CM4-CIC GROUP

CONSOLIDATED FINANCIAL STATEMENTS 2008

Crédit Mutuel

LA banque à qui parler

Group Crédit Mutuel Centre Est Europe Sud-Est Ile-de-France Savoie-Mont Blanc and CIC

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GROUP ANNUAL REPORT

2008: The worst worldwide financial and economic crisis since the post-war years

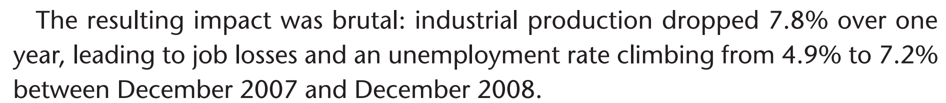
All the indicators show that we are confronted with the most serious economic crisis since the Second World War. The disruptions that appeared on the American financial markets in the summer of 2007 turned into a widespread financial crisis in the fall of 2008, blatantly highlighting the dysfunctions in worldwide economic financing.

Indeed, the growth of the last ten years was built on a pernicious disconnection, affecting mainly the United States and China. Prosperity was coming from an American consumption financed by debt and the issuing of dollars on one side, and growth in Asia fuelling production and savings on the other hand. At the same time, the abundance of liquidities allowed the maintaining of the American trade deficit, and of low rates, and fuelled the inflation of assets. The financial crisis served as a sudden revelation of the impossibility of continuing this paradox, which ended suddenly with the end of the American real-estate bubble.

American real estate served as a catalyst on several levels, starting with the subprime crisis. This mortgage market segment was the least capitalized, the least transparent, and the least regulated. The drop in real-estate prices along with an increase in interest rates brought along a rising insolvency of the borrowers and of the American mortgage loan companies.

Certain observers expected the damages to be contained by modern risk management techniques. It's actually the opposite that happened: the proliferation of derivatives and structures rendered the final risk untraceable, provoking a general distrust on the degree of the effect of the subprimes on the balance sheets of the banks. This financial crisis then progressively extended to all the financial markets, leading to the drop in the stock markets.

The real-estate situation also indicated the end of consumption in the United States. After a long period where their expenses greatly exceeded their income (the difference being financed by debt), American households were not able to resist the combined pressure of the increase in prices and the difficulty in obtaining loans. The value of housing was dropping and the mechanism for obtaining mortgage loans was not working like before. Confronted with the loss of their wealth (their capital having lost on average 18% of its value in 2008) and the impossibility of contracting more loans, American households seriously reduced their consumption.



The resulting impact was brutal: industrial production dropped 7.8% over one year, leading to job losses and an unemployment rate climbing from 4.9% to 7.2% between December 2007 and December 2008.

The United States are in a difficult situation today, with a combination of high debt, and a drop in real estate and financial assets. The drop in consumer prices during the last quarter of 2008 could lead to a deflationary spiral: it further encourages borrowers to reduce their debts, by limiting demand and encouraging decreases in prices. If this scenario were to be confirmed, it would be extremely difficult to get out of it, as the example of Japan in the 90s can testify.

Faced with the appreciation of the yen and the drop in exports (- 13.8% in the fourth quarter), the Japanese economy seems to be falling back into the deflationary context that it was just getting out of.

Emerging countries have also been badly hit; the assumption of a decoupling of their economies from the worldwide situation was just a wild dream. Countries exporting raw goods (Russia, OPEP countries, Brazil…) were benefiting from a very favourable situation until the middle of 2008, but by the end of the summer, their exports slumped with the reflux of market prices for raw goods. At the same time, the industrialized emerging countries of Asia (China, Korea, Taiwan…) saw their growth deteriorate with a drop in exports.

One figure is enough to give the proper measure of the way international trade contracted: worldwide trade dropped 6% in just the last quarter of 2008. Moreover, emerging countries are badly hit by the credit slump, their growth often being financed by outside funding. This phenomenon is aggravated by the depreciation of their currencies and the withdrawal of foreign investors.

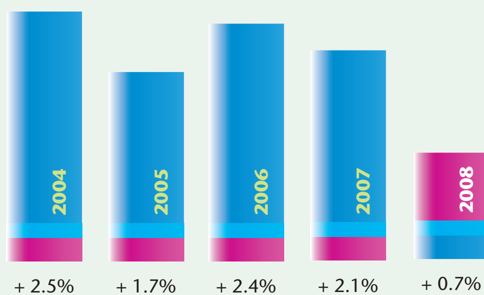
Europe has not escaped the turmoil, and is experiencing an unprecedented slowdown: the GDP of the euro zone dropped 1.5% in the last quarter of the year, the worst results ever registered. All sectors are hit: over the same period, production in construction dropped 2.6% and industrial production dropped 4.5%. At the end of the year, the European industrial manufacturing capacity had dropped to 75%, an unheard of level to date. Germany is particularly suffering, because of its dependence on international trade (almost half of its GDP), whose drop dragged down business investments and prices. The situation in the United Kingdom is similar to the one in the United States: the excessive debts of households and the drop in real-estate prices led to a decrease in demand and an increase in unemployment. In Spain, after ten years of unbridled growth, real-estate investment has suddenly stopped, with major consequences on employment.

France is also suffering from the same depressing context. GDP dropped 1.2% just on the last quarter of 2008, growth for the year settled at 0.7%, which is the worst figure in fifteen years. The freeze on international trade is weighing down on French exports, which dropped to a historic level at the end of the year (3.7% in the last quarter). If household consumption held, the industrial sector was particularly affected, with manufacturing production dropping 7,6% in the last quarter after having decreased in the two previous quarters (1.5% and 0.3%). This decline is particularly felt in high labour consuming industries like the automobile and capital goods sectors.

There is a strong impact on employment; as of spring 2008, merchant sectors started losing jobs, and this trend accelerated as time went by. A total of 159,000 jobs were lost in the merchant sector during the second semester of 2008.

The unemployment rate reached 7.8% at the end of the year, and the aggravating factor is that it affects mainly young people.

Growth of GDP in France



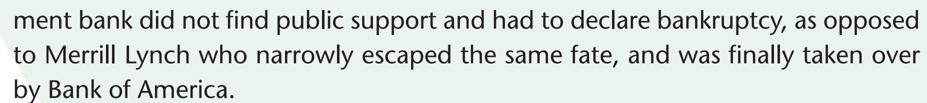
The financial sector: markets breaking up and systemic risks

In the wake of the sub-prime crisis, the year 2008 was off to a bad start for financial establishments. Many American and European financial participants had announced losses due to depreciation of assets and the high cost of risk taking. In March, the FED intervened to prevent the bankruptcy of Bear Stearns, the fifth largest investment bank in the US, by guarantying a takeover by JP Morgan Chase. The calm did not last long; it was just the beginning of a series that was close to becoming a generalized systemic crisis.

Initial attempts to restore faith in the system failed. Neither recapitalizations with sovereign wealth funds, nor depreciation of assets or the setting up of a private inter-banking mutual aid fund in the US succeeded in removing the fear for the banks.

At the beginning, market suspicion affected the players whose economic models seemed the most fragile or compromised: hedge funds, monoline insurers and all the participants who were the most exposed to the decline of the real-estate sector. At the beginning of the year, the US Treasury had to support two mortgage-refinancing agencies, Freddie Mac and Fannie Mae, before putting them under complete supervision in the fall.

These repeated rescues of financial participants using public funds provoked additional criticism of US authorities, by stigmatising the "moral hazards" and the absence of real sanctions in the case of inconsiderate risk-taking. Therefore, in September, when Lehman Brothers could not meet its commitments, this invest-



ment bank did not find public support and had to declare bankruptcy, as opposed to Merrill Lynch who narrowly escaped the same fate, and was finally taken over by Bank of America.

The old saying “Too Big to Fail” had not applied and the bankruptcy of Lehman Brothers set off a major shock wave, with the fear of a systemic risk and the resulting large-scale domino effect of bankruptcies. Many creditors of Lehman Brothers were in difficulty. Funds directly or indirectly exposed saw their value drop, and ended up short of liquid assets. In this context, to be able to withstand the massive withdrawals from customers, they had to sell assets, further feeding the drop in prices. Lehman Brothers was a major participant in negotiated contracts, with a large number of banks as counterparties. Fear of the financial harm of the outcome of these operations led to a general suspicion concerning the general solidity of the credit establishments, on a worldwide level. The bankruptcy of a developed country because of the collapse of its banking system was no longer an unrealistic assumption, as proved by the case of Iceland, short of liquid assets by October 2008.

All the banks of the planet were faced with an unprecedented liquidities shock. The markets with a reputation for the highest liquid assets, such as money markets and inter-bank markets, were suddenly dry. Since the banks were incapable of refinancing, the central banks had to intervene as a last resort, with means and loans of a size unheard of to date. The size of the FED balance sheet more than doubled in just a couple weeks and it started accepting increasingly diversified collateral. The BCE also widened the scope of its interventions to massively create money. For all that, these injections did not succeed in restoring the circulation of money, but only to create hoarding behaviours.

The confidence crisis was not just confined to the short-term debt market; it spread to the longer terms, used by banks for capital goods and consumer goods. Even the funds with the reputation of being the “safest” (mortgage bonds, covered bonds, Pfandbriefe…) did not find takers and saw their risk premiums skyrocket. Banks that refinance their mortgage loan portfolios through securitization were the most affected by the freeze on issues, particularly in the United Kingdom and in Spain, who are the two biggest issuers in Europe. The conditions for a destructive domino effect are then met: credit rationing weighs on real-estate and the economy, increases the credit losses incurred by the banks and further reduces the collateral needed for their refinancing.

Faced with a risk of paralysis of the credit supply and of the economy, Western governments rallied to reinforce the solvency and the liquidities of the financial system. Establishments that have had to rely on public support in the form of nationalizations or forced rescues to avoid the risk of bankruptcy are more and more numerous: Fannie Mae, Freddie Mac, Washington Mutual, Wachovia and the insurer AIG in the US, Fortis in the Benelux, Dexia in France, Roskilde Bank in Denmark, Bradford & Bingley in the United Kingdom, Hypo Real Estate in Germany… On a more general basis, government support measures aim to restore confidence, through consolidation of the prudential equity of the banks and the guarantee of inter-bank loans. For the time being, improvements are still moderate and the cost of banking resources are unusually high compared to the rates applied.

New dimensions for the Group Crédit Mutuel Centre Est Europe, Sud-Est, Ile-de-France, Savoie-Mont Blanc and CIC

The Crédit Mutuel network

The financial crisis may be the sign of a deep breakdown, from which the Crédit Mutuel-CIC will emerge strengthened because of its original development model. As opposed to those establishments facing difficulties, the Crédit Mutuel avoided all the excesses of a search for profitability at any cost through risky speculative financial operations; it was loyal to its values and original operating principles. Caisses de Crédit Mutuel are foremost players of the real economy that finance loans mainly using their own equity and the accumulation of local savings.

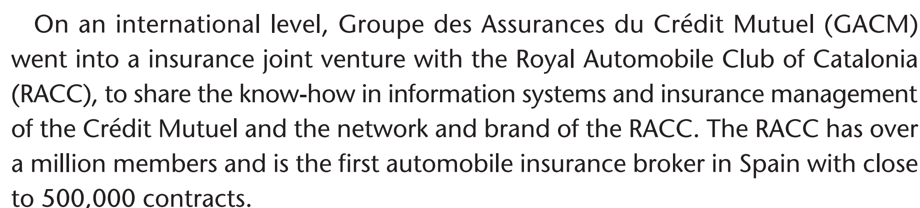
Mutualism and its original model of management are at the heart of the actions of the Crédit Mutuel. Through this, a long lasting relationship based on trust exists between the members and their branch. This commitment led to the recruitment of 160,000 new members in 2008. The network of local branches of the Crédit Mutuel Federations Centre Est Europe, Sud-Est, Ile-de-France and Savoie-Mont Blanc offer their services to close to 4.1 million customers, of which 2.4 million are members, represented by close to ten thousand elected representatives. It is on this solid foundation that the strategy and the development of the Group are built, as highlight the main events of 2008.

On January 1st, 2009, the Federation of Crédit Mutuel Midi-Atlantique joined the Caisse Fédérale common to the Federations Centre Est Europe, Sud-Est, Ile-de-France and Savoie-Mont Blanc to create the CM5 Group. The network is thus expanded by 84 outlets and 260,000 customers in the South-West of France. This new size provides reinforced mutualisation of the financial and technical tools at the disposal of the Caisses, with economies of scale benefiting all partners.

Strategic development stages in France and on an international level

The Group enlarged the scope of its activities through several acquisitions. Interest taking in NRJ Mobile reached 90% in 2008. This controlling action provides the Group with the means to prepare future technological synergies between mobile telephones, payment methods and telebanking.

In June 2008, the 18 French branches of the Banco Popular Español were acquired by BFCM, thus creating as of May 1st, 2009 the new bank “CIC Iberbanco”, specialized in Franco-Spanish banking relations.



On an international level, Groupe des Assurances du Crédit Mutuel (GACM) went into a insurance joint venture with the Royal Automobile Club of Catalonia (RACC), to share the know-how in information systems and insurance management of the Crédit Mutuel and the network and brand of the RACC. The RACC has over a million members and is the first automobile insurance broker in Spain with close to 500,000 contracts.

In North Africa, ties with the Banque Marocaine du Commerce Extérieur were reinforced with taking of participation going from 15.5% to 19.9%. The Group also created a new systems subsidiary, Eurafric Information, to accompany joint ventures in bank insurance in Morocco and Tunisia.

Finally, the Group is entering into a new phase of its development with the acquisition of Citibank Germany and Cofidis. Citibank Germany has a network of 339 branches and more than six thousand employees serving 3.4 million customers. An agreement also took place in 2008 to take control in 2009 of Cofidis, a major player in consumer credit with 11.5 million customers in nine European countries.

These deals will allow the Group to enlarge its sales offer and open up new perspectives for growth and results on its core market, retail banking, in France and abroad.

The CIC: the pursuit of sales development despite the crisis

The CIC Group, acquired ten years ago by the Crédit Mutuel, can boast today of having an efficient organization, based on five strong regional positions, a unique information system and individual subsidiaries according to trade, and shared with the Crédit Mutuel.

In 2008, the CIC continued the expansion of its network (2,122 branches) and of its customer base consisting of individuals, professionals and businesses. The number of customers (4.1 million) increased by 4% over one year. Credits outstanding (121.7 billion) increased by 10.8%, of which 12% were for households and 24% for businesses. The CIC is the banker of one out of three companies in France. Customer deposits (excluding repurchasing) reached 70.4 billion euro (+ 8.6%).

Bank insurance, the main target of the strategy of the Group

The Crédit Mutuel and the CIC have the ambition of becoming real players in bank insurance, in life insurance as well as general insurance, by offering a wide range of insurance products to their members and insured customers. The different companies of the GACM manage a portfolio of 20.1 million contracts (+ 8%), split between property insurance (8.9 million), individual insurance (8.7 million) and life insurance and capitalization (2.5 million).

The field of activity of the ACM extended in 2008, following a new partnership agreement with the Federation of the Crédit Mutuel de Loire-Atlantique et du

Centre-Ouest, for the transfer to ACM IARD of its entire non-life portfolio, representing 542,250 contracts amounting to 87 million euro in 2008.

The economic situation was not favourable to life insurance in 2008. Contracts in units of accumulation suffered from the drop in shares and the increase in short-term rates encouraged savings in liquid and short term investments, so the life turnover (4.8 billion euro) dropped 25.2% compared to 2007. However, risk insurance turnover rose by 12.3%, ensuring the GACM a total turnover of 6.8 billion, and ranking the Crédit Mutuel-CIC the first French bank insurer for private insurance and the fifth for life insurance.

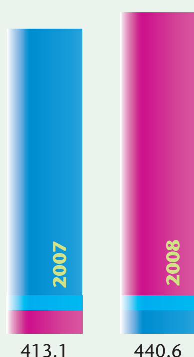
Cutting-edge technology at the service of networks and customers

The Group wants to maintain a leading position in terms of technology, mainly oriented at satisfying the needs of customers. The Euro Information (systems subsidiary of the Group) network is organized around five ISO 9001 certified systems centres, whose capacities are continually adapted to the development of the activity and the implementation of new applications. The calculation capacity thus increased in 2008 by 25% and the data storage area by 117%.

Communication channels with the customers have greatly diversified: contacts over the counter now account for only 7% of total transactions, telebanking via Internet (fixed or mobile connection) represents 42%. In 2008, a new step was taken in the evolution of customer relations tools, with processing of customer emails completely integrated in the information system, to heightened quality and security. More than 3.5 million emails were thus processed in 2008, with the possibility for the account manager of replying by the same means or by SMS.

"Paperless management" is also a key element servicing profitability improvements and sustainable development. Electronic processing of documents (GED) handles 72 million dematerialized documents, of which 4.5 million are accessible to the customers by Internet. The GED is now integrated in all processes requiring the conservation of documents (documentary evidence, signatures, etc.) and their circulation between different parties.

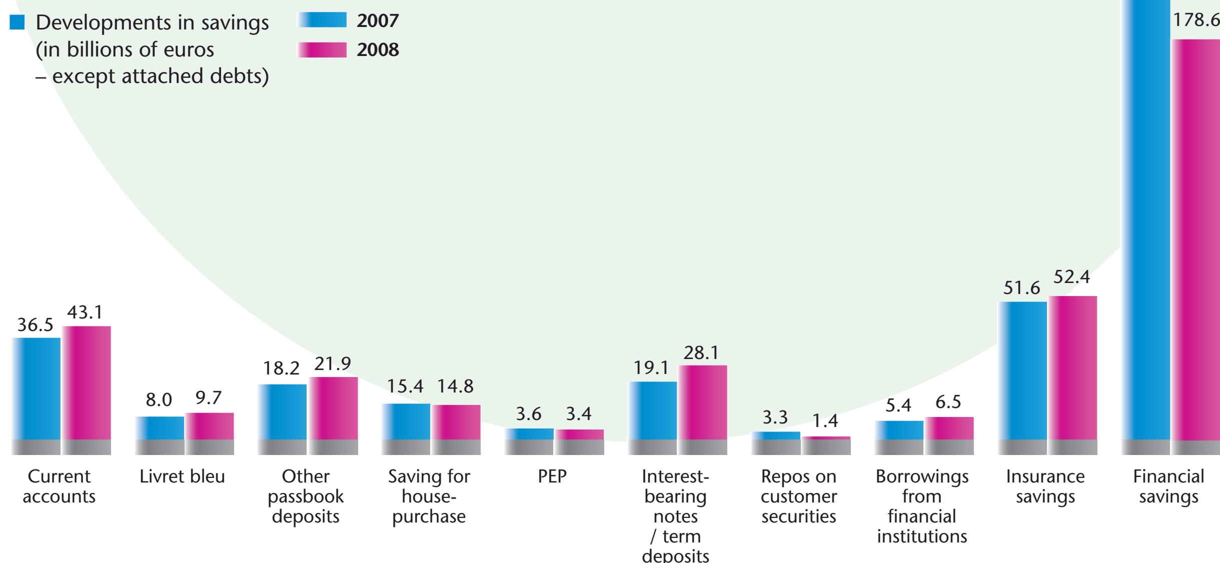
■ Balance sheet
(in billions of euros)



Consolidated financial reports

In accordance with European legislation 1606/2002 and 1126/2008 on the application and adoption of international accounting standards, the Crédit Mutuel Central Eastern Europe and its subsidiaries have drawn up their consolidated accounts for the fiscal year ending December 31st, 2008, according to the IFRS referential adopted by the European Union at this date. This IFRS referential includes IAS standards 1 to 41, IFRS standards 1 to 7 and their interpretations according to SIC and IFRIC at this date. The financial statements are drawn up according to the CNC 2004-R.03 recommendation.

The development of the activities of the Group led to a growth of 6.7% of the total consolidated balance sheet (+ 2.4% on a comparable basis, excluding acquisitions for the year), reaching 440.6 billion euro by the end of 2008.



Collecting savings

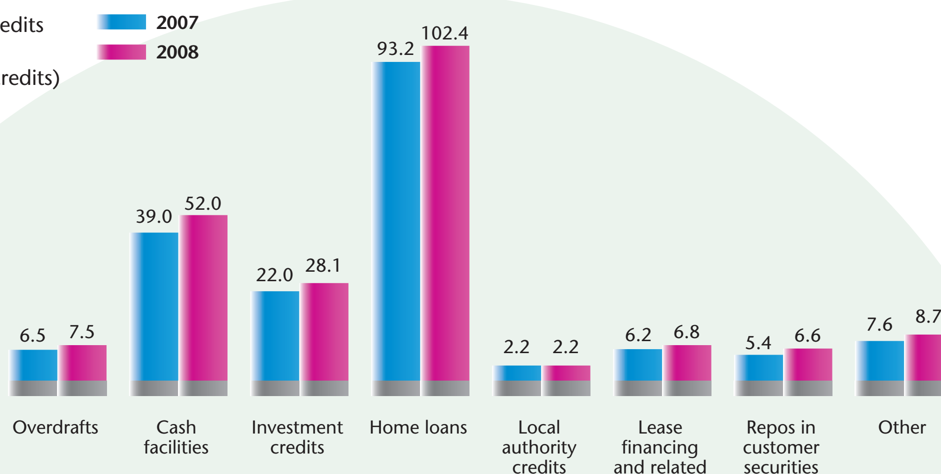
Savings managed and held by the Group represented 360 billion euro in 2008, against 365 billion in 2007. This drop is mainly from financial savings (Mutual funds, retention, etc.) the capitalization being linked to financial market rates. The outstanding is down 26 billion (13%).

Bank deposits benefited from a rise in rates in 2008, particularly for the blue passbook (+ 22%), the other passbooks (+ 21%) and the time-deposit accounts (+ 25% on a comparable basis). The erosion of home ownership savings plans (14.8 billion, 5%) and PEP savings plans (3.3 billion, 5%) continued.

Insurance savings plans represented 52 billion by the end of 2008, 57% of which came from the Crédit Mutuel network and 43% from the CIC.

Credit: growth continues

Collected savings supplied funds primarily for credit, which reached 214 billion euro at the end of 2008 compared to 182 billion in 2007 (excluding related debts), with an overall growth of 17.6% (+ 10.9% on a comparable basis, excluding acquisitions over the period).



Real estate financing is still the main sector of intervention of the Group, with total credits amounting to 102.4 billion. Despite the crisis, the Group registered a growth of its outstanding of close to 10%.

Liquidity credit (52 billion, + 33%) increases came from the additional outstanding of 11.3 billion provided by the acquisition of Citibank Germany, bringing the increase down to 4.1% on a comparable basis.

It is to be noted that net doubtful accounts were kept at a level below 1% of total credits. Gross doubtful accounts rose nonetheless by 32% under the effect of the economic crisis, and this trend should continue in 2009.

Results

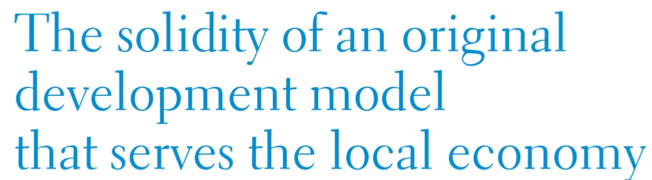
Results for the activity can be summarized by the following key figures:

(in millions of euros)	2008	2007	Evolution
Net banking income	**5,726**	**7,209**	**- 21%**
Operating expenses and depreciation	- 4,317	- 4,193	+ 3%
Gross operating income	**1,409**	**3,016**	**- 53%**
Net accounting profit	**509**	**2,161**	**- 76%**
Group share	*353*	*1,845*	*- 81%*
Minority interests	*155*	*316*	*- 51%*

The net banking income (NBI) for 2008 was 5.7 billion euro, down 21% compared to the previous year. The NBI for retail banking was stable, on a comparable basis, while insurance dropped 26%. The NBI for investment banking was 26 million compared to 611 in 2007; this sector suffered from the major drop in value of assets and to an exposure to the Madoff swindling (an impact of 86 million for fraud, reported in the NBI).

Operating expenses were contained, but the cost of risk reached over one billion compared to 124 million in 2007. This increase is explained by the deterioration of the situation and the bankruptcies of Lehman Brothers (an impact of 484 million) and of the banks of Iceland (65 million).

Net consolidated profit were 509 million, of which 155 are Group share. With net results of 760 million for retail banking and 390 million for insurance, the Group demonstrates its capacity for resistance in its core activity, proximity bank insurance. After two exceptional years, the contribution of capital development is back to 77 million. The bad trends affecting financial markets and the non-recurring events (Madoff, Lehman, banks of Iceland) explain the mediocre results of investment banking activities (476 million) and the holdings and structure sector (285 million).



The solidity of an original development model that serves the local economy

With its considerable economic and financial weight, the Crédit Mutuel-CIC occupies a leading position in the European banking market. The latter has been undergoing a profound crisis, which has affected our results in 2008.

And yet the Crédit Mutuel-CIC is not an actor in the current financial crisis; its original model of development and governance and its foundingprincipals have shielded it from the excesses of the financial world. Thus, in line with its policy of remaining as close as possible to its customers and re-investing savings at a local level, the Crédit Mutuel's Caisses have never sold or securitized the loans they distribute.

A genuinely local bank, the Crédit Mutuel participates in the development of the economy and job creation as well as in the improvement of infrastructures and the living environment. And it actively contributes, through the CIC in particular, to the financing of our regions' businesses.

RISKS MANAGEMENT

This chapter includes in particular the information required by IFRS 7 on the risks relating to financial instruments.

The control functions carry out periodic and permanent conformity checks to reinforce the security of processes on all activities.

The Risk Management Division centralizes general risk management issues and optimizes their management according to the required equity capital for each activity and the actual return.

Credit risks

The organization of the credit commitment activity

In accordance with current legislation, the credit commitment activity is organized in two areas:
– the credit granting system,
– the risk measurement system and the commitment monitoring system.

The organization of the credit commitment activity and the management of commitments use a unique referential for commitments containing the rules and procedures common to the Group.

The credit granting system

The credit granting system is based on customer knowledge, risk evaluation and the commitment decision.

◆ Customer knowledge

Customer knowledge and the targeting of prospective customers rely on the strong ties established between the regional structures of the Group and their regional economic environment. The customer rating and the distribution by risk categories guide the sales canvassing towards the targeted customers. The information concerning the borrowers and the risk analysis are assembled in the credit file. The most recent accounting information is stored in the systems application software for "collecting balance sheets".

