2nd Quarter Results, 2010

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Laurent Mignon
CEO

I. Introduction

Good morning to you all. Most of you are now on the telephone. This morning, we will be going through the presentation of Natixis' second quarter earnings. You will all have received the relevant press release and the slides. What can we say? The second quarter was a good quarter in a much more challenging environment. The market has been very volatile and this volatility has many implications for our clients' business and their ability to go to the market for new issues or new operations. Nevertheless, this quarter is showing a very satisfactory performance of our business lines, with a good level of earnings of €522 million up 12% compared to the first quarter of 2010. Most of that is linked to the good quality of performance of our business lines.

During the quarter there have been significant breakthroughs in the implementation of our strategic plan, "New Deal". We are up and running in the delivery of synergies with the two retail networks, Banques Populaires and Caisses d'Epargne. This is a major element of our plan. Second, we have continued to work actively on the GAPC exposure. One major breakthrough has been the disposal of the risk of the complex credit derivative portfolio, the correlation book. We have finalised the re-engineering of our CIB business, and we have begun to take strategic initiatives in terms of the development of our Investment Solutions division.

Overall, net banking income of our core business in the second quarter amounted to €1.5 billion, up 9% compared to the second quarter of 2009 and up 3% compared to the first quarter of 2010. The pre-tax profit of our core business amounted to more than €500 million, up 15% compared to the first quarter of 2010. I will not compare it to the second quarter of 2009 as that was negative. The CCI contribution – that is, the retail network contribution – was down compared to the first quarter mainly due to accounting reasons and provisions that were made due to the re-organisation of the structure of the BPCE group. This has led to negative non-operating items during this quarter. That will not, however, be a repeat element. Overall, our target of net banking income, which was above €6 billion as we stated in the first quarter, is confirmed.

Core Tier One is slightly lower than in the first quarter, mainly affected by the disposal of our correlation book. That had an initial impact of increasing the risk-weighted assets. It will have an impact on the second half, reducing the risk weighted assets by over €10 billion, which means 70 basis points of core Tier One and Tier One ratio. The Tier One ratio was 9.2% at the end of this quarter, or 9.9% pro forma.

II. New Deal Implementation

Revenue synergies with BPCE retail banking networks are in line with the medium-term objective of €395 million by 2013. The re-engineering of CIB is now up and running with a coverage division in place and with the debt trading platform also in place. We have taken some strategic initiatives in Investment Solutions. Coface has confirmed its recovery, with a loss ratio of 59% in the second quarter. All the support functions have been re-organised as was indicated to you less than one year ago. Everything has now obtained the approval of the trade unions and is now up and running. The first cost synergies amount to about €93 million at the end of this first half.

We have had a significant decrease in GAPC exposure. We have disposed of most of our complex credit derivatives positions. Convertible bonds positions have been closed. There has been a significant decrease in structured credit exposure, with over $2 billion in sales of assets during the quarter.

1. Disposal of the Complex Credit Derivative Portfolio

Regarding the complex credit derivative portfolio, the main one is the correlation book. All of the correlation position has been fully offset with one counterparty at the end of the second quarter. The impact on the pre-tax profit of this transaction – which is a major transaction with a notional minimum size of over €30 billion – is negative €83 million. Using the Basel II standard method, as a first step, globally that generates an additional €4 billion temporary increase in risk weighted assets. That is a roughly 30 basis points negative impact on the Tier One ratio. During the second half of 2010, we will gradually post all of the transactions and liquidate them to the counterparty of our transaction which will overall reduce our risk weighted assets over €10 billion. There will be no additional income impact. All of the income impact has been taken in the second quarter. It is very important to undertake these transactions given the environment and the fact that the CRD3 regulation will significantly increase the need for capital for these types of books.

2. Revenue Synergies with BPCE Retail Networks

With respect to revenue synergies with BPCE during the first half of this year, we had additional revenues of €42 million thanks to these initiatives. The target for 2013 is €395 million and we can therefore say that we are on track. We are well on track in the Specialised Financial Services area; we are less on track in the Investment Solutions area because the appetite to sell asset management products during the first half was slightly disturbed by the volatility of the market. Nevertheless, we are continuing to move on this track. The effort to create a leading payment operation is well underway, and the merger between Natixis Paiements and GCE Paiements will be effective as of 1 September 2010.

