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BPCE

Primary Credit Analyst:
Sylvie Dalmaz, Paris (33) 1-4420-6682; sylvie_dalmaz@standardandpoors.com

Secondary Contact:
Francois Moneger, Paris (33) 1-4420-6688; francois_moneger@standardandpoors.com

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Major Rating Factors

Counterparty Credit Rating
A+/Stable/A-1

Strengths:

- Second-largest retail bank in France.
- Well-anchored and solid franchise in main business of retail banking.
- Overall moderate risk profile.

Weaknesses:

- Near-term earnings prospects below underlying capabilities amid moderate economic growth and low long-term interest rates.
- Second-tier player in CIB.
- Natixis' large and risky legacy portfolio.

Rationale

BPCE is the main funding bank and the central body of the French cooperative banking group Groupe BPCE. The ratings on BPCE reflect its core membership in Groupe BPCE, which resulted from the summer 2009 alliance between Groupe Banque Populaire (GBP) and Groupe Caisse d'Epargne (GCE). In our opinion, Groupe BPCE's ratings strengths rely on its prominent position in retail banking in France and overall moderate risk profile. Weighing on BPCE's stand-alone ratings are, in our view, the large and risky legacy portfolio of core subsidiary Natixis S.A. (A+/Stable/A-1). Although the group's near-term earnings prospects stand below its underlying capabilities, we are of the view that Groupe BPCE's risk-adjusted earnings are adequate. The alliance between GBP and GCE is on track, supported by the strong commitment of BPCE's management team and rollout of a reasonable strategy.

Groupe BPCE is a universal banking group with a strong focus on retail banking in France. In our view, the group's fundamental strength lies in its prominent and stable retail franchise. We view the bank's diversification benefits as average compared with peers'.

In our opinion, Groupe BPCE's risk-adjusted profitability is adequate. Group profitability strongly recovered in 2010 from 2009 lows on the back of declining loan loss provisions and a structural improvement in operational efficiency. We take the view that in 2011 core earnings should not stray far from their 2010 level. Groupe BPCE's near-term profitability prospects, in our view, stand below its underlying capabilities amid moderate economic growth environment and low long-term interest rates. We believe that revenue growth in retail banking could level off, primarily because we see limited scope for margins to widen and stronger pressure on fees. While we expect revenue growth at Natixis to help up well, specific loan loss provisions are unlikely to stray far throughout 2011 from their 2010 level. We are of the view that Natixis' legacy assets will not significantly weigh on the group's earnings in the coming quarters. Groupe BPCE's most sensitive exposures are well covered.

Groupe BPCE has sound underwriting skills in its core business of retail banking in France. We view this as a supportive rating factor. We believe Groupe BPCE's risk profile is moderate overall and that its risk appetite has been declining over the past few years. We note that in particular the group aggregates lower- to moderate-risk loans that it inherited from GBP's and GCE's retail banks as well as Natixis' higher-risk legacy portfolio.

We view the group's funding structure as average. The group's major funding imbalances arise from wholesale-funded Natixis and Crédit Foncier de France (A/Stable/A-1). These are mitigated by the group's large and stable retail deposit base and capacity to repackage mortgage loans into covered bonds.

We consider Groupe BPCE's capital level and quality as only moderate compared with international peers'. While it stands in the upper range of the domestic average, it is slightly below the international average, in particular before diversification. We estimate that the group's risk-adjusted capital (RAC) ratio was 6.5% before and 8% after adjustments for concentration and diversification on June 30, 2010. In line with the industry, the group's capital policy tends toward further increasing its capital ratios, and it has targeted a core Tier 1 ratio above 8% in 2013. We understand the group will continue to manage its balance sheet tightly as it prepares for a new regulatory regime.

The French government was involved in the 2009 GBP-GCE alliance. In addition to its support plan for all domestic banks, the state subscribed to €3 billion in the form of preferred shares that BPCE issued. By March 31, 2011, BPCE had reimbursed the state for all of its capital contributions of €7.05 billion.

Outlook

The stable outlook reflects our expectations that Groupe BPCE's underlying earnings in 2011 should not stray far from 2010's. In the coming quarters, we also expect the banking group to pursue a tightened business scope for Natixis and strategic repositioning closer to the Groupe BPCE's regional networks. We also expect Groupe BPCE to contain its risk profile in other business lines. Finally, we do not rule out divestments of noncore assets to free up capital, such as regional retail bank Société Marseillaise de Crédit and the most complex compartment of Natixis' legacy credit derivative exposures.

We would consider a negative rating action if economic conditions worsen, leading to an unexpected rise in loan losses, or if the legacy assets of Natixis S.A. significantly impair the enlarged group's profitability, weakening its turnaround. Still, we continue to expect government support to be forthcoming in case of need, according to our classification of Groupe BPCE as a bank of high systemic importance. We consider that this support would act to limit or completely offset potential damage to BPCE's creditworthiness.