◆ Risk evaluation

Risk evaluation is based on a method using the analysis made at different stages according to a structured process. It combines:
– customer rating,
– risk categories,
– weighted commitments based on the type of products and the guarantees provided.

The personnel receive training on risk management, which is regularly updated.

◆ The customer scoring

In accordance with current legislation, customer scoring is at the heart of the Commitment and Risk Management system: credit granting, payments, pricing and follow-up of commitments. All the delegations apply counterparty scoring.

The internal customer scoring system of the Group functions according to the following basic principles:
– uniqueness: the calculation method is the same for the entire Group,
– exhaustiveness: all the third parties identified in the system are scored,
– automated for the Network: the information system automatically computes a basic monthly rating, which is adjusted daily based on the risk alert updates,
– uniformity of the scoring system: the algorithms are the same ones for all Banks based on a segmentation of the markets, which is part of the core information of the system,
– uniformity of the reporting levels for all the market segments (9 categories of good customers and 3 categories of bad customers),
– integration of concept of Risk Groups.

The organization of the credit commitment activity and the management of commitments use a unique referential for commitments containing the rules and procedures common to the Group.

The score is calculated every month (basic score) and adjusted daily based on any serious credit alerts in order to obtain the final score.

The follow-up of the relevance of the algorithms is carried out by the Basel II "structure" when necessary, and by specialized teams. Generally, the Commitments department validates the internal score of all the files that it processes.

The Risk Groups (counterparties)

"Are considered identical beneficiaries individuals or companies that are linked in such a way that if either party had financial difficulties, the other would undoubtedly have problems with reimbursements".

The Risk Groups are formed according to rules written in accordance with clause 3 of the CRB 93-05. Each account manager is in charge of the creation and maintenance of Risk Groups.

Weighting of products and guarantees

To rate the counterparty risk, the nominal commitment is weighted. This formula combines the type of credit and the type of guarantee.

◆ The decision to commit

The decision to commit is mainly based on:
– the score of the counterparty or the group of counterparties,
– the delegation levels,
– the double check principle,
– the rules on authorization limits according to equity,
– the earnings adapted to the risk profile and the amount of equity used.

The decision making circuits are automated and processed in real time: as soon as a credit request is processed the electronic file is transferred to the appropriate decision-making level where the decision to grant may be taken.

Delegation levels

Network

The account manager is in charge of the exhaustiveness, the quality and the reliability of the information collected. In accordance with clause no. 19 of the CRBF 97-02, the account manager prepares credit files that will include all the qualitative and quantitative information and assembles in one file the information concerning counterparties considered as same beneficiaries. The account manager checks the relevance of the information gathered either through the customers or through external sources (sectoral studies, annual reports, legal information, scoring agencies) or internal sources at his disposal. The rules described in the procedure on Credit Granting and Debtor Delegations are in line with the Basel II instructions and the fundamentals defined for all the Banks of the Group. Each account manager is responsible for the decisions that he takes or provokes and holds an intuitu personae delegation.

The delegations are based on an adjustment of the commitment ceilings according to:
– the score,
– the total amount of the commitment of a counterparty or Risk Group,
– the delegation exclusions,
– the guarantees which can be retained for weighting of the commitment.

For files where the amount exceeds the delegations given within the above-mentioned limits, the decision must be taken by a Commitment Decision Committee (CDE) that functions according to written operating procedures.

Financing and Investment Bank

Decisions are not taken individually and depend on Commitment Decision Committees. Foreign subsidiaries function according to specific delegations.

The role of the Credit Policy Departments

Each regional office has a credit policy department, reporting to the general management of the region, which is independent from the operational management. The missions of these departments are dual, and therefore split between two independent teams:
– a team in charge of ensuring the quality of the credit granting decisions by a second analysis which focuses on the adequacy of the credit earnings to the risk that is taken,
– a team in charge of implementing the prudential surveillance process and credit risk evaluation in addition to the permanent monitoring actions.

The risk measuring and credit monitoring system

The national and regional organizations use tools for the credit monitoring under their responsibility, in accordance with the regulatory dispositions of Basel II.

Tools for measuring consolidated risks

To measure consolidated risks on a bank level, the BFCM Group applies to the regional and Group branches different tools for a global approach to:
– the exposure from a counterparty or counterparty group,
– the credit production, the customer rates, the credit margins, by market, product, good debt and bad debt,
– the quality of the portfolio, according to key points adapted to the activities of the network (scoring, market, age of the relationship, credit products, field of trade, age of the contract). A historical viewpoint is also included,
– credit risk monitoring on a global level in terms of risk of concentration, interbank risks, country risks, and by network, subsidiary, trade lines, markets.

All sales units of the Group have access to information tools that let them check daily that the ceilings allowed to each counterparty are being respected.

Monitoring of commitments and detection of sensitive risks

Monitoring objectives

The Credit Policy division contributes, along with the other players in the field, to the monitoring of the quality of the different aspects of credit risks.

The monitoring system of the Credit Policy division is involved in addition and in coordination with the actions of the first level, the Permanent Monitoring and the Risk Management Division.

Monitoring commitments

Monitoring of over-expenditure and anomalies with the functioning of the accounts is done using advanced risk detection tools (management of debtors/sensitive risks/automatic inputs into collection), based on both external and internal criteria, particularly scoring and functioning of accounts. These indicators aim to identify and deal with the confirmed difficulties of counterparties. This detection is automated, systematic and exhaustive. The follow-up of these situations is based on the same process as for delegations and decision to commit.

The monitoring of major corporate risks is handled separately from the granting system. It consists more particularly in identifying the commitments in line with targeted alerts or based on the changes in risk profiles of the identified counterparties. The same applies to monitoring of credit limits of front office counterparties.

The monitoring of regulatory and internal corporate limits is handled separately form the granting process. The limits are determined according to the level of equity in accordance with the CRBF 93-05 rules on regulatory limits and according to the level of equity and the internal score of counterparties for the internal limits.

The financing and investment bank conducts periodic analysis of commitments in order to monitor portfolios and risks, and uses steering tools that orient the decisions towards "sensitive", up-rated /down-rated or provisioned status.

For the network, monitoring of commitments is part of the quarterly reporting of files under surveillance. The quarterly monitoring of portfolios includes a detailed review of the internal scores for third parties, or groups of third parties, of each portfolio.

Detection of accounts at risk, transition to default, provisioning

The objective consists in thoroughly identifying the debts or activity sectors to be monitored and to affect the identified counterparties to the category that defines their situation: sensitive (not down rated to low rated), low rated or collection.

Sensitive risks

The objective is to detect as early as possible the risk situations, using criteria based on customer segments, by computing or with the support of competent operations managers and credit managers.

This process ensures:

– the identification of counterparties or sectors of activity where events or information indicate that monitoring must be set up in the short or medium term. This process is implemented in addition to and generally before the automated detection provided by the software applications,

– the systematic triggering of all the conservatory measures required to best preserve the interests of the BFCM Group.

Transition to default and provisioning

All accounts outstanding are subject to an automated monthly check against internal or external indicators that are programmed into the information system. In addition to the automated and thorough process, the different players use all the source material at their disposal to identify the accounts outstanding to be placed under "surveillance".

The down rating and provisioning are automatic. In addition, a review is carried out according to portfolio type to detect any eventual loss events, which are a source of collective depreciation.

◆ Management of accounts at risk

Management of sensitive accounts (not down-rated to low rated)

Depending on the severity of the situation, the customers accounts are handled by the account manager with a change in the delegation level of the file, or by specialized teams or teams dedicated by market, type of counterparty or type of recovery.

Management of customers down-rated to bad debt, collection status

The related counterparties are handled in a differentiated manner according to the severity of the situation: at the agency by the account manager (and in this case the agency does not have delegation for credit granting to the customers involved) or by dedicated teams specialized by market, type of counterparty or type of recovery.

Permanent control of commitments

Personnel with special expertise who do not report to the credit policy management carry out a second level of control. They draw up a list every month of the commitments that are considered at risk, according to specific criteria, and they analyse them; appropriate corrective steps are decided accordingly.

An automatic analysis of about twenty ratios also helps to identify the agencies having difficulties with debt and to quickly determine the necessary regulating actions.

Additional security is thus brought to the management of credit risks.

◆ Focus on the orientations of 2008

In 2008, under an exceptional situation of economic crisis, the credit policy division of BFCM focused on reinforcing the credit granting, evaluation and monitoring systems.

This led to the adjustment of the Commitment Referential.

◆ Reporting

The risk committee

In accordance with the dispositions of the CRBF 97-02 regulations, the different decision-making bodies, particularly the Risk Committee, are informed of the evolution of credit commitments periodically and at least on a quarterly

basis. In addition, these bodies are informed of, and participate in, decisions concerning the changes affecting the management systems of the credit commitments.

General management Information

Detailed information on credit risks and related procedures is presented to the general management. This information is also presented to a Risk Monitoring Committee in charge of examining the strategic issues at stake in terms of risk for the CIC Group, in accordance with the regulations of Basel II.

Key figures

◆ Credit to customers

In a changing economic environment, the year 2008 is characterized by the continued growth of debt and the deterioration of risk expenses.

◆ The growth of debt

The portfolio of customer debt reached 265 billion euro, increasing by 6.9%1[1] (against 247 billion euro on a comparable basis and a total of 231 billion euro for 2007). The total debt is split between 213 billion euro in loans and debt to the balance sheet (+ 10.6%[1]), 15 billion euro off balance sheet guarantees (+ 1%[1]) and 37 billion euro in off balance sheet financing (- 13%[1]).

Customer debt is structured in the following manner:

1. On a comparable basis, excluding Citibank Germany and Banco Popular France.

In millions of euros, capital end of month	December 31st, 2008	December 31st, 2008 like-for-like[1]	December 31st, 2007
Short term credits	**59,721**	**47,743**	**45,521**
Ordinary accounts in debit	7,746	6,991	6,500
Commercial receivables	3,102	3,087	3,164
Credit facilities	48,755	37,547	35,622
Export receivables	118	118	235
Medium and long-term credits	**147,805**	**147,642**	**129,845**
Equipment loans	29,483	29,468	23,410
Home loans	102,451	102,303	93,317
Leasing	6,778	6,778	6,202
Other credits	9,092	9,093	6,916
Total excluding doubtfull loans	**207,525**	**195,385**	**175,366**
Doubtfull loans	5,747	3,951	3,312
Attached receivables	548	547	476
Gross total of outstanding loans to customers	**213,821**	**199,882**	**179,154**

Source: accounts, excluding pensions.

1. Excluding Citibank Germany and Banco Popular France.

Exposure

In millions of euros, capital end of month	December 31st, 2008	December 31st, 2008 like-for-like[1]	December 31st, 2007
Loans and debts			
Credit institutions	41,455	41,403	40,603
Customers	213,639	199,701	180,545
Gross exposure	255,094	241,104	221,148
Provisions for depreciation			
Credit institutions	- 316	- 316	- 8
Customers	- 4,827	- 3,006	- 2,796
Net exposure	**249,951**	**237,782**	**218,343**

Source: accounts, excluding pensions.

1. Excluding Citibank Germany and Banco Popular France.

In millions of euros, capital end of month	December 31st, 2008	December 31st, 2008 like-for-like[1]	December 31st, 2007
Financing commitments made			
Credit institutions	1,409	1,409	1,498
Customers	36,905	32,618	37,557
Guarantee commitments given			
Credit institutions	3,008	3,008	974
Customers	14,747	14,714	14,622
Provision for contingencies on commitments	125	96	

1. Excluding Citibank Germany and Banco Popular France.

At the end of 2008, and following the acquisitions (respectively in May and December 2008) of Banco Popular France and Citibank Germany, their customer debt is included in the scope of consolidation. For these two entities, at the end of 2008, debt was broken down as follows:

In million of euro, capital end of month	December 31st, 2008 Banco Popular France and Citibank Germany	Relative weight December 31st, 2008
Short term credits	**11,978**	**98.6%**
Ordinary accounts in debit	755	6.2%
Commercial receivables	15	0.1%
Credit facilities	11,207	92.3%
Medium and long-term credits	**164**	**1.4%**
Equipment loans	15	0.1%
Home loans	148	1.2%
Total excluding doubtfull loans	**12,142**	**100%**
Doubtfull loans	1,796	
Attached receivables	1	
Gross total of outstanding loans to clientele	**13,939**	
Provision for depreciation	1,821	

Except for special cases, comments, debts, analysis below does not include items from Banco Popular France and Citibank Germany.

◆ A quality portfolio

Well-rated customers: on the 12-level internal scale, customers rated in the 8 best categories represent 98% of the balance sheet commitments for individuals, 96% for professionals/businesses and 98% for financing and investment banking. This data is stable compared to 2007.

◆ Risk of concentration

Counterparty risk

On the general public sector, home loans represented 52.4% of customer loans. These loans are by nature spread out among a very large number of customers and backed by genuine real-estate guarantees on the financed collateral.

The relative portion of the first 10 counterparties by customer market segment indicates a dispersion of risk. On December 31st, 2008 the credit outstanding of the first ten customer groups represented less than 5% of on and off balance sheet commitments for the CM4-CIC Group.

Sectoral risk

The surveillance and alert systems on the sectors exposed to cycles of activity (real-estate, aeronautics…) or hazards (motor vehicle equipment manufacturer, shipping…) are permanent. They indicate the absence of concentrations in a particular sector.

Geographic risk

99% of the countries surveyed are located in Europe. Apart from some marginal exceptions, the exposure on risk countries concerns France and OECD countries.

◆ Customer good debts broken down according to internal score

	December 31st, 2008	December 31st, 2007
A + and A -	29.7%	28.3%
B + and B -	32.6%	35.0%
C + and C -	24.5%	25.2%
D + and D -	10.5%	9.3%
E +	2.7%	2.3%

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

Guarantees on home loans are broken down as follows:

In millions of euros, capital end of month	December 31st, 2008
Home loans	**102,451**
With Crédit Logement or Cautionnement Mutuel de l'Habitat	35,920
With mortgage or similar guarantee of first rank	53,194
Other guarantees[1]	13,338

Accounting source.
1. Other rank mortgages, collateral, surety…

For the year, the home loan outstanding increased by 9.6% (on a comparable basis). Intermediate loans represent 1.9% of the outstanding on home loans.

Distribution of credits by type of customer

	December 31st, 2008	December 31st, 2007
General Public	71%	71%
Businesses	21%	20%
Large companies	6%	7%
Special financing and other	2%	2%

Source: risk monitoring.

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

Geographic spread of customer risk[1]

	December 31st, 2008	December 31st, 2007
France	90%	95%
Europe excluding France	9%	4%
Other countries	1%	1%

Source: accounts.

1. Including lending of Banco Popular France and Citibank Gernamy.

Concentration of customer risks

	December 31st, 2008	December 31st, 2007
Commitments exceeding 300 million euro		
Number of groups of counterparties	38	44
Total Commitments in millions of euros	20,768	29,322
Of which balance sheet total in millions of euros	*13,880*	*13,693*
Of which total guarantee and financing off balance sheet	*6,888*	*15,629*
Total assets (C/A, shares) in millions of euros	**5,234**	**5,476**
Commitments exceeding 100 millions euros		
Number of groups of counterparties	119	138
Total Commitments in millions of euros	34,371	45,792
Of which balance sheet total in millions of euros	*22,301*	*20,958*
Of which total guarantee and financing off balance sheet	*12,070*	*24,834*
Total assets (C/A, shares) in millions of euros	**16,186**	**7,979**

Source: SRC – Large Companies monthly tables of the CM4-CIC Group.

There is no major risk that exceeds 25% of prudential equity.

Sector-based distribution

	2008	2007
Finance and insurance	27.11%	24.78%
Real estate activities	17.84%	18.30%
Manufacturing industries	11.12%	11.32%
Repair of motor vehicles	11.07%	13.04%
Specialized scientific and technical activities	7.80%	8.45%
Construction	7.24%	6.15%
Transportation and warehousing	2.63%	2.89%
Hotels and restaurants	2.51%	2.57%
Information and communication	2.40%	2.50%
Administrative and support services	1.75%	1.78%
Electricity and gas production and distribution	1.70%	1.86%
Human healthcare and social action	1.67%	1.39%
Agriculture, foresty and fishing	1.45%	1.50%
Sub-total	**96.31%**	**96.53%**
NACE codes (upper level) less than 1% of total	3.69%	3.47%
Sub-total NACE	**100%**	**100%**

Source : Risk monitoring.

Categories are based on INSEE segmentation of NACE codes.

Sovereign risks

In terms of outstanding they represent less than 1 million euro.

Unfavourable economic situation impacts cost of risks

Bad debt amounted to 6,742 million euro by December 31st, 2008 against 4,266 million euro on December 31st, 2007, increasing by 15.8% (on a comparable basis).

It represents 3.2% of customer loans (2.5% on a comparable basis) against 2.4% on December 31st, 2007.

In an exceptionally bad situation, the cost of risks remained limited to 0.19% of total credit outstanding (excluding exceptional events: Iceland banks and Lehman Brothers bankruptcy).

Quality of customer risk

In millions of euros, capital end of month	December 31st, 2008	December 31st, 2008 like-for-like[1]	December 31st, 2007
Debts depreciated individually	6,742	4,942	4,266
Provisions for individual depreciation	4,283	2,825	2,672
Collective debt provision	544	178	124
Overall rate of cover	71.6 %	60.8 %	65.5 %
Rate of cover (individual provision only)	63.5 %	57.2 %	62.6 %

1. Excluding Citibank Germany and Banco Popular France.

Interbanking loans

Geographical distribution of interbank loans

	December 31st, 2008	December 31st, 2007
France	26%	19%
Europe outside France	48%	54%
Other countries	26%	27%

Source : Scope of market activities – CM4-CIC Group.

The country of the parent company determines the distribution of interbanking loans. They are essentially European and American banks.

Structure of outstanding interbank loans by internal rating

Internal score	External rating	December 31st, 2008	December 31st, 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%

The 2007-2008 trend illustrates the major deterioration of the quality of the credit of banking counterparties in 2008. More than half of the exposure is in category B + (equivalent external ratings A +/A), which is in line with the average ratings observed at credit rating agencies.

Debt securities, derivatives, repurchase agreements

Security holdings are under the responsibility of market activities and marginally under balance management.

In millions of euros, capital end of month	December 31st, 2008	December 31st, 2007
	Book value	Book value
Government securities	19,277	23,567
Bonds	84,024	90,561
Derivative instruments	12,366	9,218
Pensions & securities lending	12,767	26,638
Gross exposure	**128,434**	**149,984**
Provisions for depreciation of securities[1]	- 216	- 17
Net exposure	**128,218**	**149,968**

1. The 216 million euro in depreciation concern Iceland banks for 65 million euro and the Lehman Brothers bankruptcy for 151 million euro.

Risks of balance sheet management

◆ Organization of the activity

The CM4-CIC Group is engaged in a progressive centralization of balance management functions, which were up to now under a supervised decentralized system.

BFCM now handle liquidities and refinancing risk management for the entire Group. In the same approach, in 2009 a centralized function manages risks on rates.

For each entity of the CM4-CIC Group, the role and operating principles of balance management are clearly defined:

– balance management is identified as a function that is distinct from the front office and working with separate means;

– its objective is, on the one hand, to protect the trade margins from rate and exchange variations, and on the other hand, to maintain a sufficient level of liquidities for the CM4-CIC Group to meet its commitments and to protect it from an eventual liquidity crisis;

– it is not a profit centre.

Balance management participates in determining the sales policy in terms of customer terms and rules for internal prices; it serves as a permanent link with the sales network.

In addition, it is in charge of consolidating data for the different entities of the CM4-CIC Group to provide the follow-up of the general situation and the statutory ratios.

The different risk indicators of balance management are presented every quarter to the Group ALM (Asset Liability Management) technical committee, as well as to the group risk committee.

◆ Managing the risk on interest rates

The sales activity generates risk on interest rates; it is the result of differences between rates and the reference index on supply and demand. The analysis also has to take account of the volatility of the outstanding of products without contractual terms and hidden options (anticipated credit reimbursement, prorogation, use of rights to credit options, etc.).

Management of risk on interest rates for all the operations of the network is analysed and covered globally for the residual position of the balance sheet by operations of what is referred to as macro coverage. Transactions for high amounts or of a particular structure may be the object of specific coverage. Risk limits are determined based on the net banking income of each entity and of the Group.

The analysis of risk on interest rates rests on the following indicators, which are updated every quarter:

– The fixed rate gap corresponds to elements on and off balance sheet whose flows are considered certain.

– The sensitivity of the net interest margin (MNI) is calculated using national scenarios and restricted by limits. It is measured in annual steps, over three years and is expressed as a percentage of the NBI of each entity.

Four scenarios are calculated:

– increase of 1% of market rates and increase of 0.33% of inflation (reference scenario);

– increase of 1% of market rates and stability of inflation;

– increase of 2% of market rates and increase of 0.66% of inflation;

– increase of 1% of short-term rates, of 0.50% of long-term rates and of 0.33% of inflation.

On December 31st, 2008, the net interest income (PNI) of the BFCM Group and of the CM4-CIC Group are exposed to an increase in rates. For these two groups, the sensitivities (variation of NBI for an increase of 1% of rates and 0.33% of inflation) is very similar:

– for the consolidated perimeter of the BFCM Group (excluding refinancing activity), the sensitivity is of - 40.0 million euro for the first year and - 21.9 million euro for the second year with respectively 1.0% and 0.6% of forecasted NBI for each year.

– for the perimeter of the CM4-CIC Group, the sensitivity is of - 57.9 million euro for the first year and - 16.9 million euro for the second year with respectively 1.0% and 0.3% of NBI for each year.

The risk limit (4% of sensitivity of the net interest margin (MNI)) is respected.

The sensitivity of the net current value (VAN) resulting from the application of the formula for the Basel II indicator:

A uniform translation of 200 basis points applied to the entire balance sheet, increased and decreased, provides a measure, in percentage of equity, of the variation of the updated value of the balance sheet elements according to the different scenarios.

Sensitivity of the net current value of the CM4-CIC Group	As a % of equity
Sensitivity + 200 basis points	- 8.21
Sensitivity - 200 basis points	7.15

◆ Management of liquidity risk

The Group attaches a lot of importance to the management of liquidity risk. To this effect, the steering tools used for the management of liquidity risk for the Group focus on two directions:

– the adherence to the cash ratio at one month, which is representative of the short-term liquidity situation of the Group;

– determining the liquidity gap that is based on contractual and conventional commitments, including off balance sheet commitments. Transformation ratios are calculated (supply/demand) on maturities from 3 months to 10 years and they are subject to limits in order to secure and optimize the refinancing policy. These limits are at intervals ranging from 90% at 3 months to 80% at 10 years;
– the dynamic liquidity gap formula includes elements from new production, to take account of future funding needs for the development of sales activity;
– the analysis of a stress scenario on the static liquidity gap and the alteration ratios, characterized by a drop of 30% of short-term funds and increase in confirmed credit.

The Group has been benefiting since the end of 2008 from the implementation of the funding systems of the SFEF — Société de Financement de l'Economie Française — (in effect 1,095 million for the months of November and December 2008) and the SPPE – Société de Prise de Participation de l'Etat (for 1,036 million).

The Group is also regularly present among loan structures such Banque Européenne d'Investissement or the Caisse de Refinancement de l'Habitat. The remaining needs to cover its development are covered through financial markets.

Breakdown of CM4-CIC[1] consolidated balance sheet according to residual terms of future contractual cash flows (capital)

Interests are not taken into account in this chart

2008 – residual contractual maturities

In millions of euros	< 1 month	> 1 month < 3 months	> 3 months < 1 year
Assets			
Financial assets held for transactional purposes	1,021	1,040	7,278
Financial assets intended for JV in profit and loss statement	4,281	7,461	2,299
Derivatives used for hedging (assets)	114	2	417
Financial assets available for sale	873	474	2,290
Loans and debts	35,932	14,237	18,903
Investments held until maturity	498	773	194
Other assets	657	11,329	1,824
Liabilities			
Central bank deposits	1,963	306	50
Financial liabilities held for transactional purposes	830	619	5,689
Financial liabilities intended for JV in profit and loss statement	10,895	14,973	5,183
Derivatives used for hedging (liabilities)	143	0	1,221
Financial liabilities valued at their depreciated costs	142,665	58,579	30,972

1. Excluding insurance business.

> 1 year < 2 years	> 2 years < 5 years	> 5 years	Indeterminate	Total
4,622	6,144	7,261	452	27,818
197	1,139	293	664	16,334
23	124	213	3,579	4,472
3,845	7,566	14,877	4,120	34,046
23,836	51,819	103,355	2,918	251,001
677	316	702	4	3,165
38	42	22	1,516	15,427
0	0	0	0	2,319
893	2,724	3,138	375	14,268
101	0	0	0	31,151
39	189	482	5,828	7,903
10,335	24,667	18,105	10,320	295,644

◆ Exchange rate risk

The exchange rate positions for each entity of the Group are centralized automatically on the CIC holding and the BFCM.

This centralization takes place daily for transfers concerning sales activities and for receipts and disbursements of revenues and expenses in currencies.

Unrealized earnings in currencies are converted into euro at the end of each month and the resulting exchange position is also centralized with the holding.

Therefore, no entity of the Group has to support exchange rate risk at its level. The holding is in charge of closing exchange positions on the market on a daily and monthly basis.

Only market activities of CM-CIC Marchés have their own exchange rate limit, which they manage at their level. Concerning market activities, the exposure is very low and represents a requirement of only 41.3 million in equity.

Structural exchange positions resulting from cash endowments from subsidiaries located abroad are not covered.

Earnings from exchange positions are reported in conversion accounts of assets or liabilities and are therefore not reported in the income statement.

Earnings from foreign subsidiaries remain in the foreign subsidiaries and are therefore cumulated with the structural exchange position.

◆ Risks on shares

Risks on shares for the CM4-CIC Group are of different types.

Shares booked at fair value per earnings (see note 5 of appendix on consolidated financial reports) were at 9,587 million euro on December 31st, 2008 (against 11,898 million euro on December 31st, 2007) split between:

– 7,471 million euro in shares held by the GACM insurance division (see note on appendix 1.3.4. of consolidated accounts, in contracts of units of accounts of insurance activities in coherence with the reporting of liabilities);

– 345 million euro for the share portfolio held for the basis of transactions on December 31st, 2008 (against 2,024 million euro on December 31st, 2007) and concerning only the market activities of the CIC (no data historization in IFRS of the historic cost for very short-term trading operations so where the account value = market value);

– 1,770 million euro in shares at fair value on option, with outstanding of 1,692 million euro for the capital-development activity (historic cost 1,308 million euro, that is a potential gain of 441 million euro).

