BPCE

Press Release

Interim results for the first half of 2009:
BPCE in marching order with its three core business lines.
Fine operating performance achieved by BPCE.
Net income impacted by exceptional entries posted in response to the financial crisis.

Paris, August 26, 2009

BPCE in marching order with its three core business lines:

- BPCE founded on three core business lines: retail banking; wholesale banking, asset management and specialized financial services; real estate.
- Detailed third-party review of all the Group's structured loan portfolios.
- Refocusing of its Natixis subsidiary around three strategic businesses.
- BPCE provides a guarantee in favor of Natixis

Fine operating performance:

- Fine performance achieved by the retail-banking arm in a depressed environment.
- Strong resilience of the real estate division despite the downturn in the business cycle.
- Drive to keep a tight control over expenses in all business areas.
- Contribution of BPCE's three core business lines to:
    - Total net banking income: €10 billion,
    - Total gross operating income: €2.2 billion,
    - Net income attributable to equity holders of the parent: €567 million.

Results still impacted by the crisis:

- Sharp rise in the cost of risk owing to the deterioration in the economic environment and a strengthening of provisioning policies related to the structured loan portfolios.
- Steps taken to adjust the book value of assets in line with the economic environment by writing down goodwill.

A robust financial structure:

- Capital: €36 billion.
- Tier 1 ratio: 8.6%.

On August 25, 2009, the Supervisory Board of BPCE convened a meeting chaired by Philippe Dupont to examine the Group's interim results for the first six months of 2009. These results are expressed in pro forma figures presenting the Group's financial position at June 30, 2008 and at June 30, 2009 as if the merger between Groupe Banque Populaire and Groupe Caisse d'Epargne had already been completed at those dates.

François Pérol, Chairman of the Management Board of BPCE, made the following statement:
"Since the beginning of March, a great deal of work has been done to ensure the legibility of Groupe BPCE and of its Natixis subsidiary. An extremely detailed analysis of the portfolios of structured loans has been carried out making it possible to adjust the amount of provisions necessary. Natixis will be refocused on its core business activities. BPCE, the central body of Natixis, is also providing its guarantee for the so-called GAPC[1] assets. These decisions will have a structural impact on Natixis, which is once again in marching order.
The interim results of Groupe BPCE for the first six months of 2009 reflect the fine performance of the retail banking business and the resilience of the real estate division. They also reflect the critical decisions taken to take full account of the impact of the crisis. These efforts were necessary; they have now been made and incorporated in our financial statements.
As a result, Groupe BPCE is now fully organized and its personnel are mobilized. Its financial structure is robust. All of this inspires me with confidence in the future of Groupe BPCE and its ability to enhance the profitability of its three core business lines."

Foundation of Groupe BPCE on its three core business lines: retail banking; wholesale banking, asset management and specialized financial services; real estate.

Groupe BPCE was created in the second quarter of 2009; it officially came into being on July 31, scarcely six months after the plan to merge Groupe Banque Populaire and Groupe Caisse d'Epargne was launched.

The organization of the Group is based on three core business lines:

- **Retail banking** with two cooperative banking networks - the Banque Populaire banks and the Caisses d'Epargne – reinforced by a series of complementary brands such as Crédit Maritime, Société Marseillaise de Crédit, the banks in the Océor network, and Banque Palatine.

  Strategic partnerships in insurance – notably with CNP Assurances – complete BPCE's offer of retail banking services.

  Building on the strength and geographical reach of its retail networks, BPCE is a front-ranking financial institution providing banking services to a clientele of private individuals, professionals, SMEs, and local authorities.

- **Wholesale banking, asset management and specialized financial services** with Natixis and its subsidiaries. At the request of its reference shareholders in May earlier this year, Natixis recently completed a strategic review of all its different activities.

  This strategic review has led to the decision to refocus the company's activities on the three principal areas comprising its core business:
    - Corporate & Investment Banking,
    - Investments, including asset management, private banking, and life insurance,
    - Specialized financial services.

