

2010 ANNUAL REPORT
IN BRIEF

In 2010, la Nef's cooperative shareholders renewed and strengthened their confidence in the cooperative plan, thus affirming their desire to create a banking alternative in France in order to develop ethical finance.

Another Year of Significant Growth in Resources

Fund collections were very strong in 2010. The amount of funds directly managed by la Nef grew 25%, reaching €97 million by late in the year; resources transiting through Crédit Coopératif rose 20%, hitting €215 million.

However, adding these numbers together, may lead one to think we have more than €300 million in funds under management, which does not accurately reflect our financial position. The currency rates in 2010 did not allow us to use money from current accounts due to overly-high refinancing costs. Consequently, we spent the year with nearly a third lopped off the balance sheet.

Direct funds

La Nef's **capital** rose 25% reaching **€24,875,160**. This level of equity capital is more than sufficient to ensure the security of the cooperative and to cover up the capital requirements of a lending business that still has a lot of room for development.

However, we are confronted by an unknown as regards the tax incentives related to capital subscriptions.

The new finance law not only curbed the percentages and deduction ceilings, but set a maximum deduction for a given beneficiary company (to bring French law in compliance with European standards).

Even if the retroactive effect of this law didn't undermine certain deductions in 2010, in the future it will limit the total number of subscriptions eligible for a tax incentive.

However, the number of new cooperative shareholders joining the cooperative to strengthen ethical finance in France remains extremely encouraging news. As at 31 December 2010, la Nef had **27,135 cooperative shareholders**.

Outstanding amounts owed for deposit accounts and Nef Savings Plans also grew (+25%), reaching **€74 million** by year's end.

A new deposit account was created for a partnership between la Nef and Ecidec, a microfinance association working in Benin and Senegal, called the **Microfinance Deposit Account**. This account allows savings customers to deposit funds which are thereafter loaned to microfinance organisations that Ecidec has been working with for a number of years. Some or all of the savings is pledged and serves as loan guarantees. The first accounts were opened in late 2010, which will enable an initial release of loans in early 2011. We hope this new form of community-oriented savings will be a smashing success.

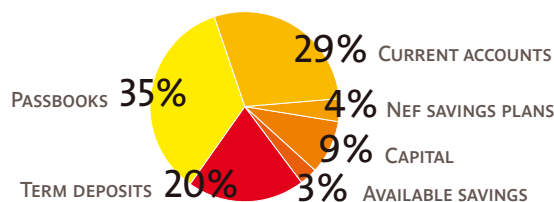
Indirect funds

2,169 Nef – Crédit Coopératif current accounts had been opened in 2010, i.e. 11% growth as compared to 2009. Thus, as at 31 December, **22,425 current accounts** were opened in Crédit Coopératif's books; outstandings grew 15%, hitting **€108 million**. However, la Nef could not use these funds as the prevailing economic conditions made it too costly. As a result, the Crédit Coopératif was free to use these funds as it saw fit.

In 2010, **1,033** Nef - Crédit Coopératif passbooks had been opened, representing 13% growth. As at 31 December, la Nef's cooperative shareholders had opened **8,694 Nef passbooks** with Crédit Coopératif. Outstandings stood at **€118 million** - a 24% rise.

As per agreements signed with Crédit Coopératif, la Nef could use 90% of these resources, primarily due to their return, which remained low at 1% throughout the year. **Thanks to this less expensive source of funds, we were able to weather a difficult year.** It is, therefore, regrettable that less than one passbook was opened for every two current accounts.

RESOURCE ALLOCATION
AS AT 31/12/2010



The Use of Collected Funds

The Société financière de la Nef thus has **two types of resources**: those that it collects directly via the share capital, term deposits and savings plans, and those that it has obtained through an agreement with Crédit Coopératif, which entitles drawing on 75% of la Nef current account deposits, as well as on 90% of Nef passbooks.

Resources collected directly are of an average term of nearly four years; these funds allow la Nef to make loans for an average term of nearly seven years with low risk due to a very high renewal rate for deposits. Furthermore, the amount of outstanding loans corresponds almost exactly to the amount of term deposits and Nef Savings Plans managed directly by la Nef.