The outstanding on shares booked in available assets for sale and in long-term investments are at respectively 4,655 million euro and 2,336 million euro (see note 7 of appendix to consolidated financial reports) at the end of 2008.

The long-term investments include in particular:

Equity interest for 1,338 million euro and investments in affiliated companies for 595 million euro: the main shares included in these categories are shares held in the Banque Marocaine du Commerce Extérieur (BMCE Bank) for 580 million euro, shares in the *Républicain Lorrain* for 95 million, shares in the Banca Popolare di Milano for 78 million euro, shares in the Banca Di Legnano for 80 million euro, shares in the Crédit Logement for 62 million euro, shares in Foncières des Régions for 43 million euro and shares in the CRH (Caisse de Refinancement de l'Habitat) for 26 million euro.

The other long-term shares for 402 million euro: in particular in shares in Veolia Environnement for 225 million euro and shares in NYSE Euronext for 22 million euro.

The additional information relating to secondary distribution of financial instruments and to the impact of the economic crisis is presented in the appendixes (in particular 10b and 43) to the consolidated accounts.

◆ Capital-investment

The activity is managed through entities solely dedicated to this trade with an entirely re-valued portfolio in fair value per option.

The investments are spread over about 500 lines and concern mainly medium and small businesses. Unquoted investments represent 74 % of the portfolio in terms of value.

Risks linked to the capital-development activity

	December 31st, 2008
Number of listed lines	58
Number of active unlisted liness	439
Re-evaluated portfolio for own accounts	1,670
Capital managed for third parties	636
Number of funds managed on behalf of third parties	36

Source: risk monitoring.

Market operations risks

◆ General organization

CM-CIC Marchés brings together under one entity the market activities of the BFCM and of the CIC.

In terms of equity level required by the CAD, at the end of 2008, CM-CIC Marchés represent 87% of the total market risks for the Group.

Its activities are centred on three trades: refinancing, sales and proprietary trading.

Market trading operations are processed and reported in the balance sheet of BFCM for the refinancing activities, and of the CIC for sales activities and proprietary trading. Sales operations carried out in regional banks are also booked in the balance sheet of the CIC. Finally, trading operations may also be carried out and booked in the foreign subsidiaries.

The refinancing activity

A team dedicated to cash management refinances the activities of the retail bank and of the subsidiaries, corporate and specialized financing, proprietary trading of the CM-CIC office and the cash instruments of the CIC Group. It continues in the line of the diversification policy of its investor base, with teams in Paris, Frankfurt and London.

The traded products are mainly monetary instruments and fixed instruments for coverage of rate and exchange.

The sales activity

The sales teams operating out of Paris or out of regional divisions use a range of common tools and products. A dedicated technical unit (conception/matching/reversing: CAR) has been implemented with the objective of finding the best prices, preserving sales margins and reversing exchange and rate positions.

The proprietary trading activity

It centres on close to ten areas, essentially in arbitrage that can be grouped by category: rates, shares, hybrids, credits (spread) and fixed income. These categories are themselves grouped by specialty. Necessarily creating value within a framework of controlled risk, they provide the grounds for the sales development.

◆ Description of the control functions

In the course of 2008, the control division continued working on improvements in its organization and its follow-up methods. Procedures were changed to take account of the common limit setting system. Committees take place on a regular basis to support the management of the division.

All the methodologies and procedures are referenced in a book of rules.

The mission of the control teams consists in particular in ensuring the stable and reliable production of daily or periodic reports presenting the results and risks concerning the different types of activities, and in proposing an analysis of these reports for the authorities in charge of the monitoring of the trade lines.

The market activities of the CIC Group rest on the following control organizations:

• all the market activities (front office, back office) report to a member of the Board of Directors of the CIC who in turn reports on the activity to the Board of the CIC and to the Board of the BFCM;

• the units operating in the front office are separated from the units operating in risk surveillance and in results (control functions) and from those in charge of validation, settlements and entries (back office);

• since 2007, the control divisions are under the authority of the management of group risks, who supervises risks and checks the level of equity with the Board of the BFCM and the Board of the CIC;

• the permanent monitoring system functions with a first level control carried out by three teams:

– the unit in charge of control of risks on results (CRR), who approves the production, follows-up results on a daily basis and checks the respect of the limits,

– the unit in charge of accounting and regulatory controls (CCR) in charge of the reconciliation of accounting end economic results as well as regulation aspects,

– the unit in charge of legal control and market conformity, for the legal aspects on the first level;

• a second level of control functioning around several teams:

– the market activity control (CDAM), reporting to the permanent monitoring on trades, and in charge of carrying out a permanent second level of control for the specialized trades of the Group,

– the credit policy department of the CIC Group, in charge of checking credit procedures, and monitoring outstanding according to counterparty group,

– the legal and fiscal division of the CIC Group supervises the team in charge of legal work and market conformity,

– the finance department of the CIC supervises accounting practices, the chart of accounts and the account and regulatory checks;

• the periodic control of the trades of the CMCEE-CIC Group is carried out by a specialized team of inspectors who make the periodic checks and control the conformity of the market activities;

• the back office is organized according to product line. The different teams are located on two sites in Paris and Strasbourg and manage the operational administrative processes;

• finally, the market activities are steered by two committees:

– a monthly risk committee (CRM) is in charge of follow-up on strategic issues, results and risk based on the limits given by the Board of Directors and supervises in terms of risk the market activities of foreign subsidiaries,
– a weekly executive committee, which coordinates operational issues: information system, budget, human resources, and procedures.

◆ Risk management

The limit system concerning market risks functions with:
– limits on potential losses;
– internal rules and scenarios (CAD risks and, under implementation, historic VAR and stress tests) that can convert exposures into potential losses.

The limits cover different types of market risks (rates, exchange, shares and signature risk) and are divided into sub-limits by type of risk for each of the sectors of activity. There is no possible compensation between different types of risk.

Risk monitoring is done through first level indicators (sensitivity to the different factors of market risks) that are mainly oriented towards operators, as well as on the second level (potential losses), which brings a more global view directly accessible to the decision makers.

The equity allotted on December 31st, 2008 to the proprietary trading and sales trades amounted to 770 million euro for a use of 720 million euro. The proprietary account limit covers market risks (CAD) for 241 million euro and credit risks (RES, according to the Basel I methodology) for 440 million euro. Due to the transfer of certain positions in AFS and Loans & Receivables, the allowance of the limit for the proprietary trading activity has been revised. This adjustment results in a transfer of market (CAD) towards credit risks (RES) and concerns credit activities (ABS, credit arbitrage), hybrids and fixed income.

The main risks of the front office concerning the following activities:
– Hybrids: CAD use remained stable at 72 million euro for the first three quarters then, due to the transfer to AFS of 40 shares, share risk dropped steeply. CAD risk finished at 53 million euro in December and RES at 97 million euro. The stock of convertible bonds decreased steadily compared to 2007 and reached 2 billion euro at the end of 2008.
– Credit : the positions correspond either to shares/CDS (credit default swap) arbitrages, or credit correlation positions. Concerning risks on these activities, two periods must be analysed, before and after secondary distribution in AFS and Loans. Therefore, until the end of September, there were very few variations in CAD risk on the credit arbitrage portfolio (approximately 39 million euro on average) and on the ABS (asset backed securities) portfolio (77 million euro on average on the CM-CIC Marchés perimeter). For the last quarter, the CAD risk decreased on these portfolios, CAD use was at 30 million euro on the credit arbitrage portfolio and 37 million euro for the ABS portfolio, while credit risk (RES) increased in December by respectively 50 and 240 million euro on the same perimeter. The credit correlation activity, exclusively based on Itraxx/CDX segments rose to 96 million euro in May to drop back down in December to the level of the beginning of the year, that is to say 75 million euro;
– M&A and various shares: starting from 54 million euro, CAD use in share risk dropped to 9 million euro at the end of 2008, due to M&A (Takeover bids and exchange offers) strategies for 77 %. The CAD is particularly penalising in this activity, the internal measure giving a potential loss that is about three times lower. The M&A outstanding was about 60 million euro at the end of December against 580 million euro in 2007. This major decrease in volume is linked to stock market trends;
– Fixed income: the positions are spread arbitrages, mostly share-backed. There are also arbitrages on State OECD shares of identical maturity but from different issuers or from the same issuer but with different maturities. CAD use fell back on December 31st, to its level of the beginning of the year, of 52 million euro. The outstanding on paper against swaps remains stable compared to 2007, at 12.5 billion euro.

The day-to-day cash position of CM-CIC Marchés must not exceed a certain threshold with an intermediate stage of alert, these levels having been determined by the management and approved by the Board. This position is managed individually and globally with the BFCM, the refinancing entity of the Group. Over the course of the year, the limit was adjusted to take account of the crisis situation of short-term liquidities.

◆ Credit derivatives

Credit derivative products are used in the Group by CM-CIC Marchés and very marginally by the Singapore subsidiary.

CM-CIC Marchés has the total outstanding in its trading portfolio.

The control system includes these products in the framing process and risk supervision of credits/counterparties.

The front office respects on its end risk limits per issuer/counterparty on all supports. The outstanding is monitored daily and restricted by limits that are reviewed periodically by the authorities designated to this effect (credit policy committees, market risks committees).

Current Ratio (Basel II)

Since January 1st, 1996, market risks, mainly concerning interest rates, exchange rates, on shares and settlements/counterparties on trading portfolios of banks are submitted to specific requirements concerning equity, in application of European directives on capital adequacy (CAD).

The global requirement on equity is therefore equal to the sum of the equity required for credit risks on the entire weighted risks, for market risks on trading portfolio, and for major risks.

The Group estimates the equity requirement in adequacy with markets risks using the standard statutory model.

The required capital is equal to 8% of net weighted risks.

Since January 1st, 2008, the CM4-CIC Group is subject to the use of the current ratio as defined in the ministerial order of February 20th, 2007 (Basel II).

To this effect, on December 31st, 2008, the weighted risks must be at least equal to 90% of the calculated risks according to the CRBF 91-05 and 95-02 regulations (Basel I). This limit drops to 80% as of January 1st, 2009.

◆ Consolidated European Current Ratio of the CM4-CIC Group

In millions of euros	December 31st, 2008	December 31st, 2007
Global prudential equity	**17,140**	**19,185**
Core equity – Tier 1	*16,766*	*15,576*
Additional equity – Tier 2	*354*	*3,460*
Supplementary equity – 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 bottom limits	**2,335**	**3,824**
Global solvency ratio[1]	**8.98%**	**10.84%**
(With additional requirement of bottom limits)		
Tier 1 solvency ratio[1] (core)	**8.78%**	**8.80%**
Adequacy of equity = weighted risks x 8%		

1. Solvency ratio = prudential equity / weighted risks.

Over the course of 2008, secondary distribution of debt security took place from the trading portfolio to the loans and debts portfolio. This had the effect of increasing bank credit risks and decreasing market risks in lower proportions.

The global current ratio must be above 8%. The statutory ratios for the CM4-CIC Group were within this limit on December 31st, 2008.

Prudential equity

Tier 1 Capital increased by 1,190 million euro, particularly following the year-end issuing 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 euro.

Operational Risks

Under the prudential regulations of Basel II, the CIC has progressively implemented since 2002 a complete system for the management of operational risks, under the responsibility of the managing authorities, with a unique risk referential and common quantitative evaluation method.

The operational risk management team covers the CMCEE-CIC perimeter (banks, federations and trade centres); its missions have been enlarged by delegation to cover the CM-CIC Group.

The operational risk reporting and surveillance system is based on a referential that is common to the whole CM-CIC Group, on a mapping of risks that includes an identification approach and a risk modelling approach and a calculation of the final adequacy of equity to the operational risk.

The CM-CIC Group is therefore equipped with a coherent and structured referential unit that is capable of carrying out risk modelling of potential generic risks as well as their summaries according to the 8 Basel trade sectors and the 7 Basel risk events and to link them to the losses (confirmed risks) and potential risks.

The Crédit Mutuel-CIC Group has chosen the measured advance approach (AMA) of its operational risks. The bank subsidiaries located abroad (Belgium, Luxemburg, Switzerland…) and the factoring subsidiaries are still for the time being on the standard method.

◆ Main objectives

The implementation of the policy for the management of operational risks is pursuing the following objectives:
– contribute to the steering of the Group by controlling risks and costs;
– from a human resources point of view: protect people, develop a sense of responsibility, autonomy and control, and capitalize on the expertise within the Group;
– from an economic point of view: protect margins by closely managing operational risks on all activities, guarantee a return on the investment for the statutory adjustments, optimize the equity allocated to the cost of risk and adapt the insurance programmes to the identified risks;
– from a statutory point of view: provide an efficient answer to the statutory requirements of Basel II and to the requests of the control authorities, depend on the internal audit system (CRBF 97.02), optimize the continuation plans (PCA) of vital activities (CRBF 2004-02), adapt the financial communication (phase 3 of Basel 2, NRE, LSF…).

◆ Role and positioning of the management function of operational risks

The group function on operational risks coordinates and consolidates the whole activity with a team dedicated to providing services to the Group, manages the teams in charge of operational risks in the regional groups.

The regional function implements the system and its evaluations in coherence with the global function. It is led by the manager of operational risks of the regional group.

◆ System for measuring and controlling operational risks

The modelling according to homogenous risks by trade sector of Basel II and by type of risk, is applied to all activities using expert evaluations then probabilistic models. The technical committee on operational risks approves the models. The equity allowance is calculated on a regional and national level.

The general orientations for the reduction of operational risks includes:
– the efficient preventive actions (those that cost less than the risk they are dealing with), identified in the course of the modelling that is directly implemented by the operations team along with the permanent monitoring and quality control;
– the protective actions that are turned in priority towards generalizing the continuation plans on trade sectors, logistics and systems for the vital activities.

A coherent crisis management system for the Group is generalized, linked to the market for interbanking.

The financing programmes for operational risks are reviewed in the course of the results on the valuation of "net risks" (including the reductions that have been decided) and follow the principles hereafter:
– insure severe and major insurable risks and develop self-insurance for the Group for amounts under the deductible of the insurers and for intra-group risks;
– insure frequency risk when it is justified or finance it by charging to the operating statement (expected loss);
– severe non-insurable risks and non-insured balance are covered by the prudential equity reserve (unexpected loss);
– major risks of the interbank exchange and payment systems are covered by liquidity reserves determined and allocated by the system.

◆ Reporting and general steering

The implementation of the policy for management of operational risks and risk profile are monitored using key indicators, limits and alerts covering the estimate of potential risks, the risk of total loss, the efficiency of the chosen reduction and financing measures. They are the object of regular information to the executive authorities and governing bodies.

◆ Activity continuation plans (PCA)

The PCA come under the protective actions implemented by the company to limit the seriousness of a loss, within the programme for the management of operational risks.

A "methodology for the setting up of a PCA" has been drawn up and is the reference document for the Crédit Mutuel-CIC Group. It is accessible to all the teams concerned by the PCA and implemented within the CM4-CIC Group.

The PCA are of two types:
– the PCA by trade: they concern a given bank trade linked to one of the trade lines of Basel;
– the transversal PCA: they concern trades for which the object is to provide other trades with the means to function. They are logistics PCA including the human resources department and information technology.

They are structured along three lines:
– the contingency plan: it is immediate. It includes all the actions dealing with the treatment of matters of urgency and the implementation of the backup solution;
– the continuation plan: it applies in the case of the resumption of activity in a downgraded environment in accordance with the terms defined before the occurrence of the crisis;
– the recovery plan: its implementation takes place shortly after the start of the continuation plan. The implementation time depends on the extent of the damage.

◆ The crisis management and its organization

The crisis management system implemented at the CM4-CIC Group level covers the communication during the crisis and the most effective organization possible to deal with the three phases of the crisis: contingency plan, continuation plan, recovery plan.

This system relies on:
– a crisis committee that makes the vital decisions, prioritizes actions and handles internal and external communication. The chairman is the general manager of the regional division on a regional level, and the general manager of the Group on a national level;
– a crisis team that centralizes information, implements the decisions that are taken and is in charge of their follow-up;
– a crisis unit per trade that coordinates crisis management operations on the field with the crisis team and particularly the activation of the PCA until back to a normal situation.

◆ Insurance backup for equity

The CM-CIC has an insurance plan that covers in particular damages to goods, global bank/fraud coverage, professional liability insurance and key person insurance.

The objective of the Group is to put forth this programme in order to reduce the required use of equity to cover operational risks.

◆ Training

In 2008, the CM4-CIC Group set up a training plan for all the managers of the agencies of the CIC and branches of the Crédit Mutuel entitled "prudential procedures". It details all the types of risks, prevention and management measures and procedures for the inventory and reporting of all losses above 1,000 euro.

◆ Inventory for 2008 of losses for the CM4-CIC Group

The total amount of losses for the CM4-CIC Group reached 376 million euro, of which 77.5 million were losses and 298.5 million net estimated losses on operational risks.

The Madoff loss on a proprietary trading amounted to close to 90 million euro. In addition, a cost of 223.4 million euro is reported in a euro/dollar conversion operation taking place with Lehman Brothers at the time of their bankruptcy.

The total incurred losses are defined below:
– human error or faulty procedure: 231.8 million euro;
– fraud: 118.8 million euro;
– business relationship: 14.6 million euro;
– legal: 9 million euro;
– natural disaster: 1.5 million euro;
– technical: 0.3 million euro.

Other risks

◆ Legal risks

Legal risks are included in operational risks.

◆ Industrial and environmental risks

Industrial risks and environmental risks are included in operational risks.

CONSOLIDATED FINANCIAL STATEMENTS (Standards IFRS)

Balance Sheet

(in millions of euros)

Asset

	Notes	December 31st, 2008	December 31st, 2007	December 31st, 2008 like-for-like[1]
Cash and amounts due from central banks and post office banks	4	16,467	6,647	15,615
Financial assets at fair value through profit or loss	5	57,807	99,988	57,807
Derivatives used for hedging purposes	6	4,523	3,167	4,523
Available-for-sale financial assets	7	71,723	59,198	70,993
Loans and receivables due from credit institutions	4	41,877	41,578	41,822
Loans and receivables due from customers	8	209,545	179,030	197,492
Remeasurement adjustment on interest-rate risk hedged portfolios	9	477	- 64	477
Held-to-maturity financial assets	10	10,125	7,675	10,125
Current tax assets	12a	1,095	759	1,018
Deferred tax assets	12b	1,627	535	1,604
Acccruals and other assets	13	17,395	10,004	16,753
Investments in associates	14	343	438	343
Investment property	15	944	990	943
Tangible fixed assets and buyer finance leasing	16	2,508	2,228	2,355
Intangible assets	17	547	247	324
Goodwill	18	3,557	655	731
Total assets		**440,559**	**413,073**	**422,925**

1. Excluding Citibank Germany and Banco Popular France.

◆ Liabilities

	Notes	December 31st, 2008	December 31st, 2007	December 31st, 2008 like-for-like[1]
Due to central banks and post office banks	19	2,319	59	2,319
Financial liabilities at fair value through profit or loss	20a	47,614	66,780	47,614
Derivatives used for hedging purposes	6	7,903	2,858	7,903
Due to credit institutions	19	57,829	42,507	51,389
Due to customers	21	128,089	107,254	118,418
Debt securities	22	100,850	99,785	100,850
Remeasurement adjustment on interest-rate risk hedged portfolios	9	- 1,376	207	- 1,376
Current tax liabilities	12a	280	257	259
Deferred tax liabilities	12b	892	643	502
Accruals and other liabilities	23	14,511	11,898	13,438
Technical reserves of insurance companies	24	55,924	55,912	55,924
Provisions for contingencies and charges	25	918	725	859
Subordinated debt	26	7,297	5,498	7,297
Shareholders' equity	27	17,509	18,691	17,528
Shareholders' equity – Group share		15,290	16,509	15,299
– Subscribed capital		*3,697*	*3,537*	*3,697*
– Issue premiums		*6*	*0*	*6*
– Consolidated reserves		*12,320*	*10,616*	*12,320*
– Unrealised or deferred gains and losses		*- 1,086*	*511*	*- 1,077*
– Net income for the year		*353*	*1,845*	*353*
Shareholders' equity – Minority interests		2,218	2,182	2,229
Total liabilities		**440,559**	**413,073**	**422,925**

1. Excluding Citibank Germany and Banco Popular France.

Profit and loss account

(in millions of euros)

	Notes	December 31st, 2008	December 31st, 2007	December 31st, 2008 like-for-like[1]
Interest and related income	29	19,247	15,226	19,144
Interest and related expenses	29	- 16,773	- 14,133	- 16,742
Commission income	30	2,715	2,717	2,666
Commission expense	30	- 882	- 922	- 877
Net profit on financial transactions		246	2,807	244
Net gain/loss on financial instruments at fair value through profit or loss	31	377	2,581	377
Net gain/loss on available-for-sale financial assets	32	- 131	226	- 133
Income from other activities	33	1,173	1,514	1,150
Net banking income		**5,726**	**7,209**	**5,584**
Operating expenses	34	- 3,981	- 3,884	- 3,835
Depreciation	35	- 336	- 309	- 333
Gross operating income		**1,409**	**3,016**	**1,416**
Cost of risk	36	- 1,064	- 124	- 1,026
Operating income		**344**	**2,892**	**390**
Share of earnings in associates	14	25	26	- 11
Net gain/loss on other assets	37	13	19	13
Pre-tax income		**382**	**2,937**	**392**
Corporate income tax	38	127	- 776	128
Net income		**509**	**2,161**	**519**
Minority interests		155	316	166
Net income less minority interests		353	1,845	353

1. Excluding Citibank Germany and Banco Popular France.

Statement of net cashflow

(in million of euro)

	2008	2007
Net income	509	2,161
Coporate income tax	- 127	776
Pre-tax income	**381**	**2,937**
Net depreciation on tangible and intangible assets	335	314
Depreciation of goodwill and other fixed assets	1	5
Net additions to provisions	1,427	- 288
Share of net income of associates	- 8	2
Net loss/income on investing activities	- 95	- 107
Income/charges on financing activities		
Other movements	- 2,527	2,488
Total of non-monetary items included in the net income before tax and other adjustments	**- 867**	**2,415**
Flows relating to interbank transactions	7,719	- 9,091
Flows relating to customer transactions	- 10,082	- 19,363
Flows relating to other transactions affecting financial assets or liabilities	8,971	28,745
Flux relating to other transactions affecting non-financial assets or liabilities	- 3,752	1,655
Taxes paid	- 497	- 1,086
Net decrease/(increase) in assets and liabilities from operating activities	**2,360**	**859**
Total cash flows from operating activities (A)	1,874	6,211
Flows relating to financial assets and holdings	- 2,435	- 518
Flows relating to investment property	28	50
Flows relating to tangible and intangible fixed assets	- 495	- 425
Total cash flows from investing activities (B)	- 2,901	- 892
Flows relating to transactions with shareholders	- 25	- 30
Other flows coming from financing activities	1,028	5,580
Total cash flows from financing operations (C)	1,002	5,550
Effect of movements in exchange rates on cash and equivalents (D)	8	13
Net increase/(decrease) in cash and equivalents (A + B + C + D)	**- 18**	**10,881**
Net cash flows from operating activities (A)	1,874	6,211
Net cash flows from investing activities (B)	- 2,901	- 892
Net cash flows from financing activities (C)	1,002	5,550
Effect of movements in exchange rates on cash and equivalents (D)	8	13
Cash and equivalents at beginning of year	**12,570**	**1,689**
Cash, central banks, CCP (assets and liabilities)	6,587	4,595
Accounts (assets and liabilities) and lending/borrowing with credit institutions	5,983	- 2,906
Cash and equivalents at end of year	**12,551**	**12,570**
Cash, central banks, CCP (assets and liabilities)	14,152	6,587
Accounts (assets and liabilities) and lending/borrowing with credit institutions	- 1,600	5,983
Net increase in cash and equivalents	- 18	10,881

Change to consolidated shareholders' equity

(in millions of euros)

	Capital	Premiums
Balance on January 1st, 2007	**3,429**	
Consolidated profit/loss for the financial year		
Allocation of the profit of the previous year		
Distribution of dividends		
Increase in capital	107	
Exchange rate variations		
Fair value variations of available-for-sale assets		
Effects of changes to the scope		
Balance on December 31st, 2007	**3,537**	
Balance on January 1st, 2008	**3,537**	
Consolidated profit/loss for the financial year		
Allocation of the profit of the previous year		
Distribution of dividends		
Increase in capital	160	6
Exchange rate variations		
Fair value variations of available-for-sale assets		
Effects of changes to the scope		
Balance on December 31st, 2008	**3,697**	**6**

1. The reserves consist on December 31st, 2008 of the legal reserve 27 million euro, the statutory reserves 1,387 million euro, and other reserves 10,906 million euro.

Shareholders' equity, Group share				Minority interests
Reserves[1]	+ / - deferred values of available-for-sale assets	Profit/loss year	Total	
8,684	**692**	**2,017**	**14,822**	**1,939**
		1,845	1,845	316
2,017		- 2,017		
- 86			- 86	- 51
			107	
- 33			- 33	- 4
	- 180		- 180	- 23
34			34	5
10,616	**511**	**1,845**	**16,509**	**2,182**
10,616	**511**	**1,845**	**16,509**	**2,182**
		353	353	155
1,845		- 1,845		
- 89			- 89	- 102
			166	
2			2	4
	- 1,597		- 1,597	- 255
- 54			- 54	235
12,320	**- 1,086**	**353**	**15,290**	**2,218**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Accounting principles and methods

Note 1.1 Accounting reference system

In application of Regulation (EC) 1606/2002 on the application of the international accounting standards and Regulation (EC) 1725/2003 on their adoption, the consolidated financial statements for the financial year have been drawn up according to the IFRS reference system adopted by the European Union on the closing date of the financial year. This IFRS reference system includes the IAS standards 1 to 41, IFRS rules 1 to 7 and their SIC and IFRIC interpretations adopted on that date. The summary documents are presented according to recommendation CNC 2004-R.03.

On October 15th, 2008, the European Union voted in favour of the modification of the IAS 39 and the IFRS 7 on the recognition of financial assets. This modification applies as of the fiscal year 2008. All the IAS/IFRS standards were updated on November 3rd, 2008 with the regulations 1126/2008, which replace regulations 1725/2003 with immediate effect. This referential is available on the European Commission site: http://ec.europa.eu/internal_market/accounting/ias_fr.htm#adopted-commission.

