mutuel – SAS Volney Développement – Groupe des Assurances du Crédit Mutuel – Assurances du Crédit Mutuel Iard SA – Crédit Mutuel Paiements Electroniques – Bail Entreprises – Mayenne Logis (Groupe CIL 53) – Logis Familial Mayennais (Groupe CIL 53) – SOPAM – GIE Cloé Services.

Member of the Supervisory Board: Soderec – Sodelem – CM-CIC Asset Management.

Member of the Board: Euro Information – SIBE Participation.

Manager: SIDEL SNC.

Mr Alain TETEDOIE, Member of Board of Directors *Is also:* President: Fitega

Chief Executive Officer: Nanteurop.

**President of the Board**: Fédération du Crédit Mutuel de Loire-Atlantique et du Centre-Ouest – Caisse Fédérale du Crédit Mutuel de Loire-Atlantique et du Centre-Ouest.

Vice-President of the Board of Directors: Caisse de Crédit Mutuel de Saint Julien de Concelles.

Member of the Board of Directors: Confédération Nationale du Crédit Mutuel - Ataraxia.

President of the Supervisory Board: Pfalzeurop GmbH – CM-CIC Services.

Vice-President of the Supervisory Board: BCME.

Member of the Supervisory Board: Crédit Industriel et Commercial – Suravenir – Infolis (until 27 June 2008).

**Permanent representative:** of **Fédération du Crédit Mutuel LACO** (President of *Investlaco*) – of **Caisse Fédérale de Crédit Mutuel LACO** (on Board *of GACM*, on Supervisory Board *of SODELEM*) – of **Suravenir Assurances holding** (on the Board of Directors of *Suravenir Assurances* until 27 June 2008) - of **EFSA** (on the Board of Directors of *CIO-BRO*).

Scrutineer: Suravenir Assurances Holding (until 27 June 2008).

# Chapter III REPORT ON OPERATION OF THE BOARD OF DIRECTORS AND INTERNAL CONTROL PROCEDURES

## (Article 117 of Law on financial security and Article L 225-37 of Code de Commerce)

The provisions of article L 225-37 of the Code de Commerce specify that the Chairman of the Board of Directors of the company making a public call for investors' funds "shall render account in a report attached to the Annual Report of the composition, conditions of preparation and organization of the works of the Board and of the procedures of internal control and management of risks set up by the company and of the limitations if any that the Board of Directors may attach to the powers of Chief Executive Officer".

# 1. PREPARATION AND ORGANIZATION OF THE WORK OF THE BOARD

## **Composition of the Board**

The Board of Directors of Banque Fédérative du Crédit Mutuel is currently made up of 16 members appointed by the General Meeting for 3 years, and of 4 scrutineers also appointed for a 3 year term by the Board under article 20 of the Statutes. The list of directors showing their functions and responsibilities in other companies is contained in an appendix as required by the law. The Board includes representatives of the partner Groups (Ile-de-France, Savoie-Mont Blanc et Sud-Est) and representatives of associate groups (Loire-Atlantique Centre Ouest, Laval, Normandie and Centre).

Two employee members have seats on the Board, representing the *Comité d'entreprise interfédéral* (Works Council).

Directors shall not be paid attendance fees or stock options

The compensation of the President and the Chief Executive Officer, in respect of their work within the Group; is fixed and its terms consistent with the law, in line with proposals submitted by the compensation committee.

# Operation of the Board, Manner of Exercise of the Powers of Senior Management

Under Article L 225-51-1 of the Code de Commerce, the Board has opted for exercise of dual power at senior management level.

The Presidency of the Board is in the hands of Mr Etienne PFLIMLIN. In this respect, he represents the Board, organizes and directs the work and ensures that the Board members are in a position to discharge their responsibilities.

The Management of the Company is in the hands of Mr Michel LUCAS. In this respect and under the law he is entrusted with the most extensive of powers to act in the name of the company and to represent it with respect to third parties.

There are no internal rules or regulations for the workings of the Board, which is governed by statutory provisions.

On an individual level, further to the obligations of reserve and professional secrecy, as it applies to the purpose and workings of the company, the Directors shall in their capacity as elected members comply with the code of ethics in force in the Group.

In 2008, the Board met six times. The average attendance rate was 83%.

For each meeting of the Board, a complete folder containing information on all the points on the agenda is sent by mail to all of the Directors, scrutineers and representatives of the *Comité d'entreprise* (Works Council). At each meeting, the managers with responsibility for one or more aspects of the agenda are invited to present those items, to make comments or respond to any questions. The minutes of the meetings are sent to the Directors, subject to approval of the Board.

All meetings of the Board are customarily an opportunity to review developments of the economic and financial situation and its impact on our Group. This year in particular was rich in opportunities for growth by acquisition (Banco Popular France, Citi Deutschland, Cofidis), and assessing them was responsibility taken on in addition to the normal workload of the Board in the field of strategic decision-making..

The meeting of February 21, was devoted to the examination and close-out of the financial statements and to the preparation of the Ordinary General Meeting of Shareholders, held on May 7, 2008. The Board took note of the minutes of the meeting of the CM4-CIC risk monitoring committee governed by regulation 97-02. The Board similarly authorized the issuance of loans. As at every meeting it examined the dashboard of the company's financial affairs (refinance, credits, own account business).

The Board of June 20, 2008 examined the project for acquisition of Citibank Deutschland, with a view to making an offer. The Board also granted an equity loan in an amount of €6 million to Banco Popular France.

On July 4, 2008, the Board made an analysis of the financial situation as carried in the financial statements, of budget developments and of expected trends in terms of future earnings, as well as monitoring financial affairs. A new director was co-opted to replace SAS CLOE.

The meeting of August 4, 2008 was devoted to the half yearly financial statements of the parent company and to the consolidated financial statements as at June 20, 2008. The Board also raised the ceiling on Euro Commercial Paper and Certificates of Deposit.

The Board met for the fifth time of the year on October 24, 2008. All the topics dealt with in June were reviewed and brought up-to-date, including a report on the state of progress toward the acquisition of Citibank Deutschland. This was an opportunity for the Board to authorize a number of agreements between BFCM and the Citi Deutschland Group.

The last meeting of the year was held on December 19, 2008. The Board examined the financial statements based on the situation as at end November, which gave initial estimates of results for the full financial year. There was also an update on the actual budget for the year, and on preparations for the budget going forward into 2009. The Board also took note of the agreement made between the French government and the Group in fields of refinancing and compensation paid to company officers.

The decisions taken by the Board were compliant in both fields. All the Board meetings have standard items on the agenda such as holdings in subsidiaries and other investments, intergroup financial relations, and the lending decisions taken by the credit Committee. Affiliations, if any, from new *Caisses* or local banking entities are also reviewed.

The duration of the meetings varied, depending on the length of the agenda and the importance of the items on it.

The number of meetings varies from one year to the next, in the light of circumstances. For several years, no less than four meetings are held in a year.

The opinions and comments of Board members may be sought in the event of an emergency. Decisions taken in such circumstances require the further approval of the next Board meeting.

# 2. INTERNAL CONTROL AND OVERSIGHT OF RISKS

Internal control and risk management at BFCM is part of the overall internal control procedure set in train for the CM4<sup>8</sup>-CIC Group, as described below.

The purpose of the work of internal control and risk management is to oversee the application of all of the rules determined by the supervisory authorities, in the performance of the group's business, relying on internal standards, tools, reference frameworks and procedures set up for this purpose, providing the framework for the drafting of this Management Report, with further support from the services involved in internal controls and risk management, performing their duties with due diligence and relying as necessary on the reference framework and the application guide of the French Autorité des Marchés Financiers (Financial Markets Authority).

<sup>&</sup>lt;sup>8</sup> Crédit Mutuel Centre Est Europe, Crédit Mutuel du Sud-Est, Crédit Mutuel IIe-de-France, Crédit Mutuel Savoie-Mont Blanc

# 2.1. General provisions for internal control in the CM4-CIC Group

Internal control and risk management procedures are deeply embedded in the organization. Their purpose is to oversee compliance to regulatory provisions to properly control risk and to enhance the security of financial transactions, as part of an overall drive to improve performance.

## 2.1.1 A fully structured, shared and independent procedure

The Group oversees the suitability of the procedures set up, taking into consideration its size, operations and scale of the risks to which it is exposed through its business.

Reliant on common methods and tools, the internal control and risk measurement systems aim in particular at:

- exhaustively covering all of the Group's businesses;
- surveying, gathering, understanding, monitoring and aggregating risks on a homogenous and consolidated basis,
- ensuring compliance to laws and regulations in force and compliance to internal standards,
- overseeing the correct operation of internal processes and the reliability of financial information.

The organization set up has as its purpose checking the quality and exhaustiveness of the internal control system. The group on its own behalf and of the companies under its control checks that the procedures set up are based on a collection of procedures and operational limits compliant to regulatory requirements and to standards in force. It relies in its work on methods and tools defined at Group level and on the rules in force on a standard basis in the audit and control fields.

The identification of the major risks through reference frameworks and risk mapping, and their monitoring (including ensuring their capping within suitable limits), using formal procedures and dedicated tools, is an overarching goal, to the meeting of which all the control services within the Group make their contribution. Over and above actions with a view to detecting and reducing risks, the control services are involved in further work for the purpose of improving risk management. In parallel, political tools and monitoring schedules are the means to perform regular audits of the various risks to which the group is exposed in its business, be they counterparty risks, market risks, balance sheet risks or operational risks. In accordance with regulatory provisions and additional to the internal audit report, every year sees the publication of a report on risk management and supervision, the drafting of which is reliant on a detailed review process of the risk control arrangements.

The proper match between the goals set by internal audit procedures and the resources allocated to the attainment of those goals is a matter of constant concern.

The independence required of a proper auditing facility requires ensuring that those who perform the controls within dedicated audit structures are shielded from operational responsibilities and answer to superiors in a manner protecting their freedom of judgment and assessment.

# 2.1.2. Organization of audits

The Group CM4-CIC audit procedures pursue twin goals:

- separating out the different existing audits into distinct lines (periodical, permanent and compliance controls), keeping pace with changes in regulatory requirements;
- harmonizing the work performed within the Group in the audit fields, by ensuring a common organization is set up, relying on homogenous methods and tools.

# Breakdown by type of control

Independently of the audits performed by management in their day-to-day business practice, the audit function is exercised by:

- periodical controls involving in-depth investigations performed as part of an internal audit cycle extending over several financial years;
- ongoing or permanent controls for all procedures of a recurrent nature performed using remote control and monitoring tools;
- compliance control ensuring the application of regulatory provisions and internal standards.

Periodical control is responsible for the oversight of the general quality of the internal control arrangements, taken as a whole, and for the efficiency of the management and monitoring of risks, as well as ensuring that the permanent and compliance controls are fit for purpose and are performed in a due and proper manner.

## Breakdown by network/business lines

In the financial audit departments, the work is allocated to a "network" branch covering retail banking, and to a business line branch handling separate business such as commercial banking, market activities, asset management, financial and treasury services. Each arm of the audit function is assigned managers answering directly to CM4-CIC at Group level.

## Common backbone of support for different forms of internal audit

The common audit support organization is required to:

- develop and to maintain at the appropriate level of quality the tools required for efficient audit procedures;
- contribute to the implementation of homogenous methods by the various teams;
- ensure the development of required reporting tools for monitoring audit operations and missions, and to ensure information is duly circulated on and upward to the organs of management.

# 2.1.3. Oversight of control arrangements: Group Control and Compliance Committee

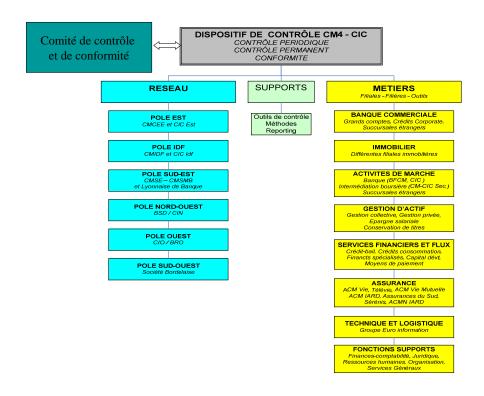
Under the authority of a member of the executive organ, the Control and Compliance Committee organizes regular meetings of Group managers working in the internal audit field (periodical, permanent, compliance controls), and in the risk management field. The purposes of these meetings are as follows:

- coordinate all the control arrangements;
- check that the work and missions of the various actors complement one another;
- examine the results of internal and external controls;
- monitor the implementation of the recommendations made to the different Group entities as part of the control procedures.

The Control and Compliance Committee also examines the working procedures and documents which provide a reference framework for the Group. The Committee has also been requested to give and has given its opinion in 2008 on the new control tools and procedures.

The Control and Compliance Committee met 6 times in 2008 (February 18, April 28, June 30, September 29, November 3, and December 15).

# General organization chart



# 2.1.4. Group Audit and Accounts Committee

As a response to new requirements and expectations arising from the transposition of European Directive 2006/43/CE to the statutory control of the annual and consolidated financial statements, an Audit and Accounts Committee is currently being set up.

Composed of members of decision-making organs in BFCM and CIC, it meets no less than twice annually.

It will receive information relating to:

- conclusions reached in the light of missions performed under periodical control procedures, and the results of permanent and compliance controls;
- conclusions of external controls, changes, if any, as recommended by the supervisory authorities;
- actions implemented in pursuit of the main recommendations contained in internal an external audit reports.

The Audit and Accounts Committee makes proposals to the various decision-making organs in regard to the improvements that it may deem necessary in the light of information or evidence at its disposal.

The Committee shall also examine draft presentations of half-yearly and annual financial statements with a view to making an assessment of the manner in which they were drawn up, to ensure the relevance and the sustainability of the principles and accounting methods used. Members of the Committee have unrestricted access to the Statutory Auditors and to the Senior Management of the various audit lines, whenever access to either party appears necessary in the performance of their work.

#### 2.1.5 Provisions for risk supervision

# Group Risk Division

The purpose of Group Risk Division is to undertake an analysis and regular review of the risks of all kinds in regard to the rates of return on capital allocated to core capital for regulatory compliance purpose. The mission of the Group Risk Division is to contribute to the development of Group business and its profitability, while also ensuring the quality of procedures for risk management.

#### Group Risk Monitoring Committee (CSRG)

The Group Risk Monitoring Committee is made up of members from decision-making organs meeting on a sixmonthly basis to examine the strategic challenges facing the group in terms of risk. The Committee proposes to Group decision-making organs, in the light of the evidence at its disposal, all such decisions as might be applicable to all establishments within the Group out of prudential considerations.

The Risk Division manager provides the leadership for Committee meetings and has responsibility for presenting the dossiers relating to the different areas of risk management, based on the work performed by the Group Risk Committee (CRG). Senior Management is also invited to attend the Committee meetings, which may also request the attendance of the Senior Management of the business lines concerned by points on the meeting agenda.

#### Group Risk Committee (CRG)

This committee meets quarterly, bringing together operating staff, namely the Manager of the Risk Department and management of relevant business lines and functions (Engagement Department, Markets Department, Finance Department, Retail Banking, BFI, real estate, investment capital). Senior Management attends these meetings. The Group Risk Committee ensures the overall supervision of risks on an expost and forward-looking basis.

#### 2.2. Internal control procedures specific to BFCM

As the Group's holding company—owned by Caisse Fédérale du Crédit Mutuel Centre Est Europe and Caisses de Crédit Mutuel Centre Est Europe, Sud-Est, Ile-de-France and Savoie-Mont Blanc—BFCM manages the shareholdings in the Group's specialist subsidiaries, which are all governed by the general arrangements for internal control within the Group.

As an integral part of the CM4-CIC Group, BFCM has also, in respect of the business performed at its own level, deployed internal control procedures meeting the same goals of the prevention and proper management of risk.

BFCM is the Group's financial instrument. It provides for treasury management and intervenes in the financial markets.

It takes part in the financing of major projects, and operates a financial engineering business. BFCM is also the correspondent for the Group's international partners.

As an integral member of BFCM, CM-CIC Markets constitutes the single entity within the trading room that oversees all the market activities of the CM4-CIC Group, provides refinance for the CM4 – CIC Group as a whole, through a single treasury management team, and develops the marketability of the financial products targeting customers, while reinforcing its own account business.

Monitoring methods, liability containment procedures and systems are covered by a specific body of rules.

Market activities answer to a member of the CIC Board. The CIC Supervisory Board and the Board of BFCM approve the strategy for each business line (refinancing, commercial, own account), the allocation of capital while monitoring compliance to limits and budget allocations

As part of these arrangements, market activities are covered by a number of Committees:

- the Management Committee for CM-CIC Markets Division (meeting weekly) defines the strategy, analyses activity, results, risks and abidance by limits, while coordinating operational aspects (information system, budgets, human resources, procedures),
- the Market Risk Committee (meeting monthly) monitors compliance with the body of rules and decisions of the Management Committee and approves operational limits as part of the general limits set by the CIC and BFCM Boards of Directors.
- The CM-CIC Credit Market Committee (meeting weekly) takes decisions on requests for lending lines within the powers assigned to it by the CM4-CIC Engagement Committee.

The internal control system relies on the one hand on post-market missions with responsibility for auditing risks, results, accounting and regulatory compliance, and on the other hand, on the market activities control department attached to the manager of the business line permanent controls function, and to the compliance function.

Just as market operations were reorganized into a single structure, so BFCM Strategic Accounts and CIC Strategic Accounts have reorganized their own activities as part of CM-CIC Strategic Accounts, harmonizing their tools and procedures. The coordination of the control tasks through a single portal is provided by a business line-based permanent control manager. The results of controls performed over the year are also fed into the same portal.

The Group's business as a depositary was transferred to BFCM at the end of 2006.

The depositary business audit plan is based on the definition of a number of control tasks, which are devised in consultation with BFCM's business line permanent control department and its compliance department. This plan brings added robustness to client risk and product risk-based approaches, by implementing a control process from the time business relationship first comes into being, and an analytical auditing process when an OPC/UCI is set up. It also provides for comprehensive ex-post control and for the identification of all the risks related to mutual fund management.

Ethical considerations and procedures are included in the compendium of good practice relating to the main principles and specific arrangements set up under BFCM business operations. Fundamental principles such as primacy of the client's interest and market integrity are restated.

As part of its operational risk management framework, an assessment has been made of operational risks arising from market activities.

BFCM is currently involved in the updating and mapping of its specific risks and valuation models relating to those risks.

In regard to protection measures, a market activity disaster recovery plan has been framed. Its purpose is to ensure continuity of critical businesses and activities after a serious disaster or inability to access business premises. The new market trading room dedicated information system is backed-up by a geographically distant emergency support facility.

Periodical controls are performed by Group Audit on a pluriannual basis. The conclusions arising from such missions are presented to the Compliance and Control Committee and shown in the annual report sent to the Banking Commission. Missions may be of general scope, or set up to meet specific shorter term requirements.

# 2.3. Internal control relating to the development and processing of financial and accounting information

#### 2.3.1. Role of organs of governance

At the close-out of each accounting period, or at times when disclosure of financial information is required, the information in question is presented by the Financial Division to the Board of Directors. The manner in which earnings are generated, the presentation of the financial situation and business activity are set out in a manner which includes reconciliation of these data with management and business performance data that are extraneous to actual accounting procedures (rates, capital employed, etc.).

The annual financial statements are also presented to the Accounts Committee.

Those accounting principles adopted that have significant impact are the subject of prior review and approval by the Statutory Auditors. The Statutory Auditors are regularly convened to meetings of the Board of Directors approving the financial statements and to the Accounts Committee, being in receipt of invitations to report on their mission and to communicate on the results of their work to the relevant decision-making organ.

The Group accounting principles used for accounts consolidation purposes are compliant to the Group accounting principles adopted by the central organ for the Crédit Mutuel, namely the Confédération nationale du Crédit Mutuel, and are set out in detail in the notes to the financial statements.

#### 2.3.2. Special features of banking activities

The accounting and financial organization adopted responds to the special needs of the business of a credit institution:

- virtually all economic operations performed by a bank result in a financial flow or a commitment which requires rendering into an accounting format;
- considerable volumes of accounting entries based on entirely automated processes of recording operations transacted;
- unlike industrial and commercial enterprises, decentralization of accounting records within the organization as a whole, and not simply in the Accounting Division.

Thus, the overwhelming majority of transaction record-keeping is managed by the information system under preestablished procedures. The purpose of these automated processing loops is to ensure:

- the exhaustiveness, the reality, the measurement and correct classification of the translation into accounting form of the economic transactions completed;
- prevention of the risk of fraud by predetermining centrally the operations to be performed or not by each actor;
- rapid and regular centralization of accounts, as items of record are entered in real time or on a deferred basis by batch processing on each working day;
- *de facto* homogenization of accounting data, across all companies within the Group.

#### 2.3.3. Accounting system

#### Accounting architecture

The company shares an IT platform, which is common to 13 Crédit Mutuel Federations and to the banks of the CIC, and which includes common regulatory and accounting functionalities, relating in particular to:

- plan of account, whose structure is common to all the establishments managed on the platform;
- definition of common automated procedures and tables for all of the banks (means of payment, deposits and credits, standard operations, etc.);
- tools for data restatement and transfer (BAFI, entry into consolidation software ...) and management (financial controls and audits).

Given this framework, the administration of the common accounting information system is entrusted to dedicated divisions, the so-called Accounting Schematics and Procedure Divisions, which form independent cells, either at CM4-CIC Financial Division level in the retail banking/networks or at the level of the CM4-CIC Financial Division covering the specialized business lines.

These independent cells have more specific responsibilities in respect of:

- Management of the common plan of accounts (set-up of accounts, definition of account characteristics, etc.);
- Definition of the procedures of the common accounting tables and procedures, compliant to regulatory and tax requirements. Whenever required, the tax department is consulted and schematics are set up subject to a validation procedure requiring the involvement of the various operational managers.

The Accounting Schematics and Procedures Divisions are independent both in terms of management hierarchy and operationally separate from the departments that produce accounting data as such. This ensures a separation between the functions involved in the design and administration of the accounting architecture and other operational departments.

Within the company, all the accounts must be dedicated to an operational department which has responsibility for their operation and control. No account can thereby be unsupervised, and devoid of a clearly designated controlling and monitoring entity.

The organizations and procedures in place provide for compliance to Article 12 of Regulation CRBF 97-02, and guarantee an effective audit trail.

#### Plan of accounts

The plan of accounts builds around two major types of account: third party accounts, which connect assets and liabilities to individualized third parties, and general accounts under general accounting procedures.

Hence dedicated accounts for third party deposits, and for loans granted to third parties allow for monitoring and tracking. In regard to the custody of securities, a "purpose-based" accounting system is in existence, making a distinction in terms of ownership of securities between third parties and own account.

The nomenclature used in the plan of account is unique for all credit institutions managed on the common IT platform (known as the *Nouveau plan de comptes internes* (NPCI – new plan of internal accounts)). It is under the management of the Accounting Schematics and Procedures Divisions.

This plan of accounts defines the properties of the individualized accounts relating in particular to:

- Regulatory attributes (cross-matching to the official plan of accounts of credit institutions (PCEC), crossmatching to headings of the financial statements for public disclosure, etc.),
- Certain tax characteristics (VAT position, etc.),
- Financial control characteristics (mandatory presence or otherwise, link with consolidation plan of account, archiving times for on-line transaction records, presence at headquarters / over the counter inbranch level, etc.).

#### Processing tools

Accounting information processing tools rely essentially on internal applications developed by Group IT Services. In addition there are a number of specialist internal or external applications, in particular a software for the production of management reporting, a software for the production of accounting balances or schedules, a utility for the processing of file requests, consolidation software, software for processing regulatory statements, software for the management of assets and software for tax returns.

#### Automated controls

Processing of the accounting files requires a series of automated controls prior to data being recognized as a debit or credit item in a given account: these controls include file balance, file validity, update of audit trail on the accounts involved in the transaction recorded.

Internal tools enable control over fund movements within the accounting day, and detection of anomalies or mismatches if any.

#### 2.3.4. Internal audit in the drafting of parent company accounts and consolidation processes

#### Controls on close-out of parent company accounts

At each close-out, book results are compared to forecast management data for validation purposes. Forecast management data are developed by organizations independent of accounts production departments (i.e. by financial control and budget control departments).

Analytical auditing covers:

- interest margin; for interest rate instruments (deposits, credits and off-balance-sheet) the financial control
  procedure calculates yields and expectations of costs on the basis of observed mean capital; the latter is
  then compared to the actual interest accounted for, for validation activity sector by activity sector;
- level of commissions; on the basis of activity indicators, financial control estimates the volume of commissions received and payable, compared to accounting records;
- general expenses (personnel expenses and other general operating expenses);
- cost of default (level of provisions, reserves and observed losses).

Accounting procedures and accounting schematics are formalized. For those operating the bank's retail network, the procedures are shown on the bank's Intranet.

The day-to-day accounting controls are performed by the relevant staff at each till in the retail banking sector.

The accounting control departments additionally perform a general control mission relating to regulatory controls, monitoring the evidence attaching to internal account handling, monitoring tills, controls of foreign exchange positions, controls of net banking income by business line, accounting schematics and procedures, interface between back-offices and Statutory Auditors.

Furthermore, audit services (periodical, permanent and compliance controls) are required to work in the accounting field. A control portal dedicated to the accounting function is currently in preparation.

#### Controls over consolidated financial statements

The system is periodically adjusted to respond to changes in regulations (IFRS) or to improve the reliability of the production of financial statements.

The accounting principles set down in IFRS standards have been applied since January 1, 2005 within Group entities. A summary of the principles of IFRS accounting standards is given in the consolidated financial statements.

The CM4-CIC Group defines the principles and accounting methods used in France (CNC) and internationally (IFRS). They are applied by all Group entities in their individual financial statements. Foreign subsidiaries recognize these when transferring their accounts kept under local standards into those compliant to French and international standards in the consolidation packages and for financial reporting purposes. The accounting principles used for the consolidation of the financial statements are compliant to the accounting principles of the central organ of Crédit Mutuel, and the Confédération Nationale du Crédit Mutuel.

The accounting managers of entities of the CM4-CIC Group meet twice a year to prepare close-out of accounts.

Individual accounts drawn up in a manner compliant to IFRS international standard are set up by the central IT systems for entities using the common information systems. Individual IFRS accounts are closed out by the same organization and the same team as the individual accounts drawn up according to French accounting principles (CNC).

The Group has a consolidation plan of accounts. Within the common information system, each account in the common plan of accounts is matched to the consolidation plan of accounts. The matching is therefore unique for a same account, and covers all the companies under the management of that plan.

Consolidated accounts are drawn up in a manner compliant to the timetable circulated to all subsidiaries and all Statutory Auditors, including as the case may be changes in procedure or standards to be adopted. Within each consolidated subsidiary, an accounting manager is designated to handle the close-out of the accounts of the subsidiary in question. Also designated is the manager responsible for identifying and processing the reciprocal accounts between the companies covered by the full consolidation process.

The Statutory Auditors involved in the consolidation processes, on a parallel basis, send audit instructions to the legal auditors on the consolidated companies, for the purposes of ensuring compliance to the various standards by that subsidiary, as required by professional standards.

Consolidation of financial statements is performed on dedicated software, which is one of the market standards. Data recording on the consolidation software (involving consolidation packages) is partially automated through an interface developed in the accounting information system, providing for automatic recovery of balances and ensuring the homogeneity of parent company data and consolidation data.

Additionally, the consolidation package cannot be released into its new destination by the relevant companies except that the conditions required by a number of coherence checks have been met, these checks being directly programmed into the consolidation package. These control rules (more than 600 at present) are drafted by the consolidation departments and relate to a varied number of elements (change in shareholders' equity, provisions, fixed assets, cash flows, etc.). The controls, known as "blocking", prevent the release of the consolidation package by the subsidiary, except in the event of waiver specifically granted by the consolidation department.

Coherence controls covering parent company data are also performed by the consolidation department on receipt of the packages (level of profit and loss, intermediate balances, etc.).

Finally, schedules for systematic reconciliations between parent companies and consolidated data are drawn up for shareholders' equity and profit and loss. This process provides an assurance of coherence when moving between

the two series of data, parent company and consolidated, and takes place outside the consolidation software package, enabling the validation of the consolidated items.

In conclusion, the BFCM risk supervision and internal control arrangement, based on common tools and methods, is part of the overall organization of controls by CM4-CIC Group. The on-going goal is to continue to reinforce and improve the system's effectiveness. The actions undertaken in 2009 have that as their purpose.

### 3. LIMITATION OF POWERS OF THE CHIEF EXECUTIVE OFFICER

The Board has set no limitations on the powers of the Chief Executive Officer as defined by law and in the Statutes and internal regulations.

President of the Board of Directors

## **Chapter IV REPORT ON RISKS**

This chapter deals more particularly with the information required by IFRS 7 in regard to the risks on financial instruments.

The functions of compliance control, permanent control and periodical control are to achieve reinforced security of processes across all business lines.

The Risk Department consolidates the overall management of risks and optimizes their management in regard to the regulatory capital allocated to each business and the return on that capital.

#### **Credit risks**

#### A – Organization of the Engagement department

In the management of engagements the distinction is made, as required by regulations in force, between:

- the procedures for granting credits
- the arrangements for measuring risks and supervising the level of engagements

The organization of the Engagement department and the management of engagements themselves rely on a unique engagement reference framework setting down the rules and procedures to be implemented within the Group.

#### A.1 Procedures for granting credits

The procedures for granting credits depend for their robustness on the knowledge of clients, risk assessment and the decision for or against an engagement.

#### Knowing the customer

Getting to know the customer and targeting prospects are activities reliant on the close links connecting the regional structures in the group to their regional economic environment. Segmentation of the customer base and customer allocation to a number of risk categories are means to guide prospecting for sales in the direction of targeted customers. Knowledge of the borrowers and risk analysis are assembled in the credit dossier. The bank's possession of the most recent the schedules of accounts of its corporate borrower customers is tracked by the computerized application known as "balance sheet collection".

#### **Risk assessment**

Risk assessment relies on analyses performed at various stages, under formalized procedures. Risk assessment is based on:

- rating of clients,
- risk groups,
- weighting of the outstanding loans by nature of the financial product and the guarantees securing the liability.

Staff members are given regularly updated risk management training.

#### Client rating

Under regulations, ratings are the focal point of the Risk and Engagement procedures, covering loan release procedures, payment, pricing and monitoring of commitments. All powers of assessment delegated to personnel involved in the loan granting system rely on counterparty rating.

- The system of internal rating of Group customers relies on the following principles:
  - uniqueness: unique mode of calculation across the whole Group,
  - exhaustiveness: all third parties identified in the information system are rated,

- automation in Network: the information system automatically calculates a primary monthly rating adjusted on a daily basis through the transmission into the system of risk alerts,
- uniformity of rating: the algorithms are common to all of the Banks based on a market segmentation defined within the information system
- uniform levels of data recovery for all market segments (9 classes of healthy clients and 3 classes of defaulting clients),
- allowance for the notion of Risk Groups

Ratings are recalculated every month (primary rating) and corrected on a day-to-day basis by the serious risk events known to the system, so providing a final rating.

Monitoring the relevance of the algorithms takes place through the Basel II structure as and when required, using specialist teams. Generally speaking, the Engagements department validates the internal rating of all the dossiers that it is required to process.

#### Risk Groups (counterparties)

"Considered to be the same beneficiary are persons whether legal entities or individuals related in such a way that if it is likely that one of them were to encounter financial problems, the others would encounter difficulties in loan repayment".

Risk Groups are set up on the basis of written rules taking into consideration the provisions of Article 3 of CRB 93-05. Each Customer Manager has responsibility for creating and maintaining Risk Groups.

#### Weighting of products and guarantees

When assessing the counterparty risk, the nominal commitment may be weighted. Weighting is calculated from a combination of the nature of the credit and the nature of the guarantee supporting it.

#### **Decision to commit**

The decision to commit is mainly founded upon:

- rating of the counterparty or group of counterparties,
- levels of delegated powers,
- principle of dual oversight,
- rules of capped authorizations to lend in the light of capital adequacy,
- rates of return adjusted for risk profile and level of commitment of capital.

The management of decision-making loops is automated. Once a credit request dossier has been processed, the electronic decision support dossier is sent to the decision-maker at the appropriate level, who has sole responsibility for approving the engagement decision.