A sustainable recovery in the group's profitability that would result in stronger capital would be positive for BPCE's stand-alone creditworthiness. However, we consider this as a remote scenario.

Profile: The Universal Bank Has A Strong Focus On Domestic Retail

Groupe BPCE is the second-largest banking group in France. The group had 125,000 employees on Dec. 31, 2010. The cooperative banking group's activities are organized around two main core business lines, involving a sizable number of banks. We view the group's diversification benefits as average.

Commercial banking and insurance (75% of profit before tax on Dec. 31, 2010)

This business line encompasses the group's retail banking in France and abroad as well as real-estate financing and its insurance business.

Domestic retail banking. Groupe BPCE enjoys well-anchored positions and a prominent franchise in domestic retail banking. It ranks among the top two banks in the individual, small and midsize enterprise (SME), self-employed, and local authority markets. According to the bank, its market share in credits and deposits are about 20% and 22%, respectively. Groupe BPCE operates through a network of 8,000 branches, well scattered throughout France and deeply rooted in the funding of individuals and the local economy. As a cooperative group, BPCE's retail banking in France is carried out by 20 regional banks, known as Banques Populaire (or BP, including Crédit Coopératif), and 17 regional banks, known as the Caisses d'Epargne et de Prévoyance (Caisse d'Epargne or CE). CE's historical roots lie in serving individuals, while for BP it is local entrepreneurs and SMEs. Groupe BPCE continues to operate through two major complementary networks (Banque Populaire and Caisse d'Epargne). Although looking for synergies, each network is to preserve distinct strategies and marketing approaches. Other networks (including Crédit Mutuel Maritime and HSBC's former regional retail banks) are also adding to the group's domestic footprint. BPCE plans to maintain its multibranding strategy.

Real estate financing. BPCE is also a leading specialized mortgage lender, through its subsidiary Crédit Foncier de France. In our view, CFF enjoys a valuable franchise, which complements the group's share of the mortgage loan market in France.

Insurance, international, and other networks. Groupe BPCE operates with various insurance partners, inherited from both GBP and GCE. It is the second-largest life bancassureur in France, distributing products developed by BPCE Assurances as well as by 17.7%-owned CNP Assurances. It is increasingly present in non-life insurance, where it operates with multiple mutual partners.

Outside France, BPCE is present in various countries, notably Central and Eastern Europe, the French overseas territories, and Northern Africa (through BPCE International and Outre-Mer (IOM)). In 2009, the group was hit by rising credit risks in these countries, prompting a recapitalization of BPCE IOM that the group valued at €400 million.

Corporate and investment banking, investment solutions, and specialized financial services (33% of profits before tax on Dec. 31, 2010)

Embodying this business line is Natixis, a second-tier CIB player with a diversified business profile. The financial crisis prompted Natixis to overhaul its strategy in the second half of 2008. It has been scaling down its CIB activities and pursuing a more selective business mix. Nevertheless, the bank still benefits from a solid domestic franchise in lending to midsize and large corporations, structured and commodity financing, payment and transfer services, and employee benefits. Its specialized financing services sub-business line is directed toward serving BPCE's retail banking activities. BPCE owned 71.5% of Natixis on Dec. 31, 2010, with the remaining shares listed on the Paris Stock Exchange.

Other activities (including equity interests and workout portfolio)

This amalgamates nonstrategic assets, mainly Natixis' legacy portfolio of structured assets, securities inherited from GCE's central body, as well as equity interests in assets that don't fit into Groupe BPCE's core business lines--namely Coface, Nexity, and Foncia.

BPCE

BPCE is the central body through which GBP and GCE combined to form Groupe BPCE. BPCE is also the group's major holding company and main funding bank. Although BPCE does not have a specific role in managing the BP and CE banks, we expect it to closely oversee and control the group's risk exposures and to play a pivotal role in group's funding.

Support And Ownership: The Bank Is A Highly Systemically Important Group In France

The ratings on BPCE reflect its core position within Groupe BPCE. Standard & Poor's considers Groupe BPCE as a highly systemically important banking group in France, which we classify as a "supportive" country under our methodology.

The newly created Groupe BPCE, which resulted from the combination of GBP and GCE, is coping well with the challenge of building a cohesive banking group. We view positively BPCE's more integrated governance structure that we believe smoothes the group's decision-making process. BPCE's general management committee comprises seven members, including five members of the management board (directoire) of BPCE, appointed by the supervisory board. It is chaired by François Pérol, chairman of the management board. The CEO of Natixis, Laurent Mignon, is also a member of BPCE's general management committee.

BPCE is bound by law No. 2009-715 to safeguard the group. According to articles L512-107 and L511-31 of the French Monetary and Financial Code, BPCE is responsible for taking steps to guarantee the solvability and liquidity of the group and its member banks. As for all French mutual banking groups, Standard & Poor's considers the solidarity mechanism binding the central body to its member banks to be strong and reliable.

