BANQUE EUROPÉENNE

Crédit Mutuel

Financial highlights 2013

Executive Board's management report

A YEAR OF TURNING POINTS

Whereas in 2012 the question of sovereign debt had captured the attention, 2013 was marked by a notable return of confidence on the part of private sector operators and improved conditions in the major developed countries, particularly in the European Union, where the situation at last stopped deteriorating.

In support of this recovery, central banks continued to play an active part on the monetary front, with continued easing in the euro zone and real shock therapy in Japan. In the US on the other hand, confirmation of a solid dynamic, still driven by household consumption, allowed the Federal Reserve to start cutting back on its intervention.

This improvement led to significant volumes of funds being brought back to Europe and the United States. This seriously penalized the emerging economies, which have been the big losers in these international switches.

Europe: coming out of the tunnel

The structural reforms embarked upon by governments, together with the European Commission's relaxing the budgetary austerity measures, boosted investors' confidence and contributed to renewed activity. The European Central Bank (ECB), which chose to remain extremely accommodative while at the same time reassuring markets of its ability to intervene if necessary, also played a key role. Despite several political crises such as those in Italy, Spain and Portugal, and great uncertainty about the restructuring of Cypriot banks during the first few months, there was an upturn in growth from the second quarter, and forecasts confirm that the bottom of the curve is now behind us.

This more favorable environment led to a fall in refinancing costs for the Member States in the most difficulty, notably allowing Ireland to become the first euro-zone member to exit the financial assistance program of the 'Troika' (ECB, European Commission and International Monetary Fund). In parallel with this, the European partners made progress with the Banking Union project, the first stages of which should materialize in 2014. This should enable the link between bank risk and sovereign risk to be broken, strengthen the finance sector and support the ever-shrinking supply of credit.

Recovery will however remain moderate because of deleveraging in both the private and public sectors, which will continue in the next few quarters. Also, wide disparities are being revealed: while Germany has kept its role as driver and remains on a favorable trend, France is struggling to find new sources of growth. Purchasing managers' advance indicators were once again down at year-end, while industrial output and exports remained flat. Reforms were nonetheless pursued, notably with the enactment in mid-year of a law on banking regulation: as well as ring-fencing the most dangerous market activities in independent subsidiaries, the law also provides for stronger consumer protection.

United States: the saga of monetary policy

Consumption benefited from a number of favorable factors: a sustained rise in disposable income, the wealth effect of rising real estate prices and financial markets, and improvement, albeit slow, in the employment situation.

However, the US economy had to go through a phase of unprecedented budget austerity and, from mid-2013, a dramatic rise in sovereign borrowing rates. Furthermore, political stalemates leading to the temporary shut-down of certain federal agencies led businesses to adopt a cautious approach in their investment policies.

After blowing hot and cold throughout the second half of the year, in December the Federal Reserve finally decided to start cutting back on printing money. The program of monthly bond purchases was cut back from $85 billion to $75 billion a month, and it is now scheduled to come to an end some time during 2014.

Japan: monetary shock therapy

This past year also saw a radical turning point in Japan's strategy. New Prime Minister Abe undertook a three-pronged campaign of unprecedented scope, based on a program of structural reforms and budgetary and monetary re-start. This is very ambitious, relying as it does on private sector operators gradually changing their behavior, notably through better integration of women and foreigners into the active population and greater redistribution of corporate earnings by means of salary increases.

These changes require time however. Initial results are mediocre, and the end results are likely to be disappointing, which will force the Bank of Japan once more to raise the pace of monetary easing in 2014, to the detriment of the yen.

Emerging markets: a growth lever lost

Lackluster performances in the developed countries and the active intervention of central banks had led investors to turn en masse to emerging markets. In 2013 however, in view of the uncertainty about future liquidity conditions in the US, the majority pulled out again. These movements led to substantial falls in emerging market currencies, forcing the authorities to raise key lending rates in order to stem capital flight and combat accelerating inflation. This cycle of tightening had a serious impact on the economic situation, and will continue to weigh on it in the medium term.