#### Level of delegation of powers

#### <u>Network</u>

The customer manager has responsibility for ensuring the exhaustiveness, quality and reliability of the information collected. In accordance with Article No. 19 of CRBF 97-02, the customer manager sets up credit dossiers intended to gather all the information required in qualitative and quantitative terms, centralizing the information into a single dossier covering the counterparties considered as being a single beneficiary. The customer manager checks the relevance of the data collected with the clients, either using external tools (sectorial studies, annual reports, legally required information, rating agencies) or the internal tools available. The rules defined in the procedure Delegated Powers to Grant Credits and Overdrafts fall within the scope of the Basel II directives and the fundamentals determined for all of the Banks in the Group. Each customer manager is responsible for the decisions that he or she takes or has others take, and has powers personally delegated, vesting each with decision-making authority. Delegations rely on a series of capped maximum levels of engagement, relying upon:

- credit rating
- total level of engagement with respect to counterparty or Risk Group

- exclusions from delegated powers
- guarantees weighting the engagement entered into.

For loan dossiers in amounts exceeding the authorized delegated powers as set out above, decisions are taken by the Engagement Decision Commissions (CDE) whose operating rules are covered by written procedures.

#### Finance and Investment Bank

Decisions are not taken individually, but under the authority of the Engagement Decision Commissions. Foreign subsidiaries are allowed specifically delegated powers.

#### Role of engagement divisions

Each regional unit has an engagement division attached to the unit's general management, which is independent of the operational divisions. Engagement division missions are basically two-fold, and as such are allocated to two independent teams:

- one team with responsibility for the oversight of the decisions to grant loans, involving 'second opinion' analysis of credit dossiers, ensuring that the rate of return on the credits is consistent with the risk taken,
- one team with responsibility for implementing processes of prudential oversight and assessment of credit risks additional to and complementing the permanent control actions.

#### A.2 Provision for risk measurement and supervision of engagements

Monitoring engagements is the responsibility of national and regional structures using tools compliant to Basel II regulatory requirements.

#### Consolidated risk measurement tools

To measure consolidated risks at bank level, the BFCM Group has different tools to enable an aggregate approach involving regional entities and the group as a whole:

- o exposure to a counterparty or to a group of counterparties,
- producing information on levels of outstandings, rates of return on clients, credit margins, broken down by markets, products, performing and non performing loans
- the quality of the portfolio according to assessment procedures suited to retail network business lines (credit ratings, market, length of relationship, product/credit, activity sectors, age of contract). Historical overview is also available for consultation
- monitoring of credit risks at the overall level in terms of the risk of concentration, inter-banking risks, country risks, and risks by network entity, subsidiary, business lines and markets.

Each commercial entity within the Group has information tools to enable it to check daily that the capped credit allowances for each of the counterparties are complied with.

#### Supervision of engagements and detection of material risks

#### Purposes of supervision

The Engagements department, in conjunction with the relevant actors, contributes to quality monitoring of various aspects of credit risks.

The Engagements department supervisory procedure operates in a manner complementary to and in coordination with the actions mainly performed by first level controls, by permanent control and by the risk division.

#### Monitoring engagements

Monitoring breaches in authorized limits on accounts and other dysfunctions relies on advanced risk detection tools (management of accounts in debit / sensitive risks / automated debt recovery procedures), based on criteria both internal and external, notably ratings and account operating data. The aim of these indicators is to identify and enable the earliest possible management of proven difficulties affecting counterparties. Detection is automated, systematic and exhaustive. Monitoring situations is based on the same sequencing of procedures as governs the delegation of powers and engagement decisions.

Monitoring major corporate risks is undertaken independently of the loan release procedures. It involves identifying engagements that raise alerts on failure to meet targets or emerging risk profiles in the relevant counterparty. The same approach applies to the monitoring of breaches of counterparty limits in Market Trading Rooms.

Monitoring regulatory and internal corporate limits takes place independently of the loan release procedures. Limits are determined in the light of CRBF 93-05 Regulations on regulatory limits, levels of shareholders' equity and the internal ratings of counterparties in regard to internal limits.

Monitoring portfolios and risks by the Investment and Finance Bank relies on the periodical analysis of engagements, based on tracking tools underpinning decisions to classify loans as "sensitive", to declassify or reclassify, and to set up reserves.

In retail banking, monitoring engagements is organized as part of the quarterly reporting process for dossiers under supervision. The quarterly monitoring of portfolios gives rise to an exhaustive review of the internal ratings of groups of third parties, for each portfolio.

#### Detection of amounts at risk, move to default status, provisions

The purpose is to exhaustively identify outstandings or business sectors to be kept under surveillance, and to allocate counterparties detected at risk, to the category suited to their situation: sensitive (doubtful but not classified as such), doubtful or subject to legal action for recovery.

#### Sensitive Risks

The purpose is to detect as early as possible risk situations based on criteria defined by client segment, using information systems or information from the Managers of the operating and engagement departments with relevant powers.

This arrangement allows:

o identification of counterparties or activity sectors where information or knowledge about events is such as to require closer supervision in the more or less short term. This arrangement is additional to the automated identification of risk by computerized applications and is generally introduced at an earlier stage.

o systematically trigger the necessary remedial action to preserve the interests of the BFCM Group.

#### Move to default status and provisions

All outstandings are subjected to monthly automated detection procedures, reliant on indicators of internal or external origin, for which there are settings in the information system. Over and above the exhaustive and automated procedures in place, various actors involved use all sources of information at their disposal to identify the loans that need to be placed "under supervision".

Computerized procedures are used for reclassification and setting up provisions. An additional review takes place on homogenized portfolios to detect possible loss events which may be a source of collective impairment.

#### Management of amounts at risk

#### Management of sensitive clients (not reclassified as doubtful)

Depending on the seriousness of the situation, clients will be managed either at branch level by the customer manager, including if necessary changes in the level of management responsibility for handling the procedure. If not, matters are placed in the hands of dedicated and specialist teams organized by market, type of counterparty or method of debt recovery.

#### Management of client lending reclassified as doubtful debt, legal action for recovery

Counterparties concerned are managed on a differentiated basis, as required by the seriousness of the situation, either at branch level by the customer manager (in which cases the Branch has no powers to grant credit to the clients concerned), or by dedicated teams specialized by market, type of counterparty or mode of debt recovery.

#### Permanent control of engagements

Second level control is provided by independent teams with dedicated skills from the Engagements department who monthly survey specific criteria and analyze engagements deemed to be at risk. The appropriate corrective measures are then taken.

An automated monthly analysis of around twenty such ratios also helps identify branches facing difficulties in the management of their engagements, assisting rapid decision-making in regard to the necessary remedial action. Management of credit risk is thereby additionally secured.

#### Update on trends in 2008

In 2008, in the extraordinary context of the macroeconomic crisis, the BFCM Group Engagements department took steps to reinforce provisions for authorizing lending and measuring and supervising the related risks. The Engagements Reference framework was amended as a consequence.

#### Reporting

#### <u>Risk committee</u>

In accordance with the provisions of regulation CRBF 97-02, the various bodies and more particularly the Risk Committee are kept informed of changing credit engagements at quarterly intervals, if not more frequently. Furthermore, these bodies are kept informed of and take part in decisions regarding developments of the credit engagement management procedures.

#### Information to Senior Management

Detailed information on credit risks and the related procedures is presented to management. The data are also presented to a Risk Monitoring Committee with responsibility for examining the strategic challenges facing the CIC Group in terms of risks, so complying with Basel II regulations.

#### **B** – Quantified data

#### B.1 Lending to customers

In a fast-changing macroeconomic environment, a characteristic feature of 2008 was the continuing rise in the loan book and the aggravation of the cost of risk.

#### **Rise in outstanding lending**

The portfolio of outstanding loans to clients rose to 195 billion, growing by 6.8%\* (as against  $\Huge{177}$  billion like-for-like and  $\Huge{165}$  billion in 2007). These liabilities break down as  $\Huge{151.1}$  billion loans and outstanding receivables on balance sheet (+ 12%\*),  $\Huge{12.2}$  billion off balance sheet guarantees (- 0.2%\*) and  $\Huge{14}$  billion off balance sheet financing (- 11%\*).

(\* like-for-like changes - excluding Citibank Deutschland and Banco Popular France)

Loans to clients break down as follows:

	31/12/2008	31/12/2008 like-for like *	31/12/2007
(in millions of euros, capital end of month)		,	
Short term credit	54 426	42 327	40 543
Overdrafts	7 208	6 453	6 016
Commercial lending	3 074	3 059	3 135
Treasury loans	44 026	32 697	31 157
Export loans	118	118	235
Medium and long term credits	90 647	90 606	78 403
Loans for goods and equipment	22 383	22 368	16 697
Housing loans	55 006	54 857	49 682
Leasing	6 806	6 806	6 238
Other credits	6 452	6 574	5 786
Total gross loans to customers			
Excluding doubtful loans and attached receivables	145 073	132 933	118 946
Doubtful loans	5 747	3 951	3 312
Attached receivables	367	365	313
Total gross loans to customers	151 187	137 249	122 572

Source accounts – excluding security lending \* Exc. Citibank Deutschland et Banco Popular France

	31/12/2008	31/12/2008	31/12/200
		like-for-like *	7
(in millions of euros capital end of month)			
Loans and receivables			
Credit institutions	104 320	104 269	96 00
Clients	151 187	137 248	122 57
Gross exposure	255 507	241 517	218 57
Provisions for impairment			
Credit institutions	-316	-316	
Clients	-4 231	-2 410	-2 19
Net exposure	250 960	238 790	216 37

Source accounts – excluding securities lending \* Excluding Citibank Deutschland and Banco Popular France

	31/12/2008	31/12/2008 like-for-like *	31/12/2007
(in millions of euros capital end of months)			
Commitments to finance			
Credit institutions	1 409	1 409	1 498
Clients	31 403	27 116	30 485
Guarantees given			
Credit institutions	3 004	3 004	971
Clients	12 217	12 184	12 212
Provision for risks on commitments	120	120	

Source Accounts – excluding securities lending \*Excluding Citibank Deutschland and Banco Popular France

At year-end 2008, overall outstandings in the wake of acquisitions (which took place in May and December 2008) and the consolidation of the loan book on customers of Banco Popular France and Citibank Deutschland were also taken into account. For both entities, outstandings at year-end 2008 broke down as follows:

(in millions of euros capital end of month)	31/12/2008 BPF and Citibank Deutschland	Relative weight 31/12/2008
Short tem credit	11 978	98,6%
Overdrafts	755	6,2%
Commercial lending	15	0,1%
Treasury loans	11 207	92,3%
Medium and long term lending	164	1,4%
Loans to acquire goods or equipment	15	0,1%
Housing loans	148	1,2%
Total gross loans to customers		
Excluding doubtful loans and attached receivables	12 142	100%
Doubtful loans	1 796	
Attached receivables	1	
Total gross loans to customers	13 939	
Provision for impairment	1 821	

Except if otherwise specified, the comments, statements of outstandings and the analyses which follow do not include information relating to Banco Popular France and Citibank Deutschland.

#### Quality portfolio

Client base with high credit rating: on the twelve-level scale of internal ratings, the customers in the 8 top categories account for 98% of lending to individuals recorded on the balance sheet, for 96% for the professional and business sector, and for 98% for investment and financing banking. These data are unchanged on 2007.

#### **Risk of concentration**

#### Counterparty risk

In the broader consumer lending sector, 41.3% of customer lending is for housing. These loans are by their very nature granted to a large number of beneficiaries, and secured on the collateral of the housing concerned.

The breakdown of the 10 largest counterparty groups by market, relative to the whole, indicates risk dispersion. On December 31, 2008, the loan book of the 10 largest groups of clients accounted for less than 5% of total outstandings both on and off balance sheet of the BFCM group.

#### Sectorial risk

The supervisory and alert procedures for the activity sectors exposed to cyclical factors (real estate, aerospace, etc.) or to unpredictable factors (automotive component manufacturers, transportation...) are performed on a continuous basis. Results indicate no undue concentration on any particular business sector or line.

#### Geographical risk

98% observed country risks are in the European zone.

The country risk portfolio is exposed almost entirely, to France and OECD countries, save marginal exceptions.

#### Breakdown of sound client loans by internal ratings

Breakdown of sound clients by internal rating	31/12/2008	31/12/2007
A+ and A-	24,4%	23,2%
B+ and B-	32,3%	34,1%
C+ and C-	28,6%	29,8%
D+ and D-	11,9%	10,6%
E+	2,8%	2,4%

CM-CIC Rating	Correspondence Moody's	Correspondence Standard & Poors
A +	AAA à Aa1	AAA to AA+
A -	Aa2 à Aa3	AA to AA-
B +	A1 à A2	A+ to A
В -	A3 à Baa1	A- to BBB+
C +	Baa2	BBB
C -	Baa3	BBB-
D +	Ba1 to Ba2	BB+ to BB
D -	Ba3 to B1	BB- to B+
E+	B2 and <	B and <

Guarantees attached to housing loans break down as follows:

(in millions of euros capital end of month)	31/12/2008
Housing loans *	55 006
With Crédit Logement guarantee or Mutuel Habitat surety	17 059
With mortgage or similar first rank guarantee	31 311
Other Guarantee**	6 636

source Accounts \*Including lending of Banco Popular France and Citibank Deutschland

\*\* mortgage of lower ranks, pledges, other collateral ...

Over the financial year, housing lending increased by 10.4%. Bridging loans accounted for 1.5% of sound loans in the housing loan sector.

#### Breakdown of credits by type of client

	31/12/2008	31/12/2007
Consumer market	56 %	56 %
Corporate	33 %	30 %
Major companies	8 %	10 %
Specialist and other finance	3 %	3 %

source:Risk Monitoring

The breakdown of credits by type of client draws on data from all French entities in the BFCM Group.

#### Geographical breakdown of client risks \*

	31/12/2008	31/12/2007
France	85 %	93 %
Europe excluding France	13 %	5 %
Other countries	2 %	2 %

source: accounts \* Including lending of Banco Popular France and Citibank Deutschland

**Concentration of client risks** 

Capital en millions of euros	31/12/2008	31/12/2007
* Gross liabilities in excess of €300 million		
Number of groups of counterparties	28	34
Total weighted Engagements	16 462	24 951
Of which total balance sheet	10 481	11 305
Of which total off balance sheet guarantees and finance	5 981	13 646
Total assets (shareholder loans, securities)	4 991	5 691
* Gross liabilities in excess of €100 million		
Number of groups of counterparties	73	93
Total weighted Engagements	24 511	36 085
Of which total balance sheet	14 797	15 373
Of which total off balance sheet guarantees and finance	9 714	20 712
Total assets (shareholder loans, securities)	15 737	7 868

No major risks exceeding 25% of prudential capital.

#### Sectorial breakdown

	2008	2007
Finance and insurance	31,22%	28,63%
Property market	14,13%	14,70%
Manufacturing industry	12,50%	15,14%
Automotive repairs	10,97%	11,76%
Specialist scientific and technical activities	8,69%	7,14%
Construction	7,34%	7,72%
Transportation and warehousing	2,71%	2,99%
Hotels, restaurants	2,42%	2,57%
Information and communication	1,95%	1,69%
Administrative and support services	1,80%	1,79%
Electricity and gas production and distribution	1,09%	
Human healthcare and social action	1,07%	1,12%
Agriculture forestry and fishing	1,04%	1,07%
Sub total	96,94%	96,31%
NACE codes (Upper level) LESS THAN 1% OF TOTAL NACE	3,06%	3,69%
Sub total NACE	100,00%	100,00%

source: Risk monitoring Categories are based on Insee (French state statistics) segmentation of NACE codes

#### Sovereign risks

Sovereign risks in terms of outstanding liabilities amount to less than €l million.

#### Cost of risk impacted by unfavorable macroeconomic environment

Doubtful debt amounted to €5,747 million as at December 31, 2008, rising 19.3% (like-for-like) from €3 312 million on December 31, 2007.

Doubtful debt amounted to 3.8% of loans to clients (2.9% like-for-like) rising from 2.9% on December 31, 2007.

In an extraordinarily unfavorable context, the proven cost of client risk remained as low as 0.24% of the total outstanding loans to clients (excluding extraordinary items such as the Icelandic banks and the collapse of Lehman Brothers).

#### Quality of client risks

(in millions of euros capital end of month)	31/12/2008*	31/12/2008 like-for-like	31/12/2007
Individually impaired loans	5 747	3 951	3 312
Provisions for individual impairment	3 736	2 282	2 1 1 5
Collective provisions on loans	494	129	80
Overall coverage	73,6%	61,0%	66,2%
Total coverage (individual provisions only)	65,0%	57,7%	63,8%

source: accounts \* Including Citibank Deutschland and Banco Popular France

#### **B.2** Inter-bank lending

#### Geographical breakdown of inter-bank lending

COUNTRY	31/12/2008	31/12/2007
France	26%	19%
Europe (excluding France)	48%	54%
Other countries	26%	27%

source: Scope of market activities - BFCM Group

Inter-bank lending geographical breakdown is based on the country of the parent company. The banks in question are mainly European and American.

#### Structure of inter-bank loans by internal rating

Internal rating	Equivalent external rating	31/12/2008	31/12/2007
A +	AAA/AA+	1,5%	5,4%
A -	AA/AA-	17,7%	54,6%
B +	A+/A	46,7%	28,3%
B -	A-	15,4%	9,9%
C and below (excluding default ratings)	BBB+ and		
	less	18,2%	1,5%
Not rated		0,5%	0,3%

Trends in 2007-2008 illustrate a very strong drop in the quality of banking counterparty credit in 2008. Nearly half the exposures are in Category B+ (equivalent to external ratings A+/A), which is in line with the average observable ratings of the credit rating agencies.

#### B.3 Negotiable securities, derivative instruments and securities lending

Portfolios of securities are mainly handled by market trading departments, and marginally concern balance sheet management.

Negotiable securities (in millions of euros capital at end of month)	31/12/2008 Book Value	31/12/2007 Book Value
Government securities	19 267	23 557
Bonds	75 095	80 624
Derivative instruments	12 361	9 215
Securities lending	12 767	26 638
Gross exposure	119 490	140 033
Provisions for impairment of securities (1)	-216	-17
Net exposure	119 274	140 016

(1) The  $\notin$ 216 million provisions for impairment cover the Icelandic banks ( $\notin$ 65 million) and the collapse of Lehman Brothers ( $\notin$ 151 million).

#### **Balance sheet management risks**

#### Organization of balance sheet management

The CM4-CIC Group has continued centralizing balance sheet management, which had been decentralized within an overall framework.

The management of liquidity and refinancing risk is handled group-wide by BFCM. In 2009, the management of interest rate risk will adopt the same approach, entrusted to a central organization.

For each of these CM4-CIC Group entities, the role and principles of balance sheet management are clearly defined:

- balance sheet management is identified as a function distinct from market trading, with its own resources,
- its purpose is to protect commercial margins against changes in interest and foreign exchange rates, while keeping up a level of liquidity sufficient for CM4-CIC to meet its obligations and secure its interests in the event of a liquidity crisis,
- balance sheet management is not a profit centre.

Balance sheet management falls within the scope of the policy orientations for customer account management (terms and conditions), and under the rules governing internal transfers of business. The system provides for a permanent connection to the retail network sales and marketing entities.

Balance sheet management consolidates data from all the CM4-CIC entities to ensure the overall monitoring of the situation and compliance to regulatory ratios.

The different indicators of balance sheet management risk are presented on a quarterly basis to the group ALM technical committee, and to the group Risks committee.

#### Management of interest rate risk

Interest rate risk is generated by the bank's commercial trading activity, and arises from differences in the interest rates and the reference rates, in regard to sources and uses of funds. Analysis of interest rates also takes into consideration the volatility of the pool of products without contractual endpoints and hidden options (options for early redemption of loans, for extension of loans, drawing on borrowing rights, etc.).

Management of interest rate risks on all financial transactions arising from the retail network business is both analyzed and wholly hedged in regard to the residual position on the balance sheet, by so-called macro hedging operations. Operations when of high value or specially structured, may require specific hedging. Risk caps are set in regard to levels of annual net banking income for each entity and at group level.

The analysis of interest rate risks relies on the following indicators, updated on a quarterly basis:

Lending/borrowing differential for elements on and off balance sheet whose financial flows are deemed certain.

**Sensitivity of net interest margin** calculated by national scenarios and framed by limits. This is measured by steps of one year within a three year horizon, and is expressed as a percentage of the net banking income of each entity.

Four scenarios are calculated:

- 1% rise in market rates and 0.33% rise in inflation (reference scenario)
- 1% rise in market rates and stable inflation
- 2% rise in market rates and 0.66% inflation
- 1% in short term interest rates, 0.50% long term and 0.33% inflation

On December 31, 2008, the net interest income of the BFCM and CM4-CIC Groups were exposed to rising interest rates. For the exposure of both groups, sensitivity was little different (variance in net banking income per 1% rise in interest rates and 0.33% rise in inflation):

- For the BFCM Group scope of consolidation (excluding the refinancing business), sensitivity was -€40.0 million in year 1 and -€21.9 million in year 2, or 1.0% and 0.6% of the forecast net banking revenues for each year respectively

- Within the scope of the CM4-CIC Group, sensitivity was - 57.9 million in year 1 and  $-\pounds 16.9$  million in year 2, 1.0% and 0.3% of the forecast net banking income for each year respectively.

The risk limit (4% sensitivity of net interest margin) was respected.

#### Sensitivity of Net Asset Value, from calculation of the Basel II indicator:

A uniform translation of 200 bps, applied to the whole of the balance sheet, both upside and downside, enable the measurement as a percentage of capital, of the change in net discounted value of the balance sheet according to the various scenarios.

Sensitivity to NAV of CM4-CIC Group	% shareholders' equity
Sensitivity +200bp	-8,21%
Sensitivity -200bp	7,15%

#### Management of liquidity risks

The Group attaches great importance to the management of liquidity risk. Group liquidity management policy relies on the following:

- meeting the one month liquidity coefficient representing short term Group liquidity status.
- determining the static cash flow differential applicable to the contractual and agreed maturity dates, including off-balance sheet commitments. The transformation ratios (sources / uses funds) are calculated on a maturities of three months to ten years and covered by limits to secure and optimize the refinancing policy. These limits are in the range of 90% at 3 months to 80% at 10 years.
- calculation of the dynamic cash flow differential including new lending. This measures the finance needed to develop the commercial business.
- stress scenario for static cash flow differentials and transformation ratios, featuring a 30% drop in instant access sources of funds, and increased drawing on confirmed borrowing entitlements.

The Group since the end of 2008 has benefited from the financing arrangements of the Société de Financement de l'Economie Française (SFEF) in the amount of a,095 million in November and December 2008 and from the Société de Prise de Participation de l'Etat (SPPE), in the amount of a,036 million.

The Group is regularly involved with structurally lending organizations such as the European Investment Bank and the Caisse de Refinancement de l'Habitat (French state home loan refinancing organization). The balance of funds for business development is sourced by borrowing in the financial markets.

# **Breakdown of the BFCM consolidated balance sheet by residual durations of future contractual cash flows** (capital). *Interest not taken into account in table.*

	2008 – residual contractual maturities							
Millions of euros	< 1 month	> 1 month < 3 month	> 3 month < 1 year	> 1 year < 2 years	> 2 years < 5 years	> 5 years	Indeterminate	TOTAL
Assets								
Financial assets held for trading purposes	1 021	1 040	7 283	4 622	6 144	7 261	450	27 821
Financial assets assigned to JV in profit and loss statement	4 281	7 461	2 299	197	1 139	293	664	16 334
Derivatives for hedging purposes (assets)	114	2	410	23	124	213	3 577	4 463
Available for sale financial assets	826	467	2 278	3 843	7 556	14 875	4 630	34 473
Loans and receivables	32 963	12 603	14 813	17 810	101 629	69 538	2 741	252 097
Investments held to maturity	498	773	194	677	316	702	4	3 165
Other assets	561	11 022	1 791	34	26	3	1 079	14 517
Liabilities		_					-	
Central bank deposits	1 963	306	50	0	0	0	0	2 319
Financial liabilities held for transaction purposes	830	619	5 692	893	2 724	3 138	369	14 264
Financial assets assigned to joint venture JV by profit and loss statement	10 895	14 973	5 183	101	0	0	0	31 151
(financial liabilities)	143	0	1 213	39	189	482	5 809	7 878
Financial liabilities valued at amortized cost	108 377	58 833	29 171	11 349	60 987	19 602	11 943	300 256

Excluding insurance activities

#### Foreign exchange risk

The foreign exchange positions of each entity in the group are automatically centralized in the CIC holding company and the BFCM.

Centralization takes place on a daily basis for commercial operations (transfers) and for the paying in and paying out of income and expenditure items in foreign currency.

The unrealized outcomes of foreign exchange transactions are converted into euros at the end of each month and the resulting foreign exchange position is also centralized at the holding company level.

Hence no group entity bears the forex risk individually. The holding company takes responsibility for netting out the forex positions in the markets on a daily and monthly basis.

Only *CMCIC Marchés* market activities set and manage their own limits for foreign exchange positions.. For the market business, the exposure is low and amounts to only €41.3 million of the reserve capital requirement.

The structural foreign exchange positions of the foreign currency holdings of foreign subsidiaries are not hedged.

The foreign exchange results are shown in forex translation accounts as assets or liabilities, and therefore do not go through the profit and loss statement.

The results of the foreign subsidiaries are left in the foreign subsidiaries themselves, and hence become aggregates of the structural forex position.

### Equity risk

The equity risks to which the BFCM Group are exposed are of different kinds.

The equities accounted for by <u>fair value by profit or loss</u> (see note 5 of the notes to the consolidated financial statements) were (3,954) million on December 31, 2008 (as against (1,084) million on December 31, 2007) breaking down as follows:

- €6,839 million shares owned by the GACM insurance business (see Note 1.3.4. to the consolidated financial statements under unit of account contracts for insurance activities, to ensure consistency with the treatment of the liabilities);
- €345 million for the portfolio of securities owned for trading purposes on December 31, 2008 (as against €2,024 million on December 31, 2007) relating exclusively to CIC market activities (no historical-cost accounting under IFRS for very short term trading operations, where book value = market value);
- €1,770 million securities valued as fair value hedges, with €1,692 million outstandings for the private equity business (historic cost €1,308 million, potential gains €441 million).

Stocks classified as <u>available for sale financial assets</u> and securities held as fixed assets, stood at 3,717 million and 2,066 million (see Note 7 of the Notes to the consolidated financial statements) at year-end 2008.

Securities recorded as fixed assets included:

a) Shareholdings in subsidiaries for  $\[mathbb{\in}1,253\]$  million and shares in related companies in the amount of  $\[mathbb{\in}426\]$  million, the main securities under these headings being those in Banque Marocaine du Commerce Extérieur (BMCE Bank) in the amount of  $\[mathbb{\in}580\]$  million, securities in Républicain Lorrain recorded in the amount of  $\[mathbb{\oplus}5\]$  million, securities in Banca Popolare di Milano in the amount of  $\[mathbb{\in}78\]$  million, securities in Banca Di Legnano in the amount of  $\[mathbb{\oplus}80\]$  million, securities in Crédit Logement in the amount of  $\[mathbb{\oplus}22\]$  million, securities in Foncières des Régions in the amount of  $\[mathbb{\oplus}23\]$  million and securities in Caisse de Refinancement de l'Habitat (CRH – French state housing refinance organization) in the amount of  $\[mathbb{\oplus}26\]$  million.

b) The other securities held for the long term in the amount of  $\mathfrak{S}87$  million: included Veolia Environnement stock in the amount of  $\mathfrak{G}25$  million and NYSE Euronext stock in the amount of  $\mathfrak{G}2$  million.

Additional information relating to reclassifications of financial instruments and to the impact of the financial crisis are presented in the Notes attached to the consolidated financial statements (Notes 10b and 43).

#### Private equity

The business operated through entities dedicated to this business with a portfolio entirely valued by fair value hedges.

Investments break down into approximately 500 lines, mainly small and medium-sized companies. Unlisted investments account for 74% of the portfolio by value.

#### **Risks relating to the private equity business**

	31/12/2008
Number of listed lines	58
Number of active unlisted lines	439
Portfolio on own account revalued in millions of euros	1 670
Capital under management for third party accounts in millions of euros	636_
Number of funds managed on behalf of third parties	36

source: Risk monitoring

#### Market activity risks

#### General organization

CM-CIC Marchés is the single umbrella entity for all BFCM and CIC market activities.

In terms of capital requirement under CAD, at year-end 2008, CM-CIC Marchés accounted for 87% of the overall market risks of the group.

CM-CIC Marchés' activities are organized into three business lines: refinancing, commercial and own account.

Market trades are performed and recorded in the BFCM balance sheet for the refinancing business line, and in the CIC for the commercial and own account business lines. Commercial transactions performed in the regional banks are also recorded in the CIC balance sheet. Finally, market operations may also be processed and reported in foreign subsidiaries.

#### **Refinancing business**

A team dedicated to treasury management is responsible for refinancing the activities of retail banking and the subsidiaries, corporate and specialist finance, own account business in the CM-CIC trading room, as well as the CIC group liquidity instruments. Its policy is one of continuing diversification of its investor base, working with teams based in Paris, Frankfurt and London.

The products traded are mainly money market instruments and interest rates and forex firm hedging instruments.

#### **Commercial business**

Sales teams operating from Paris or within the regional units have a unified range of tools and products. A dedicated technical facility (Conception Adossement Retournement: CAR) has been set up to seek out best prices, keep up commercial margins and ensure the retournement of foreign exchange and interest rates positions.

#### **Own account business**

The own account business covers ten or so business lines, mainly arbitraging, which can be assigned to a number of families: interest rate, equities, hybrids, credit spreads and fixed income. These activities are themselves sub-divided for management purposes into specialties, necessarily value creating in a framework of well-controlled risks. They should serve as a basis for commercial development of business with third parties through the marketing of new products.

#### Description of control structures

In the course of 2008, the control department continued to work hard to improve its organization and tracking methodologies. Procedures were changed to take into consideration a unified system of limits. Committees meet regularly to provide a framework to divisional operations.

A set of methodologies and procedures are formalized in a body of rules.

The control teams insure a steady and reliable output of reports at daily or longer intervals, dealing with all of the results and risks relating to the various types of activity, while proposing analyses of these reports intended for the bodies providing regular oversight of business lines.

The CIC group market activities rely on the organization of the controls described below:

• all market activities (front office, after-market) answer to a member of the CIC Board, who reports to the CIC Board itself and to the BFCM Board of Directors;

• units involved in operations (front office) are kept separate from those with responsibility for the supervision of risks and results (controls) and from units providing for approvals, settlements and accounting records (back office);

• since 2007, the control organs are under the management of the group Risk division which supervises risks and seeks approvals of levels of prudential capital from the BFCM Board of directors and the CIC Board;

• permanent control system reliant on first level controls involving three teams:

- risk-results control (CRR), approving new business, providing daily monitoring of results and ensuring compliance to limits,

- regulatory and accounting control (CCR) with responsibility for reconciliation of book and actual results, including regulatory aspects,

- legal and market compliance, with responsibility for first level legal aspects;

• second level control organized around a number of teams:

- market activities control (CdAM), answering to business line permanent controls. CdAM exercises permanent second line control over the group's specialized businesses,

- the CIC group engagements division checks compliance to credit procedures and monitors outstanding risks in relation to groups of counterparties,

- CIC group legal and tax department supervises the team handling market compliance and legal aspects,

- CIC group financial division supervises accounting schedules, accounting plan and regulatory and accounting controls;

• CMCEE-CIC group business line periodical control is involved with a specialist team of inspectors to provide periodical control and an assurance of the compliance of market activities;

• the back office is organized by product line. The various teams work in two sites in Paris and Strasbourg and undertake the administrative processing of operations;

• finally, market activities are under the control of two committees:

- monthly risk committee (CRM) with responsibility for monitoring strategy, results and risks under the limits set by the Board, supervises the market activities of the foreign subsidiaries from the risk exposure point of view,

- weekly management committee coordinating operational aspects such as information systems, budget, human resources and procedures.

#### Risk management

The system for limiting market risks relies on:

• limits (stops) on potential losses;

• rules and internal scenarios (CAD risk, and currently being introduced, historic VaR and stress-tests) for the conversion of exposures into potential losses.