In the course of the year 2007, the European Union adopted the IFRS 8 standard on "Operational sectors", which is to be implemented as of the fiscal year 2009. In 2008, it adopted other regulations that are to be implemented as of the fiscal year 2009: the rewritten IAS 23 standard "Cost of borrowing", the modification of the IFRS 2 "Share based payment", the modification of the IAS 1 standard "Presentation of financial statements" and the interpretations of IFRIC 13 "Customer loyalty programmes" and IFRIC 14 "The limit on a defined benefit asset – Minimum funding requirements". The IAS 39 amendment of October 2008 was used, for the reclassification of certain financial instruments recognized at fair value in loans or receivables or assets available for trading.

Note 1.2 Scope and methods of consolidation

◆ Scope of consolidation

The general principles governing the inclusion of an entity in the scope are laid down by IAS 27, IAS 28 and IAS 31.

The scope of consolidation consists of:

Entities under exclusive control

There is a presumption of exclusive control when the Group holds, directly or indirectly, a majority stake in the capital and either the majority of the voting rights or the power to appoint a majority of the members of the management or supervisory bodies, or when the Group exercises a dominant influence. The accounts of the entities under exclusive control are consolidated by global integration.

Entities under joint control

Joint control is the sharing, by virtue of a contractual agreement, of control over an economic activity, whatever the structures or forms according to which the activities are conducted. Entities under joint control are consolidated by application of the equity method.

Entities under significant influence

These are entities that are not controlled by the consolidating entity, but over which there is a power of participation in financial and operational policy. The securities of entities in which the Group exercises a significant influence are valued by the equity method.

Entities under control or under significant influence which do not represent a significant amount in the consolidated accounts are excluded from the scope of consolidation. This situation is presumed when the balance sheet total or the company's profit or loss do not have an impact of more than 1% on the consolidated or subconsolidated equivalent (in the case of consolidation in stages). This quantitative criterion is only relative; an entity may be included in the scope of consolidation in spite of this threshold, when its activity or its anticipated development give it the quality of strategic investment.

An ad hoc entity is consolidated if the conditions laid down by SIC 12 (activities of the entity conducted exclusively on behalf of the Group, decision-making or management power to obtain the majority of the advantages relating to the current activities of the entity, ability to benefit from the advantages of the entity, conservation of the majority of the risks) are fulfilled.

Stakes held by development capital companies and over which joint control or significant influence are exercised are excluded from the scope of consolidation and are accounted for at fair value on option.

◆ Changes to the scope

The changes to the scope at December 31st, 2008 are as follows:

Entering the scope

Agefor SA Genève, Alternative Gestion SA Genève, Banco Popular France, Banque Transatlantique Londres,

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), CM-CIC 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 (Shanghaï) Ltd, Valeroso Management Ltd.

Change in consolidation method

NRJ Mobile, from equity method to total integration.

Leaving the scope

CM-CIC 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 Groupe des Assurances du Crédit Mutuel, SAS Foncière ACM with Groupe des Assurances du Crédit Mutuel, SCI Socapierre with Groupe des Assurances du Crédit Mutuel, SNVB Financements with CM-CIC Bail.

These ventures have no impact on the consolidated financial statements.

◆ Methods of consolidation

The methods of consolidation used are as follows:

Global integration

This method consists of substituting for the value of the securities each of the assets and liabilities of each subsidiary and of isolating the part of the non-controlling interest in the shareholders' equity and in the results. It applies to all the entities under exclusive control, including those with different accounting structures, whether or not the activity is an extension of that of the consolidating entity.

Equity accounting

This means substituting for the value of the securities the Group's share in the shareholders' equity and the results of the entities concerned. It applies to all the entities under significant influence.

◆ Closing date

All the companies in the Group included in the scope of consolidation close their corporate accounts on December 31st.

◆ Elimination of reciprocal transactions

The reciprocal accounts as well as the profits resulting from assignments between the entities in the Group and having a significant impact on the consolidated accounts are eliminated.

Internal receivables, debts, commitments, charges and income are eliminated for the entities consolidated by global integration.

◆ Conversion of accounts in foreign currencies

Concerning the accounts of foreign entities expressed in other currencies, the balance sheet is converted on the basis of the official exchange rate on the balance sheet date. The difference in the capital, reserves and balance carried forward is entered into the shareholders' equity, in the "Conversion reserves". The income statement is converted on the basis of the average rate over the financial year. The resulting conversion differences are entered directly in the "Conversion reserves" account. This difference is reintegrated into the result in the event of the assignment or liquidation of all or a part of the stake held in the foreign entity.

The Group opted to reset the conversion reserves to zero in the opening balance sheet of January 1st, 2004 as allowed by IFRS 1.

◆ Goodwill

Purchase price discrepancy

At the date when a new entity is taken over, the assets, the liabilities, as well as any contingent operating liabilities are valued at their fair value. The purchase price discrepancy corresponding to the difference between the book value and the fair value is entered into the accounts.

Goodwill

In accordance with IFRS 3, on the date when a new entity is taken over, the assets and liabilities as well as the contingent liabilities are valued at their fair value. The difference between the acquisition price of the securities and the total valuation of the assets, liabilities and contingent liabilities constitutes the goodwill. If it is positive, it is entered on the assets side and if it is negative, it is immediately entered into the result, under "Variations in the value of goodwill'.

In the case of an increase in the Group's percentage interest in an entity already controlled, the difference between the acquisition cost of the securities and the complementary portion of the consolidated shareholders' equity that these securities represent on the date of their acquisition is entered into the shareholders' equity.

The Group regularly carries out, and at least once a year, goodwill depreciation tests. The aim of these tests is to ensure that the goodwill has not undergone any depreciation. If the recoverable amount of the cash-generating unit (CGU) to which the goodwill allocated is less than its book value, a depreciation is entered for the amount of the difference. This depreciation, recognised as a result, is irreversible. In practise, the CGUs are defined in relation to business lines according to which the Group conducts its business.

Note 1.3 Accounting principles and methods

The IFRS standards offer a choice of accounting methods on certain subjects. The main options chosen by the Group concern:

– the use of the fair value or of a revaluation as the presumed cost of the fixed assets at the time of the conversion: this option may apply to any tangible fixed asset, any intangible asset that meets the revaluation criteria, or any investment property valued on the basis of the cost. The Group has chosen not to use this option;

– the immediate recognition as shareholders' equity of actuarial gains/losses relating to staff benefits has not been applied by the Group;

– the Group opted to reset the conversion reserves to zero in the opening balance sheet of January 1st, 2005 as allowed by IFRS 1;

– the valuation at the market price of certain liabilities issued by the company not belonging to the trading book. In June 2005 the IASB published an amendment to standard IAS 39 "Financial instruments: recognition and measurement", laying down the conditions of use of fair value through profit or loss for financial assets and liabilities, which was adopted by the European Union on November 15th, 2005. The Group opted for its application as from January 1st, 2005;

– the eligibility for fair value hedging relationships of macro hedging operations carried out as part of the assets-liabilities management of fixed rate positions (including in particular clientele sight deposits) authorised by Regulation n° 2086/2004 of the European Commission, was applied by the Group;

– the Group used the IAS 39 amendment of October 2008, which permits the reclassification of certain financial instruments recognized at fair value in loans or receivables or assets held until their term.

Note 1.3.1 Loans and receivables

Loans and receivables are fixed or determinable income financial assets not listed on an active market. They include loans granted directly or the share in the context of syndicated loans, acquired loans and unlisted debt securities. They are recognised at their market value when they are entered into the balance sheet, which is generally the net amount paid out. The rates applied are presumed to be market rates insofar as the scales are adjusted permanently according in particular to the rates of the great majority of competing institutions. These outstanding amounts are then valued at the following closing dates at the depreciated cost by using the effective interest rate method (except for those that have been entered into the accounts according to the fair value by option method).

Commission directly relating to the setting up of the loan, received or paid and of the interest type, is spread over the duration of the loan according to the effective interest rate method and is entered in the income statement among the interest items.

The fair value of the loans is communicated in the notes on each closing date: it corresponds to the discounting of the future flows estimated on the basis of a zero coupon rate curve which does not include a signature cost inherent to the debtor.

Note 1.3.2 Provisions for depreciation of loans and receivables, financing and guarantee commitments

◆ Individual provision for depreciation of loans and receivables

A depreciation is recognised as soon as there is objective proof of depreciation resulting from one or more events occurring after the setting up of the loan — or of a Group of loans — and liable to generate a loss. An analysis is done at each closing date contract by contract. The depreciation is equal to the difference between the book value and the discounted value at the original interest rate of the loan of the estimated flows taking account of the effect of the guarantees. In the case of a variable rate, it is the last known contractual rate that is used.

The existence of payments due and unpaid for over 3 months, 6 months for property and 9 months for local authorities, represents objective proof of a loss event. Similarly when it is probable that the debtor will not be able to pay back all the amounts due or when there is an event of default or again in the case of official receivership, an objective indication of loss is identified.

The depreciation is accounted for in the form of a provision, the amounts of which are included in the cost of the risk. Writebacks of provisions are recorded in cost of

the risk for the part relating to the variation in the risk and as interest margin for the part relating to the passage of time. The provision is deducted from the assets for the depreciation of loans and is entered in the liabilities among the provisions for risks for the financing and guarantee commitments.

Irrecoverable receivables are entered as losses and the corresponding provisions are the subject of a writeback.

◆ Collective provision for loans and receivables

Loans to the clientele not depreciated on an individual basis are the subject of a provision for homogenous loan portfolios in the case of the deterioration of internal or external ratings, on the basis of losses in the event of a default and of the probability of a default until maturity observed internally or externally, applied to outstanding loans. It is entered as a deduction of the outstanding amounts corresponding to the assets, and the variations over the financial year are recorded under the item "Cost of risk" in the income statement.

Note 1.3.3 Lease contracts

A lease is an agreement whereby a lessor assigns to a lessee, for a given period, the right to use an asset in exchange for a payment or a series of payments.

A direct financing lease is a lease that has the effect of transferring to the lessee virtually all the risks and advantages inherent in the ownership of an asset. The transfer of ownership may occur or not, in fine.

A simple lease refers to any lease other than a direct financing lease.

◆ Lessor direct financing lease operations

In accordance with IAS 17, the direct financing lease operations carried out with companies outside the Group feature in the consolidated balance sheet for their outstanding amounts determined according to financial accounting.

In the lessor's accounts, the analysis of the economic substance of the operations leads to:

• recognising a financial claim on the client, depreciated by the rents received;

• breaking down the rents into, on the one hand the interest and, on the other the amortisation of the capital, called financial amortisation;

• recognising a net hidden reserve, equal to the difference between:

– the net financial liabilities: the lessee's debt constituting the capital remaining due and the accrued interest at the end of the financial year;

– the net book value of the fixed assets leased;

– the provision for deferred tax.

◆ Lessee direct financing lease operations

In accordance with IAS 17, the fixed assets are entered in the balance sheet assets by way of compensation for a loan with credit institutions in the liabilities. The rents paid are broken down into interest charges and reimbursement of the principal of the debt.

Note 1.3.4 Securities acquired

Shares held are classified in the three categories designated under IAS 39, "Financial instruments valued at fair value through profit or loss", "Financial assets held to maturity" and "Financial assets available for trading".

◆ Financial assets and liabilities at fair value through profit or loss

Classification

The category of "Financial instruments valued at fair value through profit or loss" includes:

1. financial instruments held for transaction purposes. These are mainly instruments which:

a. have been acquired to be sold or bought again in the short term, or

b. are integrated in a portfolio of financial instruments managed together for which an effective recent schedule for short term profit taking exists, or again

c. constitute a derivative not qualified as a hedge;

2. financial instruments classified by choice from the outset at the fair value through profit or loss in application of the option opened up by IAS 39 whose conditions of application were laid down by the amendment published in June 2005. The aim of the application of the fair value option is to produce more relevant financial information, with in particular:

a. the fair value valuation of certain composite financial instruments without separation of the embedded derivatives, whose separate valuation would not have been sufficiently reliable,

b. the significant reduction of distortions in accounting treatment between certain assets and liabilities,

c. the management and monitoring of the performances

of a group of assets and/or liabilities corresponding to a management of the risks or an investment strategy carried out at the fair value. This category includes in particular the securities of the development capital business.

The Group has used this option in particular within the framework of unit-linked contracts in the insurance business out of coherence with the treatment applying to liabilities as well as for the securities of the development capital business and certain debts issued including embedded derivatives.

Basis for assessment and recognition of expenses and income

Instruments classified as "Assets and liabilities at fair value through profit or loss" are counted when they are entered into the balance sheet at their fair value, as well as at later closing dates, and this until they are sold. Variations in fair value and the income received or accrued on the fixed income securities classified in this category are recorded in the income statement under the item "Net income or losses on financial instruments at fair value through profit or loss".

Purchases and sales of securities valued at fair value through profit or loss are entered into the accounts on the settlement date. Variations in fair value between the trade date and the settlement date are counted in the result. The assessment of the counter-party risk on these securities is taken into account in the fair value.

Fair value or market value

The fair value is the amount at which an asset could be exchanged or a liability extinguished, between well-informed and consenting parties acting in normal conditions of competition. When an instrument is first recognised, its fair value is generally the transaction price.

The fair value in the case of the listing of the financial instruments on an active market is the price listed or market value, for this is the best estimation of the fair value.

The price quoted in the context of an asset held or a liability to be issued is generally the bid price and the ask price when it is a liability held and an asset to be acquired.

In the event of symmetrical active and passive positions, only the net position is valued according to the bid price if it is a net asset or a net liability to be issued and according to the ask price if it is a net liability or net asset to be acquired.

The market is said to be active when the prices quoted are easily and frequently available and these prices represent real transactions and occur regularly in normal conditions of competition on very similar financial instruments.

When the quotation market is not active, the fair value is determined using assessment techniques.

The derivatives are revaluated on the basis of data observable in the market (for example rate curves). The notion of bid/ask must then be applied to these observable data.

For the securities of the development capital business, a multi-criteria approach is applied, completed by experience in the field of valuing unlisted companies.

Classification criteria and rules for transfer

Market conditions can lead the Crédit Mutuel Group to change its investment strategy and its management intentions concerning these shares. Therefore, when it seems ill timed to transfer shares initially acquired with an objective of short-term transfer, these shares may be reclassified, in accordance with the specific regulations of amendment IAS 39 of October 2008. The transfer to categories such as "Financial assets available for trading" or "Financial assets held to maturity" is authorized under exceptional circumstances.

The transfer to the "Loans and receivables " category is possible on the condition that the Group has the intent and the ability to hold them for the foreseeable future or to maturity. The objective of these portfolio transfers is to best reflect the new intents in terms of management concerning these instruments and to reflect in a more accurate manner their impact on the results of the Group.

◆ **Available-for-sale financial assets**

Classification

Available for sale financial assets include the financial assets not classified as "Loans and receivables", nor as "Financial assets held until maturity" nor as "Fair value through profit or loss".

Basis for assessment and recognition of expenses and income

These assets are recognised in the balance sheet at their market value at the time of their acquisition and at future closing dates, until they are sold. Variations in fair value are recorded under a specific item of shareholders' equity called "Unrealised or deferred income or losses", outside accrued revenue. This unrealised income or losses entered into the accounts as shareholders' equity is only recognised in the income statement in the event of their sale or permanent decline in value. In the event of sale, this unrealised income or losses previously entered as shareholders' equity

is recognised in the income statement under the item "Net income or losses on available-for-sale financial assets", as well as the capital gain or loss. Purchases and sales of securities are recognised on the settlement date.

The accrued or acquired revenue from fixed income securities is recognised in the results under the item "Interest and related income". The dividends received on variable income securities are recorded in the income statement under the item "Net gains or losses on available-for-sale financial assets".

Depreciation of debt instruments available to trading

Depreciations are booked in the "Cost of risk" category and are reversible. In the case of depreciations, differed capital loss or profit are booked in results.

Depreciation of capital instruments available for trading

A capital instrument is depreciated in the presence of objective indications of depreciation, either in the case of a) a major or prolonged decrease in the fair value below its price, or b) information concerning important changes with a negative effect, which occurred in the technological or legal environment where the issuer operates and which indicate that the investment cost may not be recovered. Depreciations are recognized in the "Net profits or losses on financial assets available for trading" category and are irreversible as long as the instrument is reported in the balance sheet. Any ulterior decrease is also recognized in results. In the case of depreciations, differed capital losses or profits are recognized in results.

Classification criteria and rules for transfer

Fixed-interest securities may be reclassified:

– in "Financial assets held to maturity", in case of modification of intent and if conditions are met for classification under this category;

– in "Loans and receivables", in the case of modification of intent and ability to hold for the foreseeable future or to maturity and if conditions are met for classification under this category.

In the case of transfer, the fair value of the financial asset at the date of reclassification becomes the new cost or depreciated cost. No profit or loss recognized before the transfer date may be derecognized.

In the case of transfer of shares in the "Financial assets available for trading" category to "Financial asset held to maturity" or "Loans and receivables" of instruments before the maturity date, the unrealized capital losses or profits are depreciated on the residual term of the assets. For the transfer of instruments that do not have a fixed term to the "Loans and receivables" category, the unrealized capital losses or profits are recognized as equity until the securities are sold.

◆ Financial assets held to maturity

Classification

Financial assets held to maturity are fixed or determinable income financial assets necessarily listed on an active market that the Group has the intention and ability to keep until their maturity and has not decided to classify as financial instruments at fair value through profit or loss or as available-for-sale financial instruments. The criteria of intention and ability to keep securities until their maturity are checked on each closing date.

Measurement basis and recognition of costs and income

Securities are recognized at fair value at the trade date. Transaction costs are spread since they are included in the calculation of the effective interest rate except when they are not significant, in which case they are recognized in initial income. For the ulterior closings, the securities are valuated at amortized cost according to effective interest rate method, which includes amortization of premiums and discounts equivalent to the difference between the acquisition cost of the securities and the trading cost.

Income from these securities is recognized in "Interest and other income" of the income statement.

Depreciation

Financial assets held to maturity are depreciated in the same way as receivables and loans when classified as a credit risk.

Classification criteria and rules for transfer

This category includes fixed income securities or securities determined at a given date which the Group has the intention and ability of holding until term.

Eventual hedging operations in terms if interest rate classified in this category of securities are not eligible for hedging as defined under IAS 39 standards.

In addition, the possibilities for sale or transfer of the securities in this portfolio are very limited under IAS 39 standards, or run the risk of declassification of the entire portfolio of the Group and of banning access to this category for a period of two years.

◆ Derivatives and hedge accounting

Financial instruments at fair value through profit or loss – derivatives

A derivative is a financial instrument:

– whose fair value depends on an interest rate, the price of financial instruments, the price of raw materials, an exchange rate, a price, rate or credit index or another variable known as an underlying;

– which requires a low net investment or no investment or one lower than a non-derivative financial instrument to have the same sensitivity to the variation in the underlying;

– which is unwound at a future date.

Derivatives are part of the financial instruments held for transaction purposes except when they enter into a hedging relationship.

They are entered in the balance sheet among the financial instruments at fair value through profit or loss for their fair value. Variations in fair value and the accrued interest or interest due are entered into the accounts among the net income and losses nets on financial instruments at fair value through profit or loss.

The hedge derivatives that meet criteria required by standard IAS 39 to be qualified from an accounting point of view as hedging instruments are classified in the categories "Fair value hedges" or "Cash flow hedges" as appropriate. The other derivatives are all classified by default in the category transaction assets or liabilities, even if economically they have been subscribed with a view to covering one or more risks.

Embedded derivatives

An embedded derivative is a component of a hybrid instrument which, separate from its host contract, meets the definition of a derivative. Making certain cash flows vary in a similar way to that of a freestanding derivative.

This derivative is detached from the host contract to be accounted for separately as at a derivative instrument fair value through profit or loss when the three following conditions are met:

– the hybrid instrument hosting this embedded derivative is not valued at fair value through profit or loss;

– the economic characteristics of the derivative and its related risks are not considered as closely linked to those of the host contract;

– the distinct valuation of the embedded derivative to be separated is sufficiently reliable to provide relevant information.

Financial instruments at fair value through profit or loss – derivatives – structured products

Structured products are financial packages offered to customers to meet their needs more precisely. They are constructed from elementary products, generally options. There are different categories of structured products based on the following elementary products: simple options, binary options, barrier options, Asian options, look back options, options on several assets, index swaps.

There are three main families of methods of valuing these products: the methods arising out the resolution of a partial differential equation, the discrete time tree methods and the Monte-Carlo methods. The first and the last methods are used. The analytical methods applied are those selected by the market for modelling the underlying instruments used.

The parameters used for pricing are those observed or deduced via a standard model of the values observed, on the closing date. If there is no organised market, the values used are taken from the brokers most active on the corresponding products and/or extrapolated from quoted values. All the parameters used are historised. Unlisted financial futures are revalued from the prices observable in the market, according to the procedure known as "flashing". This last method consists of noting each day at the same time the prices offered and asked by several contributors via market flow software. A single price is retained for each useful market parameter.

Certain complex financial instruments and mainly single and multi-barrier underlying share structured products, generally made to measure, not very liquid and long-dated, are valued using models developed internally and valuation parameters such as long volatilities, correlations, estimations of dividends in part not observable on the active markets. When they are first entered into the accounts, these complex instruments are recorded in the balance sheet at the transaction price, which is considered as the best indication of the market value although the valuation produced by the models may be different. This difference between the negotiation price of the complex instrument and the value obtained using the internal model, generally a gain, is known as "Day one profit". The accounting laws prohibit the recognition of the margin made on products valued using models and parameters not observable on active markets. It is therefore deferred. When it concerns single underlying products without a barrier, the margin is spread over the lifespan of the instrument. For products including barrier options, in view of the specific risks relating to the

management of these barriers, the margin is recognised on the maturity date of the structured product.

Reclassification of debt instruments

Fixed income securities or debt instruments classified in fair value by result may be reclassified in the following categories:

a. "Held to maturity", only in a few rare cases, in the case of change of intent, and if eligible under the conditions for classification in this category;

b. "Loans and receivables", in the case of change of intent, ability of holding within a foreseeable future or until term and if eligible under the conditions for classification in this category;

c. "Available for trading", only in a few rare cases.

Fixed income securities or debt securities available for trading may be reclassified in the following categories:

a. "Held to maturity", in the case of change of intent or ability, and under the condition that they be eligible under the conditions of this category;

b. "Loans and receivables", in the case of intent or ability of holding the financial asset in the foreseeable future or until the term and under the condition that they be eligible under the conditions of this category.

In the case of transfer, the fair value of the financial asset at the reclassification date becomes the new cost or depreciated cost. No loss or gain recognized before the date of transfer may be derecognized.

In the case of securities transferred from the "Available for trading" category to "Held to maturity"or "Loans and receivables" of debt instruments before the fixed term, the unrealized profit or loss in equity is depreciated for the remaining term of the asset. In the case of transfer of debt instruments that do not have a fixed term, to the "Loans and receivables" category, the differed unrealized profits and losses remain as equity until sale of securities.

Hedge accounting

The IAS 39 rule allows three forms of hedging relationship. The choice of the hedging relationship is made according to the nature of the risk covered. Fair value hedging allows the hedging of exposure to variations in the fair value of financial assets or liabilities, and it is used in particular to hedge rate risks on fixed-rate assets and liabilities as well as sight deposits within the framework of the possibilities opened up by the European Union. Cash flow hedging is used to cover exposure to variations in cash flow of financial assets or liabilities, direct underwriting or future transactions. It is used in particular to hedge rate risks on revisable rate assets and liabilities, including their renewal, and the exchange risk on future revenue highly probable in foreign currencies. Net investment hedging in foreign currencies is a special type of cash flow hedging.

The Group documents the relationship between the instrument hedged and the hedging instrument, as soon as the hedging relationship is set up. This documentation includes the management objectives of the hedging relationship, the nature of the risk covered, the underlying strategy, an identification of the hedging instrument and of the item covered, as well as the methods of measuring the effectiveness of the hedge.

The Group assesses that effectiveness when the hedging relationship is first set up then throughout its lifespan, at least at each closing date.

The ineffective part of the hedge is recognised in the profit and loss account under the item "Net income or losses on financial instruments at fair value through profit or loss".

Fair value hedging

The part corresponding to the rediscount of the derivative financial instruments is entered in the income statement under the item "Income from interest and interest charges – Hedging derivative instruments" symmetrically to the income from interest or interest charges relating to the item covered.

In the case of a fair value hedging relationship, the derivatives are valued at their fair value in compensation of the income statement under the item "Net income and losses on financial instruments at fair value through profit or loss" symmetrically to the re-evaluation of the risk of items covered in results. This rule also applies if the item covered is entered into the accounts at the depreciated cost or if it is a financial asset classified as an asset available-for-sale. If the hedging relationship is perfectly effective, the variation in the fair value of the hedging instrument compensates for that of the item covered.

The hedge must be considered as "highly effective" to be able to qualify for hedge accounting. The variation of the hedging instrument at fair value or in cash flow must practically compensate for the variation of the item covered at fair value or in cash flow. The ratio between these new variations must be situated in the range from 80% to 125%.

In the event of an interruption to the hedging relationship or the failure to meet the effectiveness criteria, hedge accounting ceases to be applied on a prospective basis. The hedging derivative instruments are transferred to

transaction instruments and are entered into the accounts according to the principles applicable to that category. The value in the balance sheet of the item covered is no longer adjusted afterwards to reflect the variations in fair value, and the adjustments accumulated under the hedging treatment are depreciated over the residual life of the item hedged. If the items hedged are no longer included in the balance sheet as a result in particular of early reimbursement, the adjustments accumulated are immediately entered in the income statement.

Fair value hedging by portfolio of the interest rate risk

The modifications made by the European Union to the IAS 39 rule in October 2004 allow clientele sight deposits to be included in portfolios of fixed rate liabilities.

For each portfolio of assets or liabilities, the bank checks that there is no overhedging and this for each pillar and on each closing date.

The portfolio of liabilities has maturity dates set according to the selling off rules defined by the balance sheet management.

The fair value variations of the interest rate risk of portfolios of hedged instruments are recorded in a specific line in the balance sheet "Purchase price discrepancy of rate hedged portfolios" by compensation of the income statement.

