The Crédit Coopératif Group at 30 June 2008

Extract from the half-year financial report
forwarded to the AMF and available on the www.credit-cooperatif.coop site(1)

TRADE SITUATION

As compared with the 2007 financial year, which was especially impressive, the trade levels for the first half of 2008 are starting to show signs of an incipient slowdown; nonetheless, they are still strongly significant overall.
It is collection that shows the least favourable figures: the growth rate for average assets stands at 9.9%, i.e. just under the 10% level, a slowdown that nonetheless remains relative: demand deposits have risen by 8.5%, just reaching the budget levels, while savings and term deposits have more or less maintained their previous growth rates, at 10.5% and 28.4% respectively. It is the changes in the levels of UCITS assets under management that continues to give some cause for concern, showing a significant slowdown (+4.7%), in particular for the stocks products earning the highest levels of income, which are mainly owned by the direct clients of Ecofi Investissements, and for which even the slightest rise in market values amplifies the disaffection shown for them by subscribers.
Thus the trend reversal that began in the first quarter has been confirmed, as the increases in use of capital levels (+12.7%) have clearly outstripped those in collection levels, which have exceeded the objective, albeit on the basis of contrasted performance levels: whereas the fall in confirmed loans has accelerated (-10.0%) and the portfolio is below budget, in spite of a 4.3% increase, and debit accounts continue to see fast growth (+ 18.0%), taking the short-term and assimilated growth rate to 7.6%; furthermore, the medium- and long-term assets managed show continued growth at a strong rate of 13.7% and new production of investment loans, after a disappointing first quarter (+3.8%) that reflected the final months of 2007, is once again seeing the strong impetus of 2005 and 2006 (+19.9%).
On the other hand, commitments by signature seem to have reached a plateau, with a rise of less than 10% for the second consecutive quarter (+7.7% as against 14.8% in 2007), once again due to the fall in receivables outstanding for Crédit Coopératif, while BTP Banque for its part continues to show two-figure growth (+13.7%).

EXPOSURE TO MARKET RISKS

In an especially turbulent market context marked by a financial crisis followed by a dollar crisis, and then an oil and raw materials crisis, long-term interest rates remained in the 3.90% - 4.85% bracket and the stock markets fell by more than 20%.
Management of the group's own assets was particularly cautious with an average share exposure level of less than €1.8 million, well below that of the previous year.
Taking into account the current uncertainties, the group's own assets will continue to be managed very cautiously in the coming months.

Concerning the short-term sector of the interest rate curve, the lack of trust within the banking sector has led to a wide gap between Euribor 3 months and the 3 month / Eonia swap rate, which averaged 0.63% over the first half of 2008.

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1 Crédit Coopératif Group section, "Informations réglementées"

Cash flow was managed with a careful eye on the counterparty risk, with reductions in many authorizations for establishments penalised by market changes.
This policy will be maintained for the second half of 2008.

POSITIONING AS TO GLOBAL BALANCE SHEET MANAGEMENT RISKS

In the same way as during the previous year, Crédit Coopératif's balance sheet continues to show little sensitivity to interest rate fluctuations. Moreover, Crédit Coopératif's still holds surplus resources.
The limits set within the Banques Populaires Group have been complied with.
These orientations will be maintained for the second half of 2008.

INCOME

As compared with 30 June 2007, the Crédit Coopératif Group's consolidation perimeter saw changes that had no impact on its income statement; on the one hand, BTP Capital Conseil, a subsidiary dedicated to financial engineering, was set up to handle activities previously dealt with by Crédit Coopératif, and on the other hand, on 28 December 2007, all Efitel's assets were transferred to Crédit Coopératif; Efitel used to invoice services commissions that are now received directly by Crédit Coopératif and BTP Banque. The main operation carried out in 2007, the sale of BISE, which had been consolidated until then using the equity method, was carried out before 30 June (in April).
Since 2007, the group's accounts have been drawn up in compliance with IFRS standards, whereas the company accounts of the various Establishments, partners and subsidiaries alike, are still drawn up under French standards; their figures account for most of the changes in group income, which are examined in the comments below.

The Group's Net Banking income stood at €184.1 million at 30 June 2008, as against €174.2 million in 2007, an increase of 5.7%, a lower rate than in 2007, but still a particularly satisfactory one in the current banking and financial context.
The growth in levels of activity has been accompanied by a substantial rise in interest margins, linked for the most part to operations carried out with clients; the growth in volume was not brought into question by a fall in margin rates, which remains limited.

Nonetheless, in a less classic way, almost two-thirds of the increase in interest margins stems from management of surplus cash assets: these cash assets are usually invested in UCITSs, generating capital gains that were not outsourced at 30 June 2007, or even at the year end: the capital gains from 2007 account for some of the assets realised at 30 June this year.
Furthermore, taking into account the uncertainties weighing on market evolutions, cash allocations were arbitraged in favour of monetary investments, on which returns were boosted by the tension in the three-monthly rates; thus, as compared with the previous year, we saw strong growth in the income posted, with a corresponding reduction in unrealised capital gains.

On the other hand, commissions saw a slight drop resulting from compensation between highly satisfactory growth in banking services invoiced and means of payment on the one hand, and a considerable fall in fees received for UCITS asset management on the other hand, linked to reorientation of subscriptions towards UCITSs with lower margins.
Lastly, under the heading of capital gains not stemming from current operations, property finance leases saw higher levels of capital gains than in 2007, contrary to the venture capital activity, for which income fell to one-third of the levels for the previous year.

