

Crédit Coopératif Group 1st half of 2009

Extract from the half-year financial report
forwarded to the AMF on 31 August 2009 and available on www.credit-cooperatif.coop

In the course of the first half of 2009, the Crédit Coopératif Group's commercial activities stood at a high overall level, in spite of a sluggish economic context.

Collection

Apart from **term deposits**, which saw accentuated falls (- 20 %), due to the group's clearly expressed decision not to match the excessive remuneration conditions offered by competitors, the second quarter showed highly positive figures in the field of collection, and for demand deposits, which are a particularly decisive element in the Group's income, it would even seem to announce a reversal in trends, in the light of which the first three months of the year could well turn out to form the low point: with an increase of 7.90% at 30 June 2009, they show a rate of growth higher than that for 2008 (+ 7.44% and + 7.25% for the first quarter of 2009). In the same way, savings saw exceptional, ongoing growth (+ 23.6% as against 20.6% at 31 March and + 11.0% in 2008). UCITS subscriptions also continue to show the dynamism they recovered early in the year (+ 13.5% as against + 12.1% at 31 March and + 3.2% in 2008).

Overall, penalized as it was by the sharp fall in term deposits, **collection** flagged somewhat, with an increase of 6.4% as against 6.9% at 31 March and 8.2% in 2008.

Applications

On the other hand, for **applications**, the first quarter currently constitutes a high point, to the extent that the growth in medium-and long-term loans, although remaining very strong, nonetheless saw a slight slowdown (+ 18.3% as against + 19.3% at 31 March and + 17.0 % in 2008), which can be linked to the slowdown in loans paid out and would hence seem to be an ongoing trend: after rising at exceptional rates in 2008 (+ 26.0%), growth in production of new investment loans slowed down in the first quarter of 2009 (+ 8.2%), and even shrank at 30 June (- 6.4%).

Taking into account its weight in the overall accommodation, this slight drop in the total amounts of term payment loans was mirrored in the overall growth in application of funds (+ 14.2% as against 15.0% in the first quarter and 14.8 % in 2008), all the more so in that the other types of accommodation failed to counterbalance this trend; they too all showed falls, as was already the case in the first quarter of 2009: - 4.8% for overdrawn accounts, - 11.4% for the portfolio, and - 8.3% for confirmed loans.

Furthermore the slower growth seen in **commitments by signature**, which began in 2007, in particular at BTP-Banque, on whose income this activity has a decisive influence, continued at 30 June (+6.6% as against +7.3% at 31 March and +12.6% in 2008).

Overall, in the light of the gloomy economic environment over the last six months, the Group has managed to show excellent commercial performance levels.

The **Net Banking income from clients** enjoyed highly satisfactory growth (+4.3%), buoyed up mainly by a perceptible increase in interest rate margins (+8.6%). The Group's balance sheet structure enables it to maintain more or less stable margins on its activities, in spite of a context of falling rates: this means that growth in assets translates directly into increased net interest income, which was furthermore underpinned by an excellent investment policy, which kept return rates steady, while benefiting from reductions in financing costs.

The other items making up the Net Banking income saw less favourable changes: after an encouraging first quarter, net **commissions** saw a slight drop, linked mainly to the slack levels of loan activities (short term and amounts paid out).



Furthermore, the amounts of the elements of a non-recurrent nature (income from venture capital activities, restatement of consolidation under IFRS standards, dividends), which were extremely high in 2008 (€13.4 M), stood on the contrary at exceptionally low levels this year (€3.4 M); what is more, the figures for 30 June 2008 integrated externalization of capital gains made in 2007. Thus in fact, despite the excellent levels of interest margins, Net Banking income saw a fall of 2.4% (€179.7 M at 30 June 2009 as against €184.1 M in 2008).

Staff costs stood at €78.7 M as against € 76.7 M at 30 June 2008, i.e. an increase of 2.6%, lower than the increase in average staff levels, which remained high at about 5%. The impact of the increased human resources, two-thirds of which went into sales staff, is only partly reflected by the growth in staff costs, to the extent that the amounts entered under the employee investment and profit-sharing schemes fell sharply in 2009 (-€4.7 M).

The **Other management expenses**, at €57.9 M (including the depreciation expenses) as against €48.4 M in 2008, show a particularly sharp increase (+19.7%), which was anticipated for the most part: in particular, just over half of this large rise is due to non-recurrent phenomena: exceptional levels of VAT deductions, the end of electronic re-invoicing for Crédit Maritime, accelerated depreciation expenses on the headquarters buildings which were due to be demolished. After taking these elements into account, the growth in expenses, although it is in line with the forecasts, nonetheless remains high, to the extent that the Group has undertaken an ambitious programme covering reconfiguration of its means of action, mainly from a property standpoint, with redevelopment work in the branches and above all the renovation of the headquarters, and also from an information technology standpoint under a master plan drawn up, together with the launch of the strategic Coopération 2015 project.

In all, **General expenses** stood at €136.6 M, as against €125.0 M in 2008, i.e. a rise of 9.3%, which is high as compared with the growth in Net Banking income, and highly satisfactory as regards the underlying trends, but which has unfortunately been worsened by unfavourable short-term economic developments.

Gross Operating Profit thus fell from €59.1 M in 2008 to €43.0 M at 30 June 2009.

Over the same period, the **cost of risk** showed a particularly high increase of €11.4 M, i.e. + 72.5%, which is linked to the worsening economic situation.

Net Income, Group share, after taking into account the tax burdens and the deductions of the minority interests, and net of the income from the companies entered under the equity method and other income (€3.1 M this year as against €15.2 M in 2008), stood at €12.8 M at 30 June 2009 as against €28.0 M last year.

The new IFRS standards concerning presentation of consolidated income have led us to mention at the end of the income statement the amount, for the period under review, of the unrealized or deferred gains and losses after tax; at 30 June 2009, the re-evaluation of the financial instruments available for sale integrated a depreciation expense of €12 M for the BFBP shares held by Crédit Coopératif, evaluated as beforehand on the basis of the net assets at 30 June 2009, after taking into account the results recorded by Natixis for the first half of 2009.

The trends noted for the first quarter, concerning the Group's commercial activities and its financial income, were very clearly confirmed in the second quarter, and for the moment there are no elements that could lead us to doubt that they will continue during the second half of the year.

Nonetheless, a major element that will have to be taken into account in the coming months is the work to set up the new central organization: The evaluation of the Group's holding in that organization will lead in all likelihood to losses in values, whose amounts and accounting methods are difficult to determine for the moment.

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