[1] GAPC: *Gestion Active des Portefeuilles Cantonnés* (Workout Portfolio Management).

This strategic repositioning of Natixis will enable it to pursue its development by taking full advantage of its know-how and by focusing on the potential for future growth offered by the Banque Populaire and Caisse d'Epargne networks. It also facilitates the cross-selling policy with the pooling of platforms of expertise and the optimization of a certain number of support functions, such as risk management.

It also represents a new departure for Natixis within the 2nd largest French banking group.

- **Real estate** with three flagship brands, each commanding leading positions in their respective areas: Crédit Foncier, Foncia and Nexity. BPCE is asserting its position as the principal banking partner of the real estate industry, and covers the full range of activities in this market: financing, property development, construction and services.

  The creation of the real estate division within the Group will reinforce the coherence and legibility of BPCE's involvement in the real estate sector. It will also facilitate future growth and the development of synergies with the banking businesses.

Review of their Group's portfolios of structured loans

In parallel with the creation of Groupe BPCE and the strategic repositioning of Natixis, an exhaustive review of the structured loan portfolios of the new entity was entrusted to third-party appraisers recognized for their expertise, including BlackRock.

With respect to Natixis, the analysis concentrated on the so-called GAPC assets, on LBO financing, on financing provided to the real estate sector and structured operations.

This analysis was conducted item by item on the basis of macro-economic assumptions founded on two stress scenarios. At June 30, 2009 and after the booking of an additional provision of €865m, these portfolios will be covered by provisions at a level higher than eventual losses expected from these assets under a stress scenario comparable to the one used by the US authorities. What is more, any expected loss under a "hyper-stress" scenario would not unable to compromise the solvency of Groupe BPCE.

For Caisses d'Epargne Participations, the analysis focused on the proprietary trading activities of the former Caisse Nationale des Caisses d'Epargne. The level of provisions booked in this respect was deemed adequate.

The European residential mortgage-backed securities (or RMBS) held by Compagnie de Financement Foncier, a subsidiary of Crédit Foncier, were also subject to a detailed analysis, which concluded that the level of provisions booked was adequate in view of the quality of the underlying assets.

BPCE provides a guarantee in favor of Natixis

As soon as it was created, BPCE wanted to take all the measures necessary to put Natixis back into marching order and to give it the resources it needs to develop its activities, to implement its new strategic plan, and to create value for its shareholders once again.

Thus, in parallel with the strategic review of the business activities of Natixis, BPCE, the central body of Natixis and Natixis agreed to take measures designed to protect Natixis against the risk of future losses and the volatility of results caused by its GAPC portfolio. These measures will allow Natixis to look forward to its future development and to return a profit.

With the exception of a few specific items not requiring any particular protection (chiefly assets guaranteed by the US authorities), all the GAPC portfolios (loans and receivables on the one hand, instruments at fair value through profit and loss – trading portfolio on the other) are covered by the protection mechanism for an aggregate nominal value of €38 billion and a net book value of €31 billion at June 30, 2009.

In exchange for appropriate compensation, BPCE guarantees 85% of the assets in these portfolios, with Natixis retaining 15% of the exposure, thereby making it possible to align the interests of both Natixis and BPCE regarding the future management of the assets covered by this guarantee.

The guarantee mechanism includes the adoption of a cash-flow exchange contract combined with a purchase option mechanism for the assets carried as instruments at fair value through profit and loss, accompanied by a premium of approximately €480m, and the adoption of a financial guarantee on the nominal value of assets carried as loans and receivables, thereby protecting Natixis against losses in excess of the provisions booked with respect to this portfolio.

This mechanism protects Natixis against potential losses above the net book values recorded at June 30, 2009 while simultaneously allowing the subsidiary to retain access to any potential increase in value on the greater part of the portfolio. It makes it possible to considerably strengthen Natixis because it will lead to a reduction in current and future prudential capital requirements related to the GAPC portfolio; it will substantially reduce the volatility of its results, and will enhance – for the benefit of the market – the legibility of its business prospects and the earning capacity of its core business line. What is more, in its capacity as an intra-Group operation, it will have no impact on the prudential ratios of Groupe BPCE.

