

June 2011



Natixis Credit Summary Report

Domicile: Paris, France
Holding Company: BPCE S.A.
Rating: Q3

Other Ratings as of: December 2010
Moody's: Aa3
S & P: A+
Fitch: A+

Natixis is the corporate, investment and financial services arm of Groupe BPCE, the 2nd-largest banking group in France with 22% of total bank deposits and 36 million customers spread over two networks, Banques Populaires and Caisses d'Épargne, the two largest mutual savings groups in France. Groupe BPCE was created in July 2009 from the merger of the two networks and is a cooperative banking group according to French banking law, with cross-guarantees covering BPCE, the Group's central bank, and the regional networks. The Group has leading market shares in France in personal savings, mortgage lending, public finance lending, and lending to small and medium-sized businesses. The two networks had previously jointly owned Natixis, and the merger represented a further unification and simplification of already existing operating relationships. BPCE now owns 72% of Natixis, with the remaining 28% freely traded. The Group has made significant capital contributions to Natixis, and liquidity is managed on a consolidated basis at BPCE, underscoring the unity with which the organizations operate and reinforcing the view that the savings networks, BPCE and Natixis should be viewed as a consolidated entity.

BPCE sustained its recovery through 2010 both on a core and stated basis as net income of €3.6 billion compared to €537 million in 2009. During the year there was no significant impact from activities managed on a run-off basis (vs. a negative impact of €1.9 billion in 2009) but earnings did suffer from €368 million of nonrecurring charges. Profitability metrics are moderately acceptable with a ROA of 0.3% and a ROE of 8.1%. The Group benefited from a sharp drop in the cost of risk and an improvement in the efficiency ratio to 69% from 77% in 2010. Cost synergies from the alliance of Banque Populaire and Caisse d'Épargne in 2009 were €433 million, ahead of schedule for achieving the €1 billion targeted for the end of 2013. Non-performers have been declining modestly since mid 2010, and ended the year at 3.5% of loans, still elevated, with 56% impairment recognized. Credit costs declined 60% over the past year to 0.31% of loans – the lowest of the large French banks. The loan to deposit ratio is high at 142% due to the reliance of Natixis on wholesale funding; however, BPCE has had good access to the markets and maintains a sizable

book of repoable assets. Capital adequacy received a boost during the year due to an increase in cooperative shares, retained earnings, and a decline in risk-weighted assets. For 4Q10, BPCE posted a Core Tier-1 ratio of 8% and a Tier-1 ratio of 9.7%. BPCE expects to comply with the new Basel III capital requirements in 2013 without having recourse to the market. BPCE repaid the capital contribution from the French government, ahead of its strategic plan deadline of 2013.

Natixis

As the investment banking arm of the group, Natixis creates and provides investment banking products for distribution through and among its cooperative affiliates to the individuals, professionals and small and medium-size businesses constituting the clients of BPCE's two retail banking networks. Natixis also has a global presence with its own client base. With around 22,000 employees, Natixis has a number of areas of expertise which are organized in three main business lines: Corporate and Investment Banking, Investment Solutions (asset management, private banking, insurance) and Specialized Financial Services.

Natixis, which posted sizable losses in 2008 and 2009, had net income of €1.7 billion in 2010 (about 25% of the Group's core net income) thanks to a significant reduction in credit costs and the absence of material impairment charges on its remaining workout assets. The portfolio has seen a reduction in risk-weighted assets of 44% over the last 18 months, and now totals €31 billion which is 85% covered by a guarantee from BPCE. Nonperforming loans excluding the workout portfolio were 2% of loans at the end of the year, covered 60% by specific commitments. The cost/income ratio improved to 67.5% from 71.5% in 2009 and credit costs improved materially falling 78% to 5% of net revenues, resulting in an improved but still modest 8.4% return on equity on an annualized basis. Natixis had a Core Tier 1 ratio of 7.9% and a Tier 1 Ratio of 11.4% at the end of the year. Natixis expects to have a Core Tier 1 ratio of over 8% in compliance with Basel III.

Strengths:

- As a core subsidiary of France's second largest banking group, Natixis benefits from BPCE's legal commitment to maintain its liquidity and solvency
- Group as a whole has a low risk business profile with roughly 50% of assets and revenues related to retail banking activities
- Has benefited from direct capital infusions from parents, as well as guarantee effectively removing risks of structured asset portfolio

Weaknesses:

- Has undergone significant business realignment in response to heavy investment losses resulting from the financial crisis
- Dependent on volatile corporate and investment banking revenue

Key Statistics – Natixis

<i>(EUR millions)</i>	2010	2009	2008	2007	2006	CAGR/ Average
Euro Millions	2010	2009	2008	2007	2006	0.05%
Total Assets	458,009	449,218	555,760	520,006	458,633	-0.03%
Equity	17,336	16,329	17,521	16,830	16,857	0.70%
Equity/Assets	3.80%	3.60%	3.20%	3.20%	3.70%	0.67%
Net Income	1,732	-1,388	-2,727	1,220	999	14.75%
Tier 1 Capital Ratio	11.40%	9.70%	8.20%	8.30%	8.90%	6.38%
Return on Average Assets	0.37%	-	-	0.25%	0.32%	3.70%
Return on Average Equity	8.40%	-	-	7.10%	8.75%	-1.02%

Sources: Company reports and SEC filings.

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