Limits (stops) apply to the different types of market risk (interest rate, foreign exchange, securities and signature risk). They are divided into sub-limits by type of risk for each of the scopes of activity. No offsetting of risks of one type against another sallowed.

Risk monitoring involves first level indicators (sensitivity to different market risk factors), mainly for operators, and second level indicators (potential losses) providing an easier-to-access overview of risks for decision-making bodies.

The prudential capital allocation on December 31, 2008 for the own account and commercial business was  $\notin$ 770 million, the actual take-up being  $\notin$ 720 million. The own account limit includes market risks (CAD) in the amount of  $\notin$ 241 million euros and credit risks (*RES*, under Basel I methodology) in the amount of  $\notin$ 440 million. Due to the transfer of certain positions into AFS and Loans & Receivables, the limits allocation for the own account business line has been reviewed. Reclassification resulted in the transfer of market risks (CAD) to credit risks (RES), concerning credit activities (ABS, credit arbitrage), hybrids and fixed income.

The main market trading risks relate to the following activities:

• hybrids: capital requirement under CAD remained unchanged at 72 million for the first three quarters and subsequently (i.e. after the transfer of 40 securities to AFS), the securities risk fell strongly. CAD risk was therefore  $\oiint{3}3$  million in December and RES risk  $\oiint{7}7$  million. The stocks of convertible bonds fell substantially compared to 2007, down to 2 billion at year-end 2008.

• credit: the positions are either securities vs. credit default swap (CDS) arbitrages, or credit correlation positions. In regard to the prudential capital allocation of these businesses, a distinction should also be made between two periods, before and after securities reclassification in under AFS and Loans and Receivables. Until end December, the CAD risk was little changed for the credit arbitraging portfolio (approximately €39 million on average) and in

respect to the ABS (asset-backed securities) portfolio (which stood at C77 million on average for the *CM-CIC Marchés* scope of business). In the last quarter, the CAD risk on these portfolios fell, the prudential capital allocation being C90 million on the credit arbitrage portfolio and C97 million on the ABS portfolio, whereas credit risk (RES) increased in December by C90 million and C97 million in the same scope. The prudential capital allocation for the credit correlation business, exclusively based on <u>Itraxx/CDX</u> tranches went up to C96 million in May, before falling back in December to its C95 million level of the beginning of the year.

• *M&A and other equity risks*: the capital requirement under CAD at 54 million for equity risks fell to 9 million at year-end 2008. The reasons for this were in 77% of cases merger and acquisitions strategies (takeover bids and share exchange offers). CAD requirement was particularly penalizing in this business line, as under internal measurements of risk, the identified potential losses are three times lower than CAD. M&A business was around 60 million at end December as against 580 million in 2007. This significant decline in volume was related to trends in the stock markets.

• *Fixed income*: positions comprised of interest rate curve arbitraging, in most cases with underlying securities. Other arbitrages between OECD government-backed securities of similar maturities but from different issuers, or from the same issuers but at different maturities should also be noted. The capital requirement under CAD as at December 31 had fallen back to the level of the beginning of the year of  $\mathfrak{S}2$  million. Commercial paper over swaps remained unchanged compared to 2007 at  $\mathfrak{E}12.5$  billion.

The day-to-day treasury position of *CM-CIC Markets* should not exceed a certain threshold, with an intermediate alert threshold, these levels being defined by senior management and approved by the Board. This position is under BFCM management as the group refinancing entity both on an individual and overall basis. In 2008 the threshold was determined to take into account the financial crisis and its effects on short term liquidity.

#### Credit derivatives

Credit derivatives are marginally used in the CM-CIC Market Group, by the Singapore subsidiary.

CM-CIC Marchés carries all liabilities in its trading portfolio.

The control arrangements incorporate these products into the credit counterparty risk supervision and management process.

The trading room for its part complies with issuer/counterparty risk limits for all forms of underlying securities. Liabilities are tracked on a daily basis and kept under periodical review by specialist bodies (engagement committees, market risk committees).

#### Solvency ratio (Basel2)

BFCM, under article 4.1 of CRBF regulation No. 2000-03 of 6 September 2000 on the prudential oversight of consolidated core capital including additional supervision, insofar as it is a part of the CM4-CIC consolidation, is not required to comply with subadditivity in terms of management ratios, nor with the provisions for internal capital adequacy ratios under article 17 b of regulation CRBF no.97-02. This exemption also applies to the Basel II procedure (see article 1 of CRBF ruling 20 February 2007).

The information given below (including information on the presentation of procedures and comments on operational risks) relate to the parent company, the CM4-CIC Group.

Since January 1, 1996, market risks, mainly interest rate risk, foreign exchange risk, equity risk and settlement/ counterparty risks on the bank trading portfolio are subject to the capital requirements of the European Capital Adequacy Directive (CAD).

The global capital requirement is therefore equal to the aggregate of the capital requirement to cover credit risks in respect of all of the weighted risks excluding the trading portfolio, the requirement to cover trading portfolio market risks and possibly the requirement in respect of major risks.

The group calculates the capital requirement to meet market risks using the standard regulatory model.

The capital adequacy ratio is 8% of net weighted risks.

Since January 1, 2008 CM4-CIC Group is required to comply with the calculation of the solvency ratio determined by the ministerial decree of 20 February 2007 (Basel 2).

Under this framework, on December 31, 2008 weighted risk should be at least equal to 90% of risks calculated

under CRBF 91-05 and 95-02 (Basel1). This floor level is set to go down to 80% on January 1, 2009.

The consolidated European solvency ratio of CM4-CIC (shareholder of BFCM at group level) is as follows:

(in €million)	31/12/2008	31/12/2007
OVERALL PRUDENTIAL CAPITAL	17 140	19 185
Core capital - Tier 1	16 766	15 576
Additional capital - Tier 2	354	3 460
Supplementary capital - Tier 3	20	149
CAPITAL REQUIREMENT FOR CREDIT RISK	11 807	9 335
CAPITAL REQUIREMENT FOR MARKET RISK	372	459
CAPITAL REQUIREMENT FOR OPERATIONAL RISK	758	542
ADDITIONAL CAPITAL REQUIREMENT FOR NEW RISK FLOOR LEVELS	2 335	3 824
<b>OVERALL SOLVENCY RATIO*</b>	8,98 %	10,84 %
(including additional capital requirement for risk floor levels)		
TIER 1 SOLVENCY RATIO 1* (core)	8,78 %	8,80 %

Capital requirement = Weighted risks X 8%

\* Solvency ratio = Prudential Capital / Weighted risks

In 2008, negotiable securities were reclassified from the trading portfolio to the loans and receivables portfolio, the effect being to increase banking credit risks and reduce market risks albeit to a lesser degree.

The overall solvency ratio must be above 8%. The regulatory ratios applicable to CM4-CIC group complied with this requirement.

Prudential capital:

Tier 1 capital increased by 1,190 million notably through the year-end issuances of super-subordinated notes (TSS) under French government measures to support the banks underwritten by the Société de prise de participation de l'Etat (SPEP) in the amount of 1,036 million.

#### **Operational risks**

Under Basel 2 prudential regulations, CIC has since 2002 progressively introduced a comprehensive system for the management of operational risks under the oversight of senior management bodies, providing for a single risk management framework and common quantitative assessment methods.

The operational risk management team has authority over the full scope of the CMCEE-CIC business (banks, federations and business line centers), and has delegated powers by which its responsibilities are extended as an arm of the CM-CIC Group.

The system for the oversight and measurement of operational risk is based on a common reference framework for the whole of the CM-CIC group, and on risk mapping and the identification and modeling of risks, and the calculation of the final capital requirement for operational risks.

Hence the CMCIC group has a consistent and structured overall reference framework for the performance of risk mapping, taking into account potential generic risk and summaries of risk along the 8 business lines, matching the 7 risk events under the Basel convention, making a connection between actual risk events and potential risks.

The Crédit Mutuel – CIC group has opted for an advanced measurement approach (AMA) of operational risks. Only the banks located abroad (Belgium, Luxembourg,

Switzerland ...) and the subsidiaries involved in factoring remain are still covered by the standard method, if only for the time being.

#### Main goals

The operational risk management policy was set up to pursue the following goals:

• contribute to better overall conduct of business at group level by the management of risks and related costs;

• human aspects: protection of persons, accountability, independence and controls, capitalization on group skills;

• economic aspects: preserve margins by providing the closest possible management of operational risks in all businesses, providing return on investment arising from regulatory compliance, optimizing capital allocations in respect of cost of risk, and adjusting insurance coverage to identified risks;

• from a regulatory point of view: efficient response to Basel 2 regulations and to the requirement of the supervisory authorities, reliance on internal controls (CRBF 97.02), business continuity plans (PCA) in core businesses (CRBF 2004-02) and suitable changes to financial communication (pillar 3 Basel 2, NRE, LSF...).

#### Role and positioning of operational risk management function

The operational risk group has responsibility for the coordination and consolidation of this arrangement. It has at its disposal a team dedicated to serving the group, providing leadership to operational risk managers in the regional groups.

The regions have responsibilities for implementing the procedures and making assessments consistent with the overall approach. Regional operational risk management provides leadership at the regional level.

#### Operational risk management and measurement procedure

Homogenous risk mapping by business line under Basel 2, by type of risk has been implemented in all activities, with expert assessments supported by probabilistic modeling. Validation of models is the responsibility of the operational risk technical committee. Capital allocations are calculated at regional and national level.

General orientations for reduction of operational risk include:

• effective prevention actions (costing less than risk management itself), identified by mapping implemented directly by operating staff and through permanent control and quality control;

• protection actions that are as a matter of priority oriented towards the widespread adoption of business line continuity plans, logistics and IT service continuity for basic activities.

A general crisis management procedure has been widely adopted in the group, in line with procedures in the interbank market.

Programs for financing operational risks are reviewed as and when the results from "net risk" assessments are made available (including decisions on risk reduction). These programs adopt the following principles:

• insure serious and major risks that can be insured, and develop self-insurance procedures liabilities for the group below the levels set by insurers for deductibles;

• insure expected loss when justified, or finance expected loss by making deductions from operating accounts;

• unexpected losses (namely serious risks that are by nature uninsurable, or the uninsurable balance of liabilities) are covered by the prudential capital reserve;

• major risks affecting securities trading systems and interbank payments are covered by the liquidity reserve fund set up under the system.

#### Reporting and general management

Operational risk management policy and risk profiles are monitored using key indicators, thresholds and alerts for the assessment of potential risks, the assessment of the prevalence of risk events, ensuring the efficiency of risk reduction measures and associated financial decisions. Information on operational risk management policy is regularly given to the executive and decision-making organs.

#### Business continuity planning (PCA)

Business continuity planning involves the protection procedures implemented by the company to limit the seriousness of a loss or malfunction, as part of its management of operational risks.

Business continuity planning methodology has been developed and is the baseline document for the Crédit Mutuel-CIC group. The document is available to all teams involved in business continuity planning and applies at the CM4-CIC group level.

Business continuity planning is of two types:

- *Business line business continuity planning* is relevant to a bank business line connecting to a Basel business line
- *Cross-departmental business continuity planning* is for the business lines whose purpose is to provide resources to other operational business lines (i.e. in logistics such as Human Resources and IT).

Business continuity planning is in three phases:

- *Back-up plan*: For immediate effect, implementing actions to respond to emergencies and set up solutions involving degraded operations.
- *Continuity plan*: For return to business in a degraded environment, using the procedures adopted prior to the crisis.
- *Return to normalcy plan:* preparations to have begun soon after the business continuity plan came into effect. The time to implement return to normalcy depends on the scale of loss or damage.

#### Crisis management and its organization

The crisis management approach set up at the CM4 - CIC level covers crisis communications and makes provision for the most effective organization of the crisis throughout the three business recovery phases: back-up plan, continuity plan, return to normalcy plan.

This approach is based on:

- A *crisis committee* taking fundamental decisions, setting priorities for actions and providing for internal and external communication, under the leadership of the senior management at regional level and of the Chief Executive Officer at national level;
- A *crisis cell* centralizing information, implementing decisions taken and monitoring their implementation;
- A *crisis contact point* by business line for in-the-field coordination of crisis management operations, keeping in contact with the crisis cell, and in particular, implementing business continuity planning during the time it takes to return to normalcy.

#### Insurance to reduce call on capital

CM-CIC has underwritten insurance schemes covering property damage, banking and fraud liabilities, and professional and directors' liability.

The purpose is of writing insurance is to reduce the call on regulatory capital for the coverage of operational risks.

#### Training

CM4-CIC group in 2008 initiated training for all managers of CIC branches and Crédit Mutuel *caisses*, focusing on prudential procedures, detailing the type of risks, prevention and management procedures, surveys and the reporting system for any losses above 1000 euros.

#### 2008 inventory of BFCM losses

Total losses through defaults affecting the BFCM group amounted to €363 million of which €65 million actual losses and €298 million net charges to reserves on operational risks.

The Madoff loss on an own account operation cost close to  $\oplus 0$  million. Furthermore, a charge of  $\oplus 23.4$  million was recorded on a euros/dollar switch with Lehman Brothers at the time of its failure.

Total losses breakdown as follows:

- Human error or procedural failures: €230.2 million;
- Fraud: €112.6 million;
- Work relations: €12.8 million;
- Legal: €6.4 million;
- Natural event: €1 million.

Frauds, failures involving workplace relations or procedures, and involuntary errors are the main cause of losses.

#### **Other risks**

#### Legal risks

Legal risks are included under operational risks

#### Industrial and environmental risks

Industrial and environmental risks are included in operational risks.

## Chapter V REPORT ON PROCEDURES FOR COMBATING MONEY LAUNDERING

The procedures for combating money laundering throughout CMCEE-CIC Group have been considerably reinforced in the last few years. Measures aim at detecting transactions that may be suspect, so that more information about the clients concerned can be elicited, with a view to (if necessary) avoiding any relationships with those whose identity or businesses are poorly identified. The procedures adopted take up the recommendations of the Groupe d'Action Financière (GAFI – Financial Action Group), the legal and regulatory provisions contained among others in the French Code monétaire et financier (Monetary and financial code), and recommandations in the European Directives and legislation transposed into French law.

In this context, the CMCEE-CIC Group's goal is to:

- Gain the fullest understanding of clients and their transactions;
- Exercise vigilance over the origin of funds deposited and/or financial flows entrusted to the bank in order to detect uncustomary or atypical operations;
- Supervise compliance to regulatory provisions and internal standards by performing appropriate controls and ensuring formal procedures are respected in all work;
- Involve all staff in the fight against money laundering by undertaking regular training and awareness raising.

The control procedures with their different components (periodical, permanent and compliance) aim to ensure coherence in all procedures implemented, and their due application. The control procedure relies in particular on *Tracfin* correspondents, who keep a permanent watching brief over transactions, draft the reports required under regulations and contribute in all appropriate ways increasing vigilance from all concerned.

Staff members and control departments benefit from the support in their work from an extensive range of common group tools intended both to alert them to operations or situations that require attention, enable them to record their observations, and keep their superiors and *Tracfin* correspondents informed. These tools are regularly improved and adapted to meet developments in regulatory requirements.

Additional obligations arise from the government Order no. 2009-104 January 30, 2009 on combating money laundering and the financing of terrorism, which calls for modifications to tools, upgrading of procedures, and further training.

All this work, including the implementation of the additional procedures required by government decree, form the background to the specific actions to be undertaken in 2009.

### **Chapter VI REPORT OF STATUTORY AUDITORS**

The reports are presented in the following pages.

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Commissaire aux Comptes Membre de la compagnie régionale de Colmar ERNST & YOUNG et Autres

41, rue Ybry 92576 Neuilly-sur-Seine Cedex S.A.S. à capital variable

Commissaire aux Comptes Membre de la compagnie régionale de Versailles

### Banque Fédérative du Crédit Mutuel BFCM Financial year ending December 31, 2008

# Report of the Statutory Auditors on the annual Financial Statements

To the Shareholders,

In performance of the mission entrusted to us by your General Meeting, we present our report on the financial year ending December 31, 2008 in respect of:

- the audit of the annual Financial Statements of the Banque Fédérative du Crédit Mutuel, as attached to this report;
- justification of our appraisal;
- specific audit procedures provided for by law.

The annual Financial Statements were drawn up by the Board of Directors. It is our duty as the Statutory Auditors on the basis of our audit to express an opinion on those statements.

#### I. Opinion on the annual Financial Statements

We performed our audit according to the professional standards applicable in France, which require procedures providing a reasonable assurance that the annual Financial Statements do not contain significant anomalies. An audit consists of verifying by sampling or other selection methods those elements of the evidence for amounts stated and for the information shown in the annual Financial Statements. An audit also consists of an appraisal of the accounting principles adopted, of the significant estimates made and of the overall presentation of the Financial Statements. We believe that our opinion is based on elements gathered which are sufficient and appropriate.

We certify that, in regard to the rules and principles of accounting in France, the annual Financial Statements are regular and sincere and are a faithful reflection of the operations of the past financial year and of the assets of the company at the end of that financial year.

Without calling into question the opinion expressed above, we draw your attention to Note 1 to the Financial Statements, "Accounting principles and methods," and to Note 2.9 of thereof which sets forth changes in accounting methods under regulation CRC 2008-17 of December 10, 2008 in respect of the transfers of securities out of the category "Securities held for sale" and amending regulation CRB 90-01 in regard to the accounting for securities transactions.

#### II. Justification of opinion

The financial and economic crisis has had multiple impacts on credit institutions, including their activity, their results, the risk to which they are exposed, and their refinancing. This situation has created specific conditions this year for the preparation of the Financial Statements, particularly in regard to accounting estimates. In this context, pursuant to the provisions of Article L. 823-9 of the Code de Commerce relating to the justification of our opinion, we bring to your notice the following elements:

#### Accounting Principles

In the framework of our opinion on the accounting principles adopted by your company, we have assured ourselves of the correct application of the change in Regulation CRC 2008-17 of December 10, 2008 above-mentioned and of the relevancy of the information given in this respect in Note 2.9 to the Financial Statements.

#### Accounting estimates

• Note 1 to the Financial Statements presents the procedures for valuation and impairment entries arising from exposures of your company to the effects of the financial crisis. We examined the procedures set up by Management to assess and value these risks, and we have verified that the accounting estimates arising are based on documented methods compliant to those described in the abovementioned Note.

• Your company uses internal models and methodologies to value positions on certain financial instruments that are not listed in active markets and for the set up of certain provisions, as described in Note1 to the Financial Statements. We have examined the controls of the determination of inactivity in a market, the controls of the auditing of the models, and the controls of the determination of the parameters used.

• As stated in Notes 1 and 2.3 to the Financial Statements, your company makes impairment entries and provisions to cover the inherent credit risks of its businesses. We have examined the control arrangements relating to the monitoring of credit risks, to the assessment of the risks of non-recovery of outstandings and to the hedging or other coverage thereof on the assets side by means of specific impairment entries, and on the liabilities side by general provisions for credit risk.

• Your company proceeds to further estimates in the customary framework of the preparation of its financial statements, relating in particular to the valuation of equity holdings in subsidiaries and other securities held for the longer term, in regard to the valuation of booked commitments in respect of retiring employees and provisions for legal risks. We have reviewed the assumptions adopted and checked that the accounting estimates are based on documented methods compliant to the principle described in Note 1 to the Financial Statements.

The appraisals so made form part of our approach to the audit of the consolidated Financial Statements as a whole, and have therefore contributed to the forming of our opinion as expressed in the first part of this report.

#### III. Specific verification and information

We have also proceeded to the specific verifications provided for by law.

We have no comment to make on:

• the sincerity and concordance with the annual financial statements of the information given in this management report of the Board of Directors and in the documents sent to the shareholders on the financial situation and the annual financial statements,

• the sincerity of the information given in the Management Report relating to the remuneration and benefits accruing to the company officers concerned and to the commitments in their beneficial interest made whenever they take on, relinquish or change their responsibilities, or subsequent thereto.

Schiltigheim and Neuilly-sur-Seine, April 20, 2009

Statutory Auditors

KMT AUDIT Réseau KPMG ERNST & YOUNG et Autres

Arnaud Bourdeille

Olivier Durand

KMT AUDIT Réseau KPMG 9, avenue de l'Europe Espace Européen de l'Entreprise B.P. 20002 67300 Schiltigheim

Commissaire aux Comptes Membre de la compagnie Régionale de Colmar ERNST & YOUNG et Autres 41, rue Ybry 92576 Neuilly-sur-Seine Cedex S.A.S. à capital variable

Commissaire aux Comptes Membre de la compagnie Régionale de Versailles

### Banque Fédérative du Crédit Mutuel BFCM Financial year ending December 31, 2008

# Report of the Statutory Auditors drawn up pursuant to Article L. 225-235 of the Code de Commerce, on the report of the President of the Board of Directors of Banque Fédérative du Crédit Mutuel

To the Shareholders,

In our capacity of Statutory Auditors to the Banque Fédérative du Crédit Mutuel and pursuant to the provisions of Article L. 225-235 du Code de Commerce, we present our report on the report drawn up by the President of your company in accordance with the provisions of Article L. 225-37 of the Code de Commerce for the financial year ending December 31, 2008.

It is the responsibility of the President to draw up and submit to the Board of Directors for its approval a report on the internal control procedures and risk management set up within the companies and proving other information required under Article L. 225-37 of the Code de Commerce relating in particular to provisions in the matter of corporate governance.

It is our responsibility to:

• make known to you such comments as are called for on our part by the information contained in the report of the President relating to the internal control procedures relating to the drafting and processing of accounting and financial information, and

• to certify that the report contains the further information required by Article L. 225-37 of Code de Commerce, it being specified that it is not our responsibility to check the sincerity of this further information.

We have worked in accordance with the professional standards that apply in France.

# Information relating to the internal control procedures covering the drawing up and the processing of accounting and financial information

Professional standards require the implementation of audit and other verification procedures intended to assess the sincerity of the information on the internal control procedures in respect of the drafting and processing of the accounting and financial information contained in the report of the President. These audit and other verifications notably comprise:

• taking good note of the internal control procedures regarding the drawing up and processing of accounting and financial information supporting the information presented in the Report of the President, including the existing documentation;

• taking good note of the works enabling the drawing up and processing of existing documentation;

• determining if such major deficiencies in internal controls relating to the drawing up and processing of accounting and financial information as we may have noted in the framework of our mission, are covered by appropriate information in the report of the President.

On the basis of these works, we have no comment to make on the information relating to the internal control procedures of the company relating to the making-up and processing of accounting and financial information contained in the Report of the President of the Board of Directors, drawn up pursuant to the provisions of Article L. 225-37 of the Code de Commerce.

#### Other information

We certify that the report of the President of the Board of Directors contains other information required by Article L. 225-37 of the Code de Commerce.

Schiltigheim and Neuilly-sur-Seine, April 20, 2009

Statutory Auditors

KMT AUDIT Réseau KPMG ERNST & YOUNG et Autres

Arnaud Bourdeille

Olivier Durand

KMT AUDIT Réseau KPMG 9, avenue de l'Europe Espace Européen de l'Entreprise B.P. 20002 67300 Schiltigheim

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Commissaire aux Comptes Membre de la compagnie Régionale de Versailles

# Banque Fédérative du Crédit Mutuel BFCM

Financial year ending December 31, 2008

# Special report of the Statutory Auditors on the regulated conventions and commitments

To the Shareholders,

In our capacity of Statutory Auditors for your company, we present you our report on the regulated conventions and commitments.

#### Conventions and commitments authorised in the course of the financial year

Pursuant to Article L. 225-40 of the Code de Commerce, we have been advised of the conventions and commitments requiring preliminary approval by your Board of Directors.

It is not our responsibility to seek out the existence or otherwise of further conventions and commitments but to communicate to you, on the basis of the information given to us, the characteristics and the essential modalities of those of which we have been advised, without pronouncing on their usefulness or appropriateness. It is your responsibility under the terms of Article R. 225-31 of the Code de Commerce, to assess the interest attached to entering into these conventions and commitments with a view to their approval.

We have undertaken such audit and other verifications as we deemed necessary in the furtherance of the professional doctrine of the Compagnie nationale des commissaires aux comptes (professional body of French Statutory Auditors) in regard to this mission. These audit and other examinations comprised verifying the concordance of the information given to us, with the basic documents giving rise to that information.

#### 1. Subordinated loan to Banco Popular France Corporate Officer concerned: M. Michel Lucas *Nature and purpose*

The Board of Directors on June 20, 2008 approved the granting of a subordinated loan to Banco Popular France to enable it to reimburse the equity loan that had previously been granted it by Banco Popular España in the amount of €6 million.

#### Modalities

The subordinated loan was granted by your company to Banco Popular France in an amount of €6 million for a maximum term of eight years. The interest payable by Banco Popular France to your company is calculated at an interest rate of EURIBOR 3 months + 0.25%. The interest payment booked by your company in regard to financial 2008 was €164.601.

#### 2. Contracts for loans granted to CM Akquisitions GmbH

Corporate Officers concerned: Messrs Michel Lucas and Jean-Paul Martin

#### Nature and purpose

As part of the acquisition by your company of Citibank Deutschland, the Board of Directors on October 24, 2008 authorised entering into one or more loan contracts between your company and CM Akquisitions GmbH, a holding company, at market interest rates, total loan estimated at €5.2 billion.

#### Modalities

As part of the abovementioned authorisations, the following loan contracts were entered into involving your company and CM Akquisitions GmbH, dated December 4, 2008:

• Treasury credit facility: you company granted CM Akquisitions GmbH an indeterminate credit treasury facility drawable at any time up to a maximum of €4.2 billion. CM Akquisitions GmbH on December 5, 2008 had drawn on this facility in the amount of €3.530 billion. The loan carries interest at EURIBOR 3 months + 0.10%.

• Indeterminate subordinate loan: your company granted CM Akquisitions GmbH a ten year subordinated loan in the amount of €700 million at an annual interest rate of 10.40 % determined as follows:

- Your company's market refinancing rate through the €45,000,000 Medium Term Note Programme, set up on July 9, 2008: 10.30%.

- Additional margin 0.10 %.

• Eight-year loan: your company granted CM Akquisitions GmbH a loan of between €300 million and €500 million for an eight-year term, at an annual interest rate of 6.39% determined as follows:

- Your company's market refinancing rate through the 8-year Note Programme set up on December 16, 2008 (reimbursable subordinated securities): 6.10 %.

- Additional margin 0.10%.

- Additional margin 0.19% to cover the costs borne by your company when reimbursable subordinated securities were placed on the market as part of the 8-year Note Programme.

On December 31, 2008, the value of the outstanding loan granted by your company to CM Akquisitions GmbH as part of the loan contract was €500 million.

• Three-year loan: your company granted CM Akquisitions GmbH a loan in the amount of €300 million for a term of three years, at an annual interest rate of 5.52% determined as follows:

- Your company's market refinancing rate through the 3-year Note Programme set up on October 21, 2008 (bond issuance): 5.20%

- Additional margin 0.10 %

- Additional margin 0.22% to cover the costs borne by your company at the time of the bond issuance to the market in the Framework of the 3-year Note Programme.

After contracts were entered into, your company received interest in the total amount of €18,207,592 in respect of financial 2008.

#### 3. Cash contribution in the beneficial interest of CM Akquisitions GmbH

Corporate Officers concerned: Messrs Michel Lucas and Jean-Paul Martin

#### Nature and purpose

In the Framework of the acquisition of Citibank Deutschland, the Board of Directors on October 24, 2008 authorised a cash contribution by your company in the beneficial interest of CM Akquisitions GmbH, a holding company, when it was set up.

#### Modalities

The cash contribution from your company was €200 million.

#### 4. Loan contracts relating to the refinancing of the Citibank Deutschland Group

Corporate Officers concerned: Messrs Michel Lucas and Jean-Paul Martin

#### Nature and purpose

The Board of Directors of October 24, 2008 authorised loan contracts at market rates in order to refinance the Citibank Deutschland Group consolidating the receivables acquired by your company under Article 4 and Annexes 10 and 24 of the receivables assignation contract.

#### Modalities

The receivables covered by this approval were as follows:

• Receivable estimated value €3,410,366 involving Citibank Privatkunden AG & Co. KGaA and CitigroupGlobal Markets Finance Corporation & Co. Beschränkt haäftende AG,

• Receivable estimated value €533,515,315 involving Citibank Privatkunden AG & Co. KGaA and Citigroup Global Markets Finance Corporation & Co. Beschränkt haäftende AG,

• Receivable estimated value €728,090,785 involving Citibank Privatkunden AG & Co. KGaA and Citigroup Global Markets Finance Corporation & Co. Beschränkt haäftende AG,

• Receivable estimated value €7,148,601 involving Citibank Privatkunden AG & Co. KGaA and Citigroup Global Markets Finance Corporation & Co. Beschränkt haäftende AG,

• Receivable estimated value €101,272,156 involving Citibank Privatkunden AG &Co. KGaA and Citigroup Global Markets Finance Corporation & Co. Beschränkt haäftende AG,

• Receivable estimated value €170,432 involving Citibank Privatkunden AG & Co. KGaA and Citigroup Global Markets Finance Corporation & Co. Beschränkt haäftende AG,

• Receivable estimated value €23,960 involving Citibank Privatkunden AG & Co. KGaA and Citigroup Global Markets Finance Corporation & Co. Beschränkt haäftende AG,

• Receivable estimated value €159,307 involving Citibank Privatkunden AG & Co. KGaA and Citigroup Global Markets Finance Corporation & Co. Beschränkt haäftende AG,

• Receivable estimated value €669.075 involving Citibank Privatkunden AG & Co. KGaA and Citigroup Global Markets Finance Corporation & Co. Beschränkt haäftende AG.

#### 5. Guarantee granted by BFCM to a German bank guarantee fund

Corporate Officers concerned: Messrs Michel Lucas and Jean-Paul Martin

#### Nature and purpose

One of the credit institutions of the Citibank Deutschland sub-group, namely Citibank Privatkunden AG & Co. KGaA, is subject to the provisions of the guarantee fund for deposits under German law (Einlagensicherungsfonds), managed by Bundesverband Deutscher Banken, the association of German banks. The purpose of this guarantee fund is to provide compensation to the depositors of funds in troubled credit institutions.

In the wake of the acquisition of Citibank Deutschland, your company exercises indirect control over Citibank Privatkunden AG & Co. KGaA and is consequently required to set up a guarantee in respect of the Einlagensicherungsfonds to meet a call made by Citibank Privatkunden AG & Co. KGaA on the guarantees underwritten by Citibank Deutschland.

#### Modalities

The Board of Directors at its meeting of October 24, 2008 authorised your company to grant a guarantee in the interest of the Einlagensicherungsfonds, the beneficiary being Citibank Privatkunden AG & Co. KGaA subject to the cap provided for by German regulations governing the Einlagensicherungsfonds, and in particular its "Statut" dated March 2007.

#### 6. Acquisition from Crédit Industriel et Commercial of some of its equity holdings in Banque Marocaine du Commerce Extérieur

#### Corporate Officer concerned: Michel Lucas

#### Nature and purpose

Your company in 2008 acquired the equity holdings owned by Crédit Industriel et Commercial in Banque Marocaine du Commerce Extérieur.

#### Modalities

The equity acquired by your company was made up of 23,875,040 securities total value €571.3 million, accounting for 10% of Banque Marocaine du Commerce Extérieur share capital. The acquisition price of these securities was determined by market prices at the time of the acquisition.

7. Acquisition from Crédit Industriel et Commercial of some of its equity holdings in Banque de Tunisie

Corporate Officer concerned: Michel Lucas

#### Nature and purpose

Your company in 2008 acquired the equity owned by Crédit Industriel et Commercial in Banque de Tunisie.

#### Modalities

The shareholding acquired by your company was made up of 1,500,000 securities worth €91.4 million in whole, accounting for 20% of the equity of Banque de Tunisie. The purchase price of the securities was based on the market price at the time of their acquisition.