Typical of a cooperative group, BPCE is owned by 37 regional banks. They are in turn 80%-owned by 8 million member-customers (who elect their board of directors) and 20% by Natixis (through investment certificates, known as CCI). Although Standard & Poor's acknowledges Groupe BPCE's retail banks' ability to issue new cooperative shares to their member-customers, we view the group's financial flexibility as lagging behind peers. Natixis is listed and the massive losses it has posted during the financial crisis hurt its share price and hampered market confidence. Groupe BPCE's management remains challenged to restore Natixis' credibility. The guarantee that BPCE provided to the bank on July 1, 2009, designed to protect it against future losses on its most risky structured assets, as well as the gradual withdrawal from businesses where the bank's competitive position is too weak should, over time, help reinforce Natixis' stand-alone creditworthiness. In our view, the guarantee that BPCE provides to Natixis formalizes the parent company's support to its subsidiary, which we already incorporate into their ratings.

Strategy: The Bank Aims To Build A Successful Group And Again Deliver Decent Profits

We view Groupe BPCE's strategy as predictable and coherent. GBP and GCE officially combined on July 31, 2009. We believe that this combination laid the groundwork for potential benefits for the group's stand-alone creditworthiness. The execution risk related to the alliance now appears in our view as well managed by the group, and its strategic plan and projected cost synergies, announced on Feb. 25, 2010, sound reasonable. Retail banking will remain the cornerstone of Groupe BPCE's business and financial profiles. Meanwhile, we believe that Natixis should not deviate from its refocused business profile, while reinforcing its role in supporting the franchise of the group's retail banks. Its revenues are to be more reliant on client activities. While these cross-selling initiatives are structuring themselves well, revenue synergies from those remain, in essence, dependant on the economic outlook. In 2010, additional banking income that Natixis and the BP and CE networks generated was €262 million, ahead of target.

We do not rule out that the group could continue to divest some assets to free up capital. Since its creation, we are of the view that the group entered in a more active management of its portfolio of activities. BPCE's management refocused some subsidiaries in business areas where they are well-anchored, and identified subsidiaries that do not entirely fit in its two main business lines. The group has already demonstrated its ability to seize opportunities to dispose of noncore assets and parts of Natixis' workout portfolio. In our view, this lends some credibility to the group's announcement that it foresees more asset disposals. Our central scenario is that BPCE's management will focus on organic growth in the coming quarters.

In our opinion, the combined cooperative groups, with BPCE as their main funding bank and central body, are benefiting from tangible economies of scale, a more streamlined organization, simpler corporate governance, and better diversification. GBP's and GCE's business strengths complement each other and cooperative banking groups share common values. Synergies in retail banking (for example common product factories) are on track and should better capture potential for development, cross selling, and efficiency. This ought to be particularly true for the CE networks, whose operating efficiency still lags behind best-performing peers'.

Since early 2009, the CE banks have been dealing adequately with the challenge of the loss of the distribution oligopoly for the tax-exempt savings account, the Livret A. In addition, the potential negative impact of this loss has been diluted now that GCE and GBP have officially combined.

Risk Management: The Average Risk Profile Amalgamates A Variety Of Lower And Higher Risks

We are of the view that Groupe BPCE's risk profile and appetite have been reducing. The group has covered its most sensitive exposures. It repositioned Natixis around a tightened business scope and closed GCE's former central body's proprietary trading activities. An extensive review of the group's assets most at risk led to substantial additional reserves in 2009 at Natixis and BPCE IOM. Under our expectation of a slow economic recovery and the globally fragile environment in Europe, we expect that BPCE's credit metrics may not improve materially in the coming quarters. Cost of credit risk should not stray far in the coming quarters from 2010 levels. BPCE features areas of risks that are very different in nature, ranging from a collection of plain-vanilla businesses to more sophisticated credit and market activities. For example, lower- to moderate-risk loans inherited from BP's and CE's retail banks are amalgamated with Natixis' higher-risk legacy portfolio.

Entreprise risk management

BPCE's new management team is committed to supporting its enhanced role of oversight and control. Over time, we expect a stronger layer of control and risk to emerge. BPCE's risk management department is to lay down standards, consolidate, and oversee the spectrum of the group's risks. The implementation of a comprehensive data infrastructure as well as a consistent and integrated risk management framework is currently well under way. But the overhaul is time- and resource-consuming, notably because of BPCE's decentralized business model and open architecture featuring a sizable number of banks.

