GROUPE
CAISSE D'EPARGNE

PRESS RELEASE

2008 results:
An exceptional loss of €2bn in a context of deeper crisis
A Group that remains strong with a satisfactory Tier-1 capital ratio

- **2008 net income: - €2 billion. Restated to exclude exceptional items, income before tax stands at + €2.2 billion.**
- **The Group's solvency level remains satisfactory with an estimated Tier-1 capital ratio of 8.1%, corresponding to a pro forma Tier-1 capital ratio of 9.1%[1].**
- **Strength and dynamism of the commercial activities of the 17 Caisses d'Epargne that report aggregate net income of €918 million.**

(Paris, February 26, 2009) --- The Supervisory Board of Caisse Nationale des Caisses d'Epargne (CNCE) today reviewed the financial statements of Groupe Caisse d'Epargne (GCE) for 2008. Under the impact of financial turbulence as violent as unprecedented in nature, the year's loss stands at €2 billion. Restated to exclude exceptional items (financial crisis, impairment of goodwill, the trading loss suffered by CNCE in October 2008, and restructuring costs), income before tax stands at + €2.2 billion. The individual Caisses d'Epargne and Group subsidiaries made a positive contribution to the Group's 2008 results that were impacted, however, by the trading loss suffered by CNCE in October. The Group's net income was also weighed down by Natixis for a total of - €1.6 billion owing to the loss (of €2.8 billion) reported by the subsidiary and the impairment of goodwill related to its Corporate & Investment Banking division (€0.7 billion).

2008: an exceptional year

The financial crisis sharply deteriorated during the second half of 2008 and the period was marked by far-reaching economic turmoil: the collapse of Lehman Brothers, the reshaping of the international banking industry (the rescue of major banking institutions, government intervention), and the paralysis of the interbank market for several weeks.

In the final quarter of the year, a brutal economic crisis erupted, adding its effects to the existing banking and financial crisis.

Strength and dynamism of the commercial activities of the 17 Caisses d'Epargne

In this difficult environment, the 17 Caisses d'Epargne, representing the very heart of the Group's activities, showed remarkable resilience. Thanks to their commercial dynamism, net fund inflows achieved an historic 57% growth rate (representing additional funds of almost €10 billion) after what had already been a record year in 2007.

The Group's deep involvement in financing the economy resulted in an increase in the customer loans outstanding position: +7.6% for the individual Caisses d'Epargne.

The aggregate net income of the different savings banks reached a total of €918 million.

[1] Excluding the impact of the 2008 capital floor and taking into account the switch to the advanced internal ratings-based approach for the portfolios of the retail banking activities of the Caisses d'Epargne.

The strength of the Caisses d'Epargne network is also confirmed by the confidence of its cooperative shareholders whose numbers rose by 225,000 in 2008 to reach a total of 3.7 million.

Adaptation to the new economic environment

Within the context of these profound changes in the economic and financial environment, the Group has taken a number of structural measures to adapt to this new context, based on a two-pronged approach: the strategic refocusing of the Group on its core business activity – Retail Banking – and the implementation of vigorous measures designed to reduce its risk profile:

- The redefinition by Natixis of its business plan, promoting a readjustment of its model and plans for the radical transformation of its Corporate & Investment Banking activities.

- The elimination of the CIFG risk through a commutation agreement reached by this credit enhancement subsidiary: by the terms of this agreement, counterparties waive their rights in respect of the guarantees issued by CIFG on portfolios of ABS and CRE CDOs (involving significant subprime exposures) in exchange for 90% of the capital of CIFG. The Group's equity interest in CIFG has now been reduced to 5%.

- The winding up of the financial activities (proprietary trading) of CNCE (except for the refinancing and central treasury functions) and reinforcement of the internal control of these activities; 50% reduction during the year of the financial portfolios of the Caisses d'Epargne.

Consolidated results of Groupe Caisse d'Epargne

In millions of euros	**2008**	***Exceptional items***	**2008 restated**	**2007**
Net banking income	**8,409**	*- 2,461*	*10,870*	9,768
General operating expenses	**- 8,613**	*- 313*	*- 8,300*	- 8,247
Gross operating income	**- 204**	*- 2,774*	*2,570*	1,521
Cost of risk	**- 1,441**	*- 858*	*- 583*	-259
Impairment of goodwill	**- 636**	*- 636*	*0*	
Trading loss	**- 752**	*- 752*	*0*	
Income before tax	**- 2,803**	*- 5,020*	*2,217*	1,750
Net income (attributable to equity holders of the parent)	**- 2,015**			**1,367**

Major exceptional events

- **Impacts of the financial crisis**

The financial crisis depressed the Group's net banking income by a total of €2.5 billion. The share attributable to Natixis is €1.3 billion. The adjustments made to the financial portfolios of CNCE, of its subsidiaries and of the Caisses d'Epargne result in a negative impact of €1.2 billion.