#### 8. Convention for end of term indemnity for management representatives

Corporate Officers concerned: Messrs Etienne Pflimlin and Michel Lucas

#### Nature and purpose

Within the framework of Article L. 225-42-1 of the Code de Commerce and of the provisions of the agreement made between Groupe Crédit Mutuel and the French State on October 23, 2008, the Board of Directors, as proposed by the Compensation Committee, took the decision at its meeting of December 19, 2008, to replace its decision of July 6, 2007 by the approval of a new agreement relating to the compensation of the President and the Managing Director

The President of the Board and the Managing Director shall on reaching the end of their term of office, receive:

• an end-of-career indemnity comparable to those benefiting employees covered by the collective agreement of Crédit Mutuel Centre Est Europe,

• a compensatory indemnity equivalent to the employee share ownership arrangements (*épargne salariale*) in force for the employees of the group, covering the President of the Board of Directors and the Chief Executive Officer for the period of their term of their office.

The sum of the two components of compensation shall not for each of the beneficiaries exceed two years of the annual average net compensation paid by your company in the last four years prior to their departure.

#### **Modalities**

The commitment in respect of these indemnities, as accounted for in the books of your company, was €2,632,195 on December 31, 2008.

# Conventions and commitments approved in the course of the previous financial years, whose performance continued during this financial year

Furthermore, pursuant to the Code de Commerce, we were informed of the implementation of the following agreements and commitments approved in the previous financial years, and which remained in force during the past financial year.

#### 1. Convention for advance of loan funds agreed between BFCM and Ebra SAS

#### Nature and purpose

Your company in previous financial years granted a loan as part of its acquisition of a stake in Ebra S.A.S.

#### Modalities

On December 31, 2008, this loan amounted to  $\in$ 124,099,380, and the interest yielded in financial 2008 was capitalised in the amount of  $\in$ 8,424,819.

### 2. Convention for the advance of loan funds agreed between BFCM and Soderec SA

#### Nature and purpose

Your company in previous financial years granted a loan to Soderec S.A.

#### Modalities

On December 31, 2008, this loan amounted to €165,087, yielding €13,207in respect of financial 2008.

### 3. Convention for advance of loan funds agreed between BFCM and Investmonde SAS

#### Nature and purpose

Your company in previous financial years granted a loan to Investmonde S.A.S.

#### Modalities

On December 31, 2008, this loan amounted to €3,128, yielding €167 in respect of financial 2008.

Schiltigheim and Neuilly-sur-Seine, April 20, 2009

Statutory Auditors

KMT AUDIT Réseau KPMG ERNST & YOUNG et Autres

Arnaud Bourdeille

**Olivier Durand** 

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Commissaire aux Comptes Membre de la compagnie régionale de Colmar

#### ERNST & YOUNG et Autres 41, rue Ybry 92576 Neuilly-sur-Seine Cedex

S.A.S. à capital variable

Commissaire aux Comptes Membre de la compagnie régionale de Versailles

## Banque Fédérative du Crédit Mutuel BFCM Financial year ending December 31, 2008

Report of the Statutory Auditors On the consolidated Financial Statements

To the Shareholders,

In performance of the mission entrusted to us by your General Meeting, we present our report on the financial year ending December 31, 2008 in respect of:

- the audit of the consolidated Financial Statements of the Banque Fédérative du Crédit Mutuel, as attached to this report;
- justification of our appraisal;
- specific audit procedures provided for by law.

The consolidated Financial Statements were drawn up by the Board of Directors. It is our duty as the Statutory Auditors on the basis of our audit to express an opinion on those statements.

### I. Opinion on the consolidated Financial Statements

We performed our audit according to the professional standards applicable in France, which require procedures providing a reasonable assurance that the consolidated Financial Statements do not contain significant anomalies. An audit consists of verifying by sampling or other selection methods those elements of the evidence for amounts stated and for the information shown in the consolidated Financial Statements. An audit also consists of an appraisal of the accounting principles adopted, of the significant estimates made and of the overall presentation of the Financial Statements. We believe that our opinion is based on elements gathered which are sufficient and appropriate.

We certify that, in regard to the IFRS reference framework as adopted in the European Union, the consolidated Financial Statements for the year are regular and sincere and are a faithful reflection of the assets, the financial situation and results of the whole made up of the persons and entities included in the consolidation.

Without changing our opinion expressed above, we would like to draw your attention to note 1 "Accounting principles and methods" in the notes, which describes a change in the accounting method relating to the amendment of standard IAS 39 dated October 15th, 2008, which authorizes the reclassification of certain financial assets in certain conditions

#### II. Justification of opinion

The financial and economic crisis has had multiple impacts on credit institutions, including their activity, their results, the risk to which they are exposed and their refinancing (cf. Note 43 to the Financial Statements). This situation has created specific conditions this year for the preparation of the Financial Statements, particularly in regard to accounting estimates. In this context, pursuant to the provisions of Article L. 823-9 of the Code de Commerce relating to the justification of our opinion, we bring to your notice the following elements:

#### Accounting Principles

In the framework of our opinion on the accounting principles adopted by your company, we have assured ourselves of the correct application of the change in accounting method in regard to the amendment to IAS 39 of October 15, 2008 as mentioned above, and of the relevancy of the information given in this respect in Note 10 b to the Financial Statements.

#### Accounting estimates

• Notes 10 b and 43 to the Financial Statements present the exposure of the BFCM Group to the effects of the financial crisis and the adjustments and impairment of value in respect to these exposures as of December 31, 2008. We have examined the measures set in train by Management in reviewing and assessing these risks and we have verified that the accounting estimates that arise thereby are based on documented methods compliant to the principles described in the notes abovementioned and in Note 1 to the Financial Statements.

• Your group uses internal models and methodologies to value financial instruments that are not listed in active markets and for the set up of certain provisions, as described in Note 1 to the Financial Statements. We have examined the controls of the determination of inactivity in a market, the controls of the auditing of the models, and the controls of the determination of the parameters used.

• Your group accounts for impairments of available-for-sale financial assets when there is an objective indication that there is a prolonged or significant fall in the value of those assets (Notes 1 and 7 to the Financial Statements). We have examined not only the controls covering the identification of indications of impairment, but also the valuation of the most significant lines and the estimates having as the case may be led to the covering of loss in value by impairment entries.

• Your group has made impairment entries and set aside reserves to cover the inherent credit risk on its business (Notes1, 8, 25 and 36). We have examined the control arrangements for the monitoring of credit risks, the appraisal of the risks of failure to recover outstanding debt and the coverage thereof by provisions both individual and collective.

• Your group accounts for deferred taxation on the assets side in respect of tax loss carry forwards (Notes 1 and 12 to the Financial Statements). We have examined the main estimates and assumptions giving rise to the recognition of this deferred taxation.

• Your group has made provisions to cover commitments to its employees (Notes 1 and 25). Our work has consisted of reviewing the assumptions and methods of calculation adopted.

The appraisals so made form part of our approach to the audit of the consolidated Financial Statements as a whole, and have therefore contributed to the forming of our opinion as expressed in the first part of this report.

### **III. Specific verification**

We have also proceeded to the specific verifications provided for by law in regard to the information given in the group's management report.

We have no comment to make on their sincerity and their concordance with the consolidated Financial Statements.

Schiltigheim et Neuilly-sur-Seine, April 20, 2009

Statutory Auditors

KMT AUDIT Réseau KPMG ERNST & YOUNG et Autres

Arnaud Bourdeille

Olivier Durand

**Consolidated financial statements** 

# **BFCM IFRS CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2008**

# **GROUP BANQUE FEDERATIVE DU CREDIT MUTUEL**

## FINANCIAL STATEMENTS

## ASSETS

	Notes	31/12/08	31/12/07	31/12/08 at constant scope
millions of euros		EU IFRS	EU IFRS	EU IFRS
Cash and amounts due from central banks and post office banks	4	13 487	6 083	12 636
Financial assets at fair value through profit or loss	5	56 184	97 349	56 184
Derivatives used for hedging purposes	6	4 514	3 165	4 514
Available-for-sale financial assets	7	64 466	51 063	63 736
Loans and receivables due from credit institutions	4	104 743	96 977	104 689
Loans and receivables due from customers	8	147 689	121 660	135 636
Fair value adjustment on interest-rate risk hedged portfolios	9	462	-63	462
Held-to-maturity financial assets	10	8 228	6 085	8 228
Current tax assets	12a	709	454	639
Deferred tax assets	12b	1 457	383	1 434
Accrued income and other assets	13	16 271	8 992	15 637
Shareholdings in companies consolidated by the Equity Method	14	440	447	440
Investment property	15	880	928	880
Property, plant and equipment	16	1 748	1 520	1 596
Intangible assets	17	482	202	259
Goodwill	18	3 462	664	647
Total assets		425 223	395 910	407 617

# **GROUP BANQUE FEDERATIVE DU CREDIT MUTUEL**

## FINANCIAL STATEMENTS

### LIABILITIES

	Notes	31/12/08	31/12/07	31/12/08
millions of euros		EU IFRS	EU IFRS	at constant scope EU IFRS
Due to central banks and post office banks	19	2 319	59	2 319
Financial liabilities at fair value through profit or loss	20a	47 112	65 563	47 111
Derivatives used for hedging purposes	6	7 878	2 857	7 878
Due to credit institutions	19	101 220	82 100	94 794
Customer deposits	21	88 306	69 980	78 635
Securitized debt payables	22	100 639	99 770	100 639
Remeasurement adjustment on interest-rate risk hedged portfolios	9	-1 375	201	-1 375
Current tax liabilities	12a	182	151	162
Deferred tax liabilities	12b	772	527	382
Accrued expenses and other liabilities	23	13 178	10 701	12 128
Technical reserves of insurance companies	24	45 834	45 355	45 834
Provisions for contingencies and liabilities	25	815	620	757
Subordinated debt	26	8 791	6 748	8 791
Shareholders' equity	27	9 553	11 277	9 562
. Shareholder's equity - Atrributable		7 630	9 493	7 639
- Subscribed capital		1 302	1 302	1 302
- Additional paid-in capital		578	578	578
- Consolidated reserves		6 853	5 644	6 853
- Unrealised or deferred gains and losses		-1 131	505	-1 121
- Net income for the year		29	1 464	28
. Shareholder's equity - Minority interests		1 922	1 785	1 922
Total liabilities		425 223	395 910	407 617

## **GROUP BANQUE FEDERATIVE DU CREDIT MUTUEL**

## FINANCIAL STATEMENTS

### PROFIT AND LOSS ACCOUNT FOR THE YEAR

	Notes	Year to dec 31 2008	Year to dec 31 2007	Year to dec 31 2008
				at constant scope
millions of euros		EU IFRS	EU IFRS	EU IFRS
Interest income	29	18 980	14 763	18 877
Interest expense	29	-17 421	-14 666	-17 390
Commission income	30	2 292	2 303	2 242
Commission expense	30	-802	-828	-797
Net gain/loss on financial transactions		117	2 768	115
Net gain/loss on financial instruments at fair value through profit or loss	31	371	2 576	371
Net gain/loss on available for sale financial assets	32	-254	192	-255
Gains on other activites	33	736	1 047	731
Net banking income		3 901	5 388	3 779
Operating expenses	34	-2 996	-2 940	-2 911
Depreciation	35	-158	-145	-156
Gross operating income		746	2 303	712
Cost of risk	36	-1 016	-128	-983
Operating income		-270	2 176	-271
Interest in net profit of companies consolidated by the Equity Method	14	96	64	96
Net gain /loss on other assets	37	8	13	8
Net income before tax		-166	2 253	-167
Corporation tax	38	304	-549	305
Net income after tax		138	1 704	137
Of which minority interests		109	239	109
Net income less minority interests		29	1 464	28

### CASH FLOW STATEMENT

in millions of euros	Year	Year
	2008	2007
Net profit Tax	136 -304	1 704 549
Profit before tax	-304 -168	2 253
+/- Net allowance for amortisation of tangible and intangible assets	- 108	2 233
- Impairment of goodwill and depreciation of other fixed assets	130	6
+/- Net provisions	1 429	-234
+/- Share in profit of companies consolidated by equity method	-77	-36
+/- Net loss/gain on investment activities	-90	-102
+/- (Income)/expenses of financing actitvities		
+/- Other movements	-1 822	2 317
=Total non-monetary items included in net profit before tax and other adjustments	-402	2 102
+/- Cash inflow/outflow relating to inter-bank transactions	7 182	-15 686
+/- Cash inflow/outflow relating to customer transactions	-8 111	-13 218
+/- Cash inflow/outflow relating to transactions related to other financial assets or liabilities	8 221	28 731
+/- Cash inflow/outflow relating to transactions related to other non-financial assets or liabilities	-4 006	1 425
-Tax paid	-221	-752
= Net decrease/ cash related to operating assets and liabilities	3 065	500
NET CASH FLOW RELATED TO OPERATING ACTIVITIES	2 495	4 855
+/- Cash inflow/outflow relating to aquisition and disposal of financial assets and long term	-2 501	-548
investments		
+/- Cash inflow/outflow relating to investments in real estate	34	46
+/- Cash inflow/outflow relating to tangible and intangible assets	-267	-214
NET CASH FLOW RELATED TO INVESTMENT ACTIVITIES	-2 733	-715
+/- Cash flow to and from shareholders	-241	-183
+/- Other net cash flows arising from financing activities		
	1 169	5 862
TOTAL NET CASH FLOW RELATED TO FINANCING ACTIVITIES	927	5 862
TOTAL NET CASH FLOW RELATED TO FINANCING ACTIVITIES EFFECT OF CHANGES IN FOREIGN CURRENCY ON CASH AND CASH EQUIVALENT	927	5 679
TOTAL NET CASH FLOW RELATED TO FINANCING ACTIVITIES EFFECT OF CHANGES IN FOREIGN CURRENCY ON CASH AND CASH EQUIVALENT Net inflow (outlow) in cash and cash equivalents	927 8 697	5 679 13 9 831
TOTAL NET CASH FLOW RELATED TO FINANCING ACTIVITIES EFFECT OF CHANGES IN FOREIGN CURRENCY ON CASH AND CASH EQUIVALENT Net inflow (outlow) in cash and cash equivalents Net cash flow generated by operating activities	927 8 697 2 495	5 679 13 9 831 4 855
TOTAL NET CASH FLOW RELATED TO FINANCING ACTIVITIES  EFFECT OF CHANGES IN FOREIGN CURRENCY ON CASH AND CASH EQUIVALENT Net inflow (outlow) in cash and cash equivalents Net cash flow generated by operating activities Net cash flow generated by investment activities	927 8 697 2 495 -2 733	5 679 13 9 831 4 855 -715
TOTAL NET CASH FLOW RELATED TO FINANCING ACTIVITIES  EFFECT OF CHANGES IN FOREIGN CURRENCY ON CASH AND CASH EQUIVALENT Net inflow (outlow) in cash and cash equivalents Net cash flow generated by operating activities Net cash flow generated by investment activities Net cash flow related to financing activites	927 8 697 2 495 -2 733 927	5 679 13 9 831 4 855 -715 5 679
TOTAL NET CASH FLOW RELATED TO FINANCING ACTIVITIES  EFFECT OF CHANGES IN FOREIGN CURRENCY ON CASH AND CASH EQUIVALENT Net inflow (outlow) in cash and cash equivalents Net cash flow generated by operating activities Net cash flow generated by investment activities	927 8 697 2 495 -2 733	5 679 13 9 831 4 855 -715 5 679
TOTAL NET CASH FLOW RELATED TO FINANCING ACTIVITIES         EFFECT OF CHANGES IN FOREIGN CURRENCY ON CASH AND CASH EQUIVALENT         Net inflow (outlow) in cash and cash equivalents         Net cash flow generated by operating activities         Net cash flow generated by investment activities         Net cash flow related to financing activities	927 8 697 2 495 -2 733 927	5 679 13 9 831 4 855 -715 5 679 13
TOTAL NET CASH FLOW RELATED TO FINANCING ACTIVITIES         EFFECT OF CHANGES IN FOREIGN CURRENCY ON CASH AND CASH EQUIVALENT         Net inflow (outlow) in cash and cash equivalents         Net cash flow generated by operating activities         Net cash flow generated by investment activities         Net cash flow generated by investment activities         Net cash flow related to financing activities         Effect of change in foreign currency on cash and cash equivalent	927 8 697 2 495 -2 733 927 8	
TOTAL NET CASH FLOW RELATED TO FINANCING ACTIVITIES         EFFECT OF CHANGES IN FOREIGN CURRENCY ON CASH AND CASH EQUIVALENT         Net inflow (outlow) in cash and cash equivalents         Net cash flow generated by operating activities         Net cash flow generated by investment activities         Net cash flow generated by investment activities         Net cash flow related to financing activites         Effect of change in foreign currency on cash and cash equivalent         Cash and cash equivalents at start of year	927 8 697 2 495 -2 733 927 8 <u>10 765</u>	5 679 13 9 831 4 855 -715 5 679 13 934 3 634
TOTAL NET CASH FLOW RELATED TO FINANCING ACTIVITIES         EFFECT OF CHANGES IN FOREIGN CURRENCY ON CASH AND CASH EQUIVALENT         Net inflow (outlow) in cash and cash equivalents         Net cash flow generated by operating activities         Net cash flow generated by investment activities         Net cash flow generated by investment activities         Net cash flow related to financing activites         Effect of change in foreign currency on cash and cash equivalent         Cash and cash equivalents at start of year         Cash accounts and accounts with central banks (assets and liabilities)         Net balance of accounts, on demand deposits/loans with banks	927 8 697 2 495 -2 733 927 8 <u>10 765</u> 6 023 4 742	5 679 13 9 831 4 855 -715 5 679 13 934 3 634 -2 699
TOTAL NET CASH FLOW RELATED TO FINANCING ACTIVITIES         EFFECT OF CHANGES IN FOREIGN CURRENCY ON CASH AND CASH EQUIVALENT         Net inflow (outlow) in cash and cash equivalents         Net cash flow generated by operating activities         Net cash flow generated by investment activities         Net cash flow related to financing activites         Effect of change in foreign currency on cash and cash equivalent         Cash and cash equivalents at start of year         Cash accounts and accounts with central banks (assets and liabilities)	927 8 697 2 495 -2 733 927 8 <u>10 765</u> 6 023	5 679 13 9 831 4 855 -715 5 679 13 <u>934</u>

## CHANGE IN CONSOLIDATED SHAREHOLDERS' EQUITY

			Minority interests				
	Capital	Additional paid-in capital	Reserves (1)	+/- deferred values of AFS assets (2)	Profit year ending Dec 31, 2008	Total	
Balance as at January, 2007	1 302	578	4 150	686	1 642	8 358	1 584
Consolidated profit					1 464	1 464	239
Appropriation of profit from previous financial year			1 642		-1 642		
Dividend Distribution			-140			-140	-43
Capital increase							
Change in foreign currency translation			-34			-34	-3
Change in fair value of AFS assets (2)				-182		-182	-27
Effects of change of scope of consolidation			26			26	34
Balance as at December 31, 2007	1 302	578	5 644	505	1 464	9 493	1 785
Balance as at January 1, 2008	1 302	578	5 644	505	1 464	9 493	1 785
Consolidated profit					29	29	109
Appropriation of profit from previous financial year			1 464		-1 464		
Dividend Distribution			-195			-195	-47
Capital increase							
Change in foreign currency translation			2			2	4
Change in fair value of AFS assets (2)				-1 636		-1 636	-184
Effects of change of scope of consolidation			-63			-63	256
Balance as at December 31, 2008	1 302	578	6 853	-1 131	29	7 630	1 922

(1) Reserves as of December 31, 2008, in the amount of  $\in$ 108 million for the legal reserves, of  $\in$ 891 million for the reserves required by company statutes (objects and articles of association) and  $\in$ 5,854 million other reserves.

(2) AFS: Available for sale

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### **NOTE 1: PRINCIPLES AND ACCOUNTING METHODS**

#### **1.1** Accounting reference framework

Under CE regulation (CE) 1606/2002 on the application of international accounting standards and regulation (CE) 1126/2008 for their adoption, the consolidated financial statements were drafted according to the IFRS reference framework adopted by the European Union on the date of close-out of the financial year. This includes standards IFRS 1 to 41, IFRS standards 1 to 7 and their SIC and IFRIC interpretations adopted as of this date. The documents in summary form are presented on recommendation CNC 2004-R.03.

The European Union adopted under a new regulation on 15 October 2008, the amendment to IAS 39 and IFRS 7 on reclassification of financial assets. This amendment was applied from financial 2008 on. All of the IAS/IFRS standards were updated on 3 November 2008 by regulation 1126/2008 which replaced regulation 1725/2003 with immediate effect. The reference framework is available on the European Commission site: http://ec.europa.eu/internal\_market/accounting/ias\_fr.htm#adopted-commission

In 2007 the European Union adopted the IFRS 8 standard on "Operational sectors" applied with effect from financial 2009. During 2008 it adopted regulations coming into effect for fiscal 2009 onwards, namely IAS 23 "borrowing costs", redrafted, the amendment to standard IFRS 2, "payment based on equities", amendments to standard IAS 1 "presentation of financial statements" and IFRIC 13 interpretations "programme for customer loyalty" and IFRIC 14, "cap on assets under defined benefit schemes."

Amendment IAS 39 of October 2008 allows the reclassification of certain financial instruments accounted for at fair value, as loans and receivables or as available for sale assets. This amendment was used in drafting these financial statements.

#### **1.2** Scope and methods of consolidation

The general principles of inclusion of an entity into the scope of consolidation are defined by IAS 27, IAS 28 and IAS 31.

The scope of consolidation is comprised of:

- *Entities under exclusive control*: presumption is made of exclusive control when the group directly or indirectly owns a majority stake in the equity or majority of voting rights or the power to appoint the majority of the members of the organs of administration, management, or supervision, or when the group exercises a dominant influence. The financial statements of entities controlled in an exclusive manner are wholly consolidated.
- *Entities under joint control*: joint control is exercised by virtue of a contractual agreement, or of the shared control of an economic activity, irrespective of the structure or form under which that activity is undertaken or performed. The entities under joint control are consolidated by the equity method.
- *Entities under notable influence*: these are the entities which are not controlled by the consolidating entity, but over which there is the ability to contribute to the financial and operational policies. The share capital of the entities in which the group exercises a notable influence is consolidated by the equity method.

The entities controlled or under notable influence which are not by nature significant in regard to the consolidated financial statements are excluded from the scope of consolidation. The situation is deemed to arise when the total balance sheet or profit and loss of the company in question has an effect no greater than 1% on the equivalent consolidated or sub-consolidated entity (in the event of consolidation by tiers). This quantitative criterion is of

relative value only, as an entity may be part of the scope of consolidation irrespective of the 1% threshold provided its activity or intended business development makes that entity a strategic investment.

A special purpose entity is consolidated if the conditions set out under SIC 12 are met (activities of an entity undertaken for the exclusive account of the Group, decision-making power or management power resulting in the appropriation of the majority of gains arising from the day-to-day activities of that entity, ability to benefit from the rewards generated by that entity, assumption of the majority of risks).

Shareholdings owned by private equity companies over which joint control or notable influence is exercised are excluded from the scope of consolidation and their value accounted for by fair value hedges.

#### **Change in scope of consolidation**

The changes in the scope of consolidation on December 31, 2008 were as follows:

#### - Entry into the consolidation:

Agefor SA Geneva Alternative Gestion SA Geneva Banco Popular France Banque Transatlantique London Calypso Management Company Citi Finanzberatung GmbH (Germany) Citibank Privatkunden AG & Co.KGaA (Germany) Citicorp Akademie GmbH (Germany) Citicorp Deutschland GmbH (Germany) Citicorp Dienstleistung GmbH (Germany) Citigroup IT Consulting GmbH (Germany) Citicorp Management AG (Germany) Citigroup Reality Services GmbH (Germany) CM Akquisition (Germany) CMCIC Services Elite Opportunities (Liechtenstein) AG **IPO** Ingénierie LRM Advisory Ltd Pasche SA Montevideo Serficom Family Office Inc. Serficom Family Office Ltda Rio Serficom Investment Consulting (Shanghai) Ltd Valeroso Management Ltd

#### - Exit from scope of consolidation:

CMCIC Mezzanine Pasche (International) Services Ltd Gibraltar Suravenir Assurance

#### - Mergers:

CIC Bonnasse Lyonnaise de Banque with CIC Lyonnaise de Banque Financière Ar Men with IPO SA Saint Germain with le Groupe des Assurances du Crédit Mutuel SAS Foncière ACM with le Groupe des Assurances du Crédit Mutuel SCI Socapierre with le Groupe des Assurances du Crédit Mutuel SNVB Financements with CMCIC Bail

These ventures have no impact on the consolidated financial statements.

#### Methods of consolidation

Methods of consolidation used were as follows:

#### **Gamma** Full consolidation

This method consists of replacing each of the liability and asset items of each subsidiary at values commensurate with that of its shareholders' equity whilst isolating the equitable interest of the minority shareholders and their claim on profits. The method is applicable to all entities under exclusive control, including those whose accounting structure is different, whether or not the business or activity undertaken is an extension or otherwise of the activity of the consolidating entity.

#### **Consolidation by the equity method**

This involves substituting for the value of the stocks, the equitable interest of the group and share in the earnings of the relevant entities attributable to the group as the consolidating entity. This method is applied to entities under the joint control of the consolidated company or under its notable influence.

#### **Date of close-out**

All the companies of the group falling within the scope of consolidation closed out their parent company financial statements on December 31.

#### **Elimination of reciprocal transactions**

Reciprocal transactions and the earnings arising from disposals between entities within the group and which have a significant effect on the consolidated financial statements are eliminated.

Receivables, debts, reciprocal engagements, internal expenses and income are eliminated for wholly consolidated entities.

#### **Foreign currency translation**

In regard to the financial statements of foreign entities denominated in foreign currencies, the balance sheet is translated using the official exchange rate on the date of close-out. The difference in respect of capital, reserves, and retained earnings are recorded in shareholders' equity, under the account translation reserves. The profit and loss statement is translated using the average exchange rate for the financial year (the Group considers that the difference arising from the application of the translation rate as of the dates of transaction is not in this instance significant). Translation differences arising are directly recorded in the translation reserves account, the difference being written back into profit (or loss) in the event of a disposal or liquidation of all or part of the shareholding in the foreign entity.

The group opted for zeroing out of translation reserves in the opening balance sheet of January 1, 2004, as allowed for by IFRS 1.

#### Goodwill

#### **Goodwill at time of acquisition**

On taking control of a new entity, the assets, liabilities and operational liabilities if any, are valued at fair value. Any difference between fair value and book value is accounted for as goodwill.

#### □ Goodwill

In accordance with IFRS 3, on the date of taking control of a new entity, the assets and potential liabilities are assessed at fair value. The difference between the acquisition price of the shares acquired and the total valuation for assets, liabilities and potential liabilities, is known as goodwill. A positive goodwill entry is recorded on the asset side, and if negative, is immediately accounted for on the profit and loss statement as "Changes in goodwill".

In the event of an increase in the percentage interest of the group in an entity already under its control, the difference between the acquisition costs of the securities and the additional equitable interest in the consolidated entity on the acquisition date, gives rise to a book entry under shareholders' equity.

The Group regularly and at least once a year undertakes goodwill impairment tests whose purpose is to ensure that the goodwill has not been impaired. If the salvage value of a cash flow generating unit to which goodwill is assigned is less than its book value, an impairment entry in the amount is recorded. The impairment entry in the profit and loss statement is irreversible. In practice, cash flow generating units are defined with respect to the business lines operated by the Group in its business operations.

#### **1.3** Accounting principles and methods

IFRS offers a choice of methods of accounting for certain items. The main options adopted by the group relate to the following:

- The use of fair value or a re-valuation as presumed cost of fixed assets at time of conversion. This option may apply to any tangible asset or intangible asset meeting the re-valuation criteria or any investment property valued on a cost basis. The group has chosen not to adopt this option;
- Immediately record under shareholders equity the actuarial differences relating to employee benefits. This option has not been implemented by the group;
- The group has opted for the zeroing out of conversion reserves in the opening balance sheet as of January 1, 2005, as allowed by IFRS 1.
- The valuation at market price of certain liabilities issued by the company not forming part of the trading portfolio. IASB published in June 2005 an amendment to standard IAS 39 "Financial instruments: accounting and valuation", specifying the conditions for the adoption of the fair value hedges and fair value through profit and loss (FVTPL) for financial assets and liabilities, adopted by the European Union on November 15, 2005. The group opted for its application with effect from January 1, 2005;
- The group applied eligibility for fair value hedging of the macro-hedging operations performed as part of the asset/liability management of fixed income positions (including in particular customer instant access deposits) as authorized by regulation no. 2086/2004 of the European Commission.
- The Group invoked the amendment of IAS39 of October 2008 to reclassify certain financial instruments accounted for at fair value as loans and receivables or as assets held to maturity.

#### **1.3.1** Loans and receivables

Loans and receivables are fixed income or determinable financial assets not listed on an active market which are not intended for sale at the time of their acquisition or granting. They include loans directly granted or contributions to syndicated loans, loans acquired and debt instruments not listed on an active market. They are accounted for at fair value, which is generally the net amount paid out at the time they are entered onto the balance sheet.

The interest rate applied to loans granted are presumed to be the market rates, to the extent that the scales are permanently adjusted as a function of the interest rates of the overwhelming majority of competing establishments. These outstandings are then valued at the subsequent close-out dates at amortized cost using the effective interest rate method (except for those securities accounted for by fair value hedging).

Commissions directly related to setting up the loan, whether received or paid, and in the nature of interest are spread over the loan term according to the effective interest rate method, and are recorded in profit and loss statement under the interest heading.

The fair value of credits is shown in the annex on each date of close-out, and corresponds to the discounting to present day of estimates of future cash flow, based on a zero coupon interest rate curve.

#### 1.3.2 Provisions for impairment of loans and receivables, financing and guarantee commitment

#### **Individual provisions for impairment of loans and receivables**

Depreciation is recorded when there is objective proof of impairment arising from one or more events liable to generate a loss at each close-out, on a contract by contract basis. The impairment entry is equal to the difference between the book value and the value by discounted cash flow method using the interest rate at which the loan was granted, taking into consideration the effect of sureties. In the event of a variable rate loan, the interest rate adopted is the last interest rate contractually applicable.

The existence of amounts due and unpaid for more than three months, or more than six months in the case of property loans, and nine months in the case of loans to local authorities is deemed to be an objective proof of a loss event. Similarly when it is likely that the debtor will not be able to reimburse the whole of the sums due or in the event of foreclosure or of receivership, bankruptcy or equivalent, this is deemed an objective indication of loss.

The impairment is accounted for as an allowance included in the le Cost of Risk. The reversal of the allowance is recorded as a Cost of Risk for that portion relating to the change in the risk, and as a margin on interest for that portion relating to the lapse of time. The allowance is in the nature of a deduction from the asset value in the event of the impairment of loans, and a liability and part of provisions for contingencies in respect for financing commitment and sureties.

Unrecoverable debt is registered as a loss, and the provisions corresponding to it are then written back.

#### • <u>Collective provisions for loans and receivables</u>

Loans to customers not individually depreciated are covered by provisions by portfolio of homogeneous loans in the event that their rating (internal or external) is written down, or on the basis of loss at default or probability of default to maturity, depending on observations made internally or externally, and applied to the value of the loan book. The provision is accounted for as a deduction from the value of the book on the asset side, and changes in value the course of the financial year are recorded under cost of risk in the profit and loss statement.

#### **1.3.3 Lease contracts**

A lease contract is an agreement whereby the lessor for a determinate period disposes of the right of use of an asset to a lessee in consideration of a single payment or series of payment.

A finance lease is a lease whose effect is to transfer to the lessee virtually all the risks and benefits of the ownership of the asset. The transfer of title to the asset may or may not occur in fine.

A simple lease contract means any lease contract other than a lease finance contract.

#### □ <u>Landlord finance lease</u>

Under IAS 17, finance leases entered into with companies outside the group are shown in the consolidated balance sheet in the amounts outstanding as determined by the financial accounting processes.

In the lessor's accounts, the analysis of the economic substance of such operations leads to:

- Attaching to the lessee a receivable entry paid down over time by the receipt of rental payments;
- Breakdown of the rental payments into the interest portion and the amortization of principal, known as financial amortization;
- A net unrealized reserve equal to the difference between:
  - The net financial outstanding debt, being the debt of the lessee or tenant in the form of the outstanding principal and the interest accrued at the date of close-out;
  - the net book value of the assets leased;
  - provisions for deferred taxation.