Cash flow hedging

In the case of a cash flow hedging relationship, the gains or losses of the hedging instrument considered as effective are recorded in a specific line in the shareholders' equity, "Unrealised or deferred gains or losses on cash flow hedging", whereas the part considered as ineffective is recorded in the income statement under the item "Net income or losses on financial instruments at fair value through profit or loss".

The amounts recorded in shareholders' equity are entered again in the results under the item "Income from interest and interest charges" at the same pace as the flows of the item hedged affect the results. The items hedged continue to be accounted for in accordance with the rules specific to their accounting category.

In the event of an interruption to the hedging relationship or the failure to meet the effectiveness criteria, hedge accounting ceases to be applied. The total amounts entered in shareholders' equity under the revaluation of the hedging derivative are maintained in shareholders' equity until the transaction hedged itself affects the result or when it is determined that it will not be realised. These amounts are then transferred to the results.

Note 1.3.5 Debts represented by a security

Debts represented by a security (bank-issued medium-term notes, interbank market securities, debenture loans…), not classified at fair value through profit or loss on option, are entered into the accounts at their issue value, generally minus the transaction costs.

These debts are then valued at the depreciated cost according to the effective interest rate method.

Certain "structured" debt instruments may include embedded derivatives. These embedded derivatives are separated from the host contracts as long as the separation criteria are met and they can be valued in a reliable way.

The host contract is eventually entered into the accounts at the depreciated cost. The determination of the fair value is based on the quoted market price or on valuation models.

Note 1.3.6 Subordinated debts

Subordinated debts, forward or undetermined duration, are separated from the other debts represented by a security, for their reimbursement in the event of the liquidation of the debtor is only possible after paying off the other creditors. These debts are valued at the depreciated cost.

Note 1.3.7 Distinction between debts and shareholders' equity

According to the IFRIC 2 interpretation, the members' shares are shareholders' equity if the entity has an unconditional right to refuse reimbursement or if there are legal or statutory provisions forbidding or strongly limiting such reimbursement. As a result of the existing legal and statutory provisions, the capital shares issued by the structures making up the consolidating entity of the Crédit Mutuel Group are entered into the accounts as shareholders' equity.

The other financial instruments issued by the Group are qualified for accounting purposes as debt instruments as long as there is a contractual obligation for the Group to deliver funds to the holders of securities. This is the case in particular for all the subordinated securities issued by the Group.

Note 1.3.8 Provisions

Charges to and writebacks of provisions are classified by nature in the corresponding expense and income items. The provision is included in liabilities.

A provision is constituted when it is likely that an expenditure of resources representative of economic advantages will be necessary to extinguish an obligation born of a past event and when the amount of the obligation may be reliably estimated. The amount of this obligation is updated if necessary to determine the amount of the provision.

The provisions constituted by the Group cover in particular:

– operational risks;
– employee commitments;
– risks of non-execution of commitments;
– disputes and liability guarantees;
– tax risks;
– risks linked to home ownership savings.

Note 1.3.9 Debts on the clientele and on the credit institutions

These debts are fixed or determinable income financial liabilities. They are recognised at their market value when they are entered into the balance sheet, and are then valued at the following closing dates at the depreciated cost using the effective interest rate method, except for those that have been recognised at fair value on option.

◆ Regulated savings contracts

The CEL (home ownership savings account) and the PEL (home ownership savings plan) are French regulated products available to the clientele (physical persons). These products feature a remunerated savings phase that entitles the saver to a home loan in a second phase. They generate two types of commitments for the distributing establishment:

– a commitment to the future remuneration of the savings at a fixed rate (on the PEL only, as the rate of remuneration of CELs can be counted as variable rate, being periodically revised according to an indexation formula);
– a commitment to grant a loan to the customers who ask for one, at predetermined conditions (PEL and CEL).

These commitments have been estimated on the basis of behavioural statistics concerning the customers and market data. A provision is constituted in the balance sheet liabilities in order to cover the future charges relating to the potentially unfavourable conditions of these products, compared to the interest rates offered to the clientele of private individuals for products that are similar, but not regulated in terms of remuneration. This approach is conducted by homogeneous generation in terms of regulated PEL and CEL conditions. The impacts on the results are entered among the interest paid to the clientele.

Note 1.3.10 Cash and cash equivalents

Cash and cash equivalents including the cash accounts, deposits and demand loans with central banks and credit institutions.

Within the framework of the statement of cash flows, OPCVM collective investment funds are classified as an "operational" activity and are therefore not restated as cash.

Note 1.3.11 Employee benefits

Employee benefits are entered into the accounts according to the IAS 19 rule. Employee commitments are the subject, where appropriate, of a provision entered under the item "Contingency and loss provision". Its variation is entered in the income statement under the item "employee expenses".

Post-employment schemes with defined benefits

This refers to retirement, pre-retirement and complementary retirement schemes in which the Group retains a formal or implicit obligation to provide the benefits promised to the personnel.

The commitments are calculated according to the projected unit credit method, which consists of allocating the benefit entitlement to periods of service in application of the contractual formula for the calculation of the scheme's benefits, then updated on the basis of demographic and financial hypotheses such as:

– the discount rate determined by reference to the rate of long-term bonds of first class;
– the rate of increase in salaries, measured according to age group, management/non-management categories and regional characteristics;
– inflation rates, estimated by comparison between the rate of the OAT (French treasury bond) and the OAT inflated for the different maturities;
– the rate of employee mobility, determined by age group, on the basis of the mean ratio over 3 years of the number of resignations and dismissals in relation to the number of employees on permanent contracts present at the end of the financial year;
– retirement age: the estimation is drawn up by individual on the basis of the effective starting date of working life

and hypotheses relating to the Fillon law, with a maximum ceiling at 65 years;
– the mortality rate according to INSEE table TH/TF 00-02.

The differences generated by the changes in these hypotheses and by the differences between the previous hypotheses and realisations constitute actuarial gains/losses. When the scheme has assets, these are valued at fair value and impact the result for their expected yield. The difference between the actual yield and the expected yield also constitutes an actuarial gain/loss.

The Group has opted for the immediate recognition of actuarial gains/losses exceeding the corridor (beyond 10% of the highest value between the present value of the gross commitment to the benefits at the closing date and the fair value of the scheme's assets) in the income statement for the financial year in the form of provisions, without spreading over the residual period of activity of the employees. Reductions and winding up of schemes generate a variation in the commitment, which is entered into the income statement for the financial year.

Complementary pension plans depending on pension funds

The AFB interim agreement dated September 13th, 1993 modified the retirement schemes of banking institutions. Since January 1st, 1994, the banks have been members of the Arrco and Agirc national funds.The four pension funds of which, according to the case, the banks in the Group are members have been merged. They ensure the payment of the different charges provided for in the interim agreement out of their reserves, which are topped up if necessary by additional annual contributions paid by the banks concerned and whose average rate over the next ten years is limited to 4% of payroll.The pension funds' commitments are the subject of a full estimation every two years by an actuary, the last one having been carried out at the end of 2008. The merged pension fund is currently being converted into IGRS. It does not have a shortage of assets.

Other post-employment benefits with defined benefits

Long-service benefits paid on retirement and the pension supplements, including the special schemes, are provisioned. They are assessed on the basis of vested rights for all employees still working, according in particular to the staff turnover rate of the personnel specific to the consolidated entities and the estimated future salary that the beneficiary will have when he retires, increased where applicable by the social contributions. The long-service benefits paid on retirement by the Group's banks in France are covered for at least 60% by an insurance policy with ACM Vie, the Crédit Mutuel Group's insurance company and consolidated by global integration.

Post-employment benefits with defined contributions

The entities in the Group contribute to various pension schemes run by organisations independent of the Group, for which they retain no formal or implicit obligation to make supplementary payments, in particular if it is discovered that the funds' assets are not sufficient to meet its commitments.

As these schemes do not represent commitments for the Group, they are therefore not the subject of a provision. The charges are entered into the accounts in the financial year during which the contribution must be paid.

Long-term benefits

These are benefits due, other than the post-employment ones and end-of-contract payments, payable more than twelve months after the end of the financial year during which the personnel rendered the corresponding services, such as for example work medals, time savings accounts…

The Group's commitment to other long-term benefits is calculated according to the projected unit credit method. However, the actuarial gains/losses are immediately recognised in the results for the period, as the corridor method is not authorised.

Commitments to work medals are sometimes covered by insurance contracts. Only the non-covered part of this commitment may be the subject of a provision.

Additional pension funds for employees

Employees of Crédit Mutuel Centre Est Europe, Sud-Est, Ile-de-France and Savoie-Mont Blanc Groups in addition to compulsory pension plans, benefit from additional pension plans from the Caisse de Retraite du Crédit Mutuel Centre Est Europe (CARMUT), joint agency listed as a retirement pension fund institution (IRS). In application of clause 116 of the Fillon law n° 2003-775 of August 21st, 2003 on the reform of pensions, IRS structures must convert before December 31st, 2008 into institutions for the management of additional retirement pensions plans or merge with approved retirement pension fund institutions.

The social partners of the Crédit Mutuel Centre Est Europe, Sud-Est, Ile-de-France and Savoie-Mont Blanc have decided, through a collective agreement dated January 31st, 2008, to transfer the management of the fund to ACM Vie SA, with retroactive effect to January 1st, 2008.

This operation with retroactive effect to January 1st, 2008 dealt with a commitment of 605 million euro. From now on

ACM Vie SA is in charge of the management of retirement pensions for employees of the CM4 Group. Furthermore, ACM is already in charge of the management of retirement pensions for employees of the CIC Group.

An employee of the Group is still entitled to the favourable pension scheme and the contributions are still paid by the employer. The pension scheme still includes two guarantees, with definite subscriptions and rights. Subscribed rights remain acquired, even if the employee leaves the company, as opposed to rights issued from schemes with fixed rights, where rights are only definitely acquired if the employee leaves the company upon retirement, in accordance with the new legislation.

The total commitment amounts to 603 million euros on December 31st, 2008, of which 593 million euros represent special technical provisions for all participants, in liabilities of the ACM Vie SA balance sheet.

End-of-contract payments

These payments result from the benefit granted by the Group when a contract of employment is terminated before the normal retirement age or following an employee's decision to leave voluntarily in exchange for an indemnity. These provisions are discounted as soon as their payment is expected to be more than twelve months after the closing date.

Short-term benefits

These are benefits payable within twelve months of the end of the financial year other than end-of-contract payments, such as salaries, social security contributions and certain bonuses.

A charge is entered under these short-term benefits for the financial year during which the services giving rise to these benefits have been rendered to the company.

Note 1.3.12 Insurance activities

The accounting principles and the valuation rules specific to the assets and liabilities generated by the issuing of insurance policies, including reinsurance contracts issued or subscribed, and financial contracts containing a discretionary profit-sharing clause (which grants the subscribers of contracts the right to receive, on top of the guaranteed remuneration, a portion of the financial results realised) are drawn up in accordance with the IFRS 4 rule.

The other assets held and liabilities issued by the insurance companies consolidated by global integration follow the rules common to all the Group's assets and liabilities. The financial assets representing the technical provisions related to unit-linked contracts are thus presented under "Financial assets at fair value through profit or loss" and the corresponding assets and liabilities valued on the closing date at the realisation value of the reference medium.

Furthermore, the contracts subject to IFRS 4 continue to be entered into the accounts and consolidated as in the French standards and are valued and entered into the accounts according to the same rules with the exception of a few limited restatements, in particular those relating to the elimination of regulatory equalisation provisions and to the accounting of deferred profit-sharing in accordance with the principles of the French regulation applied to the differences in the valuation of the assets. These are mainly provisions for deferred profit-sharing relating to unrealised capital gains and losses entered into the accounts on the assets side according to IAS 39 (which corresponds, according to IFRS 4, to the application of "shadow accounting": in order to reflect the share of these unrealised capital gains and losses, "the discretionary profit-sharing element", entirely in the provisions and not in shareholders' equity).

Apart from the various provisions charged and written back in the liabilities, the other transactions generated by these contracts are valued and entered into the accounts according to the same rules. This concerns in particular contract acquisition costs, receivables and debts arising out of contracts, advances on policies and recourse and subrogations resulting from insurance and reinsurance contracts.

At the closing date, a liability sufficiency test accounted for in these contracts (net of other related assets or liabilities such as acquisition costs carried forward and the portfolio securities acquired) is carried out: it checks that the liabilities entered into the accounts are sufficient to cover the future cash flows estimated at this date. Any insufficiency of the technical provisions is recognised in the results of the period (and will be written back at a later date if necessary).

The tax-free capitalisation reserve constituted in the individual accounts of the French companies as a result of the sale of amortisable transferable securities, with the aim of deferring a part of the net capital gains earned in order to maintain the actuarial yield of the portfolio constituted to represent the contractual commitments, is cancelled in the consolidated accounts. The movements of the financial year affecting this reserve, recognised by the result in the individual accounts, are cancelled in the consolidated income statement. In application of IAS 12 a deferred tax liability was recognised relating to the effective reclassification as shareholders' equity of the capitalisation reserve. On the other hand, where there is a high likelihood of allocation to the insurees, in particular to take account of insurees' rights under some of the Group's entities' insurance portfolios, deferred profit-sharing is entered into the accounts

following the restatement of the capitalisation reserve.

Note 1.3.13 Fixed assets

The fixed assets entered in the balance sheet include the tangible and intangible operating fixed assets as well as investment property. The operating fixed assets are used for the purposes of production of services or for administrative purposes. Investment property is immovable property held for rent and/or to increase the capital invested. It is recorded in the same way as the business premises, according to the historical cost method.

Fixed assets are entered into the accounts at their acquisition cost plus any expenses directly relevant and necessary to their return to working order in view of their use. The borrowing costs incurred during the construction or the adaptation of the immovable property are not activated.

After initial entry, the fixed assets are valued according to the historical cost method, that is to say at their cost minus the total depreciation and any losses in value.

When a fixed asset consists of several components that could be subject to replacement at regular intervals, as they have different uses or produce economic benefits at a different pace, each item is entered into the accounts separately from the outset, and each of the components is depreciated according to its own depreciation plan. The components-based approach has been chosen for the business premises and investment property.

The amortisable amount of a fixed asset is determined after deduction of its residual value net of the removal costs. The useful life of fixed asset generally being equal to the expected economic life of the asset, no residual value is recognised.

Fixed assets are depreciated over the expected useful life of the asset for the company according to its own estimated rate of consumption of the economic benefits. As intangible fixed assets have an undetermined useful life, they are not depreciated.

The depreciation provision concerning the operating fixed assets is entered into the accounts under the item "Depreciation provisions/writebacks and provisions of operating fixed assets" in the income statement.

The depreciation provisions concerning investment property are entered into the accounts under the item "Charges for other activities" in the income statement.

The ranges of depreciation periods used are:

Tangible fixed assets:

- Land, utilities, networks: 15-30 years
- Constructions-shell and structure: 20-80 years
  (depending on the type of property concerned)
- Constructions-fittings: 10-40 years
- Fittings and installations: 5-15 years
- Furnishings and office equipment: 5-10 years
- Safety equipment: 3-10 years
- Vehicles: 3-5 years
- IT equipment: 3-5 years

Intangible fixed assets:

- Software acquired or created in-house: 1-10 years
- Goodwill acquired: 9-10 years
  (if acquisition of a portfolio of clientele contracts).

Amortisable fixed assets are subject to depreciation tests when the closing dates for the loss of value indices are identified. Non-amortisable fixed assets (such as leases) are subject to a depreciation test once a year.

If there is such a depreciation index, the recoverable value of the asset is compared to its net book value. If there is a loss of value, a depreciation is recognised in the income statement; it modifies the amortisable base of the asset prospectively. The depreciation is written back if there is any change to the estimation of the recoverable value or disappearance of the depreciation indices. The net book value after writeback of the loss of value may not be higher than the net book value which would have been calculated if no loss of value had been entered.

Depreciation concerning the operating fixed assets is entered into the accounts under the item "Provisions/writebacks of provisions for depreciation of operating fixed assets" in the income statement.

Depreciation concerning the investment property are entered into the accounts under the item "Charges for other activities" (for the provisions) and "Income from other activities" (for the writebacks) in the income statement.

The capital gains and losses on the sale of operating fixed assets are recorded in the income statement on the line "Net income or losses on other assets".

The capital gains and losses from the sale of investment property are recorded in the income statement on the line "Income from other activities" or "Charges for other activities".

Note 1.3.14 Tax on profit or loss

The taxes on the profit or loss include all the taxes based on the profit or loss, payable or deferred.

The tax liability on the profits or losses is calculated according to the tax regulations in force.

◆ Deferred tax

In application of IAS 12, deferred taxes are recognised on the temporary differences between the tax value and the

book value of the items in the consolidated balance sheet, with the exception of goodwill.

Deferred tax is calculated according to the variable carryover method with reference to the rate of corporation tax known at the end of the financial year, and applicable during the following financial years.

Assets net of the deferred tax liability are recognised when their likelihood of use is high. The tax payable or deferred is entered into the accounts as income or an expense, with the exception of those relating to unrealised or deferred income or losses entered as shareholders' equity, for which the deferred tax is allocated directly to this item.

Deferred tax assets or liabilities are compensated for when they have their origin in the same entity or tax group, depend on the same tax authority, and when there is a legal right of compensation.

Deferred tax is not the subject of discounting.

Note 1.3.15 Interest covered by the State on certain loans

As part of measures to aid the agricultural and rural sector, as well as home acquisition, certain entities in the Group grant loans at reduced rates fixed by the government. Consequently, these entities receive from the government a bonus equal to the rate differential that exists between the rate granted to the clientele and a predefined reference rate. As a result, no loss of value is recognised on the loans benefiting from these bonuses.

The arrangements concerning this compensation mechanism are regularly re-examined by the government.

The bonuses received from the state are recorded under the item "Interest and related income" and spread over the duration of the corresponding loans, in accordance with IAS 20.

Note 1.3.16 Financial guarantees and financing commitments

Financial guarantees are assimilated with an insurance policy when they provide for specific payments to be made to reimburse its holder for a loss that he has incurred as a result of the default of a debtor specified to make a payment on a due date under the terms of a debt instrument.

In accordance with IFRS 4, these financial guarantees continue to be valued according to the French standards, namely off balance sheet, until a complement to the standard comes into effect to complete the current system. Consequently, these guarantees are the subject of a provision in the liabilities in the event of a probable expenditure of resources.

On the other hand, financial guarantee contracts which provide for payments in response to thevariations of a financial variable (price, rating or credit index…) or of a non-financial variable, as long as in this case the variable is not specific to one of the parties to the contract, enter into the scope of application of IAS 39. These guarantees are then dealt with like derivative instruments.

Financing commitments that are not considered as derivative instruments in the sense of IAS 39 do not feature in the balance sheet. They are, however, the subject of provisions in accordance with the provisions of IAS 37.

Note 1.3.17 Operations in foreign currencies

Assets and liabilities made out in a currency other than the local currency are converted at the exchange rate on the closing date.

Monetary financial assets or liabilities

Exchange gains or losses arising out of these conversions can be entered into the income statement under the item "Net income or losses on portfolio at fair value through profit or loss".

Non-monetary financial assets or liabilities

Exchange gains or losses arising out of these conversions can be entered into the income statement under the item "Net income or losses on portfolio at fair value through profit or loss" if the item is classed at fair value through profit or loss or among the unrealised or deferred gains or losses when they are available-for-sale financial assets.

When consolidated securities in foreign currencies are financed by a loan in the same currency, the latter with be the subject of cash flow hedging.

Note 1.3.18 Non-current assets intended to be sold and activities abandoned

A non-current asset (or group of assets) meets the criteria of definition of assets intended for sale if it available for sale and if its sale is highly likely and will take place within the next twelve months.

Related assets and liabilities are presented on two separate lines on the balance sheet under the items "Non-current assets intended to be sold" and "Debts relating to

non-current assets intended to be sold”. They are entered into the accounts at the lowest of either their book value or their fair value minus the transfer costs and are no linger depreciated.

When a loss in value is observed on this type of asset and liability, a depreciation is recorded in the result.

Activities are considered as abandoned when they are activities intended to be sold, activities that have been stopped and subsidiaries which were acquired only with a view to being sold. They are presented on a separate line in the statement under the item “Net tax income and losses on abandoned activities”.

Note 1.3.19 Judgements and estimates used for drawing up the financial reports

The preparation of financial reports may require the use of assumptions and estimates that have an impact on income and expenses, assets and liabilities in the balance sheet and in the exhibits.

In this case, the administrators, based on their judgement and their experience, use information available at the date that the financial reports are produced to make the necessary assumptions. It is particularly the case for:

– depreciation of debt instruments and capital instruments,

– calculation models for measuring financial instruments that are not rated on a listed market and classified in “Available for trade” or in “Fair value by result”,

– evaluation of market activity,

– measurement of the fair value of financial instruments that are not rated on a listed market and classified in “Loans and receivables” or “Held to maturity” and reporting this information in the exhibits of the financial report,

– depreciation tests on intangible assets,

– determining provisions, particularly for pension schemes and other future benefits.

Note 1.3.20 Standards and interpretations adopted by the European Union not yet applied

Standards IAS / IFRS	Name of the standard	Date of application	Consequences of application
IAS 1	Presentation of financial reports (amendments to the standards for financial reports currently applicable)	Required application as of January 1st, 2009	Impact on presentation of financial statements
IAS 23	Compulsory application (amendments to the standards for financial reports currently applicable)	Required application as of January 1st, 2009	Not applicable
IFRS 2	Payment based on shares (amendments to the standards for financial reports currently applicable)	Required application as of January 1st, 2009	Not applicable
IFRS 8	Operational sectors (replacement of IAS 14 – Sectoral information)	Required application as of January 1st, 2009	Impact not significant
IFRIC 11	IFRS 2 – Accounting treatment of certain particular payments based on shares: own shares and intra-group transactions	Required application as of January 1st, 2009	Not applicable
IFRIC 13	Customer loyalty programmes	Required application as of January 1st, 2009	Not applicable
IFRIC 14	IAS 19 – The limit of a defined benefit asset – Minimum funding requirements and their interaction	Required application as of January 1st, 2009	Not applicable

Information on the balance sheet and income statement items (in millions of euros)

Note 2 Breakdown of the balance sheet and income statement by activities and geographical zones

The activities are as follows:

– The retail bank includes the branches of Crédit Mutuel Centre Est Europe, the regional banks of the CIC as well as the all the specialised activities in which the network is involved: real estate leasing, factoring, collective management, employee savings schemes, property. Since December 5th, 2008, this activity also includes the agencies of the Citibank Germany network.

– The insurance business consists of the Assurances du Crédit Mutuel Group.

– The financing and market activities cover:

a. the financing of large companies and institutional clients, specialised financing, the international market and foreign subsidiaries;

b. the market activities in the wider sens, that is the activities cocerning interest and exchange rates and shares, whether they are exercised on behalf of the clientele or for own account, including stock market intermediation.

– The private banking activities include the companies whose main activities it is, both in France and abroad.

– A development capital activity exercised for own account and financial engineering constitute one sector of the business.

– The holding structure includes elements that cannot be assigned to another activity (holding) as well as the logistics structures: the intermediate holdings, the operating property lodged in specific entities and the IT entities.

The consolidated entities are allocated fully to their main activity on the basis of their contribution to the consolidated accounts. Only two entities form an exception, the CIC and the BFCM due to their presence in several activities. In this case, the company accounts have been subjected to an analytical breakdown. The balance sheet is broken down in the same way.