China is a case apart, because of the capital controls it has in place. But 2013 was also a year of transition, with a new team taking over and announcing its policy of structural changes. In particular, the government undertook to regulate the financing business more strictly and to improve the transparency of financial institutions, with a view to containing the swelling of the real estate bubble and gaining control over 'shadow banking'. Another central objective of the model's 'clean-up' program is to reduce debt taken on by local authorities, which have taken advantage of cheap financing to embark on major investment projects with generally diminishing returns in order to artificially support growth. The scope for a rebound in GDP is limited by the fight against imbalances, and we expect to see annual GDP growth slowing gently, while still remaining above 7%.

BANQUE EUROPÉENNE DU CRÉDIT MUTUEL

Adaptation to the organization of the CM11-CIC group

The absence of economic recovery in France, where BECM generates 90% of its revenues, weighed on its activities as the corporate subsidiary of the CM11-CIC group. Geared essentially to local banking, in tandem with the network of the Crédit Mutuel (CCM) regional banks and in synergy with that of CIC, BECM posted contrasting performances in its four main markets:

- corporate finance and banking services;
- financing real estate development and real estate investors, mainly in the housing sector;
- real estate companies that manage residential, commercial and business rental properties;
- payments processing for major players in the retail, transportation and services sectors.

BECM is involved, in a subsidiary capacity relative to the CCM network, and with thresholds for its involvement adapted to each region, in the corporate market and in financing professionals in the agriculture and health care sectors.

In this context, in June 2013 it took over the assets of the corporate business of Caisse Régionale du Crédit Mutuel de Normandie, by means of a partial transfer of assets.

In parallel with this, and in order to offer our corporate customers' shareholders and managers a quality asset management service throughout France, BECM decided to develop this activity in common with Banque Transatlantique, the CM11-CIC group's private banking subsidiary, which has operations in the main economic regions of the world. This agreement led to BECM's transferring its private asset management business to Banque Transatlantique in 2013 and establishing a branch dedicated to asset-type financing based on a corporate risk approach.

BECM offers its products and services through a French network comprising 29 corporate branches, 11 branches dedicated to financing real estate developers, one specializing in real estate companies, and one asset-type financing branch, as well as through three branches in Germany, one in Sint Maarten (former Netherlands Antilles) and its Monaco subsidiary Banque Européenne du Crédit Mutuel Monaco.

It continued to tailor its services by means of a global approach centering on its customers' requirements, with value-added solutions in cash management, financial and social engineering, processing of domestic and international payments, hedging of interest-rate and foreign exchange risks and support for their international business.

Commercial development and improvement of profitability

Commercial investments concerned the setting up of a specialized financing team, the preparation of the Single Euro Payments Area (SEPA) offering to facilitate migration of means of payment, and the replacement of the old French ETEBAC protocol with the Electronic Banking Internet Communication Standard (EBICS) protocol for exchanging payment and collection files.

The flatness of the economy and the weakness of demand for credit in the corporate market in France, as well as real estate companies' tendency to switch to bond issues, led to a 2% decrease in loan outstandings, to €10.5 billion in average monthly balances.

On the other hand, the shift in lending policy toward financing backed by tangible assets, through the specialist subsidiaries CM-CIC Bail, CM-CIC Lease and CM-CIC Factor, mostly counter-guaranteed by BECM, the growth in the security bond business and the increase in undrawn confirmed credit lines, led to an increase of 7.2% in off-balance sheet commitments, to €8.4 billion.

Total customer commitments increased by 1.7% to €18.9 billion.

Meanwhile, employees' dynamism enabled BECM to post a further significant increase in its deposits: by 18% to €6.4 billion.

These changes led to a €1.2 billion reduction in the liquidity gap.

Thanks to a fall in the cost of funds and strong sales of added-value products and services, BECM posted net banking income of €205 million, 7.5% up on the previous year.

Net provision allocations/reversals for loan losses represented 0.19 % of average annual loan outstandings.

Net income was €73 million, up by 15%.

The solidity of the balance sheet was further confirmed: regulatory capital reached €1,147 million, as a result of two capital increases - the first in connection with the payment of a dividend in shares, the second as a result of the partial transfer of assets from the corporate business of Crédit Mutuel de Normandie – and the non-distributed portion of profit for 2012.

The solvency ratio at year-end was 10.9%.

Corporate market

BECM posted good commercial performances in 2013, attaining practically all its objectives.