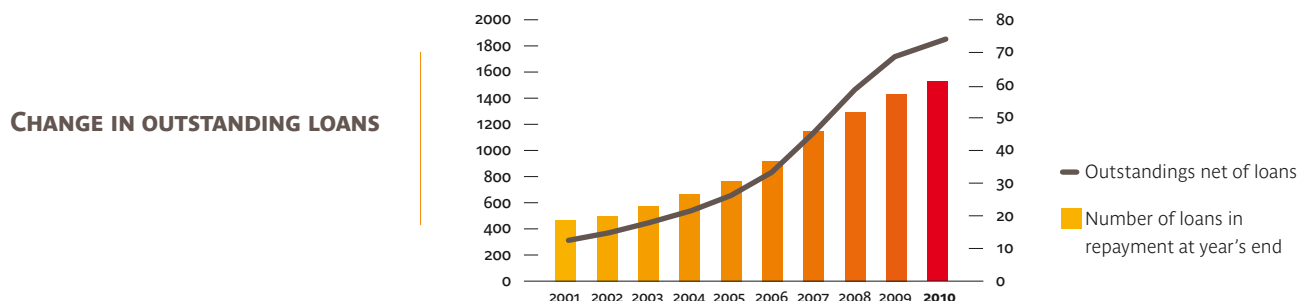
The resources collected through current accounts and Nef passbooks, on the other hand, are for a much shorter term. This specificity, related to the fact that la Nef is unable to manage these accounts itself, means we are obliged to reuse over shorter terms. These funds are put into a bank term deposit account when the situation regarding rates so permits, which was not the case in 2010 for current accounts.

A Tough Year for the Lending Business

Despite an upturn in the economy in France as compared to southern Europe, entrepreneurs continued to encounter difficulties getting their businesses off the ground. Our borrowers are generally still reeling from the crisis, which has translated into a rising number of late repayments and a high level of write-downs (approximately identical to the 2009 level).

Against this backdrop, la Nef has continued to support players in the real economy by extending **236 loans worth €16.5 million**. This has raised outstanding loans to **€73 million**, a 5.8% increase. As at 31 December 2010, **1,528 loans** were in repayment.

However, considerably fewer new loan facilities were set up than in 2009, primarily due to unfavourable rates, which persisted from mid-2009 to the end of 2010.



Ecology: the main sector financed

In 2010, savings customers again showed their resolve to finance environmentally-friendly projects.

Simultaneously, 63% of loans extended involved projects in the "Environmental" sector. This is particularly interesting in light of the fact that the French government provided considerably fewer tax incentives for renewable energies in 2010.

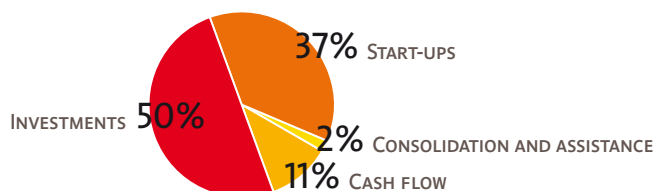
The "Social" sector represented 29% of the loans made, the percentage of which grew as compared to 2009. As in 2009, the main areas concerned were social integration and local development, while financing fair trade represented 47% of the loans made in this sector.

After a rise in 2009, the "Cultural" sector contracted slightly to 6% of the number of loans extended. The majority of projects funded in this sector were in training and tourism.

Financing investments into companies

Although support for start-ups remained quite strong, financing investments of existing companies represented half of business in 2010.

BREAKDOWN OF ALL LOANS MADE IN 2010 BY TYPE OF LOAN



A drop in loans made to private customers

Our "Individual Loan" department continued to be particularly appreciated for the quality of its advice. On the other hand, with **€1.5 million in loans made in 2010**, the funding of private customers declined 15% vs. 2009. This can be attributed to strong competition in real estate loan rates as well as to extending the term of repayment (demand is strong for fixed-rate long-term loans, which is difficult to reconcile with the average term of our resources).

To rectify this situation, diverse proposals have been put on the table to enable us to expand our loan offer to private customers, which is currently extremely focused on ecohousing.

Borderline Earnings

Extremely low interest rates, the resulting downturn in the Credit business and the inability to use the money from current accounts, were the main reasons for borderline earnings in 2010.

By maintaining the level of overhead costs at 80% of income from banking operations, la Nef maintained acceptable profitability in comparison to the standards for banks. However, we must not cross the 80% threshold as this would cause us to lose operational flexibility and the requisite cushion to handle inevitable unknowns in connection with the economic context or with our development needs.