Breakdown of the balance sheet by activities

Assets 2008

	Retail bank	Insurance
Cash, Central banks, Post office banks – Assets	4,099	0
Financial assets at fair value through profit and loss	192	13,655
Derivative hedging instruments – Asset	3,944	51
Available-for-sale financial instruments	1,131	37,685
Loans and receivables on credit institutions	24,905	0
Loans and receivables on clientele	182,697	392
Financial assets held until maturity	140	6,960
Holdings in associated companies	119	223

Liabilities 2008

	Retail bank	Insurance
Central banks, Post office banks – Liabilities	0	0
Financial liabilities at fair value through profit and loss	104	2,195
Derivative hedging instruments – Liabilities	5,778	0
Debts to credit institutions	10,319	0
Debts to clientele	106,407	82
Debts represented by a security	22,600	0

Breakdown of the income statement by activities

December 31st, 2008

	Retail bank	Insurance	Financing and markets
Net banking income	4,752	781	26
Overheads	- 3,250	- 313	- 239
Gross operating income	**1,503**	**468**	**- 214**
Cost of risk	- 421	0	- 530
Income from other assets[1]	12	17	0
Pre-tax profit or loss	**1,094**	**485**	**- 744**
Corporation tax	- 334	- 95	268
Net accounting profit or loss	**760**	**390**	**- 476**
Minority interests			
Net profit or loss Group share			

1. Including net profit/loss of associated entities and losses in value on goodwill.

Financing and markets	Private bank	Development capital	Structure and holding	Total
7,909	747	0	3,712	16,467
38,592	185	1,692	3,491	57,807
352	54	0	122	4,523
19,201	6,106	2	7,598	71,723
5,553	6,357	3	5,060	41,877
21,630	4,045	0	781	209,545
308	22	0	2,695	10,125
0	1	0	0	343

Financing and markets	Private bank	Development capital	Structure and holding	Total
0	2,319	0	0	2,319
41,971	135	0	3,209	47,614
1,829	382	0	- 86	7,903
47,097	383	0	31	57,829
4,785	14,156	0	2,660	128,089
76,136	75	0	2,039	100,850

Private bank	Development capital	Structure and holding	Inter activities	Total
427	112	66	- 439	5,726
- 272	- 38	- 644	439	- 4,317
156	73	- 578		1,409
- 108	1	- 6		- 1,064
0	0	8		37
47	74	- 576		381
- 5	2	291		127
42	77	- 285		509
				155
				353

December 31st, 2007 pro-forma

	Retail bank	Insurance	Financing and markets
Net banking income	4,654	1,056	611
Overheads	- 3,182	- 297	- 279
Gross operating income	1,472	759	332
Cost of risk	- 110	0	- 7
Income from other assets[1]	21	28	0
Pre-tax profit or loss	**1,382**	**787**	**325**
Corporation tax	- 446	- 238	- 92
Net accounting profit or loss	**937**	**549**	**233**
Minority interests			
Net profit or loss Group share			

December 31st, 2007 published

	Retail bank	Insurance	Financing and markets
Net banking income	4,654	1 056	611
Overheads	- 3,182	- 297	- 279
Gross operating income	1,472	759	332
Cost of risk	- 111		- 7
Income from other assets[1]	22	28	
Pre-tax profit or loss	**1,383**	**787**	**325**
Corporation tax	- 446	- 238	- 92
Net accounting profit or loss	**937**	**549**	**233**
Minority interests			
Net profit or loss Group share			

1. Including net profit/loss of associated entities and losses in value on goodwill.

Private bank	Development capital	Structure and holding	Inter activities	Total
449	381	446	- 387	7,209
- 261	- 42	- 519	387	- 4,193
187	339	- 73		3,016
- 6	0	0		- 124
0	0	- 5		44
181	339	- 78		2,937
- 46	- 12	59		- 776
135	327	- 19		2,161
				316
				1,845

Private bank	Development capital	Structure and holding	Inter activities	Total
449	424	403	- 387	7,209
- 261	- 42	- 519	387	- 4,193
188	382	- 116		3,016
- 7				- 125
		- 5		45
181	382	- 121		2,936
- 46	- 15	62		- 775
135	367	- 59		2,161
				316
				1,845

Breakdown of the balance sheet by geographical zones

Assets

	December 31st, 2008		
	France	Europe outside France	Other countries[1]
Cash, Central banks, Post office banks – Assets	14,799	1,601	68
Financial assets at fair value through profit and loss	56,873	377	558
Derivative hedging instruments – Assets	4,442	81	0
Available-for-sale financial instruments	63,024	7,144	1,555
Loans and receivables on credit institutions	33,204	6,430	2,243
Loans and receivables on clientele	187,856	18,592	3,097
Financial assets held until maturity	9,896	229	0
Holdings in associated companies	94	1	248

Liabilities

	December 31st, 2008		
	France	Europe outside France	Other countries[1]
Central banks, Post office banks – Liabilities	0	2,319	0
Financial liabilities at fair value through profit and loss	42,863	4,392	358
Derivative hedging instruments – Liabilities	7,505	388	11
Debts to credit institutions	53,522	0	4,306
Debts to clientele	104,946	22,589	553
Debts represented by a security	89,454	8,721	2,676

Breakdown of the income statement by geographical zones

	December 31st, 2008		
	France	Europe outside France	Other countries[1]
Net banking income	5,371	533	- 178
Overheads	- 3,967	- 302	- 48
Gross operating income	**1,404**	**231**	**- 227**
Cost of risk	- 799	- 215	- 51
Income from other assets[2]	14	0	23
Pre-tax profit or loss	**619**	**17**	**- 254**
Overall net profit or loss	628	23	- 143
Net profit or loss Group share	**457**	**20**	**- 124**

1. USA, Singapore, Tunisia and Morocco.

2. Including net profit/loss of associated entities and losses in value on goodwill.

Total	France	Europe outside France	Other countries[1]	Total
	December 31st, 2007			
16,467	6,287	355	5	6,647
57,807	97,462	232	2,293	99,988
4,523	2,975	192	1	3,167
71,723	45,787	10,833	2,577	59,198
41,877	38,390	1,804	1,385	41,578
209,545	170,130	6,421	2,479	179,030
10,125	7,309	366	0	7,675
343	221	0	217	438

Total	France	Europe outside France	Other countries[1]	Total
	December 31st, 2007			
2,319	0	59	0	59
47,614	62,721	3,900	159	66,780
7,903	2,694	164	0	2,858
57,829	34,437	4,030	4,041	42,507
128,089	92,759	13,914	581	107,254
100,850	82,317	13,588	3,880	99,785

Total	France	Europe outside France	Other countries[1]	Total
	December 31st, 2007			
5,726	6,896	416	- 103	7,209
- 4,317	- 3,928	- 218	- 47	- 4,193
1,409	2,967	198	- 149	3,016
- 1,064	- 117	- 10	4	- 124
37	25	0	19	44
382	2,875	188	- 126	2,937
509	2,077	139	- 55	2,161
353	1,767	125	- 47	1 845

Note 3 Composition of the scope of consolidation

In accordance with the opinion of the Banking Commission, the parent company of the Group consists of the companies included in the scope of the consolidation. The entities that make it up are:

– the Fédération du Crédit Mutuel Centre Est Europe (FCMCEE),
– the Fédération du Crédit Mutuel du Sud-Est (FCMSE),
– the Fédération du Crédit Mutuel d'Ile-de-France (FCMIDF),
– the Fédération du Crédit Mutuel de Savoie-Mont Blanc (FCMSMB),
– the Caisse Fédérale du Crédit Mutuel Centre Est Europe (CFCMCEE),
– the Caisse Régionale du Crédit Mutuel Sud-Est (CRCMSE),
– the Caisse Régionale du Crédit Mutuel Ile-de-France (CRCMIDF),
– the Caisse Régionale du Crédit Mutuel de Savoie-Mont Blanc (CRCMSMB),
– the Caisses de Crédit Mutuel members of the Fédération du Crédit Mutuel Centre Est Europe,
– the Caisses de Crédit Mutuel members of the Fédération du Crédit Mutuel Sud-Est,
– the Caisses de Crédit Mutuel members of the Fédération du Crédit Mutuel Ile-de-France,
– the Caisses de Crédit Mutuel members of the Fédération du Crédit Mutuel de Savoie-Mont Blanc,
– the Cautionnement Mutuel de l'Habitat (CMH).

		December 31st, 2008			December 31st, 2007		
		% Control	% Interest	Method[1]	% Control	% Interest	Method[1]
Banking network							
	Banque de l'Economie du Commerce et de la Monétique	98	94	IG	98	94	IG
	Banque du Crédit Mutuel Ile-de-France (BCMI)	99	95	IG	99	95	IG
CIC	CIC Banque CIO - BRO	99	88	IG	99	88	IG
CIC	CIC Banque Scalbert Dupont - CIN	99	88	IG	99	88	IG
CIC	CIC Bonnasse Lyonnaise de Banque (BLB)			FU	99	88	IG
CIC	Crédit Industriel et Commercial (CIC)	92	88	IG	92	88	IG
CIC	CIC Lyonnaise de Banque (LB)	99	88	IG	99	88	IG
CIC	CIC Société Bordelaise (SBCIC)	99	88	IG	99	88	IG
CIC	CIC Est (ex : Société Nancéienne Varin Bernier)	99	88	IG	99	88	IG
	Caisse Agricole du Crédit Mutuel	100	100	IG	100	100	IG
	Banco Popular France	100	95	IG			NC
	Citibank Privatkunden AG & Co. KGaA	100	95	IG			NC
Subsidiaries of the banking network							
	Caisse Centrale du Crédit Mutuel	23	23	ME	23	23	ME
	SCI La Tréflière	100	97	IG	100	97	IG
	SOFEMO – Société Fédérative Européenne de Monétique et de Financement	99	93	IG	99	93	IG
	Banque de Tunisie	20	19	ME	20	17	ME
	CM-CIC Asset Management (ex : Crédit Mutuel Finance)	82	79	IG	82	79	IG
CIC	CM-CIC Epargne salariale (ex : CIC Epargne salariale)	99	88	IG	99	88	IG
CIC	CM-CIC Bail (ex : Bail Equipement)	99	88	IG	99	87	IG
CIC	CM-CIC Bail Belgium	100	88	IG	100	87	IG
CIC	CM-CIC Gestion	99	88	IG	99	88	IG
CIC	CM-CIC Lease	99	91	IG	99	91	IG
CIC	Factocic	50	48	IG	50	48	IG
CIC	CM-CIC Laviolette Financement	99	88	IG	99	88	IG
CIC	Saint-Pierre SNC	100	88	IG	100	88	IG
CIC	SNVB Financements			FU	99	88	IG
CIC	Sofim	99	88	IG	99	88	IG
	CM-CIC Covered Bonds	100	95	IG	100	95	IG
	Citi Finanzberatung GmbH	100	95	IG			NC
	Citicorp Dienstleistung GmbH	100	95	IG			NC

		December 31st, 2008			December 31st, 2007		
		% Control	% Interest	Method[1]	% Control	% Interest	Method[1]
Financing and market operations banks							
	Banque Fédérative du Crédit Mutuel	95	95	IG	95	95	IG
	Ventadour Investissement	99	95	IG	99	95	IG
CIC	Cigogne Management	100	91	IG	100	91	IG
CIC	CM-CIC Mezzanine			NC	90	77	IG
CIC	CM-CIC Securities	99	88	IG	99	88	IG
Private banks							
CIC	Agefor SA Genève	70	62	IG			NC
CIC	Alternative gestion SA Genève	45	55	ME			NC
CIC	CIC Suisse (ex : Banque CIAL Suisse)	100	88	IG	100	88	IG
CIC	Banque de Luxembourg	100	90	IG	100	90	IG
CIC	Banque Pasche (Liechtenstein) AG	53	47	IG	53	47	IG
CIC	Banque Pasche Monaco SAM	100	88	IG	100	88	IG
CIC	CIC Private Banking - Banque Pasche	99	88	IG	99	88	IG
CIC	CIC Banque Transatlantique	99	88	IG	99	88	IG
CIC	Banque Transatlantique Belgium	100	86	IG	100	86	IG
CIC	Banque Transatlantique Jersey	100	88	IG	100	88	IG
CIC	Banque Transatlantique Londres	100	88	IG			NC
CIC	Banque Transatlantique Luxembourg (ex : Mutual Bank Luxembourg)	90	84	IG	90	83	IG
CIC	BLC gestion	99	88	IG	99	88	IG
CIC	Calypso Management Company	70	62	IG			NC
CIC	Dubly-Douilhet	62	55	IG	61	54	IG
CIC	Elite Opportunities (Liechtenstein) AG	100	88	IG			NC
CIC	GPK Finance	87	77	IG	87	77	IG
CIC	LRM Advisory SA	70	62	IG			NC
CIC	Pasche (International) Services Ltd Gibraltar			NC	100	88	IG
CIC	Pasche Bank & Trust Ltd Nassau	100	88	IG	100	88	IG
CIC	Pasche Finance SA Fribourg	100	88	IG	100	88	IG
CIC	Pasche Fund Management Ltd	100	88	IG	100	88	IG
CIC	Pasche International Holding Ltd	100	88	IG	100	88	IG
CIC	Pasche SA Montevideo	100	88	IG			NC
CIC	Serficom Family Office Inc	100	88	IG			NC
CIC	Serficom Family Office Ltda Rio	51	45	IG			NC
CIC	Serficom Family Office SA	100	88	IG	100	88	IG
CIC	Serficom Investment Consulting (Shanghaï)	100	88	IG			NC
CIC	Serficom Maroc Sarl	100	88	IG	100	88	IG
CIC	Transatlantique Finance	99	88	IG	99	88	IG
CIC	Valeroso Management Ltd	45	55	ME			NC
Development capital							
CIC	CIC Finance	99	88	IG	99	88	IG
CIC	CIC Investissement (ex : CIC Capital Développement)	99	88	IG	99	88	IG
CIC	CIC Investissement Alsace (ex : Finances et Stratégies)	100	88	IG	100	88	IG
CIC	CIC Investissement Est (ex : SNVB Participations)	100	88	IG	100	88	IG
CIC	CIC Investissement Nord (ex : CIC Régions Expansion)	100	88	IG	100	88	IG
CIC	CIC Vizille Participation (ex : CIC Lyonnaise de Participations)	100	87	IG	100	87	IG
CIC	Financière Armen			FU	99	88	IG
CIC	Financière Voltaire	80	70	IG	99	88	IG
CIC	Institut de Participations de l'Ouest (IPO)	80	70	IG	76	67	IG
CIC	IPO Ingénierie	80	70	IG			NC
CIC	Sudinnova	50	43	IG	49	42	IG
CIC	CIC Banque de Vizille	97	86	IG	97	86	IG
CIC	Vizille Capital Finance	99	86	IG	99	86	IG
CIC	Vizille Capital Innovation	100	86	IG	100	86	IG

		December 31st, 2008			December 31st, 2007		
		% Control	% Interest	Method[1]	% Control	% Interest	Method[1]
Structure and logistics							
	CMCP – Crédit Mutuel Cartes de Paiement	50	48	IG	50	48	IG
	Euro-Information	75	73	IG	75	73	IG
	Euro-Information Développement	99	73	IG	99	73	IG
	EIP (ex : GTOCM)	100	100	IG	100	100	IG
	NRJ Mobile	90	65	IG	50	36	ME
CIC	Adepi	100	88	IG	100	88	IG
CIC	CIC Migrations	100	88	IG	100	88	IG
CIC	CIC Participations	99	88	IG	99	88	IG
CIC	Cicor	100	88	IG	100	88	IG
	Cicoval	100	88	IG	100	88	IG
	CM-CIC Services	100	100	IG			NC
	Citicorp Akademie GmbH	100	95	IG			NC
	Citicorp Deutschland GmbH	100	95	IG			NC
	Citigroup IT Consulting GmbH	100	95	IG			NC
	Citigroup Reality Services GmbH	100	95	IG			NC
	Citicorp Management AG	100	95	IG			NC
	CM Akquisitions	100	95	IG			NC
CIC	Efsa	100	88	IG	100	88	IG
CIC	Gesteurop	100	88	IG	100	88	IG
CIC	Gestunion 2	100	88	IG	100	88	IG
CIC	Gestunion 3	100	88	IG	100	88	IG
CIC	Gestunion 4	100	88	IG	100	88	IG
CIC	Impex Finance	100	88	IG	100	88	IG
CIC	Marsovalor	100	88	IG	100	88	IG
CIC	Pargestion 2	100	88	IG	100	88	IG
CIC	Pargestion 3	100	88	IG	100	88	IG
CIC	Pargestion 4	100	88	IG	100	88	IG
CIC	Pargestion 5	100	88	IG	100	88	IG
CIC	Placinvest	99	88	IG	99	88	IG
CIC	Sofiholding 2	100	88	IG	100	88	IG
CIC	Sofiholding 3	100	88	IG	100	88	IG
CIC	Sofiholding 4	100	88	IG	100	88	IG
CIC	Sofinaction	100	88	IG	100	88	IG
CIC	Ufigestion 2	100	88	IG	100	88	IG
CIC	Ufigestion 3	100	88	IG	100	88	IG
CIC	Ugépar Service	100	88	IG	100	88	IG
CIC	Valimar 2	100	88	IG	100	88	IG
CIC	Valimar 4	100	88	IG	100	88	IG
CIC	VTP 1	99	88	IG	99	88	IG
CIC	VTP 5	100	88	IG	100	88	IG
Insurance companies							
GACM	ACM IARD	96	67	IG	96	70	IG
GACM	ACM Nord IARD	49	34	ME	49	36	ME
GACM	ACM Vie	100	70	IG	100	73	IG
GACM	ACM Vie, Société d'Assurance Mutuelle	100	100	IG	100	100	IG
GACM	Serenis Assurances (ex : Assurances du Sud)	100	70	IG	99	72	IG
GACM	Astree	30	21	ME	30	22	ME
GACM	Euro Protection Services	100	70	IG	100	73	IG
GACM	Foncière ACM (ex : ACM Retraite)			FU	89	65	IG
GACM	Groupe des Assurances du Crédit Mutuel (GACM)	75	70	IG	78	73	IG
GACM	ICM Life	100	70	IG	100	73	IG
GACM	ICM Ré	100	67	IG	100	70	IG
GACM	Immobilière ACM	100	70	IG	100	73	IG

		December 31st, 2008			December 31st, 2007		
		% Control	% Interest	Method[1]	% Control	% Interest	Method[1]
GACM	MTRL	100	100	IG	100	100	IG
GACM	Partners	100	70	IG	100	73	IG
GACM	Procourtage	100	70	IG	100	73	IG
GACM	SCI Socapierre			FU	100	74	IG
GACM	Serenis Vie (ex : Télévie)	100	70	IG	100	73	IG
GACM	Suravenir Assurances			NC	34	25	ME
GACM	RMA Watanya	20	14	ME	20	15	ME
Other companies							
GACM	ACM GIE	100	70	IG	100	73	IG
GACM	ACM Services	100	70	IG	100	73	IG
GACM	Massena Property	100	70	IG	100	73	IG
GACM	Massimob	100	67	IG	100	70	IG
GACM	SA Saint-Germain			FU	100	74	IG
GACM	SCI ADS	100	69	IG	100	72	IG
GACM	SNC Fonciere Massena	83	58	IG	98	67	IG

CIC = Company belonging to the Compagnie Financière CIC subgroup.
GACM = Company belonging to the Groupe des Assurances du Crédit Mutuel subgroup.
1. Method:
IG = Global Integration.
IP = Proportional Consolidation.
ME = Equity accounting.
NC = Not Consolidated.
FU = Merged.

Note 4 Cash, Central banks, Post office banks Loans and receivables on credit institutions

	December 31st, 2008	December 31st, 2007
Cash, Central banks, Post office banks		
Central banks	15,702	6,088
of which obligatory reserves	3,289	3,107
Cash, Post office banks	765	558
Total	**16,467**	**6,647**
Total like-for-like	**15,615**	
Loans and receivables on credit institutions		
Crédit Mutuel network accounts	11,521	10,004
Other ordinary accounts	2,809	2,246
Loans	4,394	16,999
Other receivables	13,282	10,605
Securities unlisted on an active market[1]	8,788	470
Pensions	739	983
Receivables depreciated on an individual basis	348	12
Related accounts receivable	313	268
Provisions	- 316	- 8
Total	**41,877**	**41,578**
Total like-for-like	**41,822**	

1. The variations are mainly due to reclassifications dated July 1st, 2008. These reclassifications are presented in note 10 b.

Note 5 Financial assets at fair value through profit and loss

	December 31st, 2008	December 31st, 2007
Securities	37,934	68,282
– Government securities	*4,441*	*20,760*
– Bonds and other fixed income securities	*23,907*	*35,624*
Listed	*22,198*	*35,473*
Unlisted	*1,709*	*151*
– Shares and other variable income securities	*9,587*	*11,898*
Listed	*8,130*	*10,549*
Unlisted	*1,457*	*1,348*
Derivative transaction instruments	7,844	6,051
Other financial assets	12,028	25,655
Total[1]	**57,807**	**99,988**
Total like-for-like	**57,806**	

1. The variations are mainly due to reclassifications dated July 1st, 2008. These reclassifications are presented in note 10 b.

Note 6 Derivative hedging instruments

	December 31st, 2008		December 31st, 2007	
	Assets	Liabilities	Assets	Liabilities
Cash Flow Hedge	2	18	6	9
– variation in value recorded in shareholders equity	*0*	*0*	*0*	*0*
– variation in value recorded in results	*2*	*18*	*6*	*9*
Fair value hedging (variation recorded in results)	4,521	7,885	3,161	2,849
Total	**4,523**	**7,903**	**3,167**	**2,858**

Note 6a Analysis of derivative instruments

	December 31st, 2008			December 31st, 2007		
	Notional	Assets	Liabilities	Notional	Assets	Liabilities
Derivative transaction instruments						
Interest rate instrument						
– Swaps	*411,525*	*6,192*	*6,436*	*420,785*	*4,211*	*5,272*
– Other futures contracts	*26,281*	*120*	*19*	*22,827*	*11*	*8*
– Options and conditional instruments	11,574	720	255	37,588	807	178
Exchange rate instrument						
– Swaps		*76*	*100*		*45*	*51*
– Other futures contracts	*205*	*365*	*334*	*183*	*258*	*209*
– Options and conditional instruments	*51,436*	*182*	*180*	*6,632*	*82*	*79*
Other than interest and exchange rate						
– Swaps	*29,322*	*27*	*24*	*37,529*	*125*	*40*
– Other futures contracts	*3,937*	*0*	*11*	*2,718*	*0*	*11*
– Options and conditional instruments	*4,538*	*162*	*160*	*13,892*	*513*	*530*
Sub-total	**538,818**	**7,844**	**7,518**	**542,155**	**6,051**	**6,377**
Derivative hedging instruments						
Fair Value Hedge						
– Swaps	*54,118*	*4,464*	*7,885*	*19,896*	3,072	2,849
– Options and conditional instruments	*15*	*57*		*21*	*89*	
Cash Flow Hedge						
– Swaps	*86*	*2*	*18*	*77*	*6*	*9*
Total	**593,036**	**12,366**	**15,421**	**562,149**	**9,218**	**9,235**

Note 7 Available-for-sale financial assets

	December 31st, 2008	December 31st, 2007
Government securities[1]	14,527	2,612
Bonds and other fixed income securities	49,891	47,199
– Listed	*49,391*	*46,621*
– Non Listed	*499*	*578*
Shares and other variable income securities	4,655	6,528
– Listed	*4,512*	*6,364*
– Non Listed	*143*	*164*
Long-term investments	2,336	2,601
– Equity investments	*1,338*	*1,315*
Listed	*892*	*842*
Non Listed	*447*	*473*
– Other securities held long term	*402*	*846*
Listed	*255*	*714*
Non Listed	*146*	*132*
– Shares in related companies	*595*	*440*
Listed	*64*	*62*
Non Listed	*532*	*377*
Related accounts receivable	315	258
Total	**71,723**	**59,198**
Total like-for-like	**70,994**	
Of which unrealised gains or losts on bonds and other fixed income securities and government-backed paper accounted for as shareholders' equity	*0*	*0*
Of which unrealised gains or losses on equities and capitalized securities directly accounted for as shareholders' equity	*0*	*0*
Of which impairment of bonds and other fixed income securities	*- 118*	*- 14*
Of which impairment of equities and other variable income securities	*- 1,437*	*- 223*

1. Variances are due to the reclassifications of July 1st, 2008. These reclassications are presented in note 10b.

List of main holdings not consolidated

		% held	Shareholders' equity	Balance sheet total	Net income	Profit/loss
Banca di Legnano	Non quoted	< 10%	1,232	4,151	ND	90
Banca Popolare di Milano	Quoted	< 5%	3,598	43,627	ND	335
BMCE Bank	Quoted	< 5%	700	9,439	394	112
Crédit logement	Non quoted	< 5%	1,416	11,437	155	80
CRH (Caisse de refinancement de l'habitat)	Non quoted	< 20%	160	34,646	6	3
Foncière des Régions	Quoted	< 5%	7,163	18,974	901	1,233
Nyse Euronext[1]	Quoted	< 5%	6,556	13,948	4,474	- 738
Républicain Lorrain	Non quoted	100%	20	69	ND	ND
Veolia	Quoted	< 5%	10,191	46,307	32,628	1,255

1. Amount in USD (concerning financial year 2008).

The different figures (excluding the percentage ownership) relate to financial year 2007.

Note 8 Loans and receivables from clientele

	December 31st, 2008	December 31st, 2007
Sound debts	**200,612**	**171,118**
Commercial lending	5,026	4,931
Other lending to clientele	194,698	165,549
– home loans	*102,451*	*93,317*
– other lending and miscellaneous receivables including pensions	*92,247*	*72,232*
Related accounts receivable	548	476
Securities not listed on an active market	340	162
Debts depreciated on an individual basis	**6,628**	**4,158**
Depreciations	**- 4,741**	**- 2,717**
Sub-total 1	**202,499**	**172,559**
Finance leasing (net investment)	**6,950**	**6,357**
Equipment	4,769	4,297
Real Estate	2,067	1,951
Debts depreciated on an individual basis	114	109
Depreciations	**- 85**	**- 79**
Sub-total 2	**6,865**	**6,278**
Receivables due from reinsurance operations	182	193
Total	**209,545**	**179,030**
Of which equity loans	*2*	*2*
Of which subordinated loans	*153*	*22*
Total like-for-like	**197,492**	

Finance leasing operations with clientele

	Opening	Acquisition	Sale	Others	Closure
Gross book value	6,357	1,018	- 422	- 3	6,950
Depreciation of non-recoverable lease revenue	- 79	- 27	21	0	- 85
Net book value	**6,278**	**992**	**- 402**	**- 3**	**6,865**

Breakdown by duration of future lease revenue receivable under finance leasing operations

	< 1 year	> 1 year and < 5 years	> 5 years	Total
Minimum future lease revenue receivable	2,013	3,972	1,038	7,023
Capitalised value of future lease revenue	1,809	3,721	1,022	6,552
Non-acquired financial income	**204**	**252**	**16**	**471**

Note 9 Revaluation surplus of interest rate hedged portfolios Description of the assets and liabilities covered and the hedging instruments

	Fair value		Variation in fair value
	December 31st, 2008	December 31st, 2007	
Fair value of interest rate risk by portfolio			
Of financial assets	477	- 64	541
Of financial liabilities	- 1,376	207	- 1,583

Note 10a Financial assets held until maturity

	December 31st, 2008	December 31st, 2007
Securities	10,135	7,672
– Government securities	*135*	*139*
– Bonds and other fixed income securities	*10,000*	*7,534*
Listed	*8,562*	*7,190*
Non listed	*1,439*	*343*
Related accounts receivable	88	6
Gross total	**10,223**	**7,678**
– Depreciations	- 98	- 3
Net total	**10,125**	**7,675**
Total like-for-like	**10,125**	

Note 10b Financial instruments – reclassifications

In a situation of completely dislocated markets where even the most reliable liquid assets have completely disappeared and for which market prices are not representative of their economic value, the accounting regulators, in acknowledgement of the exceptional circumstances, have changed the IAS 39 and IFRS 7 standards to allow trading portfolio transfers to other accounting categories.

	2008
Reclassification of trading portfolio to loans and receivables	2,674
Reclassification of trading portfolio to assets available for trade	16,118
Reclassification of available assets for trade portfolio to loans and receivables	5,856
Reclassification of assets available for trade portfolio to assets held to maturity	617

In application of new accounting regulations and in the exceptional situation of completely dislocated markets, the CM4-CIC Group Transferred on July 1st, 2008, 18,8 billion euro of trading portfolio commitments to the AFS portfolio (16,1 billion euro) and to the Loans & Receivables portfolio (2,7 billion euro) and 6,5 billion from the AFS portfolio to the Loans & Receivables portfolio (5,9 billion euro) and to the HTM portfolio (0,6 billion euro).

For the period during which the reclassification of assets took place

	2008
Profits/losses in results linked to assets reclassified for current year	- 33
Gains/losses in equity linked to assets reclassified for current year	- 543
At reclassification date, estimated amount of cash flow on reclassified financial assets	26,040

1. Not converted to current value.

The effective rates of the transferred securities are positive. The highest rate is 10.97%.