This system will be subject to the approval of the Shareholders' Meetings of Natixis and BPCE in compliance with the rules governing regulated agreements.

Retail banking: strength and dynamism in a contrasting environment

Against a background of economic and financial crisis, the two retail networks placed a strong focus on financing the French economy in line with the commitments made to the French government in October 2008. Groupe BPCE boasted 5% growth in outstandings at the end of June 2009, 1 percentage point higher than the 4% growth in loans outstanding achieved overall by the group of financial institutions that signed the agreement with the French government in October 2008.

Aggregate deposits on *Livret A* passbook accounts held by all the networks remained stable, with the decline in deposits noted in the Caisses d'Epargne network being offset by new deposits received by the Banques Populaires and Groupe BPCE's other local banking institutions.

• Banque Populaire network

The Banque Populaire network includes 20 Banque Populaire banks, Crédit Maritime Mutuel and the Mutual Guarantee Companies.

Despite an unfavorable economic climate and intense competition between financial institutions, the net banking income generated by the network stood up well during the first half of 2009 thanks to strong commercial dynamics. Growth in net banking income on a current basis stands at 5.6%, increasing from €2.72 billion to €2.86 billion. On a like-for-like basis, the increase stands at 1%.

This fine performance can be explained by the 1% increase in service commissions related to the recovery in new lending in the second quarter of the year. In contrast, financial commissions decreased by 5%, depressed by the 12% decline in commissions on securities and mutual funds.

Operating expenses rose 4.7% on a current basis owing to the inclusion of 7 regional banks acquired from HSBC France in July 2008. On a like-for-like basis, however, expenses remain under close control with an increase limited to only 0.3%.

The cost/income ratio stood, on a like-for-like basis, at 64.5% at June 30, 2009 against 63.5% at June 30, 2008.

In view of the significant market share controlled by the Banque Populaire banks in the SME and self-employed professionals segments, the impact of the crisis on the cost of risk stood at 49 basis points at June 30, 2009 compared with 34 basis points at June 30, 2008. As a result, net income stands at €381 million, representing a 16% decline compared with the previous financial period.

- Savings deposits

Savings deposits increased by 9% to reach a total of €173 billion. This increase stands at 5% on a like-for-like basis.

The deregulation of *Livret A* passbook accounts has allowed the Banque Populaire network to open 800,000 *Livret A* accounts since January 1st and to secure new inflows of more than €2.8 billion. However, the reduction in the rates of interest paid on regulated savings products adopted on March 1st, 2009 drove savers to prefer safe products offering better returns with a long-term investment horizon. As a result, inflows generated on life insurance products rose 7% in the first half of the year. Demand deposits have also increased on a year-to-year basis with a rise of 6.6%.

- Loans outstanding

Loans outstanding rose 7% during the period to reach a total of €138 billion. On a like-for-like basis, aggregate outstandings increased by 4%. Thanks to this performance, the Banque Populaire network has fulfilled the commitments it made to the French government in October 2008 regarding the financing of the French economy.

In the real estate market, growth in mortgage loans stands at 7% (5% on a like-for-like basis), bolstered by the revival in loan requests in the second quarter of 2009.

As the financial and economic crisis continued during the first half of 2009, the Banque Populaire network pursued its mission of providing support to new business creators, SMEs and self-employed professionals. Outstanding loans to self-employed professionals and companies increased by 4% on a like-for-like basis, rising to a total of €64.2 million.

As a partner of the principal networks specializing in helping entrepreneurs to create new businesses and the No.1 distributor of new business creation loans (PCE) with a market share of 28%, the Banque Populaire network pursued its drive to support professional micro-credit solutions. For example, during the period Crédit Coopératif provided €2.5 million in credit facilities to ADIE, the French association for the right to economic initiative, to finance the large number of professional integration projects it supports. In the second half of 2009, this amount will be increased to €3.5 million owing to the extension of this activity and the development of personal micro-credit.