The Group's cost of risk is also substantially penalized. The defaults and adjustments related to the collapse of Lehman Brothers, the Madoff scandal, developments in monoline insurance and the difficulties facing Icelandic banks have depressed Natixis' contribution by a total of €0.6 billion. In this respect, the write-downs of the financial portfolios of CNCE and the Caisses d'Epargne represent a total of €0.3 billion.

All in all, the negative impact of the financial crisis on the Group's financial statements stands at a total of €3.3 billion before tax.

- **Impairment of goodwill**

In accordance with accounting standards, the Group has carried out impairment tests on all the goodwill included on its balance sheet.

Goodwill attributed to the Corporate & Investment Banking activities of Natixis has been written off in full, representing an expense of €0.7 billion recorded in the statement of income.

- **Trading loss incurred by CNCE (October 2008)**

The immediate unwinding in October 2008 of unauthorized positions taken in the name of CNCE resulted in a loss of €0.8 billion, recorded as a special item on the statement of income.

Results of the Group

In 2008, the **net banking income** generated by the Group stands at €8.4 billion, down 14% chiefly owing to the impact of the financial crisis. This decline is offset, however, by the good performance achieved by the Commercial Banking division and by the full-year incorporation of Nexity.

Recurring **general operating expenses** have been kept under control with increases limited to 2%.
This result can be attributed to ambitious, carefully targeted actions:

- CNCE implemented a cost rationalization policy, leading to a 16% reduction in its expenses in 2008,
- In the first half of 2008, Natixis adopted a plan to trim costs by 2009 and, in the second half of the year, announced a plan to radically transform its Corporate & Investment Banking division with a stated goal of cutting staff levels by 15% by the end of 2009 and reducing the division's direct overheads by 10%,
- The Group's other subsidiaries have also taken reorganization measures (business transfers, cost-cutting plans).

At the same time, the *"Performance SI"* project resulted in three successful IT migration operations benefiting 60% of the network customers. In 2010, all the Caisses d'Epargne will enjoy the use of a single updated IT platform.

If the effects of the financial crisis are excluded, the Group's **cost of risk** stands at €0.6 billion, compared with a total of €0.2 billion in 2007. This figure reflects the low risk profile of the Group's customer lending activities and the quality of the portfolio in which the Retail Banking division and the public sector account for 70.1% of exposure. As a result, the ratio of cost of risk / average Basel I risk weighted assets stands at a low of 25 basis points.

At the Group level, the ratio of non-performing loans (1.6%) remains unchanged from 2007 and the rate at which non-performing loans are covered by impairment provisions improved by 5.8 points to reach a total of 70.3% at December 31, 2008.

Financial structure

At December 31, 2008, the Group's Tier-1 capital remained at the high level of €18.6 billion thanks to the issue of members' shares for a total of nearly €0.8 billion and the participation of the Group – for a total of €1.1 billion in hybrid securities – in the first tranche of the French government plan in favor of economic growth.

Weighted assets (excluding Natixis) calculated using the standard Basel II method remained stable during the year. Estimated capital requirements stood at €18.3 billion at December 31, 2008.

As a result, the estimated year-end Tier-1 ratio stood at 8.1%. After accounting for the effects of lowering the capital floor on January 1, 2009 and the impact of the switch to the advanced internal ratings-based approach for the portfolios held by the retail banking activities of the Caisses d'Epargne, the Tier-1 ratio stands at 9.1% on a pro forma basis.

In the area of refinancing, the Group bases is activities on three recognized issuers – CNCE, Compagnie de Financement Foncier and GCE Covered Bonds – which raised a total of €16.6 billion in medium-/long-term refinancing in 2008.
These resources were completed by €1.7 billion in funding obtained from SFEF (*Société de Financement de l'Economie Française*) bond issues guaranteed by the French Republic and almost €0.8 billion in refinancing facilities granted by the European Investment Bank.

Operating divisions: preponderant role played by the Commercial Banking division

The Group has refocused its activities around its Commercial Banking division – its core business line – which accounted for 78% of the net banking income generated by the operating divisions in 2008 (up from 71% in 2007) and contributed €0.9 billion to the Group's net income.