For the period following the reclassification (and the one during which it took place) and until the derecognizing of assets

	2008
Book value of reclassified assets	23,930
Fair value of reclassified assets	23,203
Profits/losses that would have been booked in fair value results if the assets had not been reclassified	- 969
Unrealized gains/losses that would have been booked in equity if the assets had not been reclassified	271
Profits/losses booked in results following reclassification of assets	- 35

Market value variation between July 1st, and December 31st, 2008 of securities transferred from trading portfolio to AFS portfolio and to Loans & Receivables amounted to 969 million euro.

Note 11 Variation in depreciations

	December 31st, 2007	Provision	Writeback	Others	December 31st, 2008
Loans and receivables credit institutions	- 8	- 309	2	- 1	- 316
Loans and receivables on clientele	- 2,796	- 933	721	- 1,818	- 4,827
ASF securities "available for sale"	- 237	- 591	21	- 748	- 1,555
HTM securities "held to maturity"	- 3	- 99	3	0	- 98
Total	**- 2,965**	**- 1,931**	**747**	**- 2,646**	**- 6,796**
Total like-for-like					**- 4,887**

On December 31st, 2008, provisions on customer loans and receivables amounted to 4,827 million euro (against 2,796 million euro at the end of 2007) of which 178 million euro (against 124 million euro at the end of 2007) were for collective provisions on good accounts and 365 million euro in collective provisions for Citibank Germany. Individual provisions are essentially booked for ordinary debit accounts, for 988 million euro (against 1,057 million euro at the end of 2007) as well as provisions on commercial debt and other debt (including home loans) for 2,987 million euro (against 1,489 million euro at the end of 2007).

Note 12a Current tax

	December 31st, 2008	December 31st, 2007
Assets (by result)	1,095	759
Liabilities (by result)	280	257

Note 12b Deferred tax

	December 31st, 2008	December 31st, 2007
Assets (by result)	911	463
Assets (by shareholders' equity)	716	72
Liabilities (by result)	879	562
Liabilities (by shareholders' equity)	13	81

Breakdown of deferred taxes by main categories

	December 31st, 2008		December 31st, 2007	
	Assets	Liabilities	Assets	Liabilities
Temporary differences in:				
– Deferred gains/losses on available-for-sale securities	*716*	*13*	*72*	*81*
– Depreciations	*222*		*118*	
– Hidden reserve on finance leasing		*27*		*123*
– Profits/losses of transparent companies		*11*		*29*
– Revaluation of financial instruments	*386*	*582*	*155*	*192*
– Accrued expenditure and income	*69*	*4*	*103*	*28*
– Tax losses	*514*		*160*	
– Insurance business	*116*	*350*	*114*	*384*
– Other temporary offsets	*157*	*459*	*188*	*180*
Compensation	- 553	- 553	- 375	- 375
Total deferred tax assets and liabilities	**1,627**	**892**	**535**	**643**

Note 13 Prepayments and accrued income

	December 31st, 2008	December 31st, 2007
Prepayments and accrued income		
Payments received	563	369
Currency adjustment accounts	87	6
Accrued income	505	555
Various elimination accounts	2,887	3,117
Sub-total	**4,042**	**4,047**
Other assets		
Settlement accounts/securities operations	193	164
Other debtors	11,454	5,439
Stock and similar	17	5
Other uses	- 4	- 3
Sub-total	**11,660**	**5,605**
Other insurance assets		
Receivables from insurance and reinsurance	1,694	352
Total	**17,395**	**10,004**
Total like-for-like	**16,753**	

Note 14 Stakes in associated companies
Share in the net profit/loss of associated companies

	December 31st, 2008		December 31st, 2007	
	Value of associates	Share in profit/loss	Value of associates	Share in profit/loss
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
CCCM	77	1	76	4
NRJ Mobile[1]			80	- 12
RMA Watanaya	194	14	179	14
Suravenir[2]			32	7
Valeroso Management Ltd	NS	NS	NS	NS
Total	**343**	**25**	**438**	**26**

1. NRJ Mobile integration took place through full consolidation on December 31st, 2008.
2. Investment in Suravenir was sold outside the Group.

Note 15 Investment property

	Amount at beginning of year	Increase	Reduction	Other variations	Amount at end of year
Historical cost	1,101	226	- 255	- 3	1,070
Amortisation and depreciation	- 111	- 17	3	- 1	- 126
Net amount	**990**	**209**	**- 251**	**- 4**	**944**
Total like-for-like					**943**

Note 16 Tangible fixed assets

Reference treatment

	Amount at beginning of year	Increase	Reduction	Other variations	Amount at end of year
Historical cost					
Land for operations	377	7	1	9	393
Constructions for operations	2,757	246	- 44	172	3,131
Other tangible fixed assets	1,487	229	- 162	209	1,762
Total	**4,621**	**482**	**- 206**	**390**	**5,287**
Total like-for-like					**4,915**
Amortisation and depreciation					
Constructions for operations	- 1,329	- 145	38	- 66	- 1,502
Other tangible fixed assets	- 1,065	- 160	113	- 166	- 1,277
Total	**- 2,393**	**- 305**	**151**	**- 232**	**- 2,779**
Net amount	**2,228**	**177**	**- 55**	**158**	**2,508**
Total like-for-like					**2,355**

Including property leased under finance leasing operations

	Opening	Acquisition	Sale	Other	Closure
Land for operations	45	0	0	0	45
Constructions for operations	42	- 2	0		40
Total	**87**	**- 2**	**0**	**0**	**85**

Breakdown by minimum future lease payments to be made under finance leasing

	< 1 year	> 1 year and < 5 years	> 5 years	Total
Minimum future lease payments	14	7	0	22
Capitalised value of these future lease payments	14	7	0	22
Financial charges not entered	**0**	**0**	**0**	**0**

Note 17 Intangible fixed assets

	December 31st, 2007	Increase	Reduction	Other variations	December 31st, 2008
Historic cost					
Fixed assets acquired	455	86	- 9	314	846
– software	*0*	*3*	*0*	*93*	*97*
– other	*455*	*83*	*- 9*	*220*	*749*
Total	**456**	**86**	**- 9**	**322**	**855**
Total like-for-like					**582**
Amortisation and depreciation					
Fixed assets acquired	- 209	- 30	4	- 74	- 308
– software	*0*	*- 5*	*0*	*- 69*	*- 74*
– other	*- 209*	*- 25*	*4*	*- 5*	*- 234*
Total	**- 209**	**- 30**	**4**	**- 74**	**- 308**
Net amount	**247**	**56**	**- 5**	**248**	**547**
Total like-for-like					**324**

Note 18 Goodwill

Subsidiaries	Value of goodwill at December 31st, 2007	Increase	Reduction	Variation depreciation[1]	Value of goodwill at December 31st, 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	497				497
IPO	21				21
NRJ Mobile		78			78
Sous-Groupe ACM	64				64
Autres	7				7
Total	**655**	**2,899**	**0**	**3**	**3,557**

1. Other variations are due to translation adjustments on goodwill in currencies.

Goodwill is reviewed at the end of the fiscal year. There was no need for final depreciation.
Depending on the situation, the review consists in:
– checking that the most recent transaction value is higher than the book value,
– checking that the valuation assumptions used at the time of acquisition are still valid.

Acquisitions of the period

Banco Popular France

The Banque Fédérative du Crédit Mutuel acquired the Banco Popular France banking network in June 2008. The related goodwill in the consolidated accounts is as follows (in millions euros):

Price and acquisitions costs	85
Fair value of acquired assets and liabilities	70
Goodwill	**15**

NRJ Mobile

The Group took full control of NRJ Mobile in 2008, Euro Information having brought its shares to 90% in May 2008. The related goodwill in the consolidated accounts is as follows (in millions euros):

Price and acquisitions costs	105
Fair value of acquired assets and liabilities	27
Goodwill	**78**

Goodwill was recognized in the technological branch of the Group. A test took place based on a multi criteria approach to determine the recoverable amount (valuation of the customer base, valuation based on comparable transactions, discounting of future flows), which does not show depreciation.

Citibank Allemagne

The Group took over the retail banking activities of Citibank Germany in December 2008. The goodwill recognized in the accounts for 2008 is based on temporary value, which is subject to change based on on-going analysis:

Price and acquisitions costs	4,874
Fair value of acquired assets and liabilities	2,074
Goodwill	**2,800**

The goodwill has not been recognized in the cash generating units of the Group, due to the fact that the takeover occurred at the end of the year, and to the additional work involved for consolidation of activities. A depreciation test took place in order to determine if there was loss in value index. The fair value of the acquisition was estimated at the end of the fiscal period based on the discounting of the forecasted cash flow of the company, with premium assumptions based on deteriorating risk-free rates and long-term growth of the German economy (respectively 8% and 1%). This test did not indicate a need to depreciate goodwill.

Note 19 Central banks, Post office banks Debts to credit institutions

	December 31st, 2008	December 31st, 2007
Central banks, Post office banks		
Central banks	2,319	59
Post office banks	0	0
Total	**2,319**	**59**
Debts to credit institutions		
Loans	1,468	2,136
Other debts	51,884	21,965
Pensions	4,270	18,122
Related accounts payable	207	285
Total	**57,829**	**42,507**
Total like-for-like	**51,389**	

Note 20a Financial liabilities at fair value through profit or loss

	December 31st, 2008	December 31st, 2007
Financial liabilities held for transaction purposes	14,275	19,004
Financial liabilities at fair value on option through profit or loss	33,339	47,776
Total	**47,614**	**66,780**
Total like-for-like	**47,614**	

Note 20b Financial liabilities held for transaction purposes

	December 31st, 2008	December 31st, 2007
Short selling of securities		
– Bonds and other fixed income securities	*3,316*	*11,102*
– Shares and other variable income securities	*252*	*897*
Derivative transaction instruments	7,518	6,377
Other financial liabilities held for transaction purposes	3,189	628
Total	**14,275**	**19,004**
Total like-for-like	**14,274**	

Note 20c Financial liabilities at fair value on option through profit or loss

	December 31st, 2008	December 31st, 2007
Securities issued	3,715	1,759
Debts representing securities delivered under repurchase agreements	29,081	43,947
Debts	544	2,070
Total	**33,339**	**47,776**
Total like-for-like	**33,339**	

Note 20d Fair value hierarchy

	December 31st, 2008			
	Level 1	Level 2	Level 3	Total
Financial assets				
Transaction / Fair value on option				
– Government stock and assimilated securities Transaction	*4,273*	*0*	*0*	*4,273*
– Government stock and assimilated securities Fair value on option	*167*	*0*	*0*	*167*
– Bonds and other fixed income securities, Transaction	*15,354*	*2*	*0*	*15,356*
– Bonds and other fixed income securities, Fair value on option	*6,791*	*1,761*	*0*	*8,551*
– Shares and other variable income securities, Transaction	*345*	*0*	*0*	*345*
– Shares and other variable income securities, Fair value on option	*7,701*	*0*	*1,541*	*9,242*
– Loans and receivables on credit institutions, Fair value on option	*0*	*6,092*	*0*	*6,092*
– Loans and receivables on clientele, Fair value on option	*0*	*5,936*	*0*	*5,936*
– Derivatives and other financial assets, Transaction	*261*	*7,583*	*0*	*7,844*
Hedging derivative instruments	*0*	*4,523*	*0*	*4,523*
Total	**34,892**	**25,897**	**1,541**	**62,330**
Financial liabilities				
Transaction / Fair value on option				
– Debts to credit institutions, Fair value on option	*0*	*28,561*	*0*	*28,561*
– Debts to clientele, Fair value on option	*0*	*1,063*	*0*	*1,063*
– Debts represented by a security, Fair value on option	*0*	*3,715*	*0*	*3,715*
– Subordinated debt, Fair value on option	*0*	*0*	*0*	*0*
– Derivatives and other financial assets Transaction	*3,707*	*10,568*	*0*	*14,275*
Hedging derivative instruments	0	7,901	0	7,902
Total	**3,707**	**51,808**	**0**	**55,516**

Level 1: Use of the stock market price.
Level 2: Use of valuation techniques mainly based on observable data, includes over-the-counter derivatives.
Level 3: Use of valuation techniques based mainly on non-observable data. In practice, this covers only unlisted shares.

Note 21 Debts to customers

	December 31st, 2008	December 31st, 2007
Special regime savings accounts	49,826	45,180
– sight	*33,236*	*27,638*
– forward	*16,591*	*17,542*
Related accounts payable on savings accounts	41	44
Sub-total	**49,867**	**45,224**
Ordinary accounts	43,265	36,303
Forward accounts and term loans	33,806	24,244
Pensions	326	924
Reinsurance debts	82	76
Related accounts payable	743	483
Sub-total	**78,223**	**62,030**
Total	**128,089**	**107,254**
Total like-for-like	**118,418**	

Note 22 Debts represented by a security

	December 31st, 2008	December 31st, 2007
Interest bearing notes	266	248
TMI & TCN	69,969	68,466
Debenture loans	29,764	30,268
Related accounts payable	851	803
Total	**100,850**	**99,785**
Total like-for-like	**100,850**	

Note 23 Accruals and deferred income

	December 31st, 2008	December 31st, 2007
Accruals and deferred income		
Accounts unavailable on recovery operations	188	176
Currency adjustment accounts	1,684	1,653
Accrued expenses	687	829
Other elimination accounts	8,348	6,188
Sub-total	**10,906**	**8,847**
Other liabilities		
Settlement accounts/operations on securities	231	463
Payments still to be made on securities	107	47
Current liabilities	3,141	2,440
Sub-total	**3,480**	**2,951**
Other insurance liabilities		
Deposits and sureties received	126	100
Total	**14,511**	**11,898**
Total like-for-like	**13,438**	

Note 24 Technical reserves of insurance companies

	December 31st, 2008	December 31st, 2007
Life	49,090	47,572
Non-life	1,969	1,846
Units of account	4,667	6,297
Other	198	197
Total	**55,924**	**55,912**
Total like-for-like	**55,924**	

Note 25 Provisions for contingencies and loss

	Opening balance	Provisions of the year	Provisions of the year (provision used)	Provisions of the year (provision unused)	Other variations	Closing balance
Provisions for pension commitments	121	8	- 9	- 8	9	121
Provisions for contingencies	293	112	- 12	- 57	46	382
Other	310	174	- 12	- 76	17	414
Total	**725**	**294**	**- 33**	**- 140**	**72**	**918**
Total like-for-like					**13**	**859**

◆ Pension commitments and similar benefits

	Opening balance	Provisions of the year	Writebacks of the year	Other variations	Closing balance
Pension commitments with defined benefits and similar excluding pension funds					
Long service payments made on retirement	41	2	- 6	- 3	34
Pension supplements	47	7	- 3	3	54
Bonuses linked to the work medal (other long-term benefits)	28	- 2	- 1	0	25
Sub-total	**116**	**8**	**- 10**	**0**	**113**
Complementary pension schemes with defined benefits insured by the Group's pension funds					
Commitments to employees and retirees	4	0	- 5	9	8
Fair value of assets					
Sub-total	**4**	**0**	**- 5**	**9**	**8**
(The funds' assets include 35,000 CIC shares) **Commitments under early retirement schemes**					
Engagements	1	0	- 1	0	0
Sub-total	**1**	**0**	**- 1**	**0**	**0**
Total	**121**	**8**	**- 17**	**10**	**121**

The assumptions made for the calculation of the pension commitments and similar are a discount rate equal of 5.6%. The assumptions regarding employee's retirement dates are reviewed every year with regard to the regulatory conditions.

◆ Complementary pension plans depending on CIC Group pension funds

The AFB interim agreement dated September 13th,1993 modified the retirement schemes of banking institutions. Since January 1st, 1994, the banks have been members of the Arrco and Agirc national funds.

The CIC Group's three pension funds which were paying the different charges provided for in the interim agreement, merged on January 1st, 2008 in order to pool their reserves. On December 31st, 2008, the reserves of the merged entity cover all the commitments in full, the latter having been the subject of a complete estimation in 2008. In order to come into line with the provisions of the Fillon law of August 23th, 2003 and law 2008-1330 of December 17th, 2008 on the financing of the Social Security, the merged pension fund is in the process of being transformed into an IGRS (Supplementary Retirement Pension Management Institution), which has the corollary of transferring the reserves and commitments to an insurance organization. This process will be completed during the course of 2009.

◆ Retirement commitments, commitments on long-service benefits paid on retirement and work medal bonuses

The accounting and valuation of retirement commitments and similar benefits are compliant with Recommendation no. 2003-R01 of the National Accounting Council.

Employee pension schemes

Retirement pensions are covered by various institutions to which the bank and its employees periodically pay contributions. The latter are entered into the accounts as expenses for the financial year during which they are due.

Furthermore, the employees of the Caisse de Crédit Mutuel du Sud-Est benefit from a supplementary pension scheme funded by the employer through two insurance policies. The first, an Article 83 CGI type policy, is a funded points scheme with defined contributions. The second contract, of the Article 39 CGI type, is a scheme with defined additional benefits on salary brackets B and C. The commitments relating to these schemes are entirely covered by the reserves constituted. Consequently, they do not lead to any residual commitment for the employer.

Long-service benefits paid on retirement and work medal bonuses

Future long-service bonuses paid on retirement and bonuses to be paid for the attribution of work medals are entirely covered by insurance policies taken out with the insurance company Assurances du Crédit Mutuel. The annual premiums paid take into account the entitlements acquired by December 31st, of each financial year, weighted by turnover and staff survival probability ratios.

The law on August 21st, 2003 on retirement pensions modified the conditions of retirement. The retirement of employees at the company's initiative is possible until the end of 2009.

The resulting changes will not have a significant impact on the level of the commitments and on the annual financial statements.

◆ Provisions for risks on commitments on home ownership savings

	Age				
	0 - 4 years	4 - 10 years	> 10 years	December 31st, 2008	December 31st, 2007
Home ownership savings plans (PEL) outstanding	1,344	5,117	4,623	11,084	12,844
Home ownership savings accounts (CEL) outstanding				2,073	2,098
Homeownership savings scheme loans outstanding, source of provisions for contingencies entered in assets on balance sheet				744	637
Provisions for contingencies for home ownership savings:					
– On home ownership savings plans	*75*	*3*	*6*	*84*	*84*
– On home ownership savings accounts				*40*	*50*
– On home ownership savings scheme loans				*22*	*16*
Total				**146**	**150**

	Opening balance	Provisions of the year	Writebacks of the year	Other variations	Closing balance
Home ownership savings provisions	150	7	- 11		146

The CEL (home ownership savings accounts) and the PEL (home ownership savings plans) are French regulated products available to the clientele (physical persons). These products feature a remunerated savings phase that entitles the saver to a home loan in a second phase. They generate two types of commitments for the distributing establishment:

– a commitment to the future remuneration of the savings at a fixed rate (on the PEL only, as the rate of remuneration of CELs can be counted as variable rate, being periodically revised according to an indexation formula);

– a commitment to grant a loan to the customers who ask for one, at predetermined conditions (PEL and CEL).

These commitments have been estimated on the basis of behavioural statistics concerning the customers and market data.

A provision is constituted in the balance sheet liabilities in order to cover the future charges relating to the potentially unfavourable conditions of these products, compared to the interest rates offered to the clientele of private individuals for products that are similar, but not regulated in terms of remuneration. This approach is conducted by homogeneous generation in terms of regulated PEL and CEL conditions. The impacts on the results are entered among the interest paid to the clientele.

Note 26 Subordinated debts

	December 31st, 2008	December 31st, 2007
Subordinated debts	4,290	3,552
Equity loans	156	156
Fixed duration subordinated debts	2,743	1,707
Other debts	0	0
Related accounts payable	108	84
Total	**7,297**	**5,498**
Total like-for-like	**7,297**	

Main subordinated debts

	Type
Banque Fédérative du Crédit Mutuel	TSR
Banque Fédérative du Crédit Mutuel	TSR
Banque Fédérative du Crédit Mutuel	TSR
CIC	Equity
Banque Fédérative du Crédit Mutuel	TSS
Banque Fédérative du Crédit Mutuel	TSR
Banque Fédérative du Crédit Mutuel	TSR
Banque Fédérative du Crédit Mutuel	TSR
Banque Fédérative du Crédit Mutuel	TSS
Banque Fédérative du Crédit Mutuel	TSR

1. Minimum 85% (TAM+TMO)/2 Maximum 130% (TAM+TMO)/2.
2. Non-amortizable, but reimbursable as the borrower wishes as from May 28th, 1997 at 130% of the nominal amount revalued by 1.5% per year for future years.
3. Rate 3-months Euribor rate + 25 base points.
4. Rate 3-months Euribor rate + 529 base points.

Date issued	Amount issued	Amount at end of year	Rate	Maturity
June 29th, 2001	50 million euro	50 million euro	5.40	June 29th, 2011
July 19th, 2001	700 million euro	700 million euro	6.50	July 19th, 2013
September 30th, 2003	800 million euro	800 million euro	5.00	September 30th, 2015
May 28th, 1985	137 million euro	137 million euro	[1]	[2]
	1,600 million euro	1,600 million euro		not fixed
December 19th, 2006	1,000 million euro	1,000 million euro	[3]	December 19th, 2016
December 18th, 2007	300 million euro	300 million euro	5.10	December 18th, 2015
June 16th, 2008	300 million euro	300 million euro	5.50	June 16th, 2016
December 11th, 2008	1,036 million euro	1,036 million euro	[4]	not fixed
December 16th, 2008	500 million euro	500 million euro	6.10	December 16th, 2016

Note 27 Shareholders equity – Group share

	December 31st, 2008	December 31st, 2007
Capital	3,697	3,537
Consolidated reserves	12,326	10,616
– Regulated reserves	*6*	*6*
– Conversion reserves	*- 43*	*- 42*
– Other reserves (including bills linked to the first application)	*12,371*	*10,733*
– Carryover	*- 9*	*- 80*
Total	**16,023**	**14,153**
Profit/loss of the year	353	1,845
Sub-total	**353**	**1,845**
Unrealised or deferred income or losses[1] relating to:		
Asset available-for-sale	- 1,075	513
– Shares	*186*	*615*
– Bonds	*- 1,261*	*- 100*
Hedging derivatives (CFH)	- 11	- 2
Sub-total	**- 1,086**	**511**
Total	**15,290**	**16,509**
Total like-for-like	**15,299**	

1. Net balances of corporate income tax.

◆ Share capital of the Caisses de Crédit Mutuel

The Caisses de Crédit Mutuel have a share capital consisting of:

– Unassignable "Part A" type shares,
– marketable "Parts B" type sharess,
– "Parts P" type priority interest-bearing shares.

"Parts B" may only be subscribed by members holding at least one "Part A". The articles of association of the local Caisses limit the subcription of "Parts B" per member to 35,000 euro (with the exception of the reinvestment of dividends paid in "Parts B"). The capital may not be less, following the withdrawal of contributions, than one quarter of the highest amount reached by the capital in the past. If this limit were to be reached, the reimbursement of the shares would be suspended.

The "Parts B" repurchase system differs according to whether they were subscribed before or after December 31st, 1988:

– shares subscribed before December 31st, 1988 may be reimbursed at the member's request for the January 1st, of each year. This reimbursement, which takes place subject to compliance with the regulations concerning the reduction of the capital, is subject to at least 3 months' notice,

– shares subscribed after January 1st, 1989 may be reimbursed at the member's request with 5 years' notice, except in the event of marriage, death or unemployment. These operations are also subject to compliance with the regulations concerning the reduction of the capital.

The Caisse may, after a decision by the Board of Directors and in agreement with the Supervisory Board, and in the same conditions, reimburse all or a part of the shares in this category.

Moreover, the Crédit Mutuel Caisse "Cautionnement Mutuel de l'Habitat", a mutual loan security company, has been issuing priority interest-bearig shares known as "Parts P" since 1999. The subscription of "Parts P" is reserved for the distributors of secured loans outside the Centre Est Europe Group.

At December 31st, 2008, the capital of the Caisses de Crédit Mutuel broke down as follows:

– 121.2 million euro of "Part A" type shares, as against 116.6 million euro on December 31st, 2007,
– 3,380.5 million euro of "Part B" type shares, as against 3,293.8 million euro on December 31st, 2007,
– 136.7 million euro of "Part P" type shares, as against 126.1 million euro on December 31st, 2007.