In the light of this contrasted yet highly positive evolution in NBI, general expenses showed an increase of 4.1%, which was lower than planned.
Staff costs (€76.7 million) in particular showed a measured increase (+1.3%), after the major rise seen in 2007, within the framework of a modified context: the employee investment scheme agreement was signed in June 2007, so the status of the provision for employee investment was switched from new expenses to recurrent expenses, while the amount invested, which no longer benefited from the exceptional contribution from BISE, showed a considerable fall, thus partially masking the increase in overall wage costs linked to the increase in staff levels (just over seventy people, almost two-thirds of whom joined the sales staff) and the wage increases that came into effect in September 2007 and April 2008.

Other Management Expenses (€48.3 million including depreciation allocations as against €44.4 million in 2007) saw a considerable increase (+8.7%), but nonetheless one that was lower than expected, taking into account the initial extra expenses arising from the headquarters renovation project, in the form of accelerated depreciation of the buildings that are to be partially or completely demolished.
The difference is mainly due to an exceptional VAT deduction of €1.5 million, non-recurrent by definition, and also to the fact that certain expenses in the fields of information technology, real estate (network) and communication are to be laid out later than initially planned; it is thus clear that consumption levels during the second half of 2008 will be higher than those for the first six months of the year, all the more so in that the last quarter of 2008 should see the start of the extra costs arising from rental of a replacement site for the Headquarters departments.
In all, the General Expenses stand at €125.0 million, as against €120.1 million in 2007, i.e. an increase of 4.1%, lower than that of the NBI, thus leading to a 1% rise in the operating ratio, in the knowledge that its situation in the course of a financial year is not actually very significant, taking into account the relative irregularity with which the income and expenses arise over the months.

Gross Operating Profit stands at €59.1 million as against €54.1 million in 2007, a substantial rise of 9.2%, enabling us to face up to the increased cost of risk, especially due to the joint depreciations entered in March on the basis of data stemming from the calculation engines managed by the Banque Fédérale (+ €2.9 million), and whose total amount has remained unchanged, until such time as we obtain stabilisation in the evaluation methods and charts concerning probabilities of default, which are currently being adjusted.

In all, after deduction of taxes and minority stakes, the Net Income, Group share, stands at €28.0 million: It stood at €66.8 million at 30 June 2007, as a result of the capital gain of €48.1 million generated by the sale of BISE in April.

PROSPECTS

Between now and the end of the year, the expected changes in terms of activity are not likely to show any sharp differences with the first half, whose trends they are likely to follow very closely.
Concerning income, it is more difficult to draw up an accurate forecast, as the physiognomy of NBI will depend very largely on the financial and stock market situation during the second half of the year: the budget forecast was based on a rise in UCITS management income during the final months of 2008, which remains highly doubtful. Moreover, the income posted at 30 June for internal cash asset investments shows strong growth, but that growth is correlated to a relative drop in unrealised capital gains for the UCITS portfolio, whose outsourcing was planned for the end of the year.

In fact, it is quite possible that growth in NBI could fall during the second half of the year, but at the same time, the general expenses are likely to see a smaller increase than forecast, higher than at 30 June, it is true, but nonetheless lower than the budget for the year, in particular because the rental of the replacement site for the Headquarters is likely to come into effect during the final quarter at the earliest, whereas it had been budgeted for all six months.

Lastly, improvements in the tools used to evaluate commitments accompanying implementation of the MacDonough ratio are likely to lead to reductions in the depreciations to be allocated, and this could make up for the impact of a possible deterioration in risk quality, which the current difficult economic context leads us to fear, concerning operations with clients and financial counterparties alike.
Overall, the 2008 financial year is likely to see lower income levels than 2007, which will remain a banner year, and the levels could well be lower than forecast, but they should nonetheless show satisfactory growth, as compared with the operating income for 2007, i.e. less the capital gains from the sale of BISE, at levels that enable the Group to envisage with serenity the continued commercial, computer and property investments necessary to deploy its ambitions as to growth.

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GROUPE CREDIT COOPERATIF

CRÉDIT COOPÉRATIF GROUP

KEY FIGURES at 30 June 2008

IFRS standards

INCOME (euros million)			
	Mid 2008	Mid 2007	Changes
Net banking income	184.1	174.22	5.7 %
General expenses	125.05	120.11	4.1 %
Gross operating profit	59.1	54.1	9.2 %
Cost of risk	15.78	14.73	7.1 %
Gains and losses on other assets	0.34	47.54	
Corporation tax	14.01	19.32	- 27.5 %
Net income – Group share	28.05	66.80 (1)	

(1) Including the sale of Bise

SUMMARY BALANCE SHEET at 30 June (EUROS BN)					
Assets	2008	2007	Liabilities	2008	2007
Interbank operations and securities portfolio	4.99	4.70	Interbank operations and bonds issued	2.18	2.57
Customer loans	6.79	6.04	Customer deposits	8.21	6.67
Miscellaneous	0.36	0.31	Miscellaneous	0.70	0.71
Securities held as long-term investments	0.12	0.12	Equity capital	1.17	1.23
TOTAL	12.25	11.18	TOTAL	12.25	11.18

INDICATORS		
	Mid 2008	Mid 2007
Outstanding loans to customers (bn)	6.79	6.04
Customer deposits outstanding (bn)	8.21	6.67
UCITS assets under management (euros bn)	8.50	8.35
Operating ratio	67.91	68.94

Crédit Coopératif: 68 branches
BTP Banque: 36 branches
UES staff (Crédit Coopératif and its subsidiaries: BTP Banque, Ecofi Investissements): 1,840