The growth in assets under management in Germany, and the winning of new clients in France were among its major achievements.

In Germany, the Bank doubled its deposits and increased its utilized credit facilities by 15%, thus boosting its combined loan and deposit outstandings to just over €1 billion as at the end of 2013.

In France, it increased the number of customers in its portfolio to 9,000, largely thanks to winning over 317 companies, 87 of which with annual sales of more than €50 million. This success reflects substantial prospecting efforts by the network.

Results were equally satisfactory in most of the other areas of activity: funds entrusted by clients, equipment and real estate leasing, international business and employee savings plans.

Loan outstandings remained practically flat in France, in a market that was down by 0.9% at year-end 2013.

The year was also marked by the SEPA migration project, the completion date for which has been postponed from February 1 to August 31, 2014. CM-CIC's offering, ready on time, designed to respond to all needs expressed by customers, enabled the Bank to win over new users of transfer and direct debit services.

For 2014, BECM has ambitious objectives set in the framework of its 2014-2016 medium-term plan, in four priority areas:

- continuing to develop the business and activating relationships with newly-won customers;
- boosting volumes entrusted by customers, drawing on the support of the group's technology;
- intensifying links with companies active internationally, and in particular those with significant export sales;
- pushing structured lending, which generates fee income.

Financing of real estate professionals

BECM manages relations with REITs, major real estate investors and national players in the real estate development business on behalf of the group. It is also involved, in a complementary role to the CCM units, in financing their professional or ad hoc customers in this market.

Financing of real estate developers mainly concerns new residential properties. Its knowledge of the sector and of the national real estate developers helps the real estate subsidiary CM-CIC Agence Immobilière to win sales mandates and leads to more housing loans being granted by the group's retail networks.

On behalf of the group, BECM also coordinates training, which was strengthened during the year, procedures, management, and the development of tools specific to the business line.

It provided support for the reorganization of CM-CIC Immobilier by adapting its banking offering to the needs of the various operating subsidiaries.

In 2013 sales of new residential properties remained at a low level. New lending to developers followed this trend, although overall activity remained stable thanks to extended geographic coverage since 2011.

Visibility on this market is limited, due to its increased sensitivity to changes in interest rates on buyers' loans and changes in selling prices. BECM's decentralized organization ensures its ability to anticipate and to put appropriate solutions in place if the situation should become more difficult.

The offering of financing to real estate developers is governed by strict prudential rules and adapted to the particular characteristics of each deal. The average utilization rate of credit facilities granted, at less than 50%, reflects a requirement for hard pre-selling when entering competitive tenders. BECM is maintaining this condition for 2014 a well as the other points for securing its commitments.

In the real estate companies and major investors segment, the year was marked by significant pre-payments as a result of bond issues. BECM helped CM-CIC Securities obtain mandates for placements. Loan utilization fell again, by 16%. The fall in assets under management since 2011 amounts to more than €1 billion. However it was a good year for commissions, following the reexamination of customers' financing maturities.

In the real estate investment market, we saw transactions stabilize, particularly in France, which continues to arouse the interest of the major international investors, due to its intrinsic liquidity and non-speculative nature.

Human resources

BECM's commercial and operational performances are closely linked to the quality, availability and technical skills of its employees.

A pro-active training plan, geared primarily to methods, products and sales tools, enables them to develop their skills and take on board all the latest technological and regulatory developments. In 2013 this plan represented 1,105 days of training for 303 employees and a total budget equivalent to 3.9% of total payroll expense.

The workforce numbered 400 on average in 2013.

In focusing on its values of proximity, responsiveness and responsibility, BECM has opted to make its employees' independence and capacity for initiative the basis for prioritizing customer service.

Composition of the governing bodies

The General Meeting of May 7, 2013 renewed the terms of office as members of the Supervisory Board of Roger Danguel, Rémy Grosz, Michel Lucas, and Patrick Morel.

The Supervisory Board in its meeting of May 7, 2013:

- reappointed Michel Lucas as chairman for the duration of his term of office as a member of the board;
- co-opted Hervé Brochard to replace Eckart Thomä who, on completing his term of office as chairman of Crédit Mutuel de Normandie, had expressed his wish to resign as a member of the board of BECM. This co-option will be proposed to the General Meeting of May 7, 2014 for ratification.