Credit risk

Although not immune from economic downturns, BPCE enjoys a good track record in credit risk management in its core lending business of retail banking. We are of the view that the bank's domestic loan book is of good quality. The combined risk profile of the group's BP and CE banks compares favorably with that of domestic peers. Concerns related to Natixis' large corporate and legacy portfolios have been eroding, although their large size leaves the bank exposed to unforeseen event risk. Like for large universal banking peers, BPCE's cost of credit risk declined substantially in 2010, for core business lines and activities it manages in runoff. Specific cost of credit risk for both the BP and CE networks declined by 17 basis points (bps) over the past 12 months to stand at 32 bps of gross customer loans outstanding in the fourth quarter of 2010. This is below Groupe BPCE's domestic banking peers'. Cost of credit risk at Natixis also steadily declined throughout 2010 to stand at 23 bps in the last quarter, below our base case expectation. Exposure of the group to Europe's most troubled economies stands below that of large and complex universal banking peers. The group carries out limited lending in South European countries and has no local subsidiary there. Its sovereign exposure to Greece is manageable in light of its earnings capacity. So are its commitments to Tunisia.

Overall, the group's doubtful loans stood at 3.5% of total loans on Dec. 31, 2010. Their coverage rate by specific reserves stood at 56% on the same date, which we view as satisfactory given the group's aggregate risk profile.

Groupe BPCE's assets primarily comprise loans (50% of adjusted assets on Dec. 31, 2010), interbank assets (20%) and securities (15%). Total credit risks are evenly balanced between retail and corporate (about 30% each), sovereign and banks accounting for about 15% and 10%, respectively, of the total. France accounts for the dominant share of the group's exposure by geographic region, with European countries accounting for most of the remainder.

BPCE's workout portfolio is inherited from Natixis and their assets are managed in runoff mode. The portfolio's risk-weighted assets have nearly halved since summer 2009. BPCE, since July 1, 2009, has been offering its guarantee to Natixis to almost fully cover potential risks concealed in this portfolio. The guarantee applies to assets with a gross nominal value of €25.2 billion net of reserves. The group defines provisioning levels based on a termination value for assets under stress scenarios that U.S. authorities use plus an additional security net. Although provisioning was meaningful in 2007-2009, Natixis' large and illiquid legacy portfolio continues to leave BPCE vulnerable to further deterioration in the market and credit environment. According to our central scenario, the unwinding of this portfolio should not generate material additional losses in the coming quarters.

Others

GCE's former central body's own-account business is managed in runoff by BPCE. The securities inherited from this activity totaled €2.6 billion on Dec. 31, 2010, down by more than half the value posted in 2008. Provisioning levels appear suitable.

Funding and liquidity risk

With an estimated loan-to-deposit ratio of about 175% on Dec. 31, 2010, (excluding Livret A funds centralized at Caisse des Dépôts et Consignations and therefore not available for group refinancing), BPCE's funding structure compares unfavorably with that of large domestic peers. Funding imbalances arise from wholesale-funded Natixis and Crédit Foncier de France. Supporting factors, when analyzing the group's funding profile, are its retail banks' large and stable deposit base, ability to package mortgage loans into covered bonds, and increasing liquidity reserves that it can repo at the central bank in case of need. BPCE has taken on the role of the group's main issuer.

Market risk

Most of BPCE's market and operational risks lie with Natixis. We view as more contained the market risks that reside in the group's largest regional bank, BRED - Banque Populaire, and GCE's former central body's proprietary trading book (now managed in runoff). As for Natixis, it has been operating with an upgraded Monte Carlo value-at-risk (VAR; 99%, one-day) and reduced trading limits since late 2008. Global VAR for continuing activities declined to €13.5 million on Dec. 30, 2010 (excluding the guarantee that BPCE granted to Natixis on its legacy assets). However, in our view, under stress scenarios, VAR does not capture the full magnitude of potential losses, which could rise to multiples of these figures. In our opinion, the group needs to continue to overhaul its global stress testing architecture. Structural exposure to interest rates primarily lies in BPCE's large retail banking books. Risk appetite is moderate and monitoring tools adequate. We understand that the group's interest margins are exposed to a rise in short-term interest rates.

Accounting: We Expect The Quality Of Financial Reporting To Improve Over Time

The quality and comprehensiveness of BPCE's financial and regulatory reporting lags behind peers' but we expect it to improve over time. On a positive note, BPCE is set to publish financial results on a quarterly basis.

BP's and CE's regional banks and Natixis are fully consolidated into Groupe BPCE's consolidated accounts. In those accounts, to avoid double counting, the group eliminated the contribution of investment certificates in Natixis' results.

The combination of GBP and GCE has been qualified as a merger of equals by the banking groups' accountants, with no acquirer having been identified. Groupe BPCE elected for the accounting approach based on historical book value rather than fair value. Therefore, no goodwill arose at the time of its birth.

According to our criteria published Dec. 6, 2010, we deduct any deferred tax assets (DTA) that are carried forward from our measure of capital (adjusted common equity or ACE). This point is worth noting as DTA accounted for a high €2.6 billion on Dec. 31, 2010. Their foreseeable amortization will have a positive effect on our ACE measure in the years to come.