- **Caisse d’Epargne network**

The French savings bank network includes 17 Caisses d’Epargne.

In an environment marked by the economic crisis and the deregulation of the *Livret A* passbook accounts, the Caisses d’Epargne demonstrated an excellent degree of resilience. Thanks to a sustained commercial dynamic and a substantial reduction in refinancing expenses, net banking income stands at €2.88 billion, equal to growth of 14%. The Caisses d’Epargne network has also benefited from a significant reduction in the impact of the financial portfolios that depressed its net banking income in the first half of 2008.

The improvement in net banking income reflects an increase in the interest margin in a context of more favorable interest rates and stability in commissions.

Operating expenses are under control with an increase of only 1% to a total of €2.21 billion.

The cost/income ratio has declined, standing at 71.7% at June 30, 2009 against 74.4% at June 30, 2008.

The impact of the crisis on the cost of risk amounted to 22 basis points at June 30, 2009 against 14 basis points at June 30, 2008.

Net income has been multiplied by a factor of 2 to reach a total of €341 million.

  - Savings deposits

The decline in the rates of interest paid on regulated savings products (the rate of interest paid on *Livret A* passbook savings accounts was reduced to 1.75% on February 1st, 2009) combined with the deregulation of the distribution of the *Livret A*, had a negative impact on savings inflows received by the network that was offset, however, by the dynamism of the commercial policy. At June 30, 2009, total savings funds held by the network increased by 4% compared with June 30, 2008, to reach a total of €325 billion.

Withdrawals from *Livret A* passbook savings accounts stood at approximately €3 billion, representing a decline of 4% compared with January 1st. This limited decline was partially offset by aggregate savings inflows (excluding *Livret A*) of €2.76 billion thanks, in particular, to the performance of life insurance products (new life funds received for a total of €1.26 billion) and to subscriptions for cooperative shares (€1.4 billion).

The sale of new interest-bearing account service packages (164,000 packages) made it possible to confirm the trend whereby customers are sold higher range banking services. The “comprehensive package” now accounts for 40% of the sales completed during the six-month period, up from 25% just one year ago.

  - Loans outstanding

With a 5% increase in the loans outstanding position, which now stands at €130 billion, the Caisse d’Epargne network has fulfilled the commitments it made to the French government regarding the financing of the domestic economy.

In the severely depressed consumer credit market, the Caisse d’Epargne continued to increase market share thanks to a 3% increase in outstandings, to almost €3 billion. The Caisse d’Epargne network is now the 2nd largest distribution of consumer loans (excluding specialized institutions) with a market share of 7.3%.

After a sluggish first quarter, the production of mortgage loans picked up in the second quarter of 2009. Outstandings have grown slightly to reach a total of €77 billion.

In the corporate segment, the acquisition of new market share continued with more than 1,000 new accounts opened, representing a 23% increase compared with the first half of 2008. Despite the adverse economic environment for businesses, the production of investment credits was maintained at the same level as last year, at €555 million.

Thanks to the national funding envelopes set up in November 2008, the production of medium- and long-term loans to local authorities remained stable in the 1st half of the year at €2.7 billion, enabling the Caisses d'Epargne to achieve a market share in excess of 35%. It should be noted that 96% of the new credit facilities granted to local authorities are traditional loans, and not structured products.

In the segment devoted to the financing of social housing, the Caisses d'Epargne – which are the No.1 private banking institution for the social housing movement – and Crédit Foncier obtained €2.2 billion in subsidized loan allocations (PLS loans to build social housing/PSLA loans to facilitate home-ownership by low-income families) and used up the 1st *France Logement Social* funding envelope provided by the European Investment Bank (EIB) for a total of €125 million. These resources made it possible to increase the financing of social housing assets in the first half of the year.

Wholesale banking, asset management and financial services (Natixis)[2]

The contribution made by wholesale banking, asset management and financial services activities to the net banking income and gross operating income of Groupe BPCE stands at €2.6 billion and €280 million respectively.