We are furthering our efforts to bring together the main leasing businesses of the group within Natixis. We should be able to have an agreement regarding Cicobail in the coming days. The organisation with BPCE concerning the activity in the retail network is now in place. We should underline the strong contribution of consumer finance during this quarter.

3. Investment Solutions

In Investment Solutions, we have continued with our plan which is to create a global, worldwide asset manager, taking advantage of the successful multi-boutique business model that we have developed in the past. One initiative in this area is the creation of H_2O Asset Management, a London-based asset management company created with Bruno Crastes and Vincent Chailley. They both have a very strong track record in the global macro asset management area, and this will be a significant success for our Asset Management operation. It will add an expertise that we did not have to our institutional and individual business.

We are close to finalising an operation in index-based innovative product development – the smart ETF business. We are in the process of strengthening our distribution in the fast growing independent financial advisor segment by eventually creating one single platform between 1818 Partenaires and Sélection R, a Rothschild subsidiary, in the IFA business.

III. 2nd Quarter 2010 Results

The result of €522 million in net income is the fourth consecutive quarter of positive net earnings for the group. We have been on a growing basis every quarter, with a 12% increase compared to the first quarter. If we look to the pre-tax results of our core businesses, we see the same picture, growing on a quarter to quarter basis with a €519 million result before tax, compared to €452 million for the first quarter. That is an increase of 15%. If we compare that to the second quarter of 2009, we see a loss of €506 million. There has therefore been a significant turnaround, and it has remained consistent over the quarters.

If we look more closely, we can see that net banking income is up 26% compared to the second quarter of 2009 and up compared to the first quarter of 2010. If we take only the core business divisions, we see a 9% increase in net banking income. Expenses are under control, slightly below €1.05 billion, which is slightly below the first quarter, and in line with the second quarter of 2009. Gross operating income doubled compared to one year ago. The cost of risk has significantly decreased (–€93 million). Overall, this is a trend in the market and reflects the fact that we have had no new significant credit that have come into difficulty. For the financing part of the CIB business, we are at a cost of risk that is roughly around 38 basis points compared to 55 for the first quarter of this year. It is significantly below the guidance we had at the beginning of the year when we were roughly expecting between 50 and 70 basis points. The cost of risk was very high in the second quarter of 2009 (over €1 billion). This included a one-off position of €750 million to cover risk in the areas of real estate and leverage finance. Overall, pre-tax profit is €683 million compared to a loss of €555 million last year. GAPC has a small, negative result of –€59 million. I will come back on that later. This includes the €83 million loss from getting out of our correlation book.

Overall, net income amounts to €522 million. The cost to income ratio is 61%. It is very important to see that we have good earnings within this volatile environment. Natixis has been able to demonstrate that, thanks to the changes in the business model that have been implemented for the past year, we are able to go through a more difficult period with a sustainability in our earnings and profits. For a company that used to show more volatility than its peers, this is a good sign of the real change that has been underway for the past year.

1. Revenues by Business Line

If we look at revenues, business by business, we can see that most of the increase is driven by the increase in the CIB division compared to last year (from €729 million to €828 million). We should underline within the CIB business the very good performance of Structured Finance. Overall, the capital market activity has only been reduced by 12% thanks to good performance of the teams in that area. The other significant contributor was the turnaround in Coface, which has generated a significant increase in its net banking income from €44 million last year to €196 million for the second quarter of 2010. The combined ratio of the CIB business was down to 49% during this quarter.

Specialised Financial Services (SFS) saw a 6% increase in revenues vs 2Q09, a more steady increase that, within a more difficult environment, demonstrates the very good dynamism of our activities and of the two networks of the BPCE group.

2. Profitability Levels

In terms of profitability, the improvement is significantly coming from CIB which was at –€672 million last year and +€362 million this year. It had a pre-tax RoE of 23% for this quarter. Investment Solutions was penalised during this quarter by the life insurance business but, overall, asset management is doing well. Specialised Financial Services is still improving, with earnings of €71 million. Financial stakes, including Coface which is a major contributor, is now +€44 million positive, compared to a previous loss of €134 million. The loss ratio of Coface during the second quarter of 2009 was above 123%; it is now 59%.

I will now pass the floor to Luc-Emmanuel Auberger, who will present the results division by division.

IV. 2Q10 Results by Business Divisions

Luc-Emmanuel Auberger

Before I begin, I will remind you that we have changed the methodology for capital allocation. We now allocate 7% of our RWAs for each business line, instead of 6% previously. The impact on revenue is very marginal and we have provided all the historical data in the appendix.