In application of Article L.225-102-1 of the French Commercial Code, the list of offices held and functions exercised by each corporate officer during the year is provided in the appendices.

Equity interests

At December 31, 2013, shareholdings in subsidiaries and other equity interests stood at €10,889,346.82 of which €9,999,900 related to the Monaco subsidiary.

For 2013, Banque Européenne du Crédit Mutuel Monaco posted net income of €476,405.31 after amortization of start-up costs.

Subsidiary company SNC Foncière du Crédit Mutuel acts as a property dealer in handling security relating to cases in dispute or litigation. The company posted a profit of €2,211.29 for the year.

Recent developments and outlook

The economic situation, which is expected to improve moderately in 2014, will oblige BECM to continue expanding its business by increasing the facilities it provides to its customers, developing the recently opened branches, notably those in Germany, and building on the businesses taken over in 2012 and 2013, as well as by continuing its prospecting efforts.

At the same time, the French economic context will require a continuing policy of sound risk selection and strengthened monitoring of sensitive cases.

As Crédit Mutuel's corporate bank and the center for financing real estate professionals and cash management, BECM will seek to slim down its organization by means of technical cooperation and back office agreements with other group entities.

FINANCIAL REPORT

Management of financial risks

The ALM technical committee of CM11-CIC manages all the interest rate, exchange rate and liquidity risks of the group, including those of BECM. As part of overall asset and liability management, the duration and type of refinancing is decided according to asset/liability management rules, particularly in terms of transformation and interest rate risk and regulatory ratios.

As cash centralizer, BFCM ensures that group entities have sufficient liquidity, so BECM does not bear any liquidity risk on its own account.

Balance sheet

Total assets as at December 31, 2013 amounted to €12.4 billion, compared with €11.9 billion at year-end 2012, an increase of 4.3%.

Liabilities

Interbank transactions amounted to €3.6 billion and consisted almost exclusively of refinancing activities with BFCM.

Customer deposits, up by 23.3 % at €6.7 billion (including accrued interest) consist mainly of term deposits (€4.4 billion) and customers' checking account credit balances (€2.2 billion). Securities issued to customers (negotiable certificates of deposit) came to €0.2 billion.

The fund for general banking risks amounted to €160 million.

Total equity and reserves (including the fund for general banking risks and income for the year) increased to €879 million compared with €806 million at the end of 2012, as a result of two capital increases - the first in connection with the payment of a dividend in shares, the second as a result of the partial transfer by Caisse Régionale du Crédit Mutuel de Normandie of assets from its corporate business – and the appropriation of profit for 2012.

Subordinated debt totaled €415 million (excluding accrued interest), including €50 million in the form of super-subordinated securities subscribed by BFCM to enable

BECM to bolster its long-term funding resources and meet requirements in terms of prudential ratios.

Articles L.441-6-1 and D.441-4 of the French Commercial Code provide for specific disclosures relating to the due dates of trade payables; the amounts involved are not material for BECM.

Assets

Interbank transactions basically reflect cash surpluses placed with BFCM.

As at the end of the reporting period, loans to customers (including accrued interest) were down by 3.6%, at €10.2 billion, from €10.6 billion in 2012.

Cash facilities (€2.2 billion), capital equipment loans (€4.6 billion) and current account overdrafts (€0.9 billion) accounted for the major part of facilities granted.

Non-performing loans to customers (gross outstandings of €215 million) were 50% covered by provisions. BECM pursues a prudent loan classification and provisioning policy.

Income statement

In the year to December 31, 2013, interest and similar income totaled €268 million, consisting mainly of interest received on lending transactions with customers (€215 million).

Interest and similar expenses (€133 million) essentially consist of interest paid to BFCM in respect of refinancing, and interest paid on customers' term deposits.

Net banking income amounted to €205 million, compared with €191 million in 2012.

Total general operating expenses came to €78.4 million, of which €4.5 million was incurred on behalf of other CM11-CIC entities and was subsequently recovered. Net general operating expenses for BECM thus totaled €73.9 million.

Net provision allocations/reversals for loan losses came to €19.5 million.

An amount of €31,691 corresponding to non tax-deductible rental and depreciation of company cars was added back to taxable income.