Net banking income, down 23%, reflects the continued impact of the crisis despite the strong performance achieved by the long-term activities.

Natixis has achieved a substantial reduction in its operating expenses related, in particular, to the decline in the number of employees in its Corporate & Investment Banking business, the reduction in variable remuneration, and the decline in restructuring expenses.

The cost of risk has increased sharply, however, owing to a substantial reinforcement of provisioning policies for reasons of prudence with respect to activities related to real estate and LBO operations.

Activities managed on a run-off basis and other businesses

Activities managed on a run-off basis reflect the contribution of the workout portfolio management activities (GAPC) of Natixis and the proprietary trading activities of Caisses d'Epargne Participations.

Net banking income stands at a loss of €1.82 billion.

The cost of risk represents a considerable charge of €1.07 billion.

Real estate division: resilience in a downward market cycle

The real estate division chiefly includes the activities pursued by Crédit Foncier, Foncia and Nexity, along with other businesses such as GCE Habitat, Maisons France Confort and Meilleurtaux. They allow Groupe BPCE to be a major player in the real estate market, active

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[2] The results of Natixis are published in a separate detailed press release.

at every level of the real estate industry, both in providing financing to individuals, companies, and local authorities as well in the area of social housing.

During the first six months of the year, the net banking income generated by the real estate division stood at €1.12 billion. In a difficult business environment, marked by the evaporation of demand, the decline – limited to 15% – testifies to the robustness of the business models.

Operating expenses were kept under satisfactory control, with a 4% decline bringing them down to a total of €880 million.

Gross operating income stands at €246 million, representing a decline of 38% compared with the same period last year.

Net income fell 13% to €132 million during the period.

- **Crédit Foncier**

In a depressed market, the net banking income generated by Crédit Foncier declined 15%, to a total of €472 million. The closely managed operating expenses have been reduced by 3% and now stand at €283 million. Gross operating income amounts to €188 million against €264 million one year ago. Despite a €10 million improvement in the cost of risk (currently representing a charge of €39 million), net income has fallen by 27% to a total of €101 million.

New loans granted by Crédit Foncier overall in the first half of 2009 stand at €6 billion, 35% down compared with last year. In the individual customer segment, business remained extremely buoyant with new loan production of €3.7 billion despite the fact that the French real estate market suffered a decline in transactions both as far as existing and new properties are concerned. Crédit Foncier again gained market share in the first-time buyers segment.

New loans granted by Crédit Foncier in the corporate market declined in an environment still impaired by the crisis in the financial markets. Representing a total of €2.3 billion, it accounted for almost 40% of the bank's overall business activities in the first six months of the year.

- **Real estate services: Foncia and Nexity**

    - Foncia

Foncia – the leader in residential real estate transactions and management services in France – enjoyed 3% growth in its revenues, which rose to a total of €268 million. This fine performance bears witness to the strength of Foncia's business model, chiefly based on recurrent activities in the area of rental property and condominium management services.

The rental property management portfolio grew by 11% during the period with 241,000 rental management units. The management of condominium property units increased by 7% on a year-to-year basis, reaching a total of 1 million units.

In contrast, the volume of transactions suffered from an unfavorable environment in the real estate market: commitments to sell declined by a total of 10%.

Gross operating income stands at €28 million, representing growth of 17%.

Bolstered by a decline in refinancing expenses, net income stands at €14 million, up 27%.

- Nexity

In a business environment that was particularly unsettled in the second half of 2008 for private property developers, Nexity, the No.1 player in private real estate development in France, kept the level of its revenues stable in the first half of 2009 at €1.3 billion.

During this period, Nexity benefited, starting in February, from the positive impact of the decline in interest rates charged on mortgage loans as well as the measures adopted by the French government to stimulate the market (doubling of interest-free loans for first-time buyers, new Scellier-Carrez provisions to encourage investment in rental property). Reservations of new housing units reached 5,794 units on June 30, representing growth of 31% compared with the same period last year.