1. CIB

Revenues resisted well in a more challenging environment. Globally, they are up 4% versus Q1. Capital markets revenues were down 12% over the first quarter. Structured Finance revenues are up 16%, and 29% versus the second quarter of last year. We have a positive impact of CPM mark to market from CDS of €46 million. Even if we exclude that, revenues are only down 3% over the previous quarter. Gross operating income is up 12% versus the first quarter, and 27% versus the second quarter last year. Expenses are down 2% and the cost to income ratio is below 50%.

As Laurent stated, the cost of risk of CIB is decreasing very much. It amounts to €60 million, which represents 38 basis points of the RWAs of the financing business. Pre-tax profit amounted to €362 million, which is up 28% versus the first quarter.

In Capital Markets, we have a satisfactory activity of fixed income and commodities. Revenues are down 21% over the first quarter. We have a significant decrease in the treasury contribution due to the higher cost of funding but generally the business resisted very well through the sovereign debt crisis in the second quarter. We had a very strong client contribution in the second quarter and have undertaken significant deals, materialising the cross-selling strategy in the second quarter. The Equity and Corporate Solutions business showed a strong performance in equity derivatives and satisfactory commercial momentum. The equity cash business continues to be affected by the market environment but the contribution of the Corporate Solutions business has doubled versus the first quarter. We signed significant deals, especially in Asia and in emerging markets in general.

In the Financing activities, Structured Finance business revenues were up 16%. All businesses were up in that area, especially Project Finance which was up 40%. We had a significant increase in loan production (+14%) and have improved rankings in the various areas. Plain-vanilla financing revenues were stable over the previous quarter. The cost of risk, at €62 million, is very much down on those activities.

2. Investment Solutions

Assets under management increased in all business lines versus June last year. The environment is still difficult in the asset management business. The stock indexes do not favour the sale of equity products, and the low interest rates are still leading to significant outflows in monetary funds. Private banking new money was again high this quarter, and the Insurance business had strong turnover, both in Life insurance and Provident insurance, especially with the retail networks.

In terms of profitability, revenues were up in asset management and in private banking. Insurance revenues are affected by the current equity markets but the turnover of that business is very strong. We had significant asset inflows in life insurance.

3. SFS

SFS had a satisfactory commercial momentum except for Securities where volumes are still slightly down due to the environment. In all other business lines, the outstandings are growing. I will not comment on all of these but Consumer Finance outstandings were up 20%, and factored turnover increased by 28% this quarter.

As a result, revenues are up 6% versus the second quarter last year. As expenses are under control, the contribution of SFS has increased. Pre-tax profit stands at €71 million for the second quarter, up from the first quarter and the second quarter of last year.

4. Financial Stakes

As Laurent noted, Coface confirmed its recovery, as illustrated in the chart showing the evolution of the loss ratio, which was down to 59% in the second quarter. The pre-tax profit of Financial Stakes stands at €44 million in the second quarter compared to a loss last year of €134 million.

5. Retail Networks

In Retail Networks, the activity is strong with savings, deposits and loans outstanding up. In the Caisses d'Epargne, loans outstanding were up 11%. The activity therefore remains strong. The contribution to Natixis earnings is down because of some impairments that were taken due to the creation of BPCE.

6. GAPC

GAPC results show a loss of €84 million this quarter. The impact of the guarantee provided by BPCE is +€17 million this quarter. As Laurent noted, this result takes into account the full impact of the sale of the correlation book of - €83 million.

V. Financial Structure

Laurent Mignon

Thank you, Luc. I will now say a few words on the financial structure.

The increase in the risk weighted assets is linked to three elements. First, the development of the business, which explains €3 billion of the increase in risk weighted assets. Second, €3.3 billion is linked to the increase in the value of the dollar. We have a significant part of our balance sheet in dollars but also on the equity side, so that has no impact on the global ratio of the group. This is basically neutral in terms of ratio. This leads to a result of €134.9 billion in risk weighted assets. Third, we have a temporary increase of €4.2 billion linked to the disposal of our correlation book which will free up over €10 billion in the second half of 2010. We will then see a significant improvement in our core Tier One and Tier One ratio. They are currently at 8.1% and 9.2% but the impact of the correlation book sale will be 70 basis points, pro forma positive.