#### **Tenant finance lease**

Under IAS 17, fixed assets are recorded on the asset side of a balance sheet, as a counterparty to the loan granted by credit institution, entered as a liability. The rental payments paid in are broken down into interest expenses and repayment of the principal amount of the debt.

### 1.3.4 Securities acquired

Securities when classified into the three categories defined by IAS 39, financial instruments valued at fair value by profit or loss, financial assets held until maturity, and available for sale financial assets.

### *Financial assets and liabilities valued at fair value by profit or loss*

#### Classification

The heading "Financial instruments valued by fair value through profit or loss (FVTPL)" includes:

- a) Financial instruments used for trading or dealing purposes. These are mainly instruments which:
  - a. Have been acquired for resale or are repurchased in the short term, or
  - b. Form part of a portfolio of financial instruments under overall management for which there exists an effective and recent timetable for short term profit taking, or
  - c. An instrument comprising a derivative not deemed to be a hedge;
- b) Financial instruments may be classified by deliberate choice from the outset at fair value through profit or loss (FVTPL), in application of the option available under IAS 39, whose conditions of applicability were spelt out in the amendment published in June 2005. The purpose of the fair value hedge is to produce more appropriate financial information including in particular:
  - a. Fair value appraisal of certain composite financial instruments without separating out their embedded derivatives, whose valuation on a separate basis would not have been sufficiently reliable,
  - b. Significant reduction in the distortions of the accounting treatment of certain assets and liabilities,
  - c. The management and monitoring of the performance of a group of assets and or liabilities in respect of risk management or of an investment strategy, whose acquisitions were made on a fair value basis. Assigned to this category are private equity securities.

The group has used this option for unit of account contracts for insurance activities, in order to ensure consistency in the treatment of liabilities, and when accounting for securities in private equity operations, and some of the debts issuances containing embedded derivatives.

#### Basis of valuation and accounting for income and expenses

The instruments classified as "Assets and liabilities valued at fair value by profit or loss" are accounted for at their fair value on entry into the balance sheet, and at the time of subsequent close-outs, until the time of their disposal. Fair value changes and the income received are accrued on fixed income securities classified in the foregoing category or recorded in the profit and loss statement under the heading "Net gains or losses on financial instruments valued at fair value by profit or loss".

Purchases and sales of securities valued at fair value by profit or loss are accounted for at the date of settlement. Variations in fair value between the date of transaction and the date of settlement are accounted for in the profit and loss statement. The valuation of the counterparty risk on these securities is accounted for in the fair value.

#### • Fair value or market value

Fair value is that at which an asset could change hands or a liability be extinguished, between parties wellinformed and consenting acting under conditions of normal competition. At the time of initial accounting for an instrument, its fair value is generally the transaction price.

The fair value in the event of a financial instrument listed in an active market is the listed price or market value, as this is the best estimate of its fair value.

The listed price in the case of an asset owned or of a liability to be issued is generally the bid price and the asking price when a liability owned or an asset to be acquired are involved.

In the event of symmetry of the asset and liability items, only the net position is valued at the asking price, if it is a net asset or a net liability to be issued, and at the bid price if its a net liability or a net asset to be acquired.

The market is said to be active when the list prices are easily and frequently available, and these prices represent real transactions, and regularly take place under conditions of normal competition on very similar financial instruments.

If the listed marked is not active, the fair value is determined using a valuation technique.

Derivative products are revalued using data observed in the market (for example interest rate curves). The bid/ask notion should then be applied to the observable data.

For securities in the private equity business, a multi-criterion approach is adopted, completed by experience in the field of valuation of unlisted companies.

• Criteria of classification and rules of transfer

Market conditions may lead Crédit Mutuel Group to review its investment strategy and its intentions in regard to securities management. Thus, if it appears not opportune to dispose of securities initially acquired for the purpose of their disposal in the short term, these securities may be reclassified under the specific provisions provided for by amendment IAS39 of October 2008. Transferts to the categories "Available for sale financial assets" or to "Financial assets held to maturity" are authorized in exceptional circumstances. The transfers to the "Loans and receivables" category are dependent on the ability of the Group to retain ownership of such securities in the foreseeable future or until maturity. The purpose of these portfolio transfers is to provide a better expression of the new intention in regard to the management of these instruments, and to reflect more faithfully their impact on Group profit or loss.

#### □ <u>Available For Sale financial assets</u>

#### • Classification

Available-for-sale financial assets include financial assets not classified as "Loans and receivables", nor as "Financial assets held until maturity", nor in "Fair value through profit or loss (FVTPL)".

#### Basis of valuation and accounting for income and expenditure items

These assets are accounted for on acquisition and entered into the balance sheet at fair value, and similarly at the times of subsequent close-out until disposal. Changes in fair value are recorded in a specific shareholders' equity heading "Unrealized or deferred gains or losses", excluding accrued revenues. These unrealized gains or losses accounted for as equity are not recorded in the profit and loss statement except in the event of disposal or sustained impairment. At the time of disposal, these unrealized gains or losses, previously accounted for as shareholders' equity, are recorded in the profit an loss statement under the heading "Net gains or losses on available-for-sale financial assets", alongside the capital losses on disposal. Purchase and sales of securities are accounted for on settlement date.

Revenues accrued or acquired from fixed income securities are accounted for in the profit and loss statement under the heading "Interest and equivalent income". Dividends receivable on variable income securities are recorded in the profit and loss statement under the heading "Net gains or losses on available-for-sale financial assets".

• Impairment of available for sale debt instruments

Impairment is recorded under the heading "cost of risk" and is reversible. In the event of impairment, the greater or lesser unrealized or deferred capital gains or losses are restated as profit or loss.

#### • Impairment of available for sale capital instruments

A capital instrument is impaired if there is an objective indication of impairment namely a) a major and prolonged fall in fair value below its or b) information relating to major changes having a negative effect occurring in the technological environment of the economic and legal market in which the issuer operates, indicating that the cost of investment may not be recovered. Impairment is accounted for under the heading "Net gains and losses on available

for sale financial assets", and are irreversible so long as the instrument is shown in the balance sheet. Any subsequent fall in value is also accounted for as profit or loss. In the event of impairment, the unrealized of deferred capital gains or losses are written back into the profit or loss statement.

#### • Criteria for classification and rules of transfer

Fixed income securities may be reclassified as follows:

- into "Financial assets held to maturity" in the event of change in the management strategy, and subject to their meeting the conditions of eligibility;

- in "Loans and Receivables": in the event of change to management strategy, and ability to hold the security in the foreseeable future or until maturity, provided that the securities meet the conditions of eligibility for their category;

In the event of transfer, the fair value of the financial asset at its date of reclassification becomes the new cost or amortized cost. No gain or loss accounted for prior to the date of transfer may be recovered or written back. In the event of transfer of instruments with a fixed maturity date from the category "Available for sale financial assets" to the categories "Financial assets held until maturity" or "Loans and receivables", the unrealized gains and losses, previously deferred and restated in shareholders' equity are amortized over the residual lifetime of the asset. In the case of the transfer of instruments without a fixed maturity date to the category "Loans and Receivables", the unrealized gains and losses, previously deferred, are kept in shareholders' equity until the securities are disposed of.

### □ <u>Financial assets held to maturity</u>

#### Classification

Financial assets held until maturity are securities yielding fixed or determinable income necessarily listed in an active market, that the Group has the intention and ability to hold until maturity, for which it has taken no decision to reclassify as financial instruments valued by profit or loss or as available for sale financial instruments. The criteria for the intention and ability to hold securities until maturity are verified at each close-out.

#### Basis or valuation of accounting for expenses and income items

Securities are recorded on acquisition at fair value. Transaction costs are spread over time, as they are included in the calculation of the effective interest rates except if insignificant, in which case they are recorded in the profit and loss statement at outset. At subsequent close-outs, the securities are valued at their amortized costs according to the effective interest rate method which includes actuarial amortization of the premiums and discounts relating to the difference between the acquisition value and redemption value of the securities in question.

Revenues received on these securities are shown under the heading "Interest and equivalent" in the profit and loss statement.

#### • Impairment

The financial assets held to maturity are impaired in the same way as loans and receivables once their value is adversely affected by credit risk.

#### • Criteria for classification and rules of transfer

This category includes securities of fixed or determinable income, with a fixed maturity date, and which the Crédit Mutuel group has the intention and ability to hold until maturity.

The hedging operations to cover the interest rate risk (if any) for this category of securities are not eligible for the hedging accounting of IAS 39.

Furthermore, the possibilities for disposals or transfers of securities of this portfolio are limited, given the provisions of standard IAS 39, failure to meet which may entail reclassification of the whole of the portfolio at Group level, and forbid access to this category for two years.

#### Derivatives and hedging accounting

#### • Financial instruments at fair value through profit or loss (FVTPL) - derivatives

A derivative is a financial instrument:

- whose fair value depends on an interest rate, on the price of a financial instrument, on the prices of commodities, on the exchange rate, on the price index for an interest rate or credit, or on another variable, said to be underlying;
- which requires a net low or nil investment, or an investment lower than that for a non-derivative financial instrument, in order to obtain the same sensitivity to change as the underlying instrument;
- for which settlement is made at a future date.

Derivatives are financial instruments owned for trading purposes except when they are used for hedging.

They are accounted for on the balance sheet as financial instruments at fair value through profit or loss (FVTPL). Changes in fair value and interest accrued or due are accounted for in net gains and losses on financial instruments at fair value through profit or loss (FVTPL).

Hedging derivatives which meet the criteria required by standard IAS 39 to be qualified for book purposes as hedging instruments are classified in the category "Hedging at fair value" or "Hedging of treasury flows", as the case may be. Other derivatives are by default all classified in the category trading assets or liabilities, even though, from an economic point of view they may have been subscribed with a view to hedging one or more risks.

#### Embedded derivative

An embedded derivative is made up of a hybrid instrument which, when separated from its host contract, meets the definition of a derivative. Its purpose is to vary certain treasury flows in a manner equivalent or similar to that of a standalone derivative.

This derivative is detached from the host contract so as to be accounted for separately as a derivative instrument at fair value through profit or loss (FVTPL) when the following three conditions are met:

- The hybrid instrument hosting the embedded instrument is not valued at fair value through profit or loss (FVTPL)
- The economic characteristics of the derivative and its associated risks are not considered as narrowly tied to those of the host contract
- The separate value of the embedded derivative is sufficiently reliable to provide relevant information.
- Financial instruments valued at fair value by profit or loss derivatives structured products

Structured products are financial packages offered to customers to respond in a more precise manner to their needs. They are built up from elementary products, generally options. There are various categories of structured products based on the following elementary products: classic options, binary options, barrier options, Asian options, look back options, multiple asset options, index swaps.

There are three main families of valuation of these products: partial differential equation, discreet time tree-based, and Monte-Carlo. The first and last methods are used. The analytical methods applied are those adopted by the market for the modeling of the underlying securities.

The parameters used for valuation purposes are those observed in or deduced from a standard model of the observed values, at the date of close-out. In the absence of an organized market, the values used are taken from those observably in use by the most active brokers in regard to equivalent or quasi-equivalent products or extrapolated from listed securities. All the parameters used are historicized. Unlisted futures financial instruments are revalued from the prices observed in the market, according to the flash procedure. This method involves observing every day at the same time the bid and asking price from several contributors, using market tracking software.

A single price is adopted for each useable market parameter. Some complex financial instruments, and particularly single and multi-asset equity-based structured products with knock-in barriers, are generally tailor-made, relatively illiquid, and of long maturity. They are valued using models developed internally, adopting parameters such as long volatility, correlations, or dividend estimates for their non-observable value component in traded markets. On initial recognition, these complex instruments are recorded in the balance sheet at fair value, although the valuation arising from the above models may be very different. The differences between fair value of the complex instrument and the value obtained by using an internal model, generally known as a "Day one profit", must be disclosed. The accounting regulations forbid the recording as an item of income the difference between fair value and the product when valued using either such models and/or non-observable elements of value in traded markets, recording of that difference being deferred to a later date. However, for a single underlying asset structured product without knock-in barrier, the difference is spread over the instrument's lifetime and recorded as an item of income. For structured

products embedding knock-in barrier options, given the specific barrier risk, the difference is recorded on the maturity of the structured product

#### *Reclassifications of debt instruments*

Fixed income securities or debt instruments valued at fair value by profit or loss maybe reclassified into the following categories:

- i. *"held until maturity"* in rare cases only, in the event of change of management strategy and subject to their meeting conditions of eligibility for that category;
- ii. *"loans and receivables"* in the event of a change in management strategy and of ability to hold the security for the foreseeable future or until its maturity and subject to the securities meeting the conditions of eligibility for this category.
- iii. *"available for sale"* only in rare cases;

Fixed income securities or available for sale debt instruments may be reclassified into the following categories:

- a- "*held until maturity*" in the event of change of management strategy or the ability to hold them to maturity, subject to their meeting the conditions of eligibility for this category;
- b- *"loans and receivables"* in the event of the intention and ability to hold the financial asset in the foreseeable future or until its maturity, subject to the securities meeting the conditions of eligibility for this category.

In the event of transfer, the fair value of the financial asset at its date of reclassification becomes its new cost or amortized cost. No gain or loss accounted for prior to the date of transfer maybe written back.

In the event of the transfer of a fixed maturity debt instrument from the category "available for sale" to the categories "held to maturity" or "loans and receivables", the unrealized gains and losses previously recorded in shareholders' equity are amortized over the residual lifetime of the assets in the event of transfer of debt instruments without fixed maturity into the category "Loans and receivables", the unrealized gains and losses previously deferred are kept in shareholders' equity until the time the shares are disposed of.

#### • *Hedging accounting*

IAS 39 standard provides for three forms of hedging. The choice of hedging is performed to suite the nature of the risk hedged. Fair value hedging covers exposure to changes in the fair value of financial assets or liabilities, and is used to hedge the interest rate risks on fixed income assets or liabilities, and instant access deposits in the framework, taking advantage of the possibilities allowed for by the European Union. The hedging of treasury flows covers exposure to changes in treasury flows from financial assets or liabilities, firm commitments or future transactions. This type of hedging is used to cover the interest rate risk on variable rate assets and liabilities including their renewal, and the foreign exchange risk affecting future highly probably revenues denominated in foreign currencies. Hedging of net foreign currency investments is a special case of hedging treasury flows.

The group documents the relationship between the instrument hedged and the hedging instrument itself, once the hedging relationship has been set up. This document includes the purposes for which hedging is managed, the nature of the risk hedged, the underlying strategy, the identification of the hedging instrument and the item hedged, as well as the procedures for measurement of hedging efficiency.

The group assesses this efficiency when the hedging relationship is set up and subsequently throughout the lifetime of the hedging instrument, at least as frequently as once a year on date of close-out.

The inefficacious portion of the hedging is accounted for in the profit and loss statement under the heading "net gains or losses on financial instruments valued at fair value by profit or loss".

#### Fair value hedging

The component relating to the rediscounting of a derivative financial instrument is recorded in the profit and loss statement under the heading "Interest, income and expenditure - Hedging derivatives", symmetrically opposed to the interest, income and expenditure relating to the item hedged.

In the event of a fair value hedging relationship, derivatives are valued at their fair value by counterparty in the profit and loss statement under the heading "Net profit and losses on financial instruments at fair value through profit or loss (FVTPL)" symmetrically opposed to the revaluation of the risk of the elements hedged in P&L. This rule also applies if the hedged item is accounted for at amortized cost or if it is a financial asset classified as available-for-sale. If the hedging relationship is fully efficient, the fair value change in the hedging instrument offsets the value of the element hedged.

Hedging must be considered as "highly efficient" to qualify for hedging accounting. The change in the fair value of the hedging instrument or in cash flow must practically offset the change in the item hedged at fair value, or cash flow. The ratio between the two changes must be in the range of 80% to 125%.

If the hedging relationship is broken, or if the efficacy criterion is not met, hedging accounting ceases to be applied on a forward looking basis. Hedging derivatives are transferred into the category of transaction instrument and are accounted for by the accounting principles applied to that category. The balance sheet value of the hedged element is no longer adjusted at a later date to reflect changes in fair value, and the adjustments to date in the security providing the hedging, are amortized over the residual lifetime of the item hedged. If the items hedged are not shown in the balance sheet, because of early redemptions, among other reasons, the adjustments to date are immediately shown in the profit and loss statement.

#### Fair value hedging of the interest rate risk by portfolio

The changes brought in by the European Union to IAS 39 in October 2004 include instant access cash deposits for customers in their portfolios of fixed rate liabilities.

For each portfolio of assets or liabilities, the bank checks that there is no over coverage, and does so by pillar and at each close-out.

The liability portfolio is scheduled as per the discharge of these liabilities over time, as defined in balance sheet management procedures.

Changes in fair value of the interest rate risk on the portfolios of hedged instruments are recorded in a special line of the balance sheet ("revaluation difference of portfolios hedged by interest rates"), the counterparty being in the profit and loss statement.

#### Hedging of cash flow

In the event of a cash flow hedging relationship, the gains or losses of the hedging instrument considered to be effective are recorded in the specific line of equity "Unrealized gains or losses deferred on hedging cash flows", whenever the party considered as being non-performing is recorded in the profit and loss statement under the heading "Net gains and losses on financial instruments at fair value through profit or loss (FVTPL)".

The amounts recorded as shareholders' equity are shown in the profit and loss statement under the heading "Interest income and expenses", keeping pace with the effect on final profit of the cash flows of the element hedged. The items hedged remain accounted for by the specific rules for their accounting category.

In the event of interruption to the hedging relationship, or failure to comply with efficiency criteria, hedging accounting ceases to be applied. The amounts to date recorded in shareholders' equity as a revaluation of the hedging derivative, are kept in shareholders' equity until the transaction hedged itself affects earnings or when it becomes apparent that the transaction will not take place. The amounts arising are then shown in the profit and loss statement.

#### **1.3.5** Securitized debt payables

Securitized debt payables (treasury bills, inter-banking market certificates, bond borrowing), not classified at fair value through profit or loss (FVTPL) or by fair value hedges, are accounted for at their issuance value, generally reduced by transaction cost.

The debts are then valued at amortized cost according to the effective interest rate method.

Certain structured debt instruments may include embedded derivatives. These embedded derivatives are separated out from the host contracts as soon as the separation criteria have been met, and as soon as they can be valued in a reliable manner.

Their host contract is at a later stage accounted for at amortized cost. The determination of fair value is based on listed market prices or on valuation models.

#### **1.3.6** Subordinated debt

Subordinated debt, be it at term, or indeterminate, is separated from other securitized debt payables, because their reimbursement, in the event that a debtor is required to wind up its business, is only possible after the other creditors have received their due. These debts are valued on an amortized cost basis

#### 1.3.7 Distinction between Debt and Shareholders' equity

According to the interpretation of IFRIC 2, shares owned by associates of an entity are equity if the entity has an unconditional right to refuse redemption, or if there are provisions under the law or under the company's statutes forbidding or strongly limiting redemption. Under such provisions of the law or company statutes as exist, the equitable interest issued by the structures making up the consolidating entity of the Crédit Mutuel group, is accounted for as shareholders' equity.

The other financial instruments issued by the group are in accounting terms qualified as debt instruments subject to their existing contractual obligations for the group to make a treasury available to the security holders. This is the case for all the subordinated securities issued by the group.

#### **1.3.8 Provisions for contingencies**

Allowances for and write-backs on the provisions for contingencies are classified by kind in the corresponding headings of income or expenditure.

A provision is made as soon as it is likely that drawing on financial resources providing an economic benefit will be required to extinguish an obligation arising from a past event, and as soon as the amount of that obligation may be reliably estimated. The amount of the obligation is discounted to present value as the case may be for determining the amount of the provision required.

The provisions made by the Group cover in particular:

- Operational risks;
- Liabilities in respect of employees;
- Execution risk of commitments by signature;
- Disputes and sureties;
- Tax risks;
- Risks relating to home ownership loans.

#### **1.3.9** Customer deposits and loans from financial institutions

Customer deposits and loans from credit institutions give rise to financial liabilities on the bank, discharged in the form of fixed income or determinate income yielded to the creditor. Such liabilities are accounted for at market value when they are entered in the balance sheet, and are then valued at the subsequent close-outs at amortized costs using the effective interest method, except those that are accounted for by fair value hedges.

#### □ <u>Regulated savings contracts</u>

The *comptes épargne logement* (CEL – mortgage savings account) and *plans épargne logement* (PEL – mortgage savings plan) are products regulated under French law available to individual customers, being a combination of deposits made by them yielding interest and giving rights to a loan for residential property buying at a later date. The liabilities that arise are of two orders for the distributing institution:

- A commitment to pay the future yield on the amounts deposited as savings at a fixed interest rate (only on PEL, the rate of yield on CEL being equivalent to variable interest, as periodically revised according to an indexation formula);
- A commitment to grant a loan to customers so requesting under predetermined conditions (both for PEL and CEL).

These liabilities have been estimated on the basis of the behavioral statistics of customers and market data. A provision has been made on the assets and the liabilities side of the balance sheet in order to cover the future expenditure related to potentially unfavorable terms and conditions arising on such products as compared to the interest rates offered to individual customers for similar products, but not regulated in terms of their interest rate. This approach depends on the homogeneous generation of the terms and conditions of the outgoings for which the bank is liable in the form of interest payable on the deposits of customers subscribing to PEL and CEL schemes. Impacts on the profit and loss statement are recorded as interest paid to customers.

#### **1.3.10** Treasury and treasury equivalent

Treasury and treasury equivalent include comptes de caisse, deposits, loans and borrowings from central banks and credit institutions.

In the table of cash flow, OPCVM/UCITS are classified as an operational activity, and are not reclassified as treasury.

#### 1.3.11 .Employee benefits

Employee benefits are accounted for under IAS 19. Accounting for social commitments gives rise as the case may be to a provision accounted for under the heading "Provisions for contingencies and liabilities". Changes under this heading are accounted for in the profit and loss statement under the heading "Personnel expenses".

#### Defined post-employment benefits

These are pension schemes, early retirement schemes, and additional pension schemes, in which the group has a formal or implicit liability to provide benefits promised to employees.

Liabilities are calculated according to the method of projected credit units, which involves allocating entitlement to benefit to the periods of service under the contractual formula for calculating the benefits from the scheme, subsequently discounted to present day values on the basis of demographic and financial assumptions among them:

- The discount rate, determined by reference to the long term rates interest rates on state-issued debt securities, taking into consideration the duration of the commitments,
- The rate of payroll increase, assessed by age ranges, management and non-management status, and regional characteristics
- Inflation rate, estimated by comparison of the OAT government bond yields and OAT yields inflated for various maturities
- Rates of employee turnover by age range on the basis of an average ratio of 3 years of the number of resignations and dismissals over the number of employees working in the company under non-fixed term contracts at the financial year end
- Age of departure on retirement, an estimate being made by individual on the basis of actual date of entry into the company or estimated date of start of working life, and the assumptions under the Fillon law, capped at maximum age 65
- Mortality tables according to INSEE TH/TF 00-02.

The differences generated by the changes in assumptions and by the differences between earlier assumptions and the actual are known as actuarial variances. The assets of the scheme, if any, are valued at their fair value, and affect the profit and loss statement in the amount of their expected yield. The variance between the actual yield and expected yield is also an actuarial variance.

The group has opted for the immediate recording of actuarial variances—in excess of the 10% of the discounted value of the gross liability in respect of the benefits on the date of close-out, or of the fair value of the assets in the régime, or whichever is the highest—as an entry in the profit and loss statement for the year, in the form of provisions not spread over the remaining service life of the employees. Any reductions in, or realizations of the value of the scheme, generate changes in the commitment accounted for in the profit and loss for the financial year.

#### Additional pensions under caisse de retraite schemes

The AFB staging agreement of September 13, 1993, made an amendment to banking institution pension schemes. Since January 1, 1994, the banks are members of the French national Arrco and Agirc regimes. The *caisses de retraite* or pension schemes of which the banks in the group are variously members have been merged. They make payment in respect of the various liabilities provided for under the staging agreement, drawing on their reserves topped up if necessary by additional annual contributions paid in by the banks concerned, whose average rate over the next ten years is capped at 4% of payroll. The liabilities of the *caisses de retraite* are comprehensively estimated every two years by an actuary, the latest estimate taking place at the end of 2006 The *caisse de retraite* after merger is being transformed into an IGRS. It has no shortfall in assets.

#### Other defined benefit post-employment benefits

Provisions are made for end of career indemnities and additional pensions, including pensions from special schemes. They are valued on the basis of entitlements acquired by the staff employed, taking into consideration the turnover rate of staff specific to the consolidated entities, and the estimated future salary to be paid to the

beneficiaries on retirement, increased as the case may be by social security charges. The end of career indemnities payable by group banks in France are covered to a degree of at least 60% by an insurance contract underwritten by ACM Vie, an insurance company in the Crédit Mutuel group, which is wholly consolidated.

#### Defined contribution post-employment benefits

The group's entities contribute to a number of pension schemes managed by organizations independent of the group, in respect of which the entities have no additional formal or implicit obligation to payment, notably if the assets in the pension schemes are not sufficient to meet liabilities.

As these schemes do not represent liabilities in respect of the group, no provision is made for them, and expenditures in their respect are accounted for in the financial year of payment of contributions.

#### Long term benefits

These are benefits to be paid other than those subsequent to the period of employment and end of contract indemnities. These benefits are payable twelve months later than the end of the financial year in which the staff rendered the corresponding services, such as for example *médailles du travail* (length of service bonus) or *compte épargne temps* (amounts payable in respect of time in lieu under shorter working week arrangements, or similar).

The group's liability in respect of other long term benefits is quantified by the projected credit units method. However actuarial variances are immediately recorded in the profit and loss for the accounting period, as the corridor method is not allowed.

Commitments in respect of *médailles du travail* are on occasion covered by insurance contracts, in which case only the amount so covered is provided for.

## Employee supplementary pensions

Employees in the Crédit Mutuel Centre Est Europe, Sud Est, Ile de France and Savoie Mont Blanc groups used to benefit from supplementary pensions coverage, topping up the state run compulsory retirement schemes, served by the Caisse de Retraite du Crédit Mutuel Centre Est Europe (Carmut), a joint employer-employee representative organization in the category of Institutions de Retraite Supplémentaire (IRS – Supplementary pensions institutions). Article 116 of law no.2003-775 August 21, 2003 on pensions reform, known as the Fillon law, makes it mandatory upon the IRS before December 31, 2008 to change into an Institution de Gestion de Retraite Supplémentaire (an institute for management of supplementary pensions), or to merge with an approved Institution de Prévoyance (providence institution).

The employees representing the social partners (employee representatives) of Crédit Mutuel CEE/SE/IDF/SMB decided by means of a collective agreement dated 3January 1, 2008, to transfer the management of the scheme to ACM Vie SA, retroactive to January 1, 2008.

This operation, retroactive to January 1, 2008 covered €005 million commitments. ACM Vie SA is now the manager of the pension rights of the CM4 group employees. ACM is already a provider of supplementary pensions for employees in the CIC group. The group employees keep a supplementary pension scheme which is as favorable and contributions that are still paid for by the employer. The scheme is still a provider of two guaranteed benefits, defined contributions and defined benefits. The rights to defined contributions remain an entitlement even in the event of leaving the company, unlike the rights of the defined benefits scheme, which, in accordance with new regulations, has become a definitive entitlement only if employees leave the company on retirement. The total commitment is €03 million as at December 31, 2008 of which €593 million special technical provisions recorded on the liabilities side of the balance sheet of ACM Vie SA, covering all the contributors.

#### **Employment contract termination compensation**

This compensation is a benefit granted by the group on termination of the contract before the normal age of retirement, or following a decision by the employee to leave on a voluntary basis of consideration of such compensation. These provisions are updated to present day values when provision is made for their payment at a future date more than twelve months after the date of close-out.

#### □ Short term benefits

These are benefits payable within the twelve months of the close-out of the financial year, other than employment termination compensation, including salaries, social security contributions and a number of bonuses. An expenses item is accounted for in terms of short term benefits for the financial year during which services rendered to the company have rise to such entitlements.

#### **1.3.12** Insurance activities

The accounting principles and rules of assessment of the assets and liabilities brought into being by the issuance of insurance contracts including re-insurance contracts whether issued or subscribed and of the financial contracts including a discretionary with-profits clause (granting policy holders the right, in addition to guaranteed remuneration, to receive a portion of the financial profits made) have been drawn up in accordance with standard IFRS 4.

The other assets owned and liabilities issued by the wholly consolidated insurance companies are governed by the rules common to all the group's assets and liabilities. Financial assets in the amount of the technical provisions for unit of account contracts are presented under "Financial assets at fair value through profit or loss (FVTPL)" and assets and liabilities are assessed at the date of close-out at the realization value of the reference investment vehicles.

Furthermore, the contracts governed by IFRS 4 remain accounted for and consolidated as if under French standards and are valued and accounted for under those same rules, with the exception of a number of restatements limited to those affecting the elimination of regulatory equalization provisions and the accounting for deferred shareholdings in accordance with the principles of French regulations applied to the differences in asset valuation. At issue here are mainly the provisions for deferred with-profit benefit arising from the unrealized capital gains or losses accounted for on assets arising under IAS 39 (corresponding under IFRS 4 to the application of reflex accounting to reflect the relevant contribution accruing from or liability arising from unrealized capital gains and losses, as well as the "discretionary participatory element", recorded wholly in provisions and not under shareholders' equity).

In addition to the various provisions recorded as liabilities (with write-back as the case may be), the other transactions generated by these contracts are valued and accounted for under the same rules. Included here are contract acquisition expenses, outstandings and liabilities arising from the contracts, advances in regard to policies and sums arising under recourse and subrogated entitlements from insurance and re-insurance contracts.

As of the date of close-out, a liability stress test under these contracts is made (net of other asset or liability items such as deferred acquisition expenses and value of the portfolios acquired). A check is made that the liability accounted for is sufficient to cover the future estimated cash flow as of this date. Any shortfall in technical provisions is recorded in the profit and loss for the period (with write-back at later date if necessary).

The capitalization return reserve made on a tax exempt basis in the individual accounts of the French companies in respect of the sale of amortizable securities, whose purpose is to defer the net capital gains generated in order to keep up the actuarial yield on the portfolio made in consideration of contractual commitments, is cancelled in the consolidated financial statements. Entries into or out of this reserve for the financial year, when recorded in the profit and loss on individual account are cancelled in the consolidated profit and loss statement. Under IAS 12, deferred taxation liability is recorded in regard to the actual reclassification as shareholders' equity of the capitalization reserve. On the other hand, if there is a strong probability of allocation of benefit to the policyholders, in particular in consideration of their entitlements under certain insurance portfolios of the group entities, an entry for deferred contributory payment to the policyholders is made, after restatement of the capitalization reserve.

#### 1.3.13 Assets

Fixed assets recorded in the balance sheet include tangible fixed assets and intangible operating assets, as well as investment properties. Fixed operating assets are used for own business administration purposes and service delivery. Investment property is the real estate owned for the purposes of generating rental income or a yield on invested capital. Real estate held for investment is recorded at historic cost, as is commercial property held for own business operations.

Fixed assets are accounted for at acquisition cost increased by the expenses directly attributable to and required for their refurbishment for operational purposes. The cost of borrowing incurred at the time of construction or refurbishment or fitting out of real estate is not separately entered as an accounting item.

Fixed assets after acquisition and initial accounting entry are valued at historic cost, i.e. at their original cost reduced by the amortization accruing and by impairment of value if any.

When a fixed asset is made up of a number of elements replaceable in parts at regular intervals, and where use is made thereof in a differentiated manner, or if their economic benefits arise according to different timescales, each

item is separately accounted for at outset, and each of the components is amortized according to a specific amortization plan. A component-based approach has been adopted both for property occupied by the bank for its own business purposes, and for investment properties.

The amount entered for amortization purposes in respect of a fixed asset is determined after deduction of its residual value, net of exit or disposal costs. The duration of serviceable life of fixed assets is generally equivalent to the expected life of that asset for economic purposes, and hence no entry is made for residual value.

Fixed assets are amortized over the expected useful life of the asset for the company, according to the time frame during which it remains serviceable, and in the light of the economic benefits arising.

Intangible assets of indeterminate useful life are not subject to amortization. The allowances for amortizations in respect of operating assets are shown under the heading "Allowance / write-back of amortization and provisions for operating assets" in the profit and loss account.