Profitability: The Group's Risk-Adjusted Profitability Is Adequate

We are of the view that Groupe BPCE's risk-adjusted profitability is adequate. The group's profitability rebounded in 2010. BPCE posted €3.7 billion in core earnings on Dec. 30, 2010, on the back of improving efficiency and a 60% reduction in loan loss provisions. Operating performance was overall good, in a still difficult environment, and costs were under strong control, reaping the first benefits of synergies arising from the GBP and GCE alliance. We note that cost synergies amounted to €433 million, ahead of target. We are of the opinion that BPCE's overall core profitability will remain adequate throughout 2011, not straying far from 2010's. However, we believe that profitability could remain below the group's intrinsic earnings capabilities, notably because of limited growth in domestic retail banking revenues under a scenario of moderate economic growth and low long-term interest rates.

Commercial banking and insurance

The business line's pretax income stood at €4.2 billion on Dec. 31, 2010, with 85% arising from domestic retail banking, quite evenly balanced between the BP and CE networks. Both networks enjoyed good commercial dynamics, with costs under control. Revenues grew by 8% over 2009, boosted by the decline in refinancing costs and increasing net interest margins, driven by positive volume effects. While growth in commissions benefited from new loan production that was higher than the market average, an increase in financial fees remained subdued, as for peers. We take the view that 2011 will be a challenging year for retail banking in France and for BPCE. While we expect retail and commercial banking volumes to hold up well, we believe that net interest margins are likely to narrow. Moreover, the 10 bps decline in the remuneration of tax-exempt Livret A deposits, centralized at French parastate institution Caisse des Dépôts et Consignation, will take its toll on the group's fee base. The increase in the remuneration of the Livret A paid to depositors will also contribute to higher funding costs. We expect that this effect will combine with renewed competition in lending, particularly for mortgage loans, and the difficulties banks are generally facing to pass increases in interests rates in pricing loans to customers. All in all, we believe that revenue will hardly grow in 2011, under our central scenario. To mitigate these pressures, the group has prioritized increasing the number of products sold to customers, particularly in the CE networks, and cost control. We are of the view that, although there is still room to cut costs, BPCE's domestic retail banking risk-adjusted profitability is adequate. Pretax income for insurance, international, and other networks (namely Banque Palatine) turned positive in 2010 and stood at €317 million, compared with -€11 million in 2009, a year when the group had to cope with a sharp increase in credit risk charges in French overseas territories. CFF's contribution to the group's pretax income was €321 million on Dec. 31, 2010, in line with our expectations.

CIB, asset management, and financial services

This business line posted a €1.89 billion profit before tax on Dec. 31, 2010, compared with €209 million one year earlier. The year 2010 was typified by good performance in all business areas, with revenues up 13%. Growth in costs reached a moderate 5%, resulting in a 4 point decline to 63% in the cost to income ratio for the business line. Specific cost of risk steadily declined throughout 2010, to stand at 23 bps of gross customer loans in the fourth quarter of 2010. This trend was more positive than what we expected. It also contrasts with 2009, when operating results were more than wiped out by €1.465 billion in provisions posted against Natixis' loans most at risk. In the coming quarters, we are of the view that revenue growth in this business line should not stray far from 2010 level, while investments and recruitments in CIB should result in higher cost growth than in 2009. We understand that 2011 started well. While fixed revenues from debt and financing could remain close to those in 2010, some offset could potentially arise from equity and advisory business. We expect asset management and specialized financing to continue to hold up well. Cost of credit risk could, according to our central scenario, moderately increase from 2010 lows. All in all, we believe that Natixis' contribution to Groupe BPCE's results should increase over 2010's.

Equity interests

The group manages a number of assets as financial participations. Their contribution to group income turned to a positive €289 million on Dec. 30, 2010. While Coface confirmed its financial recovery, Foncia's and Nexity's performance was decent.

Workout portfolio

The management of Natixis' legacy assets portfolio did not weigh on Groupe's BPCE profits in 2010. In contrast in 2009, cost of credit risk on activities the group managed in runoff helped to wipe out the group's net income.

Capital: Capitalization Is Adequate And Slightly Below The Average For International Peers

We view Groupe BPCE's capital level and quality as just adequate compared with those of international peers. However, they compare well with those of large domestic banking peers. We estimate that the bank's RAC ratio stood at 8% after adjustments for concentration and diversification on June 30, 2010, and at 6.5% before. We view BPCE's capital position as slightly below the average for large international peers, particularly when assessing it before adjustments for diversification. During the heart of the financial crisis, the backing of the French state remained in our opinion as a supporting rating factor for the bank. BPCE had reimbursed the state for all of its capital contributions of €7.05 billion as of March 31, 2011, well ahead of schedule.

We consider that Groupe BPCE's quality of capital is in line with peers'. On Dec. 31, 2010, 20% of the group's Tier 1 capital was in the form of hybrid instruments.