After an income tax charge of €42.1 million, net income for the year came to €73 million, compared with €63.6 million in 2012.

Appropriation of prior year earnings and net income proposed to the General Meeting

The appropriation of net income and prior year earnings submitted to the General Meeting is as follows:

Net income for 2013	€73,030,002.00
Retained earnings (previous credit balance)	€692,581.20
Giving a total of	€73,722,583.20

The Executive Board proposes to:

- distribute to each of the 5,423,626 shares entitled to the full year's dividend, a dividend of €4.04, and to each of the 16,460 new shares created with effect from June 23, 2013, a dividend of €2.12, giving a total of €21,946,344.24.
- allocate an amount of €286,784.00 to the legal reserve;
- allocate an amount of €51,000,000.00 to the revenue reserve;
- carry the remaining €489,454.96 forward as retained earnings.

The dividend distributed is eligible for the tax allowance provided for in Article 158 of the French Tax Code.

In accordance with currently applicable legal provisions, the Executive Board reminds you that the following dividends per share were distributed in respect of the previous three financial years:

Year	2010	2011	2012
Amounts in euros	5.15(1)	4.78	3.64(1)
	1.31(2)		1.91(3)
Dividend eligible for the tax allowance provided for in Article 158 of the French Tax Code	yes	yes	yes

((1) For shares entitled to the full year's dividend.
(2) For shares entitled from September 30, 2010.
(3) For shares entitled from June 23, 2012.

Strasbourg, February 28, 2014
The Executive Board

Balance sheet of Banque Européenne du Crédit Mutuel

(All amounts are expressed in thousands of euros)

Assets	2013	2012
Cash and due from banks	1 596 826	642 143
Investment securities	8 421	12 250
Investment in unconsolidated affiliates	10 000	10 000
Loans and advances to customers	10 251 423	10 634 561
Customer liabilities under acceptances	-	–
Bank premises and equipment	996	1 093
Goodwill and other intangible assets	1 051	1 071
Deferred tax assets	-	–
Other assets	517 405	571 715
Total assets	**12 386 122**	**11 872 833**
Liabilities and stockholder's equity		
Liabilities		
Financial liabilities held for trading	–	–
Customer deposits	6 963 706	5 703 606
Due to other banks	3 655 962	4 378 443
Acceptances outstanding	–	–
Profit tax payable	2 802	2 117
Deferred tax liabilities	–	–
Provisions	23 672	24 137
Subordinated debt	415 213	537 269
Other liabilities	445 793	421 393
Funds borrowed	–	–
Funds for general banking risks	160 000	160 000
Stockholders' equity	**645 944**	**582 227**
Issued capital	108 802	105 934
Share premium	163 198	146 866
General reserves	–	–
Other reserves	373 252	328 735
Retained earnings	692	692
Net result	**73 030**	**63 641**
Total liabilities and stockholders' equity	**12 386 122**	**11 872 833**

Income statement of Banque Européenne du Crédit Mutuel

(All amounts are expressed in thousands of euros)

	2013	2012
Interest income	268 130	309 539
Interest expense	(133 146)	(185 420)
Net interest income	**134 984**	**124 119**
Fee and commission income	250 384	239 022
Fee and commission expense	(183 354)	(171 700)
Net fee and commission income	**67 030**	**67 322**
Dividend income	7	15
Net trading income	897	645
Gains less losses from investments securities	400	(3 420)
Other operating income	5 457	2 600
Operating income	**208 775**	**191 281**
Salaries and other employee expenses	(38 859)	(38 431)
Occupancy expenses	(35 026)	(35 051)
Net impairment losses on loan and advances	(19 531)	(13 509)
Other operating expenses	(259)	(204)
Operating expenses	*(93 675)*	*(87 195)*
Net result from operations	**115 100**	**104 086**
Income from associates	–	–
Allocation to the funds for general banking risks	20	43
Net result before tax	**115 120**	**104 129**
Profit tax expense	(42 090)	(40 488)
Net result after tax	**73 030**	**63 641**

Explanatory notes to the summary financial statements

A. - Accounting policies

Basis of preparation

French and European regulations do not require BECM to prepare and publish consolidated financial statements. It should be noted that BECM has no significant subsidiaries which would justify consolidated financial statements.