VI. First Half 2010 Results

To give you an overview of the results over the first six months, we can see an increase in net banking income compared to the first half of 2009 of 27%. Within this, the core business divisions saw an increase of 10%. Expenses are flat. Gross operating income of €1.2 billion is 2.3 times what it was in the first half of 2009. Cost of risk is obviously down at €211 million compared to €1.2 billion. This is really the result of the comments we made earlier.

Overall, pre-tax profit amounted to €1.237 billion compared to a loss of €375 million in the first half of 2009. There has been a significant turnaround in the legacy assets and activities that we manage through the GAPC, from a loss of €2.5 billion to a loss of €69 million during the first half. Net income went from a loss of €2.6 billion to a profit just below €1 billion during the first half of 2010. The cost to income ratio has improved by 16 points to 64%.

Division by division, as during the quarter, there was a significant increase in all of our business lines during the first half. The more significant increase occurred in CIB and in Coface. However, there was also an increase in Investment Solutions and in SFS during the first half. The cost to income ratio of CIB was at 51% for the full half.

In terms of returns before tax for our different business lines, you can see a stable return in Investment Solutions to €203 million. There was a significant turnaround in the CIB business, which is generating €643 million of positive earnings in the first half, with a 21% pre-tax RoE. SFS has an RoE of 23%, an increase of about 17% in the pre-tax profit, half on half. You can see the turnaround in Coface, going from a loss of €260 million for Financial Stakes, including private equity, in 2009 to a profit of €85 million during the first half.

VII. Conclusion

That is what we can say for Natixis' earnings for this quarter and for this semester.

I would like to underline the fact that within a very volatile and difficult environment we have been able to show a steady growth in our earnings in most of our divisions. We have had strong resistance in our CIB business and good performance in the Investment Solutions and SFS business activities. We have seen the turnaround in Coface within an environment of continuing de-risking of the balance sheet and strengthening of our ratio pro forma due to the operations undertaken at the end of this quarter. That is all in line with the objectives that we set in the New Deal plan.

We are now available to answer any of your questions.

Question and Answer Session

Guillaume Tiberghien, Crédit Suisse

I have four small questions. The first one relates to the equity business. If I exclude the €27 million of non-recurring gain, you have €145 million which is obviously very high compared to previous quarters. Should I see Q2 as a normal quarter or Q1 as a normal quarter? Second, in the guidance, the cost of risk is 50 to 70 basis points. You are now obviously much lower. Would you like to update us on the guidance or do you prefer to remain cautious and maintain the guidance? Third, with respect to slide 18 on the Fixed Income business, if I understand correctly the FICC revenues excluding Treasury are down only 20% quarter on quarter to €160 million. Does this imply that Treasury is down from €75 million to only €9 million, quarter on quarter? Finally, regarding the cost income ratio in CIB, your guidance for 2012 is 54%. We are already at a 50% level. Do you know something on the costs that we do not know that would support your 54% figure rather than a figure below 50%? In other words, are you planning expensive investments that we have not yet factored in?

Laurent Mignon

Regarding the Equity business, taking away the one-off effect we are effectively at €145 million in the second quarter. It has been a very good performance. We have had good operations and profitability in the Corporate Solutions area as well as in the Equity Derivatives area. It has therefore been a good quarter. Should we say that Q2 is better than Q1? Q1 was certainly a low quarter. We had good performance in a difficult market environment in Q2 – very good performance, in fact, if we compare with other actors in the market. I do not expect that it has been exceptional, but it has been a very good performance. Whether we will replicate a similar performance level in Q3 or Q4 is difficult to say. You know that the month of August is not a good month for activity linked to client business, and these earnings are mostly related to client business. Nevertheless, I am confident that, in the mid-term, Q2 is a better indication of what we should be doing in this business than Q1.

In terms of the cost of risk, I am both cautious and confident. Cautious because I believe that the environment is still “in-between”. It is difficult to see whether we will have significant economic growth in Europe in the coming months. There is still an element of uncertainty in the environment that leads us to be cautious. I believe that to start to be immediately positive about the situation of the corporates or of different markets in France would be too premature. Nevertheless, the cost of risk is not the result of taking away provisions or the like. It is really the result of an underlying positive trend where we see less corporates in difficult positions. We see a similar trend in Coface, where we have an improvement of the loss ratio thanks to both the actions taken in terms of underwriting policy, price, risk management and also through the underlying improvement of companies. In terms of the sort of guidance we should give for the year, there is no reason not to take into account what has happened during the first half. However, I will keep a guidance of 50 to 70 basis points for the second half in order to keep an element of caution as I believe we have to ensure that we are not too overly optimistic immediately. This is not the result of a diversion; it is more a cautious statement.