This situation has therefore led us to cut back on hiring and on our expenses, even though in 2010 we crossed the **50 employee threshold mark**. For the second time since the signing of the initial incentive agreement in 2003, no incentive bonus was paid out to personnel. We hope that an improved economic climate in 2011 will allow us to return to a more comfortable financial position.

The cost of risk (period's provisions net of recoveries) remained high at **1.19%** of total outstanding loans. Although this level is in line with our forecasts in view of the current economic context, the impact of the cost of risk on net income has been strong. At **€31,386.35, after corporate income tax**, net income has been decidedly down this year.

Structuring Cooperative Life at the Local Level

Over the past five years, the life of la Nef cooperative has changed significantly. In particular, in 2010 it was increasingly de-centralised. Thus, roughly thirty groups of volunteer cooperative shareholders locally coordinated the cooperative shareholder network. "Meetings of local coordinators" and "delegation meetings" were held. These meetings served as an opportunity to dialogue about "policy", "operational" and "cultural" trends in the cooperative.

To help advance this cooperative shareholder initiative, a new position called Manager of Cooperative Life in Delegation was created; the first such job was created in the autumn within the Lyon Delegation.

Subsidiaries and Holdings

Energie Partagée

In 2010, the Société financière de la Nef was extremely active in setting up the Energie Partagée project, in particular through its contribution in bringing together Solira and Enercoop's dynamism.

The Société financière de la Nef is also extremely involved in governing this new mixed liability company, the purpose of which is to invest in renewable energy projects. The operational management of EPI was assigned to Nef Gestion, a subsidiary of la Nef established at this time. However, the vocation of Nef Gestion may extend to other initiatives.

Terre de liens

The Société financière de la Nef has remained very involved in the Terre de liens both as partner involved in the financial tool and as a member sitting on the board of the national association. Terre de liens collected €8.5 million in funds in 2010 and facilitated establishing 25 farms.

NCEM

We've reported the difficulty in getting this management company off the ground. Along with Financière de Champlain and Crédit Coopératif, we are part owner of this concern, and hold a 42% stake in its capital. However, we believe that it will grow and therefore have invested €84,250 in a capital increase while provisioning €71,673 in asset impairment as our initial commitment in the SENS fund managed by NCEM.

SEFEA

The Société financière de la Nef's most significant holding remains the SEFEA, of which Jacky Blanc has become Vice-President. And we've had the opportunity to co-finance several projects with the SEFEA in France and Italy.

Building the "Woopa"

Woopa is the name of the building that's going to become the new home of la Nef's head office in November 2011. Located in Vaulx-en-Velin in the "Carré de Soie" neighbourhood, the Woopa was built in 2010. In addition to putting la Nef in an environment with other cooperatives, this move also epitomises la Nef's ecological values as the Woopa has been designed to make a zero carbon footprint. We are now working on laying out its interior to maximise the well-being of the building's future occupants.

Implementation of "T24" Software

T24 is the name of the software designed by Téménos Co. that we installed in 2010 to help manage all our business activities. This IT switch-over was a complicated project requiring considerable effort, and occasionally it even took us away from our other tasks. Complications in roll out resulted in delays or errors in processing transactions, and we'd like to apologise to our cooperative shareholders for any inconvenience this may have caused them. Even though the system is still not working perfectly, the situation is much improved and we are starting to reap the benefits from this software integration.

Changes in the Bank Project

In 2010, after three years of teamwork on our planned merger, our Italian partner, Banca Etica, decided to pull out of the deal for its own reasons related specifically to the economic downturn.

Once again la Nef is left to face its destiny and must make new choices regarding its development. Nevertheless, we learned a lot from our partnership with Banca Etica, and have benefited from the sharing of experience and everything we capitalised on to be ready to establish an ethical bank in France.

Establishing an ethical bank meets la Nef's requirement of assuming responsibility in direct banking relationships with its customers – a relationship which could cause deep-seated changes to the cooperative's business model. This business model is unbalanced due to the funds coming from accounts not managed by la Nef, and la Nef cannot benefit from business that might arise from these accounts. The creation of an ethical bank is also a response to strong expectations from civil society: bank customers want to have their current accounts in a bank they can identify with.

Important work was undertaken with Nef's cooperative shareholders in Q1 2011. The results of this work have been explained in the presentation note on the developments in the European ethical bank project. These results were also the subject of a resolution to be voted on by cooperative shareholders at the General Meeting of 28 May 2011 so that all their voices could be heard on the future of their cooperative.