Allowances for amortization in regard to investment property are accounted for under "Expenses of other activities" in the profit and loss statement.

The ranges of amortization periods adopted are:

Tangible assets:	
- Land, fixtures, fit-out and utility services:	15-30 years
- Buildings – structural work:	20-80 years (depending on the type of building in question)
- Construction – equipment:	10-40 years
- Fit-out and installations:	5-15 years
- Office equipment and furniture:	5-10 years
- Safety equipment:	3-10 years
- Rolling stock:	3-5 years
- Computer equipment:	3-5 years
Intangible assets:	
- Software bought in or developed in-house:	1-10 years
- Business acquired:	9-10 years (if acquisition of customer contract portfolio)

Amortizable fixed assets are subject to impairment testing on the date of close-out. Non-amortizable fixed assets (such as *droits au bail*, or the average price that a tenant is likely to be able to secure from the transfer of its lease to a successor), are subject to impairment testing once a year.

If there is an indication of impairment, the salvage value of the asset is compared to its net book value. In the event of impairment, a depreciation entry is made in profit and loss, changing the amortizable value going forward of the asset. The depreciation entry is written back in the event of change in the estimated salvage value, or if the indications of impairment no longer exist. The net book value after write-back of the impairment entry may not be in an amount greater than the net book value that would have been calculated if no impairment had been recorded.

Depreciations of fixed operating assets are accounted for under the heading "Allowance and write-back of amortization and provisions for depreciation of operating assets" in the profit and loss statement.

Depreciations in respect of investment property are accounted for under the heading "Expenses of other activities" (in respect of allowances) and "Income from other activities" (in respect of their reversal) in the profit and loss statement.

Capital gains and losses on the disposal of fixed operating assets (including commercial real estate occupied for own business operations) are recorded in the profit and loss statement on the line "Net gains or losses on other assets".

Capital gains and losses on the disposal of investment properties are recorded in the profit and loss statement on the line "Income from other activities" or "Expense of other activities".

#### **1.3.14** Corporation tax

The heading "Corporation tax" includes all taxes on corporate income, whether payable or deferred.

Taxes payable on corporate income are calculated according to the tax rules in force.

#### Deferred taxation

Under IAS 12, deferred taxation entries are made in respect of time differences between the taxable value and the book value of the items of a consolidated balance sheet, with the exception of goodwill (*écarts d'acquisition*).

Deferred taxation entries are calculated according to the liability method of tax allocation by reference to the known rate of corporation tax at time of close-out, and applicable to the following financial years.

Tax assets net of deferred liabilities are recorded when there is a high probability that they will be realized. Taxes payable or deferred are accounted for as either income or expenditure with the exception of those entries relating to unrealized or deferred gains and losses accounted for as equity, in respect of which a deferred taxation entry is directly made.

Deferred tax asset or liability entries are offset one against another when they arise within a given entity or taxable group, and from the same tax authority, and when there is legal empowerment so to do.

Deferred taxation entries are not discounted to present values.

#### **1.3.15** Interest on certain loans borne by the State

As part of the measures of assistance to the agricultural and rural sector, and in the matter of home loans, some entities in the group grant reduced interest rate loans according to scales fixed by the French State. These entities therefore receive from the State compensation in the amount of the difference between the reduced interest rate receivable from customers and a predefined interest standard interest rate. As a result, no entry is made for reduced interest income on the loans covered by such compensatory payments.

The procedures for these compensation mechanisms are regularly re-examined by the French State.

The compensatory amounts received from the State are recorded under the heading "Interest and equivalent" and spread over the lifetime of the corresponding loans, in accordance with IAS 20.

#### 1.3.16 Financial guarantees and commitments to finance

Financial guarantees are regarded as equivalent to an insurance contract when they make provision for specific payments to reimburse to the beneficiary the losses incurred as a result of the default of a debtor required to make a payment at a given due date and a debt instrument.

Under IFRS 4, these financial guarantees are valued according to French standards, namely on an off-balance sheet basis, pending the issuance of standards additional to the current arrangements. Consequently, these guarantees give rise to provisions for liabilities in the event of likely pay-out.

On the other hand, contracts for financial guarantees providing for payment in response to changes in a financial variable (price, rating, or credit index), or non-financial variables (on condition that in this case the variable is not specific to one of the parties to the contract), fall within the scope of IAS 39. These guarantees are then dealt with as if they were derivative instruments.

Financing commitments not considered as derivative instruments in the meaning of IAS 39 are not shown in the balance sheet, but provisions are made for them in accordance with IAS 37.

#### **1.3.17** Foreign currency operations

Assets and liabilities denominated in a foreign currency (i.e. other than the local currency), are converted at the exchange rate of the date of close-out.

#### <u>Monetary financial assets or liabilities</u>

Foreign exchange gains or losses arising from currency translation are accounted for in profit and loss under the heading "net gains and losses on JV portfolio by result".

#### □ <u>Non-monetary financial assets or liabilities</u>

Foreign exchange gains or losses arising from translations are accounted for in profit and loss under the heading "Net gains or losses on financial instruments at fair value through profit or loss (FVTPL)" if the item is classified for fair value through profit or loss (FVTPL) or as an unrealized or deferred capital gain and loss, when available-for-sale financial assets are involved.

When foreign currency denominated securities in the consolidation are financed by a loan in the same foreign currency, this is hedged by an entry in respect of future cash flow.

#### 1.3.18 Non-current assets intended for disposal and terminated businesses

A non-current asset or group of assets meets the definition of an asset intended for disposal if it is available-for-sale and if its sale is highly likely to take place in the next twelve months.

The related assets and liabilities are presented on two distinct lines on the balance sheet under the headings "Noncurrent assets intended for disposal » and « Debts related to non-current assets intended for disposal". They are accounted for at book value or fair value reduced by the cost of disposal, whichever is the lowest, and are no longer amortized.

In the event of a record of impairment of value on this type of asset and liability, a write-down is made in the profit and loss statement.

Activities are considered to be terminated, when they are intended for disposal, when the activities are wound up, and when subsidiaries have been acquired for the sole purpose of resale. These activities are presented on a separate line of the profit and loss statement under the heading "Gains and losses net of tax on terminated activities".

#### **1.3.19** Judgments and estimates used in drafting the financial statements

The preparation of the financial statements may require formulating hypotheses and making estimates which affect the determination of income and expenditure, assets and liabilities on the balance sheet and in the appendix to financial statements.

In this case, the managers, based on their judgment and experience, use the information available as of the date of the drafting of financial schedules to make the necessary estimates. This is particularly so in the case the case of:

- depreciation of debt instruments and capital instruments,
- the use of calculation models to value financial instruments not listed on an active market and classified as "available for sale" or valued at "fair value by profit or loss",
- assessment of the active nature of the markets,

- calculation at fair value of financial instruments not listed on an active market and classified as "Loans and receivables" or "Held to maturity", in respect of which information must be shown in the notes to the financial statements,
- impairment tests performed on intangible assets,
- determination of provisions including commitments in respect of pension schemes and other future social benefits.

# **1.3.20** Standards and interpretations adopted by the European Union and not yet applied by reason of their implementation date

IAS / IFRS	Name of standard	Date of application	Consequences of application
Standards			
IAS 1	Presentation of financial statements	Mandatory application	Impact on presentation of financial
	(amendments to standard currently in	from 01/01/2009	statements
	force)		
IAS 23	Cost of borrowing (amendments to		Not applicable
	standard currently in force)	from 01/01/2009	
IFRS 2	5	Mandatory application	Not applicable
	(amendments to standard currently in	from 01/01/2009	
	force)		
IFRS 8	Operating sectors (replacement IAS	5 11	Impact not significant
	14 – sectorial information)	from 01/01/2009	
IFRIC 11	IFRS 2 – Book entries of particular		Not applicable
	agreements for payment based on	from 01/01/2009	
	shares: own shares and intra-group		
	transactions		
IFRIC 13	Customer loyalty programmes	Mandatory application	Not applicable
		from 01/01/2009	
IFRIC 14	IAS 19 – Capping of assets in respect		Not applicable
	of defined benefit schemes,	from 01/01/2009	
	requirements for minimum finance		
	and their interaction		

The notes are presented in millions of euros

#### NOTE 2 - Breakdown of the balance sheet and profit and loss statement by activities and by geographical zone

Activities are as follows:

Activities are as follows: • The retail bank includeds the network of Caisses belonging to Crédit Mutuel Centre Est Europe, the CIC regional banks and CIC IIe-de-France and all the specialist businesses selling products through the network, including real estate and equipment leasing, factoring, mutual fund management, employee trust fund and share ownership (*épargne salariale*), real estate. Since 5 December 2008, this activity also includes the network of Citibank Deutschland branches • The insurance business is handled by the Crédit Mutuel insurance group. The finance and market activities include: a) financing of major companies and institutional customers, specialist finance, international and foreign subsidiaries: b) market activities in the wider sense of the word (i.e. including interest rate and foreign exchange transactions and equities), whether exercised on behalf of customers or on own account, including metate the transactivities.

including market intermediation.

Including market intermediation. Private banking activities including the companies whose primary purpose this is, both in France and abroad. Private banking activities including the companies whose primary purpose this is, both in France and abroad. Private equity exercised on own account and financial engineering make up a separate arm of the business. The holding company structure covers elements as not allocated to other specific business lines and logistics organisations, including intermediate holding companies, and real estate occupied by the bank for its business use, lodged in specific entities, as well as IT entities. The consolidated entities are shown as wholly attached to their main business lines, and by their contribution to the consolidated financial statements. The only exceptions are two entities, CIC and BFCM, which operate across several business lines. In this case, the parent company financial statements reflect these analytically under differentiated headings, the same principle applying to the balance sheet.

#### Breakdown of balance sheet by business line

ASSETS

December 31, 2008	retail	insurance	finance	private	private	structure	Total
	banking		and markets	banking	equity	and holding	
Cash, cash equivalent, due from Central banks - Assets	1 119	0	7 909	747	0	3 712	13 487
Financial assets at fair value through profit or loss	190	12 029	38 597	185	1 692	3 491	56 184
Derivatives used for hedging purposes - Assets	3 935	51	352	54	0	122	4 514
Available-for-sale financial assets	1 026	30 659	19 200	6 106	2	7 472	64 466
Loans to and receivables from credit institutions	1 199	0	87 845	6 357	3	9 339	104 743
Loans to and receivables from customers	120 897	336	21 630	4 045	0	780	147 689
Held-to-maturity financial assets	140	5 063	308	22	0	2 695	8 228
Shareholdings in companies consolidated by the equity method	55	223	0	1	0	160	440

LIABILITIES							
December 31, 2008	retail	insurance	finance	private	private	structure	Total
	banking		and markets	bankng	equity	and holding	
Due to Central banks - Liabilities	0	0	0	2 319		0 0	2 319
Financial liabilities at fair value through profit or loss	97	1 696	41 975	135		0 3 209	47 112
Derivatives used for hedging purposes - Liabilities	5 753	0	1 829	382		0 -86	7 878
Due to credit institutions	8 142	0	92 537	380		0 162	101 220
Customer deposits	66 579	81	4 831	14 156		0 2 660	88 306
Securitized debt payables	22 379	0	76 146	75		0 2 039	100 639

#### Breakdown of profit and loss statement by activity

December 31, 2008	retail	insurance	finance	private	private	structure	inter	Total
	banking		and markets	banking	equity	and holding	activities	
Net banking income	3 289	765	26	427	112	-671	-46	3 901
General expenses	-2 267	-309	-239	-272	-38	-75	46	-3 155
Gross operating profit	1 021	456	-214	156	73	-747		746
Cost of risk	-378	0	-530	-108	1	0		-1 016
Gain on other assets*	11	17	0	0	0	76		104
Pre-tax profit	654	472	-744	47	74	-671		-167
Corporation tax	-187	-96	268	-5	2	322		304
Net book profit	466	377	-476	42	77	-348		138
Minority interests								109
Attributable net profit								29

December 31, 2007	retail	insurance	finance	private	private	structure	inter	Total
Pro-Forma	banking		and markets	banking	equity	and holding	activités	
Net Banking income	3 151	960	611	449	381	-139	-24	5 38
General Expenses	-2 191	-278	-279	-261	-42	-58	24	-3 084
Gross operating profit	960	682	332	187	339	-197		2 303
Cost of risk	-114	0	-7	-6	0	0		-12
Gain on other assets*	16	28	0	0	0	33		7
Net book profit	862	710	325	181	339	-164		2 25
Corporate income tax	-272	-220	-92	-46	-12	93		-54
Net book profit	590	490	233	135	327	-71		1 704
Minority interests								23
Attribuable net profit								1 46

\* including net profit of entities consolidated by the equity method and goodwill impairment

December 31, 2007	retail	insurance	finance	private	private	structure	inter	Total
Published	banking		and markets	banking	equity	and holding	activités	
Net Banking income	3 151	960	611	449	424	-182	-24	5 388
General Expenses	-2 191	-278	-279	-262	-42	-58	24	-3 084
Gross operating profit	960	682	332	187	382	-240		2 303
Cost of risk	-114		-7	-6				-128
Gain on other assets*	16	28				33		77
Net book profit	862	710	325	181	382	-207		2 253
Corporate income tax	-272	-220	-92	-46	-16	96		-549
Net book profit	590	490	233	135	367	-111		1 704
Minority interests								239
Attribuable net profit								1 464

\* including net profit of entities consolidated by the equity method and goodwill impairment

#### Breakdown of balance sheet by geographical zone

ASSETS

		December 31, 2008				December 31, 2007			
	France	Europe	Other	Total	France	Europe	Other	Total	
		outside France	countries*			outside France	countries*		
Cash and cash equivalent, due from Central banks	11 819	1 601	68	13 487	5 723	355	5	6 083	
Financial assets at fair value through profit or loss	55 250	377	558	56 184	94 824	232	2 293	97 349	
Derivatives used for hedging purposes - Assets	4 433	81	0	4 514	2 973	192	1	3 165	
Available-for-sale financial assets	55 767	7 144	1 555	64 466	37 652	10 833	2 577	51 063	
Loans to and borrowing from credit institutions	96 070	6 430	2 243	104 743	93 789	1 804	1 385	96 977	
oans to and liabilities with respect to customers	126 000	18 592	3 097	147 689	112 760	6 421	2 479	121 660	
Held-to-maturity financial assets	7 998	229	0	8 228	5 719	366	0	6 085	
Shareholdings in companies consolidated by the equity method	190	1	248	440	230	0	217	447	

LIABILITIES

		December 31, 2008				December 31, 2007			
	France	Europe	Other	Total	France	Europe	Other	Total	
		outside France	countries*			outside France	countries*		
Due to Central banks	0	2 319	0	2 319	0	59	0	59	
Financial liabilities at fair value through profit and loss	42 361	4 392	358	47 112	61 505	3 900	159	65 563	
Derivatives used for hedging purposes - Liabilities	7 479	388	11	7 878	2 693	164	0	2 857	
Due to credit institutions	96 913	0	4 306	101 220	74 030	4 030	4 041	82 100	
Customer deposits	65 163	22 589	553	88 306	55 485	13 914	581	69 980	
Securitized debt payables	89 242	8 721	2 676	100 639	82 302	13 588	3 880	99 770	

#### Breakdown of profit and loss statement by geographical zone

	December 31, 2008							
	France	Europe	Other	Total	France	Europe	Other	Total
		outside France	countries*			outside France	countries*	
Net Banking income	3 546	533	-178	3 901	5 074	416	-103	5 388
General Expenses	-2 805	-302	-48	-3 155	-2 820	-218	-47	-3 084
Gross operating profit	741	231	-227	746	2 254	198	-149	2 303
Cost of risk	-751	-215	-51	-1 016	-121	-10	4	-128
Gain on other assets **	81	0	23	104	58	0	19	77
Net book profit	71	17	-254	-166	2 191	188	-126	2 253
Overall net profit	257	23	-143	138	1 620	139	-55	1 704
Attributable net profit	138	21	-130	29	1 384	130	-50	1 464

\* USA, Singapore, Tunisia and Morocco

\*\* including net profit of entities consolidated by the equity method and goodwill impairment

#### NOTE 3 - Scope of consolidation

		December 31, 2008			December 31, 2007			
		Percentage		Method	Percentage	Method		
		Control	Interest	•	Control	Interest	•	
A. Banking network								
Banque de l'Economie du Commerce et de la Monétique		99	99	FC	99	99	FC	
Banque du Crédit Mutuel IIe-de-France (BCMI)		100	100	FC	100	100	FC	
CIC Banque CIO - BRO	CIC	100	92	FC	100	92	FC	
CIC Banque Scalbert Dupont - CIN	CIC	100	92	FC	100	92	FC	
CIC Bonnasse Lyonnaise de Banque (BLB)	CIC			MER	100	92	FC	
Crédit Industriel et Commercial (CIC)	CIC	92	92	FC	92	92	FC	
CIC Lyonnaise de Banque (LB)	CIC	100	92	FC	100	92	FC	
CIC Société Bordelaise (SBCIC)	CIC	100	92	FC	100	92	FC	
CIC Est (ex Société Nancéienne Varin Bernier)	CIC	100	92	FC	100	92	FC	
		D	December 31, 2008			December 31, 200		
		Percentage		Method	Percentage		Method	
		Control	Interest	•	Control	Interest	•	
Banco Popular France		100	100	FC			NC	
Citibank Privatkunden AG & Co. KGaA		100	100	FC			NC	
B. Banking network								
SCI La Tréflière		46	46	ME	46	46	ME	
SOFEMO - Société Fédérative Europ.de Monétique et de Financement		100	97	FC	100	97	FC	
Banque de Tunisie		20	20	ME	20	18	ME	
CM-CIC Asset Management (ex Crédit Mutuel Finance)		74	72	FC	74	72	FC	
CM-CIC Epargne salariale (ex CIC Epargne salariale)	CIC	100	92	FC	100	92	FC	
CM-CIC Bail (ex Bail Equipement)	CIC	99	91	FC	99	91	FC	
CM-CIC Bail Belgium	CIC	100	91	FC	100	91	FC	
CM-CIC Gestion	CIC	100	92	FC	100	92	FC	
CM-CIC Lease	CIC	100	96	FC	100	96	FC	
Factocic	CIC	51	47	FC	51	47	FC	
CM-CIC Laviolette Financement	CIC	100	92	FC	100	92	FC	
Saint-Pierre SNC	CIC	100	92	FC	100	92	FC	
SNVB Financements	CIC			MER	100	92	FC	
Sofim	CIC	100	92	FC	100	92	FC	

i l				n.	n.		
CM-CIC Covered Bonds		100	100	FC	100	100	FC
Citi Finanzberatung GmbH		100	100	FC			NC
Citicorp Dienstleistung GmbH		100	100	FC			NC
C. Finance banking and market activities		100	100	50		400	50
Ventadour Investissement	010	100	100	FC	100	100	FC
Cigogne Management	CIC	100	96	FC	100	96	FC
CM-CIC Mezzanine	CIC			NC	90	81	FC
CM-CIC Securities	CIC	100	92	FC	100	92	FC
D. Banque privée							
Agefor SA Genève	CIC	70	65	FC			NC
Alternative gestion SA Genève	CIC	45	57	ME			NC
CIC Suisse (ex Banque CIAL Suisse)	CIC	100	92	FC	100	92	FC
Banque de Luxembourg	CIC	100	94	FC	100	94	FC
Banque Pasche (Liechtenstein) AG	CIC	53	49	FC	53	49	FC
Banque Pasche Monaco SAM	CIC	100	92	FC	100	92	FC
CIC Private Banking - Banque Pasche	CIC	100	92	FC	100	92	FC
CIC Banque Transatlantique	CIC	100	92	FC	100	92	FC
Banque Transatlantique Belgium	CIC	100	91	FC	100	90	FC
Banque Transatlantique Jersey	CIC	100	92	FC	100	92	FC
Banque Transatlantique Londres	CIC	100	92	FC			NC
Banque Transatlantique Luxembourg (ex Mutual Bank Luxembourg)	CIC	90	85	FC	90	85	FC
BLC gestion	CIC	100	92	FC	100	92	FC
Calypso Management Company	CIC	70	65	FC			NC
Dubly-Douilhet	CIC	62	57	FC	62	57	FC
Elite Opportunities (Liechtenstein) AG	CIC	100	92	FC			NC
GPK Finance	CIC	88	81	FC	87	80	FC
LRM Advisory SA	CIC	70	65	FC			NC
Pasche (International) Services Ltd Gibraltar	CIC			NC	100	92	FC
Pasche Bank & Trust Ltd Nassau	CIC	100	92	FC	100	92	FC
Pasche Finance SA Fribourg	CIC	100	92	FC	100	92	FC
Pasche Fund Management Ltd	CIC	100	92	FC	100	92	FC
Pasche International Holding Ltd	CIC	100	92	FC	100	92	FC
Pasche SA Montevideo	CIC	100	92	FC			NC
Serficom Family Office Inc	CIC	100	92	FC			NC
Serficom Family Office Ltda Rio	CIC	51	47	FC			NC
Serficom Family Office SA	CIC	100	92	FC	100	92	FC
Serficom Investment Consulting (Shanghai)	CIC	100	92	FC			NC
Serficom Maroc SARL	CIC	100	92	FC	100	92	FC
Transatlantique Finance	CIC	100	92	FC	100	92	FC
Valeroso Management Ltd	CIC	45	57	ME			NC
E. Private Equity							
CIC Finance	CIC	100	92	FC	100	92	FC
CIC Investissement (ex CIC Capital Développement)	CIC	100	92	FC	100	92	FC
CIC Investissement Alsace (ex Finances et Stratégies)	CIC	100	92	FC	100	92	FC
CIC Investissement Est (ex SNVB Participations)	CIC	100	92	FC	100	92	FC
CIC Investissement Nord (ex CIC Régions Expansion )	CIC	100	92	FC	100	92	FC
CIC Vizille Participation (ex CIC Lyonnaise de Participations)	CIC	100	91	FC	100	91	FC
Financière Ar men	CIC			MER	100	92	FC
Financière Voltaire	CIC	80	74	FC	100	92	FC
Institut de Participations de l'Ouest (PCO)	CIC	80	74	FC	77	71	FC
PCO Ingénierie	CIC	80	74	FC			NC

			ecember 31, 200		December 31, 2007			
		Percentage Control	Interest	Method	Percentage Control	Interest	Method	
							50	
Sudinnova	CIC	50	46	FC	50	45	FC	
CIC Banque de Vizille	CIC	98	90	FC	98	90	FC	
Vizille Capital Finance	CIC	100	90	FC	100	90	FC	
Vizille Capital Innovation	CIC	100	90	FC	100	90	FC	
F. Structure and logistics								
CMCP - Crédit Mutuel Cartes de Palement		45	46	ME	45	46	ME	
Euro-Information		27	26	ME	27	26	ME	
	010							
Adepi	CIC	100	92	FC	100	92	FC	
CIC Migrations	CIC	100	92	FC	100	92	FC	
CIC Participations	CIC	100	92	FC	100	92	FC	
Cicor	CIC	100	92	FC	100	92	FC	
Cicoval	CIC	100	92	FC	100	92	FC	
CM-CIC Services		100	100	FC			NC	
Citicorp Akademie GmbH		100	100	FC			NC	
		100	100	FC			NC	
Citicorp Deutschland GmbH								
Citigroup IT Consulting GmbH		100	100	FC			NC	
Citigroup Reality Services GmbH		100	100	FC			NC	
Citicorp Management AG		100	100	FC			NC	
CM Akquisitions		100	100	FC			NC	
Efsa	CIC	100	92	FC	100	92	FC	
Gesteurop	CIC	100	92	FC	100	92	FC	
Gestunion 2	CIC	100	92	FC	100	92	FC	
Gestunion 3	CIC	100	92	FC	100	92	FC	
Gestunion 4	CIC	100	92	FC	100	92	FC	
Impex Finance	CIC	100	92	FC	100	92	FC	
Marsovalor	CIC	100	92	FC	100	92	FC	
Pargestion 2	CIC	100	92	FC	100	92	FC	
Pargestion 3	CIC	100	92	FC	100	92	FC	
Pargestion 4	CIC	100	92	FC	100	92	FC	
Pargestion 5	CIC	100	92	FC	100	92	FC	
-								
Placinvest	CIC	100	92	FC	100	92	FC	
Sofiholding 2	CIC	100	92	FC	100	92	FC	
Sofiholding 3	CIC	100	92	FC	100	92	FC	
Sofiholding 4	CIC	100	92	FC	100	92	FC	
Sofinaction	CIC	100	92	FC	100	92	FC	
Ufigestion 2	CIC	100	92	FC	100	92	FC	
Ufigestion 3	CIC	100	92	FC	100	92	FC	
Ugépar Service	CIC	100	92	FC	100	92	FC	
Valimar 2	CIC	100	92	FC	100	92	FC	
Valimar 4	CIC	100	92	FC	100	92	FC	
VTP 1	CIC	100	92	FC	100	92	FC	
VTP 5	CIC	100	92	FC	100	92	FC	
G. Insurance companies								
ACM IARD	GACM	96	69	FC	96	72	FC	
ACM Nord IARD	GACM	49	35	ME	49	37	ME	
ACM Vie	GACM	100	72	FC	100	75	FC	
Serenis Assurances (ex Assurances du Sud)	GACM	100	72	FC	99	74	FC	
Astree	GACM	30	22	ME	30	22	ME	
Euro Protection Services	GACM	100	72	FC	100	75	FC	
Foncière ACM (ex ACM Retraite)	GACM			MER	89	66	FC	
Groupe des Assurances du Crédit Mutuel (GACM)	GACM	73	72	FC	76	75	FC	
ICM Life								
	GACM	100	72	FC	100	75	FC	
ICM Ré	GACM	100	69	FC	100	72	FC	
Immobilière ACM	GACM	100	72	FC	100	75	FC	
Partners	GACM	100	72	FC	100	75	FC	
Procourtage	GACM	100	72	FC	100	75	FC	
SCI Socapierre	GACM			MER	100	75	FC	
Serenis Vie (ex Télévie)	GACM	100	72	FC	100	75	FC	
	GACM	100	12	NC		25	ME	
				NIC:	34	75	ME	
Suravenir Assurances RMA Watanya	GACM	20	14	ME	20	15	ME	

			ecember 31, 20	08	De	07	
		Percentage		Method	Percentage		Method
		Control	Interest	•	Control	Interest	•
H. Other companies							
ACM GIE	GACM	100	72	FC	100	75	FC
ACM Services	GACM	100	72	FC	100	75	FC
Massena Property	GACM	100	72	FC	100	75	FC
Massimob	GACM	100	69	FC	100	72	FC
SA Saint Germain	GACM			MER	100	75	FC
SCI ADS	GACM	100	71	FC	100	74	FC
SNC Fonciere Massena	GACM	83	60	FC	98	68	FC

Î

SNUE POILCIETE WISSENIA CIC = Company belonging to the sub-group Compagnie Financière CIC GACM = Company belonging to the sub-group of the Groupe des Assurances du Crédit Mutuel

\* Method: FC = Full consolidation PC = Proportional consolidation EM = Equity Method NC = Not Consolidated FU = Merged

# NOTE 4 - Cash, Cash equivalent, due from Central banks Loans to and receivables from credit institutions

	December 31, 2008	December 31, 2007
Cash, cash equivalent, Central banks		
Central banks	12 973	5 762
of which mandatory reserves	3 289	2 580
Cash, cash equivalent	514	321
TOTAL	13 487	6 083
TOTAL - like for like	12 636	
Loans to and receivables from credit institutions		
Crédit Mutuel network accounts	222	253
Other ordinary accounts	3 409	2 259
Loans	90 203	91 841
Other receivables	1 056	1 056
Securities not listed on active markets	8 788	330
Loan of securities	739	983
Individually impaired receivables	348	12
Attached receivables	294	251
Provisions, impairments, write-downs	-316	-8
TOTAL	104 743	96 977
TOTAL - like-for-like	104 689	

\* Varaitons are due reclassifications dated July 1, 2008. These reclassifications are presented in Note 10b

#### NOTE 5 - Financial assets at fair value through profit or loss

	December 31, 2008	December 31, 2007		
.Securities	36 309	65 646		
- Government securities	4 441	20 760		
- Bonds and other fixed income securities	22 914	33 802		
. Listed	21 205	33 651		
. Unlisted	1 709	151		
- Securities and other variable income securities	8 954	11 084		
. Listed	7 497	9 735		
. Unlisted	1 457	1 348		
. Derivative instruments	7 847	6 049		
. Other financial assets	12 028	25 655		
TOTAL*	56 184	97 349		
TOTAL - like for like	56 184			

\*Variances are due to the reclassifications of July 1, 2008. These reclassications are presented in note 10b

#### NOTE 6 - Derivatives used for hedging purposes

	December	31, 2008	December	December 31, 2007		
	Assets	Liabilities	Assets	Liabilities		
. Cash flow hedge	2	18	6	9		
- value change recorded in shareholders' equity	0	0	0	0		
- value change recorded in profit and loss	2	18	6	9		
. Fair value hedge (change recorded in P&L)	4 512	7 860	3 160	2 847		
TOTAL	4 514	7 878	3 165	2 857		

#### Analysis of derivative instruments

	Dec	ember 31, 200	8	Dee	cember 31, 200	7
	Notional	Assets	Liabilities	Notional	Assets	Liabilities
Derivative instruments						
Interest rate instruments						
Swaps	412 165	6 196	6 433	421 356	4 209	5 274
Other firm contracts	26 281	120	19	22 827	11	8
Options and conditional instruments	11 574	720	254	37 611	806	178
Forex instruments						
Swaps		76	100		45	51
Other firm contracts	205	365	334	183	258	209
Options and conditional instruments	51 457	182	180	6 632	82	79
Other than interest rate and forex						
Swaps	29 322	27	24	37 529	125	40
Other firm contracts	3 937	0	11	2 718	0	11
Options and conditional instruments	4 538	162	158	13 892	513	528
Sub-total	539 478	7 847	7 513	542 749	6 049	6 377
Derivatives used for hedging purposes						
Fair Value Hedge						
Swaps	54 118	4 455	7 860	19 896	3 071	2 847
Options and conditional instruments	15	57		21	89	
Cash Flow Hedge						
Swaps	86	2	18	77	6	9
Sub-total	54 219	4 514	7 878	19 994	3 165	2 857
TOTAL	593 697	12 361	15 391	562 743	9 214	9 233

#### NOTE 7 - Available-for-sale financial assets

14 517	2 602
43 856	40 677
43 365	40 169
491	508
3 717	5 172
3 627	5 118
89	53
2 066	2 358
1 253	1 248
889	842
364	406
387	846
255	714
131	132
426	264
64	60
362	204
311	254
64 466	51 063
63 737	
0	C
0	C
-118	-14
-1 288	-207
	43 365 491 3 717 3 627 89 2 066 1 253 889 364 387 255 131 426 64 426 64 426 64 426 64 362 311 64 466 63 737 0 0 -118

### List of major non-consolidated shareholdings

		% owned	Shareholders' equity	Total balance sheet	Net Banking Income or Revenue	Profit or Loss
Banca di Legnano	Unlisted	< 10%	1 232	4 151	ND	90
Banca Popolare di Milano	Lsted	< 5%	3 598	43 627	ND	335
BMCE Bank	Lsted	< 5%	700	9 439	394	112
Crédit logement	Unlisted	< 5%	1 416	11 437	155	80
CRH (Caisse de refinancement de l'habitat)	Unlisted	< 20%	160	34 646	6	3
Foncière des Régions	Lsted	< 5%	7 163	18 974	901	1 233
Nyse Euronext (1)	Lsted	< 5%	6 556	13 948	4 474	-738
Républicain Lorrain	Unlisted	100%	20	69	ND	ND
Veolia	Lsted	< 5%	10 191	46 307	32 628	1 255

The different figures (exlcuding percentage ownership) relate to financial 2007. (1) Amounts in USD (in regard to 2007).