Note 28 Commitments given and received

◆ Commitments given

	December 31st, 2008	December 31st, 2007
Financing commitments		
Commitments to credit institutions	1,409	1,498
Commitments to customer	36,905	37,557
Guarantee commitments		
Commitments on orders from credit institutions	3,008	974
Commitments on orders from customer	14,747	14,622
Commitments on securities		
Securities acquired with return option	0	0
Other commitments given	1,512	1,809
Commitments given on the insurance activity	**412**	**406**

◆ Commitments received

	December 31st, 2008	December 31st, 2007
Financing commitments		
Commitments received from credit institutions	5,209	4
Guarantee commitments		
Commitments received from credit institutions	20,037	18,383
Commitments on securities		
Securities sold with buyback or return option	0	0
Other commitments received	1,572	904
Commitments received from the insurance activity	**7,190**	**7,234**

Note 29 Interest and similar income/charges

	December 31st, 2008		December 31st, 2007	
	Income	Charges	Income	Charges
Credit institutions & central banks	4,058	- 4,788	3,651	- 4,683
Customer	8,985	- 3,182	7,469	- 2,521
Finance leasing	2,263	- 1,913	2,111	- 1,815
Derivative hedging instruments	2,662	- 2,129	1,081	- 1,071
Financial assets available-for-sale	1,178		889	
Financial assets held to maturity	100		25	
Debts represented by a security		- 4,626		- 3,920
Subordinated debts		- 135		- 124
Total	**19,247**	**- 16,773**	**15,226**	**- 14,133**
Total like-for-like	**19,144**	**- 16,742**		

Note 30 Commissions

	December 31st, 2008		December 31st, 2007	
	Income	Charges	Income	Charges
Credit institutions	14	- 4	15	- 6
Customer	825	- 23	771	- 27
Securities	701	- 72	852	- 70
Derivative instruments	5	- 10	4	- 10
Foreign exchange	17	- 6	19	- 6
Finance and guarantee commitments	18	- 4	17	- 4
Provision of services	1,134	- 763	1,039	- 798
Total	**2,715**	**- 882**	**2,717**	**- 922**
Total like-for-like	**2,666**	**- 877**		

Note 31 Net income or gain on financial instruments at fair value through profit or loss

	December 31st, 2008	December 31st, 2007
Transaction instruments	772	2,623
Instruments at fair value on option	- 534	- 64
Ineffective hedging	65	- 13
Gain/loss from foreign exchange operations	74	35
Total variations in fair value	**377**	**2,581**
including transaction derivatives	54	- 29
Total like-for-like	**377**	

Note 32 Net income or gain on available-for-sale financial assets

	December 31st, 2008			
	Dividends	Gains/losses	Depreciation	Total
Government securities, bonds and other fixed income securities		- 47	- 1	- 48
Shares and other variable income securities	39	63	- 147	- 45
Long-term investments	214	81	- 335	- 40
Other	0	1	0	1
Total	**253**	**99**	**- 483**	**- 131**
Total like-for-like				**- 133**

	December 31st, 2007			
	Dividends	Gains/losses	Depreciation	Total
Government securities, bonds and other fixed income securities		3	1	3
Shares and other variable income securities	9	39	0	48
Long-term investments	89	90	- 4	175
Other	0	0	0	0
Total	**97**	**131**	**- 3**	**226**

Note 33 Income/charges from other activities

	December 31st, 2008	December 31st, 2007
Income from other activities		
Insurance policies	5,848	9,930
– premiums acquired	*6,532*	*7,658*
– net income from investments	*- 721*	*2,236*
– technical and non-technical income	*37*	*35*
Investment property	3	0
– Write-backs of provisions/depreciation	*2*	*0*
– Capital gain or sale	*1*	*0*
Other income	499	393
Sub-total	**6,352**	**10,322**
Charges from other activities		
Insurance policies	- 4,909	- 8,648
– charges for services	*- 4,586*	*- 4,333*
– variation in provisions	*- 363*	*- 4,317*
– technical and non-technical charges	*41*	*2*
Investment property	- 17	- 17
– provisions/provision for depreciation (according to treatment chosen)	*- 17*	*- 17*
Others charges[1]	- 253	- 144
Sub-total	**- 5,179**	**- 8,808**
Total net income/other net expenses	**1,173**	**1,514**
Total like-for-like	**1,138**	

1. Including 86 million euro for the Madoff fraud treated as an operational risk.

Note 34 General operating expenses

	December 31st, 2008	December 31st, 2007
Personnel costs		
Wages and salaries	- 1,559	- 1,506
Social contributions	- 615	- 634
Employee benefits	- 9	- 10
Employee profit-sharing	- 68	- 180
Salary taxes and similar payments	- 199	- 170
Other	6	10
Sub-total	**- 2,444**	**- 2,490**
Other administrative expenses		
Taxes and other contributions	- 232	- 223
External services	- 1,211	- 1,122
Other charges (transports, travelling…)	- 94	- 49
Sub-total	**- 1,536**	**- 1,395**
Total	**- 3,981**	**- 3,884**
Total like-for-like	**- 3,823**	

Average workforce

	December 31st, 2008	December 31st, 2007
Bank technicians	27,971	23,300
Management	15,021	13,880
Total	**42,992**	**37,180**
Total like-for-like	**37,501**	

Note 35 Provision/writeback on depreciation and provisions for tangible and intangible fixed assets

	December 31st, 2008	December 31st, 2007
Amortisation	- 336	- 310
– *tangible fixed assets*	*- 307*	*- 290*
– *intangible fixed assets*	*- 29*	*- 20*
Depreciations	0	1
Total	**- 336**	**- 309**
Total like-for-like	**- 333**	

Intangible fixed assets include lease rights in particular. These are estimated for an undetermined duration. For this reason, they are not depreciated. Like the other fixed assets, they are subject to depreciation tests.

Note 36 Cost of risk

	Provisions	Writebacks	Irrecoverable debts covered	Irrecoverable debts not covered	Recovery on debts written off	Total
Credit institutions	- 309	2	- 2	0	0	- 309
Customer	- 899	688	- 218	- 49	14	- 465
– Finance leasing	- 2	4	- 2	- 3	0	- 3
– Other customer	- 897	684	- 216	- 47	14	- 462
Sub-total	**- 1,208**	**690**	**- 220**	**- 50**	**14**	**- 774**
HTM - DJM	- 97	3	0	0	0	- 95
AFS - DALV	- 104	7	- 8	- 4	0	- 109
Other	- 140	56	0	- 1	0	- 86
Total[1]	**-1,550**	**754**	**- 228**	**- 55**	**14**	**- 1,064**

1. Of which 484 million on the collapse of Lehman Brothers and 65 million on the Icelandic Banks.

Note 37 Income or losses from other assets

	December 31st, 2008	December 31st, 2007
Tangible and intangible fixed assets	13	19
– *Loss on sale*	*- 9*	*- 18*
– *Capital gain on sale*	*22*	*36*
Total	**13**	**19**
Total like-for-like	**13**	

Note 38 Corporate income tax

◆ Breakdown of the tax charge

	December 31st, 2008	December 31st, 2007
Tax charge payable	- 293	- 821
Deferred tax charge	418	37
Impact of variations in the tax rate on deferred taxation	0	0
Adjustments for previous financial years	3	8
Total	**127**	**- 776**
Total like-for-like	**128**	

◆ Reconciliation between the tax charge entered into the accounts and the theoretical tax charge

	December 31st, 2008
Taxable profit	357
Theoretical tax rate	34.43%
Theoretical tax charge	**- 123**
Impact of the SCR and SICOMI special regimes	22
Impact of the reduced rate on long-term capital gains	111
Impact of the specific tax rates for foreign entities	24
Carry back	53
Other	41
Tax charge	**127**

Note 39 2008 consolidated pro-forma result with acquisitions at January 1st

	December 31st, 2008 Group Total published	December 31st, 2008 Group Total with acquisitions in full year
Net banking revenue	5,726	6,948
Overheads	- 4,317	- 5,281
Gross operating profit	1,409	1,667
Cost of risk	- 1,064	- 1,346
Income from other assets	37	37
Pre-tax profit/loss	**382**	**358**
Overall net profit/loss	**509**	**491**
Net profit/loss, Group share	**353**	**336**

The table shows the theoretical impact on the profit/loss of the acquisition of Citibank Germany and Banco Popular France, as if they had been realised over the full year 2008 (with effect on January 1st). This impact is calculated using the acquisition arrangements as they were effectively implemented and includes a charge for a notional indebtedness corresponding to the amounts paid, fixed by hypothesis at the rate of 5%. The purchase discrepancies have been maintained at the level observed on the actual acquisition date.

Note 40 Fair value of financial instruments entered into the accounts at the depreciated cost

The fair values presented are an estimation based on the observable parameters at December 31st, 2008. They are calculated by discounting future flows estimated on the basis of a risk-free rate curve to which is added for the calculation of the assets a credit spread calculated for the whole of the CM4-CIC Group and reviewed each year.

The financial instruments presented in this information are the lending and borrowing. They do not include non-monetary items (shares), supplier accounts and the accounts of other assets, other liabilities and the elimination accounts. Non-financial instruments are not concerned by this information.

The fair value of the financial instruments payable on sight and regulated savings contracts of the clientele is the value payable to the client, that is to say its book value.

Some entities in the Group may also apply hypotheses: the market value is the book value for contracts whose conditions refer to a variable rate or whose residual duration is one year or less.

We draw your attention to the fact that, apart from the financial assets held to maturity, the financial instruments entered into the accounts at the depreciated cost are not transferable or in practice are not sold before their maturity. As a result, the capital gains or losses are not recognised.

If, however, the financial instruments entered into the accounts at the depreciated cost were to be sold, the price of that sale might differ significantly from the fair value calculated at December 31st.

	December 31st, 2008		December 31st, 2007	
	Balance sheet value	Market value	Balance sheet value	Market value
Assets				
Loans and receivables on credit institutions	41,877	40,359	41,578	41,065
Loans and receivables from customer	209,545	206,807	179,030	174,754
Financial assets held until maturity	10,125	10,187	7,675	7,604
Liabilities				
Debts to credit institutions	57,829	57,661	42,507	42,469
Debts to customer	128,089	125,140	107,254	105,536
Debts represented by a security	100,850	99,941	99,785	98,877
Subordinated debts	7,297	7,479	5,498	5,309

Note 41 Outstanding amounts of operations with related parties

	December 31st, 2008		December 31st, 2007	
	Companies consolidated by equity accounting	National Confederation	Companies consolidated by equity accounting	National Confederation
Assets				
Loans, advances and securities				
– *Loans and receivables on credit institutions*	*6,807*	*7,208*	*4,015*	*6,424*
– *Loans and receivables on customer*	*0*	*38*	*0*	*19*
– *Securities*	*1,212*	*95*	*188*	*137*
Other assets	0	0	0	0
Total	**8,019**	**7,342**	**4,202**	**6,579**
Liabilities				
Deposits				
– *Debts to credit institutions*	*7,839*	*2,859*	*2,252*	*1,530*
– *Debts to customer*	*0*	*29*	*0*	*17*
– *Debts represented by a security*	*1,200*	*751*	*0*	*362*
Other liabilities	0	155	7	0
Total	**9,039**	**3,794**	**2,259**	**1,909**
Financing and guarantee commitments				
Financing commitments given	0	0	8	0
Guarantee commitments given	0	2,253	14	2,095
Financing commitments received	0	0	0	0
Guarantee commitments received	0	50	0	42

◆ Profit/loss items relating to operations with related parties

	December 31st, 2008		December 31st,2007	
	Companies consolidated by equity accounting	National Confederation	Companies consolidated by equity accounting	National Confederation
Interest received	212	299	169	236
Interest paid	- 224	- 82	- 95	- 41
Commission received	0	0	0	0
Commission paid	0	- 22	0	- 25
Other income and charges	- 8	- 65	- 4	- 207
Overheads	0	- 15	0	- 13
Total	**- 21**	**115**	**70**	**- 50**

The national Confederation consists of the other regional federations of the Crédit Mutuel not affiliated to the Crédit Mutuel Centre Est Europe Group. Relations with the parent companies mainly involve lending and borrowing as part of cash flow management.

Relations with the Group's main directors

The Caisse Fédérale is common to the 4 partner Federations, Centre Est Europe, Ile-de-France, Savoie-Mont Blanc et Sud-Est. The partner Groups are all represented on the Caisse Fédérale's Board of Directors. The Board of Directors of the Caisse Fédérale du Crédit Mutuel Centre Est Europe currently consists of 12 members appointed by the General Meeting for 3 years and 4 observers also appointed for 3 years by the Board in application of Article 19 of the articles of association. Each trade union represented in the CFCMCEE has appointed a representative to the Caisse Fédérale's Board of Directors, whose meetings they attend in an advisory capacity. The total number of employee representatives of the Caisse Fédérale is fixed at five. The employees of the Sud-Est, Ile-de-France and Savoie-Mont Blanc groups are represented on the Board of Directors of the Caisse Fédérale du Crédit Mutuel Centre Est Europe, with one employee per Group. Two employee members also sit on the Board of Directors to represent the federal Works Council. A list of directors with details of any positions they hold in other companies is included in the annexes in accordance with legal requirements.

Total remuneration paid to the main directors

in thousands of euros

	Total remuneration
– Company Officers – Management Committee – Paid members of the Board	5,828

By a decision of the Board of Directors of the BFCM of July 2007, paid company officers who, because of their status do not benefit from the same common law mechanisms as the Group's employees relating to profit-sharing and retirement indemnities, will be paid a compensatory indemnity when they leave the company. This indemnity paid on leaving their post is determined by analogy with the provisions on proft-sharing and retirement indemnities that apply to salaried employees who are not company officers placed in the same conditions. The amount provisioned in this respect is 2.63 million euro.

Note 42 Credit risks

As requested by the banking supervisor and the market regulator, the exposures related to the financial crisis are detailed below.

The amounts outstanding presented are in millions of euros.

Preamble

Market context

The markets saw a situation that deteriorated considerably with the bankruptcy of Lehman Brothers in September.

This resulted in a grave crisis of confidence on the interbank market, the failure of more financial institutions and the intervention of the authorities with unprecedented plans to restore confidence in the markets and contain the systemic risk.

In a totally dislocated market context where the liquidity of even the soundest assets has disappeared and for which the market values are no longer representative of their economic value, the accounting regulators, acknowledging these rare circumstances, modified the IAS 39 and IFRS 7 standards to allow the transfer of trading portfolios to other categories. These transfers were possible until November 1st, 2008 with retroactive effect from July 1st, 2008.

It was decided that a certain number of lines, for which the market has become illiquid, could be reclassified from the transaction category (trading) to the assets available for sale (AFS) or loans categories and from assets available for sale (AFS) category to the loans category on July 1st, 2008.

◆ **RMBS Exposure** *(Residential Mortgage Backed Securities)*

The great majority of RMBS securities are valued on the basis of indications provided by external sources (counterparties, brokers...), after analysis of the information obtained.

	Exposure after hedging and value losses
	December 31st, 2008
Trading	1,169
AFS	2,814
Loans	3,131
Total	**7,114**

Detail by geographical zone

France	20
Europe outside France	3,343
USA	3,122
Others	629
Total	**7,114**

Total value losses on the securities in the portfolio at December 31st, 2008 are 752 million euro, including 674 million euro for the financial year, divided into 439 million euro recorded in the profit/loss and 235 million euro directly in the AFS reserves.

RMBS exposures issued in the USA

These are mainly CMOs (collateralized mortgage obligations).
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 value losses	Exposure after hedging before value losses	Cumulated value losses	Cumulated loss rate
Agencies	1,227	1,223	4	0%
Prime	409	451	- 42	- 9%
Alt A	1,419	1,834	- 415	- 23%
Subprime	64	100	- 35	- 35%
Others	3	3	- 0	- 12%
Total	**3,122**	**3,611**	**- 490**	**- 14%**

Detail by origination

Origination 2005 and earlier	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%**

Value losses by profit/loss	Value losses by AFS reserve	Reclassifications	Other transactions	Exposure after hedging and value losses
				December 31st, 2007
- 390		- 3,025	- 259	4,844
- 12	- 235	62	- 249	3,249
- 36		2,964	204	
- 439	**- 235**	**0**	**- 305**	**8,092**

Detail by rating

	Exposure after hedging and value losses	Exposure after hedging before value losses	Cumulated value losses	Cumulated loss rate
Agencies	1,227	1,223	4	0%
AAA	472	532	- 61	- 11%
AA	49	74	- 25	- 34%
A	69	87	- 17	- 20%
BBB	422	470	- 48	- 10%
BB	101	116	- 15	- 13%
Less than or equal to BB +	782	1,109	- 327	- 30%
Total	**3,122**	**3,611**	**- 490**	**- 14%**

The acquisition price is 3.6 million euro, which shows cumulated losses of 0.5 million euro. The portfolio underwent rating downgrades over the course of 2008.

Guarantees received from monoline insurance companies on the USA RMBS

The CIC marginally had recourse to monoline insurance. At December 31st, 2008, 64 million euro of securities were the subject of a guarantee given by a monoline insurer.

Commitments on monoline insurers

	Exposure after hedging and value losses
	December 31st, 2008
Ambac	34
MBIA	7
FGIC	23
Total	**64**

RMBS exposures issued by countries other than the USA

The countries concerned are mainly the member countries of the European Economic Area, and the “Other” category consists essentially of Australia. There are no provisions for credit risk on these securities.

◆ CMBS exposure *(commercial mortgage backed securities)*

These exposures are taken as part of the market activities for own account.

	Exposure after hedging and value losses
	December 31st, 2008
Trading	54
Available for sale	270
Loans	7
Total	**331**

Value losses by profit/loss	Value losses by AFS reserve	Reclassifications	Other transactions	Exposure after hedging and value losses
				December 31st, 2007
			- 6	40
	- 1		- 3	10
- 22			3	43
- 22	- 1	0	- 6	93

Value losses by profit/loss	Value losses by AFS reserve	Reclassifications	Other transactions	Exposure after hedging and value losses
				December 31st, 2007
- 14		- 68	68	68
	- 7	61	25	191
		7		0
- 14	- 7	0	94	258

	Exposure after hedging and value losses
Detail by geographical zone	
France	1
Europe outside France	129
USA	0
Others	201
Total	**331**

Exposures on CDOs *(Collateralized Debt Obligations)*

Exposures on CLOs *(Collateralized Loan Obligations)*

Banking activities

Banking activity that is part of the merchant banking business. The Group participates as an investor in CLOs (Collateralized Loan Obligations), CFOs (Collateralized Fund Obligations) or ABSs.

Market activities

CDOs may be acquired as part of a market activity with possibly some hedging of credit risk in the form of CDSs, mainly issued by a financial institution. There is no significant loss recorded in 2008 on CDOs.
At December 31st, 2008, the amounts outstanding are:

CDOs not hedged by CDSs

	Exposure after hedging and value losses
	December 31st, 2008
Trading	
Available for sale	54
Loans	1,695
Total	**1,749**

Detail by geographical zone	
France	0
Europe outside France	484
USA	354
Others	911
Total	**1,749**

Detail by rating	
AAA	1,694
AA	45
Others	11
Total	**1,749**

Value losses by profit/loss	Value losses by AFS reserve	Reclassifications	Other transactions	Exposure after hedging and value losses
				December 31st, 2007
13		- 1,359	1,319	27
	- 4	29	0	29
		1,330	365	0
13	**- 4**	**0**	**1,684**	**56**

CDO and ABS exposures hedged by CDSs *(Credit Default Swaps)*

At December 31st, 2008, the outstanding CDOs and ABSs hedged by CDSs amounted to 872 million euro.
CDS are derivatives classified as trading derivatives. CDOs and ABSs are classified as AFS (Available For Sale).
The CDOs and ABSs suffered value losses of 310 million euro, including 298 million euro directly deducted from the AFS reserves and 12 million euro recorded in the profit/loss.

Exposures on other non-hedged ABSs

	Accounting outstanding loans
	December 31st, 2008
Trading	1,084
Available for sale	786
Loans	436
Total	**2,306**

The losses for the financial year are 42 million euro recorded in the charges and 40 million euro recorded directly in the AFS reserves.

Detail by geographical zone

France	571
Europe outside France	1 622
USA	0
Others	113
Total	**2,306**

Detail by rating

AAA	1,884
AA	181
A	89
BBB	152
Total	**2,306**

◆ Crédits dits LBO *(leverage buy-out)*

The outstanding LBO loans are those in the sense of the Basle 2 solvency ratio.
The outstanding loans presented are those in the balance sheet. They are set up by dedicated financing structures. Furthermore, the French banking network grants loans to companies that meet the Basle 2 definitions of LBOs. These loans are mentioned in a separate line. The loans are recorded at the depreciated cost.

	Accounting outstanding loans
	December 31st, 2008
Total	**6,544**
including dedicated financing structures	3,532
including French banking network	3,012

Value losses by profit/loss	Value losses by AFS reserve	Reclassifications	Other transactions	Accounting outstanding loans
				December 31st, 2007
- 42		- 489	- 237	1,851
	- 40	394	157	275
		94	242	100
- 42	- 40	0	162	2,226

Value losses by profit/loss	Value losses by AFS reserve	Reclassifications	Other transactions	Accounting outstanding loans
				December 31st, 2007
				4,572
- 38			651	2,919
			1,359	1,653

	Accounting outstanding loans
	December 31st, 2008
Detail by geographical zone of the dedicated financing structure LBOs	
France	1,317
Europe outside France	919
USA	1,117
Others	179
Total	**3,532**
Detail by nature of the dedicated financing structure LBOs	
Construction	260
Telecommunications	348
Distribution	343
Services	894
Agri-food	210
Manufacturing industry	1,332
Others	144
Total	**3,532**

The credit losses on the portfolio lodged in the dedicated structures amount to 38 million euro.

Transactions with special purpose vehicles

The Group is not an originator of securitization.

The Group organizes securitization operations on behalf of clients. It may, in this context, grant liquidity lines to debt securitization funds.

At December 31st, 2008, the liquidity lines granted to 3 debt securitization funds represent 228 million euro.

Note 43 Events after the closure of the accounts and other information

The consolidated financial statements of Crédit Mutuel Centre Est Europe group for the year ending December 31st, 2008 were closed by the Board of Directors on March 13th, 2009.

Signing of an agreement to sell the majority stake in Cofidis Participations to Crédit Mutuel-CIC

On November 17th, 2008 3 Suisses International (3SI) and the Banque Fédérative du Crédit Mutuel (BFCM) signed a contract of sale with a view to the acquisition by BFCM of a majority stake in Cofidis Participations.

This acquisition will be achieved by the sale of 51% of Cofidis Participations by 3 Suisses International (which keeps 49%) to a joint holding company between 3SI and the Crédit Mutuel, in which Crédit Mutuel has a controlling two-thirds interest.

The transaction values 100% of the capital of Cofidis Participations at 1.9 million euro on the basis of the consolidated net worth of Cofidis Participations at December 31st, 2007. The profits of Cofidis Participations for the financial year 2008 and until the date of completion of the operation will go to the seller.

The agreement also provides for the eventuality of the Crédit Mutuel increasing its stake to 67% of the capital and voting rights in Cofidis Participations by 2016, at the initiative of either of the parties.

This operation should be completed in the first quarter of 2009 after all the administrative and regulatory authorizations have been obtained. The works councils of the companies Cofidis Participations and Crédit Mutuel have given their approval to this operation.

Note 44 Exposure to risks

The information relating to the exposure to risks required by IFRS 7 is presented in chapter 4 on risks in the management report. Specific information on exposure and the impact of the American property crisis is presented in chapter 1 of the management report, in the section "Analysis by activity of the consolidated financial statements of the Finance and Market Bank sector".

Statutory Auditors' fees

	Ernst et Young et Autres		KMT AUDIT Membre du réseau KPMG	
	Amount 2008	Percentage	Amount 2008	Percentage
Audit				
Official auditing, certification, examination of the financial statements				
– *Parent entity*	*0.127*	*5%*	*0.095*	*4%*
– *Fully integrated subsidiaries*	*2.125*	*91%*	*1.232*	*57%*
Other due care and services directly related to the mission of the statutory auditor		0%		0%
– *Parent entity*	*0.000*	*0%*	*0.000*	*0%*
– *Fully integrated subsidiaries*	*0.064*	*3%*	*0.061*	*3%*
Sub-total	**2,316**	**99%**	**1,388**	**64%**
Other services rendered by the networks to the fully integrated subsidiaries		**0%**		**0%**
– *Legal, taxation and social*	*0.000*	*0%*	*0.007*	*0%*
– *Others*	*0.147*	*6%*	*0.960*	*44%*
Sub-total	**0.147**	**6%**	**0.967**	**44%**
Total	**2.463**	**105%**	**2.355**	**108%**

The total amount of the auditing fees paid to the statutory auditors not belonging to the network of one of those certifying the consolidated and individual financial statements of the CM4-CIC Group mentioned in the table above, amounts to 5,745 thousand euro for the 2008 financial year.

STATUTORY AUDITORS' REPORT ON THE CONSOLITED ACCOUNTS

K.M.T. Audit
KPMG network
9, avenue de l'Europe – Espace européen de l'Entreprise
BP 20002
67300 Schiltigheim

Statutory Auditor
Member of the Regional Company of Colmar

Ernst & Young & Autres
41, rue Ybry
92576 Neuilly-sur-Seine Cedex
S.A.S. with variable capital

Statutory Auditors
Member of the Regional Company of Versailles

Year ended December 31st, 2008

The Shareholders, Dear Sirs,

In compliance with the assignment entrusted to us by your General Meeting, we hereby present our report relating to the financial year ending December 31st, 2008 on:

- the examination of the consolidated financial statements of the Crédit Mutuel Centre Est Europe, as they are enclosed with this report;
- the justification of our appreciations;
- the specific checks required by law.

The consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

Opinion on the consolidated financial statements

We have conducted our audit in accordance with the professional standards applied in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion. We certify that in our opinion, the financial statements give, in accordance with the IFRS standards as adopted in the European Union, a true and fair view of the results of the operations of the past financial year as well as of the financial position and assets and liabilities of the persons and entities making up the Group at the end of this financial year.

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.

Justification of our comments

The financial and economic crisis has had many impacts on the credit institutions, in particular on their business, their results, their risks and their refinancing (see note 42 in the notes). This situation has led to the creation this year of specific conditions for the preparation of the financial statements, particularly with regard to the accounting estimations. It is in this context that in application of the provisions of Article L. 823-9 of the Commercial Code relating to the justification of our comments, we hereby inform you of the following facts:

Accounting principles

As part of our appreciation of the accounting principles followed by your company, we have checked the correct application of the change in the accounting method relating to the amendment of the standard IAS 39 of October 15th, 2008 as mentioned above and the appropriate nature of the information given in this respect in note 10b in the notes to the financial statements.

Accounting estimations

Notes 10b and 42 in the notes to the financial statements present the exposures of the Crédit Mutuel Centre Est Europe to the effects of the crisis as well as the adjustments in the value and the depreciation on these exposures at December 31st, 2008. We have examined the system set up by the management to identify and evaluate these risks and we have checked that the accounting estimations resulting from it are based on documented methods compliant with the principles described in the notes mentioned above and in note 1 in the notes to the financial statements.

- Your Group uses internal models and methodologies to value financial instruments which are not listed on active markets, as well as to constitute certain provisions, as described in note 1 in the notes. We have examined the system of control relating to the determination of the inactive nature of the market, the checking of the models and the determination of the parameters used.
- Your Group records depreciation on assets available for sale when there is an objective indication of a prolonged or significant fall in the value of these assets (notes 1 and 7 in the notes). We have examined the system of control relating to the identification of value loss indices, the valuation of the most significant lines, as well as the estimations that led, where applicable, to the coverage of the value losses by depreciation.
- Your Group constitutes depreciation and provisions to cover the credit risks inherent in its business (notes 1, 8, 25 and 36). We have examined the system of control relating to the monitoring of credit risks, the appreciation of the risks of non-recovery and their coverage by individual and collective provisions.
- Your Group has recorded deferred tax assets in particular in respect of tax losses that can be carried forward (notes 1 and 12 in the notes). We have examined the main estimations and assumptions that led to the recognition of these deferred tax assets.
- Your Group constitutes provisions to cover social commitments (notes 1 and 25). Our role was to examine the assumptions and methods of calculation applied.

The comments thus made fall within the framework of our audit of the consolidated financial statements, taken as a whole, and have therefore contributed to the forming of our opinion expressed in the first part of this report.

Specific verification

We also performed the specific verification required by the law on the information contained in the Group's management report.

We have no comment as to its fair presentation and its conformity with the consolidated financial statements.

Schiltigheim and Neuilly-sur-Seine, April 20th, 2009
The Statutory Auditors

KMT Audit
KPMG network

Arnaud Bourdeille

Ernst & Young & Autres

Olivier Durand

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Crédit Mutuel

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