For the Executive Board,
Jacky Blanc – Chairman



2010 INCOME STATEMENT [in thousands of euros]

	2010	2009
+ Interest and related income	7 434	8 351
- Interest and related expenses	3 075	4 037
+ Income from variable-income securities	6	6
+ Fee and commission income	941	744
- Fee and commission expense	14	34
+/- Gains or losses on investment transactions	- 71	-
+ Other income from banking operations	106	95
- Other expenses from banking operations	12	-
NET BANKING INCOME	5 315	5 125
- Operating expenses	4 050	3 727
- Depreciation, amortisation and impairment for intangible assets and property, plant and equipment	198	142
GROSS OPERATING INCOME	1 067	1 256
+/- Cost of risk	- 1 020	-927
OPERATING INCOME	47	329
+/- Gains or losses on fixed assets	2	- 154
EARNINGS BEFORE INCOME TAX	49	175
+/- Non-recurring profit/loss	- 2	-
- Income taxes	16	70
NET INCOME	31	105

BALANCE SHEET AT 31/12/2010 [in thousands of euros]

ASSETS	2010	2009
Cash, due from central banks	12	11
Loans and advances due from credit institutions	239 075	114 258
Customer transactions	72 999	68 845
Bonds and other fixed-income securities	-	-
Equities and other variable-income securities	1 933	2 026
Equity interests and other long-term investments	3 705	3 874
Investments in affiliates	-	-
Intangible assets	1 514	1 007
Property, plant and equipment	782	858
Other assets	484	319
Accrual accounts	1 189	1 172
TOTAL ASSETS	321 693	192 370

OFF-BALANCE SHEET COMMITMENTS MADE	2010	2009
Financing commitments	11 894	11 726
Guarantee commitments	220	301
Commitments given on securities	-	-

LIABILITIES	2010	2009
Debts due to credit institutions	218 302	109 425
Customer transactions	74 444	59 053
Debt securities	212	208
Other liabilities	2 358	2 198
Accrual accounts	100	71
Subordinated debt	342	421
Shareholders' equity (excl. FGBR)	25 935	20 994
<i>Subscribed capital</i>	24 875	19 900
<i>Reserves</i>	685	669
<i>Carry forward (+ / -)</i>	344	320
<i>Net income for the year (+ / -)</i>	31	105
TOTAL LIABILITIES	321 693	192 370

OFF-BALANCE SHEET COMMITMENTS RECEIVED	2010	2009
Financing commitments	81 648	35 850

COMPANY RESULTS OVER THE PAST FIVE YEARS

	2006	2007	2008	2009	2010
CAPITAL					
a) share capital	10 876 380	13 815 960	16 306 740	19 899 990	24 875 160
b) number of existing shares	362 546	460 532	543 558	663 333	829 172
TRANSACTIONS AND EARNINGS FOR THE FISCAL YEAR					
a) net sales excluding tax	5 058 425	6 921 794	8 392 179	9 045 554	8 414 563
b) before-tax earnings and estimated expenses (depreciation, amortisation and provisions)	634 218	878 881	1 020 515	1 036 140	1 199 078
c) income tax	139 991	140 480	133 900	70 317	16 244
d) employee profit-sharing owed for the financial year	-	-	-	-	-
e) after-tax earnings and estimated expenses (depreciation, amortisation and provisions)	281 033	305 969	240 726	104 967	31 386
f) distributed earnings	50 041	84 663	107 513	65 522	0
EARNINGS PER SHARE OF CAPITAL					
a) after-tax earnings but before estimated expenses (depreciation, amortisation and provisions)	1,74	1,90	1,87	1,56	1,44
b) after-tax earnings and estimated expenses (depreciation, amortisation and provisions)	0,78	0,66	0,44	0,16	0,04
c) dividend allocated per share	0,60*	0,60*	0,60*	0,30*	0,00
PERSONNEL					
a) average employee headcount during the financial year	28	31	37	45	52
b) payroll	838 315	1 033 246	1 252 624	1 537 385	1 673 954
c) employee benefits paid (social security, benefits, etc.)	355 664	488 778	551 852	720 810	822 175

* Payment of interest exclusively for class B shares. The stated amounts refer to the interest paid for a share held for a full year; for the shares subscribed or redeemed during the year, the calculation is done on a prorated basis.



Administrative head office
 114 bd du 11 novembre 1918
 69626 Villeurbanne Cedex, France
 Tel: +33 (0)4 72 69 08 60
 Email: lanef@lanef.com
 www.lanef.com