In the years to come, we would expect the group to continue to reinforce its capitalization, in light of the ongoing fragile operating environment and the increase in regulatory capital requirements for the banking industry. Groupe BPCE's core Tier 1 ratio stood at 8% on Dec. 31, 2010 (pro forma for the redemption of preference shares held by the French state). The bank reports that it is able to comply with the new Basel III requirements without having recourse to the financial markets. The group estimates that its core Tier 1 ratio is set to stand at more than 8% in 2013.

Improving from their 2009 lows, core earnings are enhancing the bank's ability to generate capital internally. We expect that a low dividend payout policy, compared with that of large and listed international banking groups, to reinforce the trend. We also see possible divestments from noncore assets as well as new sales of cooperative shares as potential additional sources of capital formation and financial flexibility for the group.

Table 1

BPCE Risk-Adjusted Capital Framework Data

(Mil. €)	Exposure*	Basel II RWA	Average Basel II RW (%)	Standard & Poor's RWA	Average Standard & Poor's RW (%)
Credit risk					
Government and central banks	142,249	341	0	5,208	4
Institutions	139,349	27,997	20	25,341	18
Corporate	233,883	171,287	73	155,358	66
Retail	278,608	94,654	34	115,013	41
Of which mortgage	127,078	40,846	32	24,211	19
Securitization	51,893	15,013	29	43,581	84
Other assets	19,055	19,055	100	17,149	90
Total credit risk	865,036	328,346	38	361,650	42
Market risk					
Equity in the banking book¶	13,548	28,288	236	106,097	783
Trading book market risk	--	23,927	--	44,216	--
Total market risk	--	52,215	--	150,314	--
Insurance risk					
Total insurance risk	--	--	--	42,903	--
Operational risk					
Total operational risk	--	30,549	--	38,138	--

(Mil. €)	Basel II RWA	Standard & Poor's RWA	% of Standard & Poor's RWA
Diversification adjustments			
RWA before diversification	411,110	593,005	100
Total adjustments to RWA	--	(109,865)	(19)
RWA after diversification	411,110	483,140	81

Table 1

BPCE Risk-Adjusted Capital Framework Data (cont.)

(Mil. €)	Tier 1 capital	Tier 1 ratio (%)	Total adjusted capital	Standard & Poor's RAC ratio (%)
Capital ratio				
Capital ratio before adjustments	37,574	9.1	35,330	6.0
Capital ratio after adjustments§	37,574	9.1	35,330	7.3

*Exposure at default. ¶Securitization exposure includes the securitization tranches deducted from capital in the regulatory framework. ¶Exposure and Standard & Poor's risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions. §Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital. Sources: Company data as of Dec. 31, 2009, Standard & Poor's.

Table 1

BPCE Profitability Ratios

	--Year-ended Dec. 31--		
(%)	2010	2009	2008
Net interest income/average earning assets	1.4	1.5	N/A
Net interest income/revenues	51.6	63.8	58.2
Fee income/revenues	31.4	34.9	49.7
Market-sensitive income/revenues	8.2	0.2	(23.5)
Personnel expense/revenues	40.3	47.5	61.2
Noninterest expenses/revenues	68.0	81.1	104.2
New loan loss provisions/revenues	7.0	20.7	20.4
Net operating income before loan loss provisions/loan loss provisions	457.2	91.2	(20.8)
Net operating income after loan loss provisions/revenues	25.0	(1.8)	(24.6)
Pretax profit/revenues	24.3	(1.8)	(24.2)
Tax/pretax profit	29.8	79.6	27.9
Core earnings/revenues	15.9	0.3	(17.4)
Core earnings/average adjusted assets	0.4	0.0	N/A
Noninterest expenses/average adjusted assets	1.6	1.5	N/A
Core earnings/average risk-weighted assets	N.M.	N.M.	N.M.
Core earnings/average adjusted common equity	12.5	0.2	(10.0)
Pretax profit/average common equity (%)	15.9	(1.2)	N/A

N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

Table 2

BPCE Capital Ratios

	--Year-ended Dec. 31--		
(%)	2010	2009	2008
Adjusted common equity/risk assets (%)	N.M.	N.M.	N.M.
Tier 1 capital ratio	9.7	9.1	N/A
Adjusted total equity/adjusted assets	3.2	2.7	2.6
Adjusted total equity/managed assets	3.2	2.6	2.6
Adjusted total equity plus loan loss reserves (specific)/customer loans (gross)	8.3	7.4	7.6
Common dividend payout ratio	0.0	0.0	0.0

Table 2

BPCE Capital Ratios (cont.)