#### NOTE 8 - Loans to and receivables from customers

	December 31, 2008	December 31, 200
Sound loans and receivables	139 123	114 063
. Commercial lending	4 998	4 902
. Other lending to customers	133 419	108 686
- home purchase lending	55 006	49 682
- other lending and receivables including securities lending	78 413	59 004
. Attached receivables	367	313
. Securities not listed on inactive market	340	162
Individually impaired receivables	5 633	3 204
Impairment	-4 146	-2 115
SUB TOTAL I	140 610	115 152
Finance leasing (net investment)	6 978	6 393
. Equipment, plant, machninery	4 769	4 297
. Real Estate	2 095	1 987
. Individually impaired receivables	114	109
Impairment	-85	-79
SUB TOTAL II	6 893	6 314
Reinsurance receivables	185	195
TOTAL	147 689	121 660
of which equity loans	0	0
of which subordinated loans	151	21
TOTAL - like-for-like	135 636	

# Lease finance Tradings with customers

	Opening	Acquisition	Disposal	Other	Closing
Gross book value	6 393	1 018	-422	-11	6 978
Write-down of unrecoverable instalments due	-79	-27	21	0	-85
Net book value	6 314	992	-402	-11	6 892

### Breakdown by duration of minimum future instalments receivabble from finance leasing

	<1yr >	>1 yr and <5 yrs	>5 yrs	Total
Receivables from future instalments, minimum	2 013	3 972	1 038	7 023
Receivables from future instalments discounted to present	1 809	3 721	1 022	6 552
Financial income receivable	204	252	16	471

## NOTE 9 - Fair value adjustment on interest-rate risk hedged portfolio Description of assets and liabilities hedged, and hedging instruments

	Fair va December 31, E 2008		Change in Fair Value
Fair value of interest rate risk by portfolio			
. Financial assets	462	-63	525
. Financial liabilities	-1 375	201	-1 577

### NOTE 10 - Held-to-maturity financial assets

	December 31, 2008	December 31, 200
. Securities	8 238	6 082
- Government securities	135	139
- Bonds and other fixed income securities	8 103	5 943
. Listed	6 664	5 600
. Unlisted	1 439	343
Attached receivables	88	6
GROSS TOTAL	8 326	6 088
Impairment	-98	-3
NET TOTAL	8 228	6 085
TOTAL - like-for-like	8 228	

#### NOTE 10 b - Financial instruments - Reclassifications

In a totally discloted market context, where illiquidity affected even the soundest of assets and where prices were no longer representative of economic value, the financial regulators took unusual circumstances into consideration and modified standrds IAS39 and IFRS7 to enable transfers of trading portfolios to other categories in the financial statements.

	2008
Reclassificatio of trading portfolio to loans and receivables	2 674
Reclassification of trading portflio to available for sale assets	16 118
Reclassification of avaiable for sale portfolio to loans and receivables	5 856
Reclassification of available for sale portfolio to hed-to-maturity assets	617
Under new accounting rules applied in the circusmstances of wholly dislocated financial markets, the BFCM group on July 1, 2008 transferred €18.8	

(€16,1 billion) to Loans & Receivables (€2.7 billion) and to the HTM portfolio (€0,6 billion).

	2008
. Profit/losses in P&L on assets reclassified for current financial year	-33
. Unrealized gains/losses in Shareholders' equity for assets reclassified in current financial year	-543
. Estimated cash flow* on date of reclasificaction for reclassified financial assets	26 040

Effective interest rates on securities transferred are positive. Highest interest rate 10.97%.

#### For the period after reclassification (and during reclassification) until assets are removed from the books

	2008
Net book value of reclassified assets	23 930
Fair value of reclassfied assets	23 203
. Profits/losess recorded in P&L on the JV if assets had not been reclassfied	-969
. Unrealized gains/losses which would have been recorded in Shareholders' equity if assets had not been reclassfied	271
Profits/losses in P&L in regard to reclassified assets	-35

Change in market value betwee July 1 and December 31, 2008 in regard to securities transferred from trading portfolio to AFS and to Loans & Receivables portfolio amounts to 6969 million.

#### NOTE 11 - Change in provisions for impairment

	December 31, 200	Allowance	Write-back	Other	December 31, 20
Loans to and receivables from credit institutions	-8	-309	2	-1	-316
Loans to and receivables from customers	-2 194	-797	576	-1 816	-4 231
Available-for-sale securities"	-221	-590	21	-615	-1 405
Held-to-maturity securities"	-3	-99	3	0	-98
Total	-2 348	-1 795	602	-2 510	-6 051
TOTAL - like-for-like					-4 145

As at December 31, 2008, provisions on loans to and receivables from customers amounted to £4,231M (as against £2,194M at year end 2007), of which £128M (as against £80M at year end 2006) on sound receivables and £365M collective provisions for CITIBANK Deutschland. Individual provisions were mainly overdrafts on ordinary accounts in the amount of £866M (as against £925M at year end 2006), and provisiona against commercial receivables and other lending (including mortages), in the amount of £2,636M (as against £925M at year-end 2006).

#### NOTE 12 a - Current tax assets and liabilities

	December 31, 2008	December 31, 2007
Assets (by P&L)	709	454
Liabilities (by P&L)	182	151

#### NOTE 12 b - Deferred tax assets and liabilites

	December 31, 2008	December 31, 2007
Assets (by P&L)	754	310
Assets (by shareholders' equity)	704	72
Liabilities (by P&L)	759	447
Liabilities (by shareholders' equity)	13	80

#### Breakdown of deferred taxation by category

	December	December 31, 2008		31, 2007
	Assets	Liabilities	Assets	Liabilities
. Tempory difference in regard to:				
- deferred capital gains / losses on available-for-sale securities	704	13	72	80
- provisions	179		54	
- unrealized lease finance reserve		27		121
- profits from transparent companies		11		29
- revaluation of financial instruments	386	582	155	192
- accrued expenditure and income	62	0	103	28
- tax losses	514		160	
- insurance activities	107	269	111	303
- other temporay timing differences	59	423	103	149
. Offsetting	-553	-553	-375	-375
Total deferred taxation assets and liabilities	1 457	772	383	527

### NOTE 13 - Accrued income and other assets

	December 31, 2008	December 31, 2007
Regularization accounts assets		
Securities received on account of settlement	483	280
Foreign currency adjustment accounts	87	6
Accrued assets	460	543
Other regularization accounts	2 652	2 866
Sub-total	3 682	3 695
Other assets		
Securities settlement accounts / Trading accounts	193	164
Other receivables	10 892	4 789
Inventory and equivalent	2	0
Other uses	-5	-4
Sub-total	11 082	4 949
Other insurance assets		
Insurance and reinsurance receivables	1 508	347
TOTAL	16 271	8 992
TOTAL - like-for-like	15 637	

# NOTE 14 - Shareholdings in companies consolidated by the equity method Interest in net profit of companies consolidated by the equity method

	December	31, 2008	December 31	, 2007	
	Equity value	% profit	Equity value	% profi	
ACM Nord	17	1	21	5	
Alternative gestion SA Genève	1	NS	NS	NS	
ASTREE	13	2	12	2	
Banque de Tunisie	42	6	38	5	
CMCP	15	56	19	13	
Euro Information	146	15	135	17	
RMA Watanaya	194	14	179	14	
SCI Treflière	13	1	12	0	
Suravenir*			31	7	
Valeroso Management Ltd	NS	NS	NS	NS	
TOTAL	440	96	447	64	
* Disposal outside group					

#### NOTE 15 - Investment property

	Start of financial yr	Increase	Decrease	Other change	End of financial yr
Historic cost	1 017	221	-255	0	983
Amortization and depreciation	-89	-15	3	-1	-103
Net value	928	205	-252	-1	880
TOTAL - like-for-like					880

#### NOTE 16 - Property, plant and equipment

Basic accounting procedure	Start of financial yr	Increase	Decrease	Other change	End of financial yr
Historic cost					
Land for own business operations	327	5	1	8	341
Construction for own business operations	1 934	167	-23	152	2 230
Other tangible fixed assets	662	70	-38	211	905
Total	2 923	242	-60	371	3 476
TOTAL - like-for-like					3 103
Amortization and depreciation					
Buildings for own business operations	-930	-99	24	-53	-1 060
Other tangible fixed assets	-472	-46	21	-170	-668
Total	-1 403	-145	44	-223	-1 727
AMount net	1 520	96	-16	148	1 748
TOTAL - like-for-like					1 596

# Of which buildings covered by finance leases

	Opening	Acquisition	Cession	Other	Closing
Land for own business operations	45	0	0	0	45
Buildings for own business operations	42	-2	0		40
Total	87	-2	0	0	85

# Breakdown by duration of future minimal installment payments receivable in respect of finance leasing

	<1an	>1an	et <5ans	>5ans	Total
Future minimum instalment receivables		14	7	0	22
Future instalment receivables discounted to present day value		14	7	0	22
Financial expenses not booked		0	0	0	0

#### NOTE 17 - Intangible assets

	December 31, 200	Acquisitions	Disposals	Other change BC6	ember 31, 2008
Historic cost					
. Assets acquired	265	54	-6	304	617
- software	0	3	0	93	97
- other	265	50	-6	211	520
Total	265	54	-6	313	626
TOTAL - like-for-like					357
Amortization and depreciation					
. Assets acquired	-63	-11	1	-71	-144
- software	0	-5	0	-69	-74
- other	-63	-7	1	-2	-70
Total	-63	-11	1	-71	-144

Net value	202	43	-4	242	482
TOTAL - like-for-like					259

#### NOTE 18 - Goodwill

Subsidiaries	Goodwill as at December 31, 2007	Increase	Decrease	Other change (*)	Goodwill as at December 31, 2008
Banco Popular France		15			15
Banque du Luxembourg	13				13
Banque Transatlantique	5				5
CIC Private Banking - Banque Pasche	35	6		3	44
Citibank Allemagne		2 800			2 800
GPK Finance	5				5
Groupe ACM	8				8
Groupe CIC	506				506
PCO	21				21
Sub group ACM	64		-26		38
Other	7				7
TOTAL	664	2 806	-26	3	3 462

(\*) The other changes are due to goodwill on foreign-currency denominated acquistionsLes autres variations sont dues aux écarts de conversion des écarts d'acquisition constatés en devises.

Acquistion review takes place at the end of the fnancial year. No definitive impairments were necessary. The audit procedure, depending on cirumstances, involves: - checking that the price of the most recent transaction is above book value, - checking that the valuation assumptions at the time of acquisition are still valid

#### Acquisitions for financial year

Banco Popular France Banque Fédérative du Crédit Mutuel in June 2008 acquired the Banco Popular France banking network Goodwill recored in the consolidated financial statements is as follows (in millions of euros);

Price and acquisition expenses	85
Fair value of assets and liabilities acquired	70
Goodwill	15

Citibank Deutschland The group took control of Citibank Deutschland's retail banking business in December 2008. The goodwill recorded for financial 2008 relies on provisional data, which may be revised in the light of works under way:

Price and acquisition expenses	4 874
Fair value of assets and liabilities acquired	2 074
Goodwill	2 800

Goodwill has not yet been allocated to the different cash flow generating units of the Group, because it acquired control of Citibank Deutschland at the end of the financial year, and work still needs to be done on the consolidation of the businesses. An impairment test was performed to check whether there was loss of value. The fair value of the acquisition was estimated at the end of the financial year based on discounting the company's forward cash flows, based on assumptionts of premiums to the risk free rate and of degraded future long term performance of the German economy (8% and 1% respectively). No need for impairment of goodwill was evidenced as a result of this testing

# NOTE 19 - Due to central Banks

#### Due to credit institutions

	December 31, 2008	December 31, 2007
Central banks, CCP		
Central banks	2 319	59
CCP	0	0
Total	2 319	59
Due to credit institutions		
Borrowing	1 473	4 719
Other debt	97 426	61 100
Securities lending	2 112	15 992
Attached debt	209	288
Total	101 220	82 100
TOTAL - like-for-like	94 794	

#### NOTE 20 a - Financial liabilities on securites recorded at fair value through profit or loss

	December 31, 2008	December 31, 2007
Financial liabilities on securities held for trading purposes Financial liabilities on securities assessed by fair value hedging or at	14 270	19 003
fair value through profit or loss	32 842	46 560
TOTAL	47 112	65 563
TOTAL - like-for-like	47 111	

#### NOTE 20 b - Financial liabilities on securities held for trading purposes

	December 31, 2008	December 31, 2007
Short sales of securities		
- Bonds and other fixed income securities	3 316	11 102
- Equities and other variable income securities	252	897
. Trading derivatives	7 513	6 377
. Other financial liabilities held for trading purposes	3 189	628
TOTAL	14 270	19 003
TOTAL - like-for-like	14 269	

### NOTE 20 c - Financial liabilities on securities assessed by fair value hedges

	December 31, 2008	December 31, 2007
.Securities issued	3 715	1 759
. Liabilities arising from securities loaned with obligation to repurchase	28 583	42 731
. Debt	544	2 070
TOTAL	32 842	46 560
TOTAL - like-for-like	32 842	

## NOTE 20 d - Fair value rankings

		December 31, 2008			
	Level 1	Level 2	Level 3	Total	
Financial assets					
Trading / JVO					
- Government securities and equivalent - Trading	4 273	0	0	4 273	
- Government securities and equivalent - Fair value hedges	167	0	0	167	
- Bonds and other fixed income securities - Trading	15 354	2	0	15 356	
- Bonds and other fixed income securities - Fair value hedges	5 797	1 761	0	7 558	
- Equities and other variable income securities - Trading	345	0	0	345	
- Equities and other variable income securities - Fair value hedges	7 068	0	1 541	8 609	
- Loans to and receivables from credit institutions - Fair value hedges	0	6 092	0	6 092	
- Loans to and receivables from customers - Fair value hedges	0	5 936	0	5 936	
- Derivatives and other financial assets - Trading	261	7 586	0	7 847	
- Derivatives used for hedging purposes	0	4 514	0	4 514	
Total	33 266	25 891	1 541	60 698	
Financial liabilities					
Trading / JVO					
- Due to credit institutions - Fair value hedges	0	28 064	0	28 064	
- Due to customers - Fair value hedges	0	1 063	0	1 063	
- Securitized debt payables - Fair value hedges	0	3 715	0	3 715	
- Subordinated debt - Fair value hedges	0	0	0	(	
- Derivatives and other fiancial liabilities- Trading	3 707	10 563	0	14 270	
Derivatives used for hedging purposes	0	7 876	0	7 876	
Total	3 707	51 281	0	54 988	

Level 1: Use of stock market prices Level 2: Use of valuation technicuges based mainly on observable data, includes over the counter derivatives Level 3: Use of valuation techniques based mainly on non-observable data. In practice, applies only to unlisted securities. In practice, only unlisted securities are shown.

### NOTE 21 - Customer deposits

	December 31, 2008	December 31, 2007
. Special savings accounts	23 792	21 189
- instant access or on demand deposits	16 404	13 610
- term deposits	7 388	7 579
. Liabilities attached to savings accounts	26	29
Sub-total	23 818	21 217
. Ordinary accounts	35 748	28 613
. Term accounts and borrowings	27 645	18 705
. Securities lending	326	924
. Reinsurance liabilities	81	80
. Attached debt	688	441
Sub-total	64 488	48 763
TOTAL	88 306	69 980
TOTAL - like-for-like	78 635	

### NOTE 22 - Securitized debt payables

	December 31, 2008	December 31, 2007
Short term lending	45	39
TMI & TCN	69 973	68 542
Bonds	29 774	30 391
Attached liabilities	846	799
TOTAL	100 639	99 770
TOTAL - like-for-like	100 639	

#### NOTE 23 - Accrued expenses and other liabilities

	December 31, 2008	December 31, 2007
Regularization accounts - liabilities		
Accounts unavailable due to debt recovery proceedings	188	176
Foreign exchange adjustment accounts	1 684	1 653
Expenses payable	550	665
Other regularization accounts	7 388	5 483
Sub-total	9 810	7 977
Other liabilities		
Accounts for securities transaction settlements	231	463
Settlements outstanding on securities transactions	107	47
Other creditors	2 906	2 114
Sub-total	3 243	2 624
Other insurance liabilities		
Deposits and pledges received	126	100
TOTAL	13 178	10 701
TOTAL - like-for-like	12 128	

#### NOTE 24 - Technical reserves of insurance companies

	December 31, 2008	December 31, 2007
Life	39 207	37 289
Non life	1 969	1 845
Units of account	4 460	6 023
Other	198	197
TOTAL	45 834	45 355
TOTAL - like-for-like	45 834	

#### NOTE 25 - Provisions for contigencies and liabilities

	Opening balance	Allowances financial yr	Write-backs financial yr (provision used)	Write-backs financial yr (provision unused)	Other change	Closing balance
Provisions for pension commitments	118	7	-9	-8	9	119
Provisions for contingencies	284	109	-12	-55	45	371
Other	218	169	-10	-68	16	325
TOTAL	620	285	-30	-131	71	815
TOTAL - like-for-like						757

#### Post-employment commitments and similar benefits

	Opening	Allowances	Write-backs		Closing
	balance	financial yr	financial yr	Other change	balance
Defined benefit pension commitments and equivalent, outside standard caisses de retraite					
pensions schemes					
End of career indemnity	38	2	-6	-2	33
Top-up pensions	47	7	-3	3	54
Bonuses related to médailles du travail (length of service bonus and other equivalents)	28	-2	-1	0	24
Sub-total	113	7	-10	1	111
Supplementary defined benefits provided by group pensions schemes					
Commitments to employees and retirees	4	0	-5	9	8
Fair value of assets					
Sub-total	4	0	-5	9	8
(Pensions schemes assets include 35,000 CIC shares)					
Commitments in respect of early retirement					
of employees					
Commitments	1	0	-1	0	C
Sub-total	1	0	-1	0	C

The assumptions adopted for the calculation of pension commitments and equivalent are based on a discount rate of 5.6%. The assumptions regarding the number of staff leaving on retirement are reviewed annually by country, in the light of regulatory conditions.

#### Supplementary pensions served by the Groupe CIC pension schemes

The AFB staging agreement of September 13, 1993 made an amendment to banking institution pension schemes. Since January 1, 1994, the banks are members of the French national Arrco and Agirc regimes. The three caises of the CIC group which shouldered the burden of the various expenses entailed under the staging agreement merged on January 1, 2008 in order to pool their reserves. On December 31, 2008, the reserves of the merged entity wholly covered commitments, whose amount was the subject of a comprehensive estimate in 2008. To ensure compliance with the provisions of the Filion law of August 23, 2003 and of the law on Finance of the Social Security 2008-1300 of December 17, 2008, the pension scheme after merger is being transformed into an institution de Restriate Supplementaire (IGRS - Institute for the Management of Supplementary Pensions), the corollary of which is to switch the reserves and commitments to an insurance organization. The process will be completed in the course of 2009.

#### Commitments in the field of pensions, retirement benefits and médaille du travail length of service bonuses

Accounting for and valuing pension commitments and similar is performed in a manner compliant to recommendation no. 2003-R01 of the Conseil National de la comptabilité

Employee pension schemes

The pension schemes are handled by the various institutions to whom the bank and its employees pay regular contributions. The contributions are accounted for as expenses for the financial year in which they are

due. Furthermore, the employees of Caisse Federale du Crédit Mutuel Centre Est Europe benefit from a supplementary pension scheme financed by the employer through two insurance contracts. The first contract is governed by article 83 CGI providing for a fully funded regime with defined contributions. The second contract is governed by article 39 CGI with defined additional benefits in tranches B and C. The commitments regarding these schemes are entirely covered by the reserves set up for that purpose. Consequently, no residual commitment arises for the employer.

End of career and indemnities and médaille du travail bonuses

Future end of career indemnities and bonuses payable for médailles du travail are entirely covered by insurance contracts underwritten with the Assurances du Crédit Mutuel insurance company. The premiums paid annually take into account the entitlements as at December 31 of each financial year, weighted by employee turnover coefficients and ratios of post-employment life expectancy of staff. The law of August 21, 2003 on retirement benefits has changed the terms and conditions of retirement. Pensioning off employees at the initiative of the company is possible only until the end of 2009. The amendments arising from the change in the law will not have significant effect on the level of commitments or on the annual financial statements.

#### Provisions for risks on commitments in respect of *épargne-logement* mortgage savings account schemes

	Age			December
	0 - 4 yrs	4 - 10 yrs	> 10 yrs	31, 2008
Investments in plans épargne-logement mortage savings plans	664	2 186	2 309	5 159
Investments in comptes épargne logement mortage savings accounts				694
Loans outstanding under épargne-logement mortgage savings schemes giving rise to provisions for risks on asset side of	balance sheet			263
Provisions for risks in regard to épargne-logement mortage savings schemes				
Mortage savings plans	39	2	3	44
Mortages savings accounts				18
Mortgage savings loans				8
TOTAL				70

balance	financial vr	flagencial contraction of the second	h a l a m a a
	Thaticial yi	financial yr Other change	balance
Provisions for <i>épargne-logement</i> mortage savings schemes 68	7	-5	70

Comptes épargne logement (CEL) and plans épargne logement (PEL) are products under French state regulation allowing individual customers to invest over time in an interest-bearing account giving subsequent entitlement to a mortgage. CEL and PEL schemes place a twofold commitment on distributor establishment: - commitment to provide return to depositors on amounts invested at a fixed rate (on PELs only, the yield on CELs being equivalent to variable rate, because periodically revised in the light of an indexing formula): - commitment to grant loan to customers on application under pre-determined conditions for both CEL and PEL. The commitments have been estimated by reliance on the statistics of client behavior and market data.

A provision has been made on the assets and the liabilities side of the balance sheet in order to cover the future expenditure related to potentially unfavorable terms and conditions arising on such products as compared to the interest rates offered to individual customers for similar products, but not regulated in terms of their interest rates offered to individual customers for similar products, but not regulated in terms of their interest rates offered to individual customers for similar products, but not regulated in terms of their interest rates. The profit and isos statement are recorded as interest paid to customers.

#### NOTE 26 - Subordinated debt

	December 31, 2008	December 31, 2007
Subordinated debt	4 388	3 552
Equity loans	156	156
Subordinated debt of indeterminate duration	4 140	2 957
Other debt	0	0
Attached debt	108	84
TOTAL	8 791	6 748
TOTAL - like-for-like	8 791	

#### Main subordinated debt

	Туре	Date	Amount	Amount	Rate	Maturity
		Issuance	Issuance	end of year		
Banque Fédérative du Crédit Mutuel	TSR	29.06.01	50 M€	50 M€	5,40	29.06.2011
Banque Fédérative du Crédit Mutuel	TSR	19.07.01	700 M€	700M€	6,50	19.07.2013
Banque Fédérative du Crédit Mutuel	TSR	30.09.03	800 M€	800 M€	5,00	30.09.2015
CIC	Participatif	28.05.85	137 M€	137 M€	(1)	(2)
CIC	TSDI	30.06.06	200 M€	200 M€	(3)	indeterminate
CIC	TSDI	30.06.06	550 M€	550 M€	(4)	indeterminate
Banque Fédérative du Crédit Mutuel	TSS		1600 M€	1600 M€		indeterminate
Banque Fédérative du Crédit Mutuel	Emprunt	28.12.05	500 M€	500 M€	(8)	indeterminate
Banque Fédérative du Crédit Mutuel	TSR	19.12.06	1000 M€	1000 M€	(5)	19.12.2016
Banque Fédérative du Crédit Mutuel	TSR	18.12.07	300 M€	300 M€	5,10	18.12.2015
Banque Fédérative du Crédit Mutuel	TSR	16.06.08	300 M€	300 M€	5,50	16.06.2016
Banque Fédérative du Crédit Mutuel	TSS	17.10.08	147 M€	147 M€	(7)	indeterminate
Banque Fédérative du Crédit Mutuel	TSS	11.12.08	1036 M€	1036 M€	(6)	indeterminate
Banque Fédérative du Crédit Mutuel	TSR	16.12.08	500 M€	500 M€	6.10	16.12.2016

Minimum 85% (TAM+TMC)/2 Maximum 130% (TAM+TMO)/2
 Non amortizable, but redeemable at borrower's discretion with effect from May 28, 1997 at 130% of par revalued by 1.5% annually for subsequent years
 Nate Euribor 6 months 167 basis points
 Rate Euribor 6 months 167 basis points for the first ten years and for the following years, and if not redeemed early, increased by 207 basis points
 Rate Euribor 3 months - 529 basis points
 Nate Euribor 3 months - 529 basis points
 Rate Euribor 1 year + 0.3 basis points

#### NOTE 27 - Attributable shareholders' equity

	December 31, 2008	December 31, 2007
. Capital	1 302	1 302
. Reserves, consolidated	7 430	6 222
- Reserves, regulated	7	7
- Reserves, foregn currency translation	-45	-44
- Other reserves (including effects of first application)	7 470	6 259
- Retained earnings	-2	0
TOTAL	8 733	7 524
. Profit for financial year	29	1 464
Sub-total	29	1 464
Unrealized gains or losses or deferred gains or losses* related to:		
- Available-for-sale assets	-1 120	505
- Equities	211	613
- Bonds	-1 331	-105
. Derivatives used for hedging purposes (CFH)	-11	-2
Sub-total	-1 131	505
TOTAL	7 630	9 493
TOTAL - like-for-like	7 639	

NOTE 28 - Commitments given and received

Commitments given	December 31, 2008	December 31, 2007
	Becombol 01, 200	5000mb01 01, 2007
Finance commitments		
Commitments to credit institutions	1 409	1 498
Commitments to customers	31 403	30 485
Surety commitments		
Commitments from credit institutions	3 004	971
Commitments from customers	12 217	12 212
Commitments, securities		
Securities acquired under repurchase agreement	0	(
Other commitments given	1 504	1 796
Commitments received from insurance activities	373	361
Commitments received	December 31, 2008	December 31, 2007
Finance commitments		
Commitments received from credit institutions	5 209	4
Commitments, sureties		
Commitments received from credit institutions	19 868	18 177
Commitments on securities		
Securities sold under repurchase agreement	0	0
Other commitments received	1 565	891

NOTE 29 - Interest and equivalent income and expense

	December 31, 2008		December	31, 2007
	Income	Expenses	Income	Expenses
. Credit institutions and central banks	6 484	-6 476	5 524	-6 092
. Customers	6 297	-2 050	5 138	-1 596
. Finance leasing	2 265	-1 913	2 113	-1 815
. Derivatives used for hedging purposes	2 660	-2 125	1 080	-1 070
. Available-for-sale financial assets	1 173		882	
. Held-to-maturity financial assets	100		25	
. Securitized debt payables		-4 693		-3 947
. Subordinated debt		-163		-146
TOTAL	18 980	-17 421	14 763	-14 666
TOTAL - like-for-like	18 877	-17 390		

# NOTE 30 - Commission income and expense

	December	December 31, 2008		31, 2007
	Income	Expenses	Income	Expenses
Credit institutions	7	-4	8	-6
Customers	698	-16	649	-16
Securities	672	-96	820	-99
Derivative instruments	5	-10	4	-10
Foreign exchange	16	-6	18	-6
Finance and guarantee commitments	7	-8	3	-5
Services	886	-662	801	-686
TOTAL	2 292	-802	2 303	-828
TOTAL - like-for-like	2 242	-797		

## NOTE 31 - Net gains/loss on financial instruments at fair value through profit or loss

	December 31, 2008	December 31, 2007
Trading instruments	772	2 622
Fair value hedging instruments	-534	-64
Hedging inefficiency	65	-13
Forex results	68	31
Total changes in fair value	371	2 576
including trading derivatives	54	-30
TOTAL - like-for-like	371	

# NOTE 32 - Net gains/losses on available-for-sale financial assets

			December 31, 2008				
		Dividends	Capital gains/losses	Impairment	Total		
Government securities, bonds and other fixed income securities			-48	-1	-49		
Equities and other variable income securities		38	63	-147	-46		
Capitalized securities	2	93	81	-335	-160		
Other		0	1	0	1		
TOTAL		131	98	-483	-254		
TOTAL - like-for-like					-255		

		December 31, 2007				
	Dividends	Capital gains/losses	Impairment	Total		
Government securities, bonds and other fixed income securities		3	1	4		
Equities and other variable income securities	9	37	0	45		
Capitalized securities	58	88	-3	143		
Other	0	0	0	0		
TOTAL	67	128	-2	192		

# NOTE 33 - Gains / expenses from other activities

	December 31, 2008	December 31, 2007
Income from other activities		
. Insurance contracts:	5 324	8 894
- premiums received	6 313	7 320
- net income from investments	-1 026	1 540
- technical and non-technical income	36	35
. Investment in real property:	3	0
- Reversal provisions /amortization	2	0
- capital gains on disposals	1	0
. Other income	186	159
Sub-total	5 513	9 053
Expenses on other activities		
. Insurance contracts:	-4 570	-7 886
- service charges	-3 907	-3 765
- changes in provisions	-694	-4 122
- technical and non-technical charges	31	2
. Investment real estate:	-15	-15
<ul> <li>allowance for provisions / amortization (depending on adopted process)</li> </ul>	-15	-15
. Other expenses	-193	-106
Sub-total	-4 778	-8 007
Total net incomce / other net expenses	736	1 047
TOTAL - like-for-like	731	
(1) of which €86 million on Madoff swindle treated as an operational risk		

### NOTE 34 - General operating expenses

	December 31, 2008	December 31, 2007
Payroll expenses		
Salaries and remunerations	-1 132	-1 075
Social security expenses	-439	-436
Employment benefits	-9	-10
Employee profit sharing and incentives	-41	-121
Taxes and similar payment on compensation	-131	-113
Others	6	10
Sub-total	-1 747	-1 746
Other administrative charges		
Taxes	-174	-167
External services	-1 088	-1 038
Other charges (transport, travel)	12	11
Sub-total	-1 250	-1 193
TOTAL	-2 996	-2 940
TOTAL - like-for-like	-2 911	

#### Average numbers employed

	December 31, 2008	December 31, 2007
Bank technicians	20 346	15 721
Management	10 457	9 476
TOTAL	30 803	25 197
TOTAL - like-for-like	25 306	

### NOTE 35 - Allowance / reversals of amortization and provisions for tangible and intangible assets

	December 31, 2008	December 31, 2007
Amortization:	-158	-145
- tangible assets	-147	-141
- intangible assets	-11	-3
Impairment	0	0
TOTAL	-158	-145
TOTAL - like-for-like	-156	

Intrangible assets include *drolts aux balls* (lease transfer fees), deemed indeterminate, and for this reason not amortized. As other fixed assets, they are subject to impairment testing

# NOTE 36 - Cost of risk

	Allowances	Write-backs	Unreclaimable debt with cover	Unreclaimable debt without cover	Recovery of receivables after writedown	TOTAL
Credit institutions	-309	2	-2	0	0	-309
Customers	-767	557	-172	-45	12	-416
. Lease finance	-2	4	-2	-3	0	-3
. Other customers	-765	553	-170	-43	12	-413
Sub total	-1 076	558	-174	-46	12	-725
HTM - DJM	-97	3	0	0	0	-95
AFS - DALV	-104	7	-8	-4	0	-109
Others	-138	53	0	-1	0	-86
TOTAL (1)	-1 416	621	-182	-51	12	-1 016

(1) of which €484 million on the collapse of Lehman Brothers and €65 million on the Icelandic banks.

#### NOTE 37 - Net gains /losses on other assets

	December 31, 2008	December 31, 2007
Tangible and intangible assets	8	13
. Capital losses on disposals	-4	-12
. Capital gains on disposals	12	25
TOTAL	8	13
TOTAL - like-for-like	8	

#### NOTE 38 - Corporation tax

#### Breakdown of tax charge

	December 31, 2008	December 31, 2007
Tax charge due	-121	-598
Tax charge deferred	422	40
Prior period adjustments	3	8
TOTAL	304	-549
TOTAL - like-for-like	305	

#### Reconciliation of booked tax charge and theoretical tax charge

	December 31, 200
Taxable profit	-262
Theoretical tax rate	34,43%
Theoretical tax charge	90
Impact of specific SCR and SICOMI regimes	22
Impact of reduced rate on long term capital gains	69
Impact of specific tax rates between foreign entities	24
Carry back	53
Other	46
Tax charge	304

#### NOTE 39 - Earnings per share

	December 31, 2008	December 31, 2007
Net attributable profit	29	1 464
Number of shares at statrt of financial year	26 043 845	26 043 845
Number of shares at end of financial year	26 043 845	26 043 845
Weighted average number of shares	26 043 845	26 043 845
Basic earnings per share	1,11	56,23
Average weighted number of shares available for issuance	0	0
Earnings per share after dilution	1,11	56,23

#### NOTE 40 - Consolidated 2008 pro forma profit and loss with acquisition as at January 1

	December 31, 2008	December 31, 2008
	Total Group as published	Total Group with
		acquisitions over full year
Net banking income	3 901	5 123
General expenses	-3 155	-4 119
Gross operating profit	746	1 004
Cost of risk	-1 016	-1 298
Gains on other assets	104	104
Pretax profit	-166	-190
Overall net profit	138	120
Attributable net profit	29	11

The table shows the theoretic impact in terms of P&L of the acquisitions of CITIBANK Deutschland and Banco Popular France, covered financial 2008 in full (with effect from January 1). This impact is calculated by using financial packaging.