The Caisses d'Epargne play a predominant role in the results of the Commercial Banking division.

Aggregate results of the individual Caisses d'Epargne

In millions of euros	**2008**	2007	% Change
Net banking income	**5,743**	6,435	- 10.8%
General operating expenses	**- 4,450**	- 4,309	3.3%
Gross operating income	**1,293**	2,126	- 32.2%
Cost of risk	**- 395**	- 118	
Net income	**918**	1,595	- 42.4%

The **net banking income** of the Caisses d'Epargne, restated to exclude the effects of the financial crisis and fluctuations in provisions for regulated home savings products, has limited its decline to 2.5%. This marginal contraction can be explained by the rise in refinancing costs.

General operating expenses have been kept under tight control (recurring general operating expenses have only risen by 1%). The cost of risk related to customer activities remains extremely low at 14 basis points of average Basel I risk weighted assets (13 basis points in 2007).

Net income has declined significantly to €918 million, weighed down by the impact of the financial crisis on the financial portfolios of the Caisses d'Epargne.

Buoyant commercial banking activities

Net fund inflows reached an historic level of almost €10 billion (up 57% compared with 2007), leading to a 3% increase in savings deposits.
Customers have expressed their preference for products that are both liquid and secure, chiefly *Livret A* passbook accounts, which received almost €8.3 billion in new deposits and saw the opening of 1 million new *Livret A* accounts (gross figure). At the end of 2008, total *Livret A* savings deposits held by Groupe Caisse d'Epargne amounted to €81 billion.

In anticipation of the deregulation of the distribution of *Livret A* passbook accounts, a decision effective since January 1, 2009, the Group has expanded its product range with the notable addition of the *Livret Grand Format* and *Livret Grand Prix* savings accounts.

The sale of new interest-bearing service packages (310,000 new contracts sold) and bank cards (434,000 cards sold) testify to the commercial dynamism of the Caisses d'Epargne.

With an 11% increase in its loans outstanding position, the Group's Commercial Banking division demonstrates its active involvement in financing the economy. Consumer credit commitments have increased by 7% in a sluggish market. At the same time, the home loans outstanding position has risen by 7% with new loan production of almost €24 billion. Lastly, loan commitments to business customers have increased by a total of 14%.

The different commitments made by the Group at the end of 2008 reassert the powerful support it provides to the French economy:

- A 3.2% increase (on an annual basis) of outstanding financing granted to the French economy (individuals, businesses and local authorities),

- A commitment to use the funds obtained from the decentralization of sustainable development and popular savings accounts (*Livret de développement durable* and *Livret d'épargne Populaire*) to finance economic development,

- In support of measures taken by the French government, the provision of an exceptional funding envelope of €2.5 billion earmarked for local authority financing.

- The intensification of partnerships with the European Investment Bank.

As it begins 2009, Groupe Caisse d'Epargne looks to the future with confidence. Refocused on Retail Banking, its core business activity, it has undertaken a major merger operation with Groupe Banque Populaire with a view to creating the second largest French banking group for the benefit of its customers, cooperative shareholders and employees.

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ANNEX

RESULTS PER DIVISION 2008 / 2007

	Commercial Banking		Insurance		Real Estate Services		AMSF (Natixis)		Other activities		Groupe Caisse d'Epargne	
In millions of euros	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Net banking income	7 173	7 258	106	86	903	771	1 050	2 094	-823	-441	8 409	9 768
General operating expenses	-5 438	-5 281	-76	-66	-737	-578	-1 677	-1 782	-685	-540	-8 613	-8 247
Gross operating income	1 735	1 977	30	20	166	193	-627	312	-1 508	-981	-204	1 521
Cost of risk	-413	-171			-1		-651	-85	-376	-3	-1 441	-259
Share in net income of companies accounted for by the equity me	10	12	104	181	8	6	86	110	3	-6	211	303
Net gains or losses on other assets	-2	3				6	-2	2	23	214	19	225
Trading loss									-752		-752	
Change in value of goodwill									-636	-40	-636	-40
Income before tax	1 330	1 821	134	201	173	205	-1 194	339	-3 246	-816	-2 803	1 750
Income tax	-441	-601	-11	-6	-92	-65	231	-16	1 113	398	800	-290
Minority interests	-32	-28	-3	-4	-41	-76	-26	-39	90	54	-12	-93
Net income (attributable to equity holders of the parent)	857	1 192	120	191	40	64	-989	284	-2 043	-364	-2 015	1 367