N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

Table 3

BPCE Summary Balance Sheet

	--Year-ended Dec. 31--		
(Mil. €)	**2010**	**2009**	**2008**
Assets			
Cash and money market instruments	208,380.0	184,113.0	197,965.0
Securities	154,349.0	164,826.0	180,466.0
Trading securities (marked to market)	77,105.0	90,122.0	111,994.0
Nontrading securities	77,244.0	74,704.0	68,472.0
Mortgage-backed securities included above	N/A	N/A	N/A
Loans to banks (net)	N/A	N/A	N/A
Customer loans (gross)	540,393.0	514,680.0	508,670.0
Loan loss reserves	11,242.0	10,861.0	9,083.0
Customer loans (net)	529,151.0	503,819.0	499,587.0
Earning assets	878,979.0	850,550.0	867,934.0
Equity interests/participations (nonfinancial)	1,109.0	787.0	625.0
Investments in unconsolidated subsidiaries (financial companies)	1,316.0	1,542.0	1,479.0
Intangibles (nonservicing)	7,094.0	7,637.0	9,435.0
Interest-only strips	N/A	N/A	N/A
Fixed assets	7,877.0	7,844.0	7,705.0
Derivatives credit amount	90,156.0	102,093.0	189,331.0
Accrued receivables	N/A	N/A	N/A
All other assets	49,010.0	56,141.0	57,086.0
Total assets	1,048,442.0	1,028,802.0	1,143,679.0
Intangibles (nonservicing)	7,094.0	7,637.0	9,435.0
Minus insurance statutory funds	N/A	N/A	N/A
Adjusted assets	1,041,348.0	1,021,165.0	1,134,244.0
Liabilities			
Total deposits	421,051.0	428,317.0	443,532.0
Noncore deposits	60,552.0	86,783.0	99,107.0
Core/customer deposits	360,499.0	341,534.0	344,425.0
Acceptances	N/A	N/A	N/A
Repurchase agreements	78,533.0	55,344.0	64,620.0
Other borrowings	237,443.0	220,069.0	223,179.0
Other other borrowings	222,890.0	204,410.0	207,834.0
Other credit reserves	N/A	N/A	N/A
Other liabilities	260,756.0	277,956.0	370,560.0
Total liabilities	997,783.0	981,686.0	1,101,891.0
Total equity	50,658.0	47,116.0	41,788.0
Manditorily convertible securities	N/A	N/A	N/A
Limited life preferred and quasi equity	0.0	0.0	160.0

Table 3

BPCE Summary Balance Sheet (cont.)			
Enhanced trust preferred	N/A	N/A	N/A
Minority interest-equity	2,868.0	2,721.0	3,698.0
Common shareholders' equity (reported)	39,422.0	33,038.0	30,463.0
Share capital and surplus	23,810.0	21,889.0	20,179.0
Revaluation reserve	(491.0)	(633.0)	(1,752.0)
Retained profits	3,640.0	537.0	(1,847.0)
Other equity	N/A	N/A	N/A
Total liabilities and equity	1,048,441.0	1,028,802.0	1,143,679.0

N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

Table 4

BPCE Equity Reconciliation Table			
	--Year-ended Dec. 31--		
(Mil. €)	**2010**	**2009**	**2008**
Common shareholders' equity (reported)	39,422.0	33,038.0	30,463.0
Plus minority interest (equity)	2,868.0	2,721.0	3,698.0
Minus dividends (not yet distributed)	N/A	N/A	N/A
Minus revaluation reserves	491.0	633.0	1,752.0
Minus nonservicing intangibles	(7,094.0)	(7,637.0)	(9,435.0)
Minus interest-only strips (net)	N/A	N/A	N/A
Minus tax loss carryforwards	(2,693.0)	(2,547.0)	0.0
Minus postretirement benefit adjustment	0.0	0.0	0.0
Minus cumulative effect of credit-spread related revaluation of liabilities	N/A	N/A	N/A
Minus other adjustments	(358.0)	(356.0)	(444.0)
Adjusted common equity	33,352.0	26,564.0	26,922.0
Plus admissible preferred and hybrids	8,368.0	8,766.1	7,627.0
Total Adjusted Capital	41,720.0	35,330.1	34,549.0
Plus general reserves	0.0	0.0	0.0
Plus unrealized gains	N/A	N/A	N/A
Minus equity in unconsolidated subsidiaries	(1,316.0)	(1,542.0)	(1,479.0)
Minus capital of insurance subsidiaries	(4,154.0)	(3,432.0)	(2,900.0)
Minus adjustment for securitized assets	(2,886.0)	(3,276.0)	(800.0)
Adjusted total equity	33,364.0	27,080.1	29,370.0

N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

Table 5

BPCE Profit And Loss			
	--Year-ended Dec. 31--		
(Mil. €)	**2010**	**2009**	**2008**
Net interest income	12,182.0	12,752.0	8,984.0
Interest income	29,574.0	34,465.0	46,533.0
Interest expense	17,392.0	21,713.0	37,549.0
Operating noninterest income	11,437.0	7,237.1	6,451.4