### NOTE 40 - Fair value of financial instruments booked at amortized cost

The fair value of financial instruments due and the based on observable elements of assessment on December 31, 2007, using the discounted cash flow method (DCF) based on a risk free interest rate curve to which are added for the purposes of calculation of asset items a credit spread calculated on an annual basis for the CM4CiC group and reviewed each year. The financial instruments presented here are those associated with lending and borrowing. Excluded are non-monetary elements (shares), trade receivables and payables and other assets and liability accounts. Non-financial instruments are not covered by note 41. The fair value of financial instruments due at first request and customer deposits in regulated savings schemes is the value due to the customer, i.e. its book value.

Some entities in the group may also apply assumptions: the market value is the book value for contracts where variable interest rates are part of the conditions, or where the residual term is equal

Solid efficiency and the second secon 31.

	December	December 31, 2008		December 31, 2007	
	Balance sheet	Market	Balance sheet value	Market value	
	value	value			
Assets					
Loans to and receivables from credit institutions	104 743	104 371	96 977	96 895	
Loans to and receivables from customers	147 689	146 530	121 660	119 662	
Held-to-maturity financial assets	8 228	8 222	6 085	6 013	
Liabilities					
Due to credit institutions	101 220	101 060	82 100	82 06	
Due to customers	88 306	87 370	69 980	69 34	
Securitized debt payables	100 639	99 725	99 770	98 85	
Subordinated debt	8 791	8 927	6 748	6 54	

#### NOTE 41 - Transactions with related parties

	D	December 31, 2008		December 31, 2007			
	Companies consolidated by equity method	Confédération Nationale	Parent companies CMCEE group	Companies consolidated by equity method	Confédération Nationale	Parent companies CMCEE group	
Assets							
Loans, advances and securities							
Loans to and receivables from credit institutions	0	955	85 614	0	25	74 293	
Loans to and receivables from customers	0	38	0	0	19		
Securities	0	1 302	5	0	319		
Other assets	0	0	0	0	0		
Total	0	2 295	85 619	0	363	74 29	
Liabilities							
Deposits							
Due to credit institutions	0	8 570	44 693	0	2 146	40 87	
Customer deposits	0	29	0	0		10 07	
Securitized debt payables	0	1 951	0	0			
Other liabilities	0	155	1 250	0		1 25	
Total	0	10 706	45 943	0	2 531	42 12	
Finance and guarantee commitments							
Finance commitments given	0	0	0	8	0		
Guarantee commitments given	0	0	0			(	
Finance commitments received							
	0	0	0	0			
Guarantee commitments received	0	50	231	0	42	19	

#### Elements of profit and loss relating to transactions with related parties

		ecember 31, 200	8	December 31, 2007			
	Companies consolidated by equity method	Confédération Nationale	Parent companies CMCEE Group	Companies consolidated by equity method	Confédération Nationale	Parent companies CMCEE Group	
Interest received	9		3 419	0			
Interest paid	-2	-243	-1 790	0	-86	-1 461	
Commissions received	4	0	9	0	0	3	
Commissions paid	-2	-17	-239	0	-22	-224	
Other income and expenditure	57	-169	-1	2	-149	4	
General Expenses	-203	0	-28	0	0	-28	
Total	-138	-412	1 371	2	-244	922	

The national confederation is made up of the central organs of Crédit Mutuel and the other regional federations of the Crédit Mutuel not affiliated to the CMCEE group. Relationships with parent companies are mainly loans and borrowing forming part of the cash flow management process.

### Relations with Group senior directors

The Board of Directors of Banque Fédérative du Crédit Mutuel is currently made up of 15 members appointed by the general meeting for a 3 year term and 3 scrutineers also appointed for a 3 year term by the board pursuant to article 20 of the statutes (articles and objects of association). The list of directors indicating their functions in other companies is presented in appendix in accordance with legal requirements. The Board includes representatives of the partner Crédit Mutuel Groups (Ile-de-France and Sud-Est) and the representatives of associate Groups (Loire-Altantique Centre Ouest, Laval, Normandie and Centre). Two employee members have seas on the Board persenting the Comité d'entreprise interféderal (Federal employee representative committee). No attendance fees are paid nor stock options granted. The Group President and CEO are paid compensation determined with the assistance of a compensation committee in accordance with the law. The group senior directors may be the beneficiaries of credits or borrowings shown in the books of the group's banks, under the same terms and conditions as are available to employees more generally.

#### Overall compensation paid to senior directors

in ex	Overall compensation
Officers - Management Committee - Directors receiving compensation	5 828

Under the decision of the BFCM Board of July 2007, the officers receiving compensation who, by reason of their status, do not benefit from the common law mechanisms applicable to group employees in regard to employee profit share and incentive payments and to retirement indemnities are, on leaving the company, paid a compensatory indemnity which is determined by analogy with the provisions relating to profit share, incentive payments and retirement indemnities available to the employees who are not officers of the company, but are in equivalent situations. The provisions made in this respect were £2.63M

#### NOTE 43 - Credit risks

As required by the supervisor of the banking industry and market regulator, exposures to the financial crisis are outlined below.

The amounts at issue are stated in €M.

#### Market background

Market conditions worsened very considerably with the failure of Lehmann Brothers in September, resulting in a massive crisis of confidence in the interbank market, the failure of further financial establishments, and the intervention of the authorities with unprecedented plans to restore market confidence and contain systemic risk.

In a totally dislocated market context, where even the soundest of assets became illiquid, and where market prices were no longer representative of their economic value, the financial authorities took into consideraton these unusual circumstances and amended standards IAS 39 and IFRS 7 to enable the transfer of trading portfolios to other categories. These transfers could take place up to November 1, 2008, with retroactive effect up to July 1, 2008.

The decision was taken, in respect of a number of lines in illiquid markets, to reclassify them from the trading category to the Available for Sales (AFS) or Loans categories, and from the AFS category to the Loans category on July 1, 2008.

#### 1/ Exposures to Residential Mortgage Backed Securities (RMBS)

RMBS securityies are in their overwhelming majority valued by data from external sources (contreparties, brokers, ...), after analysis

Exposure after hedging and impairment	Impairment FVBPL	Impairment by AFS reserve	Reclass-ification	Other movements	Exposure after hedging and impairment
 31/12/2008					31/12/2007

Trading		1 169	-390	-3 02	25	-259	4 844
AFS		2 814	-12	-235 62		-249	3 249
Loans		3 131	-36		2 964	204	
Total		7 114	-439	-235	0	-305	8 092
Detail by geographical region							
	Franco	20					

20	France
3 343	Europe outside France
3 122	USA
629	Other
7 114	Total

Aggregate impairment of securities in the portfolio as at December 31, 2008 were €752 M of which €674 for the financial year, breaking down as €439 in P&L and €235 M directly assigned to AFS reserves.

#### 1-1/ Exposures to RMBS issued in USA

There are mainly Collateralized Mortgage Obligations (CMOs).

These securities have been reclassified from the trading category to the Loans category and from the Available For Sale category to the Loans category.

	Exposure after hedging and impairment	Exposure after hedging and impairment	Aggregate impairment	Aggregate rate of impairment
gencies	1 227	1 223	4	1 0%
rime	409	451	-42	2 -9%
It A	1 419	1 834	-415	5 -23%
ubprime	64	100	-35	5 -35%
ther	3	3	-0	) -12%
otal	3 122	3 611	-490	) -14%
Detail by orgination				
Origination 2005 and before	710	847	-137	-16%
Origination 2006	1 244	1 480	-236	-16%
Origination 2007	1 115	1 228	-113	-9%
Origination 2008	54	56	-3	-5%
Total	3 122	3 611	-490	) -14%
Detail by credit rating				
Agencies	1 227	1 223	4	4 0%
AAA	472	532	-61	-11%
AA	49	74	-25	5 -34%
А	69	87	-17	-20%
BBB	422	470	-48	3 -10%
BB	101	116	-15	5 -13%
Equal to or less than BB+	782	1 109	-327	-30%
Total	3 122	3 611	-490	.14%

The acqusition price was &6.6 Bn, giving aggregate losses of &0.5 Bn. The portfolio suffered downgrades in its credit rating by the agencies in 2008.

Cover from monoliner insuance companies on RMBS of USA provenance CIC made marginal use of monoliner insurance. On December 31, 2008, 664M securities had monoliner coverage.

Monoliner insurance commitments	Exposure after hedging and impairment	Impairment FVBPL	Impairment by AFS reserve	Reclass-ification	Other movements	Exposure after hedging and impairment
	31/12/2008					31/12/2007
Ambac	34				-6	5 40
MBIA	7		-1		-3	3 10
FGIC	23	-22			3	3 43
Total	64	-22	-1	0	-6	93

1-2/ Exposure to RMBS issued from outside the USA The countries concerned are mainly member countries of the European Economic Space. The Other category is mainly Australia.

There is no provision for credit risk on these securities

2/ Exposure to Commercial Mortgage Backed Securities (CMBS) Exposure was part of own account market trading.

		Exposure after hedging and impairment	Impairment FVBPL	Impairment by AFS reserve	Reclass-ification	Other movements	Exposure after hedging and impairment
		31/12/2008					31/12/2007
Trading		54	-14		-68	68	68
Available for sale		270		-7	61	25	191
Loans		7			7		0
Total		331	-14	-7	0	94	258
Detail by geographical zone							
	Franco	1					

France	1
Europe outside France	129
USA	0
Other	201
Total	331

#### 3/ Exposure to Collateralized Debt Obligations (CDO)

### 3.1/ Exposure to Collateralized Loan Obligations

Banking activity: as part of its finance banking activity the group is an investors in Collateralized Loan Obligations (CLO), Collateralized Fund Obligations (CFO) and ABS.

Market activity: CDOs may be acquired as part of market trading with possible hedging of the credit risk by CDS, mainly issued by a financial institution.

There were no significant losses in 2008 on CDOs. On December 31, 2008, the outstanding were:

		Exposure after hedging and impairment	Impairment FVBPL	Impairment by reserve	Reclass-ification	Other movements	Exposure after hedging and impairment
CDOs not hedged by CDS							
		31/12/2008					31/12/2007
Trading			13		-1 359	1 319	27
Available for sale		54		-4	29	0	29
Loans		1 695			1 330	365	0
Total		1 749	13	-4	0	1 684	56
Detail by geographical zone							
	France	0					
	Europe outside France	484					
	USA	354					
	Other	911					
	Total	1 749					
Détail par notations							
	AAA	1 694					
	AA	45					
	Other	11					
	Total	1 749					

3.2/ Exposures of CDO and ABS hedged by Credit Default Swaps (CDS) On December 31, 2008, the value of CDOs and ABS hedged by CDS was 6872 M. CDS are derivatives classed as trading, while CDOs and ABS are classed as Available For Sale.

The CDOs and ABS suffered impairment of €310 M of which €298 M directly assigned to AFS and €12 M Fair Value by Profit of Loss (FVBPL)

#### 3.3/ Exposure to other unhedged ABS

	Book outstandings 31/12/2008	Impairment FVBPL	Impairment by AFS reserve	Reclass-ification	Other movements	Book outstandings 31/12/2007
Trading	1 084	-42		-489	-237	1 851
Available for sale	786		-40	394	157	275
Loans	436			94	242	100
Total	2 306	-42	-40	0	162	2 226

€42 M losses were recorded and €40 M directly assigned to AFS.

#### Detail by geographical zone

	France	571
	Europe outside France	1 622
	USA	0
	Other	113
	Total	2 306
Detail by credit rating		
	AAA	1 884
	AA	181
	А	89
	BBB	152
	Total	2 306

<u>4/ Leveraged\_Buy-Out credits</u> The LBOs funded meet the definitions of Basel 2 solvency ratios, the amounts on loan being as shown in the balance sheet.

Lending is set up by dedicated financing units. The French network also grants corporate loans to LBOs meeting the Basel 2 definitions. These loans are shown on a separate line.

Loans are recorded at amortized cost.

	Book outstandings	Impairment FVBPL	Impairment by reserve	Reclass-ification	Other movements	Book outstandings
	31/12/2008					31/12/2007
Total	6 544					4 572
of which dedicated finance units	3 532	-38			651	2 919
of which French banking network	3 012				1 359	1 653
Detail by geographical zone of LBOs funded by dedicated financing units						

beran by geographical zone of Lbos funded by dedicate	u mancing units	
	France	1 317
	Europe outside France	919
	USA	1 117
	Other	179
	Total	3 532

Detail by nature of the LBOs funded b	y dedicated financing structures	
	Construction	260
	Telecommunications	348
	Retail	343
	Services	894
	Agri-foods	210
	Manufacturing industry	1 332
	Other	144
	Total	3 532

Losses on the loan portfolio hosted by the dedicated finance units was€38 M.

#### 5/ Operations with Special Purpose Vehicles

The group is not an originator of securitization.

The group organizes securitization operations on behalf of its clients, and hence it can grant credit lines to mutual debt funds.

In 2008, the crdit lines granted to three such funds amounted to €228 M.

NOTE 44. Events offer alone out of accounts and other information The consolidated financial statements of the BFCM group for the year ending December 31 2008 were drawn up by the Board of Directors on February 26, 2009.

SIGNATURE OF AGREEMENT FOR DISPOSAL OF MAJORITY STAKE IN COFIDIS PARTICIPATIONS TO CREDIT MUTUEL-CIC 3 Suisses International (« SSI ») and Banque Fédérative du Crédit Mutuel (« BFCM ») on November 17, 2008 signed a contract for transfer of title to assets with a view to the acquisition by BFCM of a majority stake in Cofidis Participations. This transfer will take place through the disposal of a 51% stake in Cofidis Participations by 3 Suisses International (which will keep a 49% stake) to a holding company jointly owned by 3SI and Crédit Mutuel, where Crédit Mutuel will control 2/3rds of the equity. Deal values Cofidis Participations as whole at €1.96n based on the consolidated net assets of Cofidis Participations as of December 31, 2007. The 2008 earnings of Cofidis Participations down to the date of deal closure remain with the vendor. The agreement also provides for an option for Crédit Mutuel to raise its stake to 67% of the capital and voting rights of Cofidis Participations, between now and 2016, at the initiative of one or the other of the natios.

other of the parties. other of the parties. The finalisation of the deal should take place in the first quarter of 2009, after clearing administration and regulatory hurdles. The *comités d'entreprise* (works councils) of Cofidis Participations and Crédit Mutuel have adopted a position in favour of the deal.

#### NOTE 45 - Exposure to risks

The information relating to exposure to risk as required by IFRS 7 is presented in Chapter 4 of the management report, on risks. Specific information on exposure and the effects of the American subprime mortgages and housing crisis is presented in Chapter 1 of the management report under the heading "Analysis by activity", in the consolidated financial statements of the finance and market banking arm.

# Chapter VIII RESOLUTIONS SUBMITTED TO THE ORDINARY GENERAL MEETING

# First Resolution

The General Meeting, after hearing the report of the Board of Directors and Statutory Auditors, approves the accounts and balance sheet for financial 2008 as presented, resulting in a loss of  $\bigcirc 130,608,227.75$ . The General Meeting approves the operations shown in the financial statements or summarized in these reports. The General Meeting grants a discharge to the Directors and Statutory Auditors in respect of the performance of their responsibilities for the past financial year.

# Second Resolution

The General Meeting decides to assign the loss of €130,608,227.75 to retained losses.

Under the provisions of Article 243 bis of the Code général des impôts, the dividend paid out in the last three financial years were as follows:

Exercice	2005	2006	2007		
Montant en €	5,32 €	5,38 €	7,48 €		
Dividende éligible à					
l'abattement prévu par l'article	oui	oui	oui		
158 du CGI					

# Third Resolution

The General Meeting approves the consolidated financial statements for the financial year ending December 31, 2008 as presented by the Board of Directors.

# Fourth Resolution

The General Meeting approves the engagement governed by Article L225-42-1 of the Code de Commerce presented in the special Report of the Statutory Auditors in regard to Mr Etienne PFLIMLIN.

# Fifth Resolution

The General Meeting approves the engagement governed by Article L225-42-1 of the Code de Commerce presented in the special Report of the Statutory Auditors in regard to Mr Michel LUCAS.

# Sixth Resolution

The General Meeting, with reference to Article 8 of the agreement with the French State signed on October 23, 2008 by Crédit Mutuel Group, having taken note of the report on the conditions of preparation and organization of the works of the Board of Directors and of the information contained in the Management Reports, approves the policy of compensation of the Senior Management and Company Officers set out therein.

# Seventh Resolution

The General Meeting approves the agreements covered by Article L225-38 of the Code de Commerce presented in the Special Report of the Statutory Auditors.

# Eighth Resolution

The General Meeting, for a term of three years, renews the term of office as Member of the Board of Directors of Mr Jean-Louis BOISSON.

His term of office shall end at the General Meeting called to approve the financial statements for fiscal 2011.

# Ninth Resolution

The General Meeting, for a term of three years, renews the term of office as Member of the Board of Directors of the Caisse Fédérale du Crédit Mutuel Maine-Anjou et Basse-Normandie. Its term of office shall end at the General Meeting called to approve the financial statements for fiscal 2011.

# Tenth Resolution

The General Meeting, for a term of three years, renews the term of office as Member of the Board of Directors of Mr Maurice CORGINI.

His term of office shall end at the General Meeting called to approve the financial statements for fiscal 2011.

# **Eleventh Resolution**

The General Meeting, for a term of three years, renews the term of office as Member of the Board of Directors of Mr Jacques HUMBERT.

His term of office shall end at the General Meeting called to approve the financial statements for fiscal 2011.

# Twelfth Resolution

The General Meeting, for a term of three years, renews the term of office as Member of the Board of Directors of Mr Robert LAVAL.

His term of office shall end at the General Meeting called to approve the financial statements for fiscal 2011.

# **Thirteenth Resolution**

The General Meeting, for a term of three years, renews the term of office as Member of the Board of Directors of Mr Albert PECCOUX.

His term of office shall end at the General Meeting called to approve the financial statements for fiscal 2011.

## Fourteenth Resolution

The General Meeting, for a term of three years, renews the term of office as Member of the Board of Directors de Mr Etienne PFLIMLIN.

His term of office shall end at the General Meeting called to approve the financial statements for fiscal 2011.

# **Fifteenth Resolution**

The General Meeting, for a term of three years, renews the term of office as Member of the Board of Directors of Mr Alain TETEDOIE.

His term of office shall end at the General Meeting called to approve the financial statements for fiscal 2011.

# Sixteenth Resolution

The General Meeting appoints for a three year terms, Mr Gérard BONTOUX, residing at 1 Impasse des Pins, 31880 LA SALVETAT ST GILLES as a Member of the Board of Directors. His term of office shall end at the General Meeting called to approve the financial statements for fiscal 2011.

# Seventeenth Resolution

The General Meeting entrusts all powers to the bearers of originals, copies or extracts of these minutes to perform any and all registrations, deposits, declarations and publications that may be necessary.

# Chapter IX REPORT OF THE BOARD OF DIRECTORS TO THE EXTRAORDINARY GENERAL MEETING

The Statutes of BFCM were drawn up with the aim of making it a financial tool under Group control. The Statutes fix the terms and conditions for the entry into BFCM of any entity outside the Group which is made up of Centre Est Europe, Sud-Est, Ile-de-France and Savoie-Mont Blanc.

Control is exercised not only by the organs of BFCM itself, but by the Caisse Fédérale and the Fédération, through the Chambre Syndicale. Any new Group entry into the framework of this partnership requires the amendment of the conditions of entry of a shareholder under Article 10, including approval by the Chambre Syndicale and the Ordinary General Meeting of the Caisse Fédérale.

The amendments proposed will enable Credit Mutuel Midi-Atlantique, the Caisses in the Crédit Mutuel and the other cooperative and mutual organizations that are members of the Federation Midi-Atlantique, to become shareholders of the BFCM.

Article 10 of the BFCM Statutes would then read as follows:

# ARTICLE 10 – CONDITIONS OF ADMISSION OF SHAREHOLDERS:

Addition of the affiliation by the Caisses in the Crédit Mutuel and other cooperative and mutual organizations that are members of Fédération du Crédit Mutuel Midi-Atlantique

Existir	g Version		Proposed Amendments
The shareholders of the than:	company may be none other	The sha than:	reholders of the company may be none other
Europe, Caisse I Centre Est Euro	Crédit Mutuel du Centre Est Fédérale du Crédit Mutuel du pe and the mutual insurance rances du Crédit Mutuel -	1)	No change
cooperative and members of the	the Crédit Mutuel and other mutual organizations that are c Crédit Mutuel Federations ope, Sud-Est, Ile-de-France, anc.	2)	The Caisses in the Crédit Mutuel and the other cooperative and mutual organizations that are members of the Credit Mutuel Centre Est Europe, Sud-Est, Ile-de-France, Savoie- Mont Blanc <b>and Midi-Atlantique</b> .
Caisses and the Mutuel governed and 4 of the Ord subsidiaries an governed by 2.	tal and interdepartmental caisse Centrale du Crédit d by Article 5-1 paragraphs 3 ler of October 16, 1958. The nd affiliates or entities and 3. above and which are ne or more departmental or ll Caisses	3)	No change
4) The Members of the company	f the Board of Directors of	4)	No change.
of the above categories	es not assignable to any one and who remain owners of hay keep their shares in their	No char	ige.

The provisions of this Article may not to be amended expect if approved by the Chambre Syndicale of the Fédération du Crédit Mutuel du Centre Est Europe, and by the General Meeting of Caisse Fédérale du	No change.
and by the General Meeting of Caisse Fédérale du Crédit Mutuel du Centre Est Europe.	

# This proposed amendment is submitted for initial approval to the Chambre Syndicale meeting of April 24 and 25, 2009 and the Ordinary General Meeting of Caisse Fédérale of May 6, 2009.

Following recent changes in the law, the General Meeting is also required to take a decision on the amendment of Article 14 of the Statutes. This amendment ensures harmony between the Statutes and recent legal provisions that put an end to the obligation for Directors to own guaranteed shares, subject to the provision that the Statutes make provision for this.

Article 14 of the Statutes of BFCM would read as follows:

Existing Version	Proposed Amendments
The company is administered by a Board of Directors made up of no less than three members and no more than eighteen members appointed by the Ordinary General Meeting.	No change
The Members of the Board of Directors may be individuals or legal entities. Legal entities must appoint a permanent representative who is governed by the same conditions and obligations and who has the same responsibilities as if he or she were a member of the Board in his or her own name, without prejudice to the joint and several liability of the legal entity that he or she represents. The term of office a Permanent representative of a legal entity shall cease with the determination of the office entrusted to that legal entity. Any change in the Permanent Representative must be notified forthwith to the company by the legal entity that is a member of the Board of Directors, by registered letter, giving the last name, first name and address of the new Permanent Representative. The same shall apply in the event of death, incapacity or resignation of the Permanent Representative.	No change
Each Director must own at least ones share throughout the full term of his or her office.	Deleted
The Members of the Board are not required to be shareholders at the time of their appointment, but must become shareholders within three months, failing which they shall be deemed to have resigned.	Deleted
The term of office of Members of the Board is three years, one third of the seats on the Board being renewable every year. Members of the Board remain re- eligible at all times.	No change
Members of the Board of Directors may be revoked at any time by the General Meeting.	No change

In the event of death or resignation of one or more Members, the Board may between two General Meetings proceed to temporary appointments. These temporary appointments shall be ratified at the next General Meeting. The Director appointed as a replacement of another Director shall remain in office only for such time as remains of the term of office of his or her predecessor. In the event that provisional appointments are not ratified by the General Meeting, the decisions made and the actions taken by the Board shall nevertheless be valid. The upper age limit of Members of the Board of Directors is that provided under Article L225-19 paragraph 2 of the Code de Commerce. The term of	No change
paragraph 2 of the Code de Commerce. The term of office of the Director concerned shall extend until the next General Meeting following the date of termination under the above Article.	

# *Furthermore, this General Meeting is required to take a decision on an intended increase in capital reserved to employees under paragraph 2 of Article L225-129-6 of the Code du Commerce, pursuant to law n°2001-152 of February 19, 2001.*

These provisions provide for a meeting every three years of the Extraordinary General Meeting of shareholders with a view to capital increase reserved to employees, subject to an upper limit of employee share ownership of 3%.

As a part of this process, the General Meeting should be provided with information on the conduct of the company's business since the beginning of the financial year. For the previous financial year, you have been made aware of the developments of our business. In the current financial year, the business continues to operate in a difficult economic environment in the field of strategic account lending and refinancing. This situation is likely to continue throughout the financial year 2009.

The resolutions that will be submitted to you thus envisage a capital increase reserved for the employees of the company in an amount of €40,367,950, raising the capital from €1,302,192,250 to €1,342,560,200.

These new shares are to be issued at a unit price of 344, namely 50 nominal and additional paid-in capital of 294 per share corresponding to the net asset value as at June 30, 2008.

They shall be wholly paid up on subscription.

The new shares shall be deemed equivalent to the shares in circulation and be issued with rights effective from January 1, 2009.

The Board may draw up the procedures for share issuance.

However, the special features of our organization, and the special nature of our shareholders make the implementation of this procedure inappropriate.

Consequently, your Board has decided not to support the draft resolution which is required by law to be submitted to your vote, and invites shareholders to reject that draft resolution.

The Board

# Chapter IX RESOLUTIONS SUBMITTED TO THE EXTRAORDINARY GENERAL MEETING

# First Resolution

The General Meeting, after hearing the report of the Statutory Auditors, decides to complete Article 10 of the Statutes as follows.

# "Article 10 – Conditions of admission of shareholders

The shareholders of the company may be none other than:

1) Fédération du Crédit Mutuel du Centre Est Europe, Caisse Fédérale du Crédit Mutuel du Centre Est Europe and the mutual insurance company "Assurances du Crédit Mutuel - Vie"

2) Caisses de Crédit Mutuel and other cooperative and mutual organization members of federations of Crédit Mutuel Centre Est Europe, Sud-Est, d'Ile-de-France, Savoie-Mont Blanc and Midi-Atlantique.

3) The departmental and interdepartmental Caisses and the Caisse Centrale du Crédit Mutuel governed by Article 5-1 paragraphs 3 and 4 of the Order of October 16, 1958.

The subsidiaries and affiliates or entities governed by 2. and 3. above and which are controlled by one or more departmental or interdepartmental Caisses

4) Members of the Board of Directors of the company.

5) Individuals or legal entities not in one of the above categories and who remain owners of shares in the company, may in their personal capacity retain their shares. "

# Second Resolution

The General Meeting, after hearing the report of the Board, amends Article 14 of the Statutes as follows.

# "Article 14 – The Board of Directors

The company is administered by a Board of Directors made up of no less than three members and no more than eighteen members appointed by the Ordinary General Meeting.

The members of the Board of Directors may be individuals or legal entities. Legal entities must appoint a permanent representative who is governed by the same conditions and obligations and who has the same responsibilities as if he or she were a member of the Board in his or her own name, without prejudice to the joint and several liability of the legal entity that he or she represents. The term of office a Permanent representative of a legal entity shall cease with the determination of the office entrusted to that legal entity. Any change in the Permanent Representative must be notified forthwith by the legal entity. That is a member of the Board of Directors, to the company by registered letter, giving the last name, first name and address of the new Permanent Representative. The same shall apply in the event of death, incapacity or resignation of the Permanent Representative.

The term of office of Members of the Board is three years, renewable every year. Members of the Board remain reeligible at all times.

Members of the Board of Directors may be revoked at any time by the General Meeting.

In the event of death or resignation of one or more Members, the Board may between two General Meetings proceed to temporary appointments. These temporary appointments shall be ratified at the next General Meeting. The Director appointed as a replacement of another Director shall remain in office only for such time as remains of the term of office of his or her predecessor. In the event that provisional appointments are not ratified by the General Meeting, the decisions made and the actions taken by the Board shall nevertheless be valid.

The upper age limit of Members of the Board of Directors is that provided for under Article L225-19 paragraph 2 of the Code de Commerce. The term of office of the Director concerned shall extend until the next General Meeting following the date of termination of office under the above Article.

# Third Resolution

The General Meeting, after hearing the Report of the Board, taking note of the provisions of paragraph 2 of Article L225-129-6 of the Code de Commerce, and of the fact that the shareholdings of employees of the company and of related companies in the meaning of Article L225-180 of the Code de Commerce is less than 3% of the capital stock, decides to increase the share capital from its current €1,302,192,250 divided into 26,043,845 shares of \$0 each, fully paid up, by the amount of €40,367,950 and to raise the share capital to €1,342,560,200 by the issuance of 807,359 new shares in cash of par value \$0 each.

This increase in capital, reserved to employees of the company, shall take place under the terms and conditions of Article L443-5 of the Code de Travail.

These shares shall be issued at a unit price of €344, with additional paid-in capital of €294 euros per share.

They shall be wholly paid up on subscription.

The new shares will be issued with rights effective from 1 January 2009, irrespective of the date of capital increase.

# Fourth Resolution

All powers are entrusted by the General Meeting to the Board of Directors to undertake this capital increase within seven months or less from the date of this Meeting. The Board shall lay down all procedures for the performance and recognition of the capital increase, for corresponding amendments to the Statutes, and proceed to the necessary formalities.

# Fifth Resolution

The General Meeting entrusts all powers to the bearer of an original, a copy or an extract of these minutes for the purposes of any and all formalities of registration, publicity or otherwise as may be necessary.

# Person responsible for the Annual Financial Report

Mr Michel LUCAS, Chief Executive Officer of Banque Fédérative du Crédit Mutuel.

# Certificate of the person responsible

I, the undersigned, certify to the best of my knowledge that the Annual Financial Statements have been drawn up in accordance with the accounting standards applicable and give a faithful image of the assets, financial situation and results of the company and of all the companies within the consolidation, and that the Management Report on page 6 is a faithful representation of the development, business, results and financial situation of the company and of all the companies, results and financial situation of the company and of all the companies, results and financial situation of the company and of all the companies included in the consolidation, including the description of the main risks and uncertainties confronting these companies are confronted.

Signed in Strasbourg, April 28, 2009

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# Fees of the Statutory Auditors

	Ernst & Young et Autro Montant				DIT, membre du réseau KPM ntant %			
(en millions d'euros)	2008	2007	2008	2007	2008	2007	2008	2007
Audit								
Commissariat aux comptes, certification, examen des comptes								
- BFCM	0,088	0,097	4%	4%	0,089	0,117	4%	50%
<ul> <li>Filiales intégrées globalement</li> </ul>	2,037	2,103	87%	77%	1,057	0,054	49%	23%
Autres diligences et prestations directement liées à la mission du								
commissaire aux comptes			0%	0%			0%	0%
- BFCM	0,031	0,031	1%	1%	0,059	0,040	3%	17%
<ul> <li>Filiales intégrées globalement</li> </ul>	0,033	0,510	1%	19%	0,003		0%	0%
Sous-total	2,189	2,741	94%	100%	1,208	0,211	56%	91%
Autres prestations rendues par les réseaux aux filiales intégrées								
globalement			0%	0%			0%	0%
- Juridique, fiscal et social	0,000		0%	0%	0,007	0,021	0%	9%
- Autres	0,147		6%	0%	0,960		44%	0%
Sous-total	0,147	0,000	6%	0%	0,967	0,021	44%	9%
Total	2,337	2,741	100%	100%	2,175	0,232	100%	100%

Le montant total des honoraires d'audit versés aux Commissaires aux comptes n'appartenant pas au réseau de l'un de ceux certifiant les comptes consolidés et individuels de la BFCM, mentionnés dans le tableau ci-dessus, s'élève à 5 100 milliers d'euros au titre de l'exercice 2008.