Fixed income is down 21% and Treasury is down from over €70 million to €9 million in the second quarter. Therefore the maths are good and the conclusion is good.

Cost to income is 51 in the first half compared to a target of 54. An element that has improved the cost to income cannot be taken into account for the long-term. For example, when you have a positive CPM, we know that the CPM activity should be slightly negative in the long-term. This is therefore an element that slightly improves the cost to income compared to a normal element. It is true that we are at the target already. It is also true that we have to develop ourselves and be competitive so that we can obtain the best people and the best technology in order to be a front runner in the CIB business. To sustain the growth that we want to achieve in the CIB business we also have to ensure that there is slight investment in the coming years. That is why keeping a target of 54% as a mid-term cost to income in this business is therefore the right approach.

Pierre Flabbée, Kepler Capital Markets

I have two questions. First, regarding Asset Management, globally inflows and outflows are characteristic of the quarter. Would you provide some colour on how you see the rest of the year? Do you expect that a change in market sentiment could have a positive effect as early as Q3? Second, regarding the Corporate Centre, I understood that this should be a negative contribution but it is positive this time. Are there any one-offs? Finally, an add on question, regarding the ABS CDO exposure, have you noticed a change in the outlook for cash flow losses as some of your competitors have noticed?

Laurent Mignon

Regarding asset management, we had negative inflows of €7 billion during the second quarter, with roughly €5 billion in Europe, mostly through monetary funds, and $2.3 billion in the US. In the US, we have in fact a very positive and active activity in terms of gross inflows. We see a very good level of activity in our business there, and we are very confident about that. It is very different from what we saw in 2009. The volatility and uncertainty in the market has led to significant outflows during this quarter. I am quite confident that, if we see a macroeconomic perspective and a market that stabilises, we will see significant decreases in the outflows that we have seen in the second quarter. We should be able to generate positive inflows in our US businesses from the third quarter on. In Europe, we have positive inflows on the rest of the activities apart from the monetary funds business. In the long run, given the level of interest rates, monetary funds will not be in positive territory for some quarters. For the rest, we see positive inflows. Overall, I believe we will see positive development in inflows of the Asset Management business as of the third quarter. We are also confident that the developments we are undertaking in new areas will also help us generate positive inflows.

Regarding corporate center division, we account for the change in own debt appreciation which is €49 million positive during this quarter. Regarding CDO exposure, I will leave the floor to Martin Saint Pierre who heads the GAPC team and can give you some flavour on that. We made a valuation of those assets one year ago, with very comprehensive work by Blackrock that went through CDO by CDO, asset by asset, in a very, very detailed manner. What we have made as an assumption of our value is the recovery value of each of those assets. For the time being, all the assumptions that we use, including stress scenarios, have not been reviewed negatively since then. We have in fact been selling some significant assets on the market at values that are compatible with the value that we have on our balance sheets.

Martin Saint Pierre

Our broad outlook for the structured credit markets is roughly the same. Obviously from asset class to asset class they have changed, with some up and some down. Slightly more bearish potentially on the US CMBS markets, but only slightly so. This is in line with what other people are saying. We are slightly more optimistic on the residential and other ABS. Broadly speaking, we think roughly along the same terms as we did at the beginning of the year and roughly along the same terms as the Blackrockstudy last year.

Jean-Pierre Lambert, KBW

I have a question regarding Corporate Solutions. In one slide you indicated that its contribution doubled; in another one you indicate that it is +58%. Would you clarify? Would you also quantify their contribution? It is a small group and they seem to have done very well. Would you provide some colour? I believe there are about 120 people, if I understood correctly. How sustainable is their contribution? Is it very volatile or do you see this growing at the same pace? Second, revenues over risk weighted assets in CIB amount to about 89 basis points. This is still way below your French peers, some of which have 174 and others 133. How much potential is there to converge to those levels? Finally, regarding the complex derivatives portfolio that was sold, was this sold to a French buyer or a foreign buyer?