Table 5

BPCE Profit And Loss (cont.)			
Fees and commissions	7,422.0	6,977.0	7,667.0
Net brokerage commissions	N/A	N/A	N/A
Trading gains	1,881.0	342.0	(3,447.0)
Other market-sensitive income	44.0	(304.0)	(185.0)
Net insurance income	N/A	N/A	N/A
Equity in earnings of unconsolidated subsidiaries	217.0	198.0	184.0
Other noninterest income	1,873.0	24.1	2,232.4
Operating revenues	23,619.0	19,989.1	15,435.4
Noninterest expenses	16,057.0	16,207.1	16,091.0
Personnel expenses	9,515.0	9,493.0	9,440.0
Other general and administrative expense	5,502.0	5,674.1	5,697.0
Preprovision operating income	7,562.0	3,782.1	(655.6)
Credit loss provisions (net new)	1,654.0	4,145.0	3,146.0
Operating income after loss provisions	5,908.0	(362.9)	(3,801.6)
Nonrecurring/special income	N/A	2,105.6	1,227.6
Nonrecurring/special expense	121.0	831.6	998.0
Amortization of intangibles	N/A	N/A	N/A
Impairment of intangibles	38.0	1,279.0	168.0
Pretax profit	5,749.0	(368.0)	(3,740.0)
Tax expense/credit	1,716.0	(293.0)	(1,044.0)
Net income (before minority interest)	4,033.0	(75.0)	(2,696.0)
Minority interest in consolidated subsidiaries	393.0	(612.0)	(849.0)
Net income before extraordinaries	3,640.0	537.0	(1,847.0)
Net income after extraordinaries	3,640.0	537.0	(1,847.0)

N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

Table 6

BPCE Core Earnings Reconciliation Table			
	--Year-ended Dec. 31--		
(Mil. €)	**2010**	**2009**	**2008**
Net income (before minority interest)	4,033.0	(75.0)	(2,696.0)
Minus nonrecurring/special income	0.0	(2,105.6)	(1,227.6)
Plus nonrecurring/special expense	121.0	831.6	998.0
Plus or minus tax impact of adjustments	(36.3)	382.3	69.0
Plus amortization/impairment of goodwill/intangibles	38.0	1,279.0	168.0
Minus preferred dividends	(409.0)	(258.0)	0.0
Plus or minus other earnings adjustments	N/A	N/A	N/A
Core earnings	3,746.7	54.4	(2,688.6)

N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

Ratings Detail (As Of April 13, 2011)*	
BPCE	
Counterparty Credit Rating	A+/Stable/A-1

Ratings Detail (As Of April 13, 2011)***(cont.)**	
Commercial Paper	A-1
Junior Subordinated (13 Issues)	BBB+
Senior Unsecured (52 Issues)	A+
Short-Term Debt (1 Issue)	A-1
Subordinated (5 Issues)	A
Counterparty Credit Ratings History	
31-Jul-2009	A+/Stable/A-1
Sovereign Rating	
France (Republic of) (Unsolicited Ratings)	AAA/Stable/A-1+
Related Entities	
Banque Tuniso - Koweitienne	
Issuer Credit Rating	BB+/Negative/--
Certificate Of Deposit	BB+
Senior Unsecured (1 Issue)	BB+
BRED - Banque Populaire	
Issuer Credit Rating	A+/Stable/A-1
Certificate Of Deposit	A+/A-1
Subordinated (1 Issue)	A
Compagnie de Financement Foncier	
Certificate Of Deposit	
Local Currency	A-1+
Senior Secured (4 Issues)	AAA
Senior Secured (375 Issues)	AAA/Stable
Short-Term Secured Debt (1 Issue)	A-1+
Compagnie Europeenne de Garanties et Cautions	
Financial Strength Rating	
Local Currency	A+/Stable/--
Issuer Credit Rating	
Local Currency	A+/Stable/--
Credit Foncier de France	
Issuer Credit Rating	A/Stable/A-1
Certificate Of Deposit	A/A-1
Junior Subordinated (1 Issue)	BBB
Senior Unsecured (7 Issues)	A
Short-Term Debt (1 Issue)	A-1
Subordinated (1 Issue)	A-
Locindus S.A.	
Issuer Credit Rating	A/Stable/A-1
Certificate Of Deposit	A/A-1
Senior Unsecured (4 Issues)	A
Natixis Australia Pty Ltd.	
Issuer Credit Rating	A+/Stable/A-1

Ratings Detail (As Of April 13, 2011)***(cont.)**	
Natixis Financial Products LLC	
Issuer Credit Rating	A+/Stable/A-1
Natixis S.A.	
Issuer Credit Rating	A+/Stable/A-1
Certificate Of Deposit	A+/A-1
Commercial Paper	A-1
Junior Subordinated (7 Issues)	BBB
Senior Unsecured (50 Issues)	A+
Short-Term Debt (4 Issues)	A-1
Subordinated (15 Issues)	A
Socram Banque	
Issuer Credit Rating	A-/Stable/A-2
Certificate Of Deposit	A-/A-2
Senior Unsecured (2 Issues)	A-

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

Additional Contact:
Financial Institutions Ratings Europe; FIG_Europe@standardandpoors.com

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Financial Institutions Ratings Europe; FIG_Europe@standardandpoors.com