The summary financial statements are derived from the audited statutory financial statements of BECM and have been prepared according to French accounting principles (French Gaap) applied to credit institutions. The summary financial statement of financial position, the summary income statement and the summary explanatory notes are presented using the format defined in Appendices 1 through 3 of the Provisions for the Disclosure of Consolidated Financial Highlights of Domestic Banking Institutions issued by the Centrale Bank van Curaçao en Sint Maarten.

Investment securities

Securities recognized as assets are recorded in portfolios as laid down by regulations (trading, available for sale, held to maturity, other long-term securities) according to management intention on acquisition. They are valued according to their classification. All portfolios are recognized at historical or amortized cost, with the exception of the 'trading portfolio' valued at the market value. Impairment charges are immediately recognized in the income statement, excepted for the unrealized temporarily losses on held to maturity portfolio.

Loans and advances to customers

Loans and advances to customers are initially measured at historical cost and subsequently at amortized cost and may be subject to impairment, if there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms of loans.

B. – Specification of accounts of Banque Européenne du Crédit Mutuel

(All amounts are expressed in thousands of euros)

Assets	2013	2012
Investment securities		
Available for sale available	18 522	20 050
Held to maturity	0	2 484
Trading portofolio	0	180
Total investments	**18 522**	**22 714**
Less allowance for losses	(101)	(464)
Net investments	**18 421**	**22 250**
Loans and advances to customers		
Retail customers	21 202	72 788
Corporate customers	10 292 557	10 619 287
Public sector	19 834	33 363
Other	25 659	32 589
Total loans and advances to customers	**10 359 252**	**10 758 027**
Less allowance for loan losses	(107 829)	(123 466)
Net loans and advances	**10 251 423**	**10 634 561**
Liabilities		
Customer deposits		
Retail customers	15 838	25 027
Corporate customers	6 947 868	5 678 579
Other	–	–
Total customer deposits	**6 963 706**	**5 703 606**

Statutory auditors' report on the Summary Financial Statements

To the Board of Directors of Banque Européenne du Crédit Mutuel,

The accompanying Summary Financial Statements, which comprise the summary statement of financial position as at December 31, 2013, the summary income statement for the year then ended, and related notes, are derived from the audited financial statements of Banque Européenne du Crédit Mutuel (" the Company") for the year ended December 31, 2013. We expressed an unmodified audit opinion on those financial statements in our report dated April 14, 2014. The Summary Financial Statements do not contain all the disclosures required by French accounting principles applied to credit institutions in France. Reading the Summary Financial Statements, therefore, is not a substitute for reading the audited financial statements of Banque Européenne du Crédit Mutuel.

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of a summary of the audited Financial Statements on the basis described in Note A.

Auditors' Responsibility

Our responsibility is to express an opinion on these Summary Financial Statements based on our procedures, which were conducted in accordance with International Standards on Auditing 810, "Engagements to Report on Summary Financial Statements".

Opinion

In our opinion, the Summary Financial Statements derived from the audited financial statements of Banque Européenne du Crédit Mutuel for the year ended December 31, 2013 are consistent, in all material respects, with those financial statements, on the basis of preparation described in Note A.

This report is governed by French law. The courts of France shall have exclusive jurisdiction over any claim, dispute or difference resulting from the engagement letter or the present report or any related matters. Each party irrevocably waives its right to oppose any action being brought before French courts, to claim that the action is being brought before an illegitimate court or that the courts have no jurisdiction.

Paris-La Défense, April 14, 2014

The statutory auditors

KPMG Audit
Département de KPMG S.A.
Arnaud Bourdeille

ERNST & YOUNG et Autres
Olivier Durand

For the BECM, deviations between French Gaap and IFRS Gaap are:

	EQUITY (EXCLUDING NET INCOME)	NET INCOME
French Gaap	**645 944**	**73 030**
General provisions under French Gaap (funds for general banking risks)	160 000	0
IFRS Collective Impairment provisions	-8 250	-4 315
Deferred taxes under IFRS Gaap	12 563	949
Other differences between IFRS/French Gaap	-3 859	-638
IFRS Gaap	**806 398**	**69 026**

All figures of the present report are expressed in thousands of euros.

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