Under the impact of the crisis, the subsidiary's operating income stands at €94 million, representing a decline of 35%. Net income stands at €20 million.

Consolidated results of Groupe BPCE:

Contrasting results marked by the extremely strong resilience demonstrated by retail banking activities and the close control over operating expenses in all three core businesses

The pro forma **net banking income** of Groupe BPCE stands at €9.7 billion. This net banking income includes €1.5 billion related to the reclassification, at fair value, of deeply subordinated securities as regulated capital, in compliance with IFRS.

The recurring net banking income of Groupe BPCE, reflecting the revenues posted by its three core business activities, stands at €10 billion, down 4% during the period.

- **Retailing banking** activities account for 63% to the net banking income of the three core business lines in the first half of the year, contributing a total of €6.3 billion. This division has improved its performance by 9% on a like-for-like basis, a result that reflects the commercial dynamism of the Banque Populaire and Caisse d'Epargne networks and of the other entities. It makes an essential contribution to the Group's profitability with €755 million in net income.

- The **wholesale banking, asset management and financial services** division contributes a total of €2.6 billion, or 26%, to the net banking income generated by the different businesses of Groupe BPCE. The core business lines of Natixis – corporate & investment banking, savings and financial services – post a positive result (before cost of risk) of €280 million.

- The **real estate activities** account for 11% of the net banking income posted by the Group's business activities, with a total of €1.1 billion. Although 15% lower than before, this performance reflects the strength of the different businesses impacted by a downturn in the market**.**

The drive to keep the costs of Groupe BPCE under tight control have already started to bear fruit in all three of its core business lines. **Operating expenses** declined by 2%, to a total of €7.8 billion.

The Group's **cost of risk** increased sharply during the first six months of the year to reach a total of €2.99 billion, including €1 billion for activities managed on a run-off basis, reflecting both a depressed economic environment and the prudent policy resolutely adopted by Groupe BPCE. The cost of risk booked by the core business lines stands at €1.92 billion.

Overall, the Group's **income before tax** stands at a loss of €2.2 billion compared with a loss of €49 million in the first half of 2008. This result includes goodwill impairment booked by the Group for a total of €996 million, chiefly related to its real estate subsidiaries acquired at the height of the business cycle.
Net income attributable to equity holders of the parent stands at a loss of €757m. The net income attributable to equity holders of the parent posted by the core business lines is a positive €567 million.

in millions of euros	H1 2009	**O/w core business lines**	*H1 2008*	**O/w core business lines**	*% change Core business lines*
Net banking income	9,699	**10,109**	8,536	**10,415**	*-4*
Operating expenses	-8,047	**-7,832**	-8,162	**-7,970**	*-2*
Gross operating income	1,653	**2,203**	374	**2,445**	*-10*
Cost of risk	-2,990	**-1,920**	-748	**-560**	*X3*
Operating income	**-1,337**	**283**	**-374**	**1,887**	
Share in net income of companies accounted for by the equity method	104	104	131	**131**	
Net gains or losses on other assets	69	33	174	**114**	
Impairment of goodwill	-996		20		
Income before tax	-2,161	**420**	-49	**2,132**	
Income tax	572	83	-207	**-645**	
Minority interests	832	64	247	**279**	
Net income attributable to equity holders of the parent	-757	**567**	-9	**1,208**	*-53*

A robust financial structure

At June 30, 2009, the Group's tier 1 capital stood at €36 billion. This capital includes €3 billion in preference shares (without voting rights) subscribed to by the French state in addition to €4 billion in deeply subordinated notes also subscribed to by the French state within the framework of its economic stimulus plan.
Weighted outstandings amounted to €414 billion at June 30, 2009. 50% of these outstandings are concentrated on the retail banking division.
The estimated Tier 1 ratio of Groupe BPCE stood at 8.6% on June 30, 2009, virtually unchanged from March 31, 2009 (8.7%)
Groupe BPCE enjoys long-term credit ratings of Aa3 granted by Moody's and A+ assigned by Standard & Poor's and Fitch. They all include a stable outlook.

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