Laurent Mignon

The 58% growth figure refers to all of the equity business not the Corporate Solutions part; the Corporate Solutions part has increased more than by 58%. By the way, this is not a 120-people team but a 128 people team exactly, spread around the world. They are located in Paris, Singapore, etc. and have acted on transactions in Russia, etc. It is a group of front office people integrated within the bank. However, 128 people are not a small team in terms of a front office business. They are becoming more and more integrated within the Group. This used to be an activity that was slightly more autonomous in the past; they are now very much integrated within the Bank's strategy. They are doing a very good job in developing our franchise worldwide in the equity business together with the different teams in the Bank. They are now connecting much better together both in terms of coverage and in terms of expertise.

Regarding revenue over risk weighted assets, our global risk weighted assets are not only CIB. Some of the businesses are generating less in terms of risk weighted assets than the CIB business. Compared to our size, we have more risk weighted assets than others. This may be an element that is due to the fact that we have a larger book of plain-vanilla credit compared to others or compared to our size. That is why we have a policy of developing the structured product activity and of developing capital markets. That is what we said one year ago. We will keep plain-vanilla as one element of developing the corporate relationship but limiting our final take in those areas. We are also moving to create a true coverage that will be fully independent from the plain-vanilla credit in order to ensure that we develop all the other activities alongside. This is in fact an illustration of the fact that the quality and the depth of our client base is much larger than the depth of the product sales that we do to those clients. We therefore have a huge opportunity to increase our revenues by better exploiting the relationship that has been created by this bank with its clients in the past. There is therefore an opportunity to significantly increase revenues to our RWA, and this is our strategy for the future.

On the correlation book, I have stated that I would not comment on the identity of the buyer. All I can say is that it is not a French buyer.

Jean-Pierre Lambert, KBW

Regarding Corporate Solutions, is it possible to quantify the revenue contribution?

Laurent Mignon

No, we integrate that into the Equity division. We did that in the past and we will continue developing that. We may hold an Investor Day where we present the different activities in more detail.

Maxence Le Gouvello and Thibault Nardin, Morgan Stanley

First, regarding the performance of Financing, you stated that the pipeline was very strong. Would you provide further detail on that? Second, the NPLs are increasing quite strongly, with double-digit growth. Where is this coming from and do you expect a stabilisation? Third, regarding the performance of the Caisses d'Epargne, the top line seems to be quite strong between Q2 and Q1. We would like to understand why. We also want to know if you have an idea of the sensitivity of the rise of the yield on the Livret A. It is usually quite sensitive. Finally, in terms of asset disposal, you have made a first move in selling French private equity. What can we expect in the future? You have been able to restructure Coface extremely well. Is it still in the pipeline? Coficiné was also to be sold. Would you provide more detail on how you intend to proceed on this?

Laurent Mignon

Regarding Financing and Structured Finance, we stated during the first quarter presentation that the pipeline was very good. The result of that has been a significant increase of roughly 16% of Structured Finance net banking income during the quarter. We still have a strong pipeline and we are still very active with our clients. I do not consider the second quarter as an exceptional one; the team has simply been very active in its client contacts and in proposing solutions. We therefore still have a good pipeline for the third quarter. This shows that the activity is starting, in particular in project finance, export finance, or global energy and commodities. This is sign of the recovery in the world economy, and this is therefore developing significantly. We will see that continuing in the coming quarters.

Regarding non-performing loans, I will leave the floor to Luc.

Luc-Emmanuel Auberger

It is difficult to analyse this because the accounting policy that we must all apply is that when you make a 10 or 20% provision on a loan, even if the loan is current, you have to classify it as a doubtful loan. That is the accounting policy. That is why if you are cautious you make a small amount of provision and the whole loan is reclassified as doubtful, even if it pays its interest. We have a few of those and they are not a sign of any deterioration whatsoever. Our competitors are seeing the same trend in their NPLs.

Laurent Mignon

There is a slightly awkward situation where we have loans that were heavily provisioned that went out of the doubtful loans as they have been repaid or lost. That means that about 100% of cover went out of the ratio. However, as we are cautious, we have included certain loans where we have a 10 to 20% provision; they have entered the ratio. That is in fact a sign of a better underlying portfolio but it shows up as a decreasing ratio. To be fair, as I mentioned on the risk side, I do not want to be overly cautious. I am therefore maintaining the 50 to 70 basis points guidance for the second half, not on the full year, with respect to cost of risk. However, this is essentially a cautious statement. On the basis of what we see, the quality of our underlying portfolio, and the quality of the global provisions that we have made in the last few months, we can be confident about that. I also expect that there will be a stabilisation in non-performing loans going forward, which is a reflection of the fact that the underlying economy is improving.

Regarding the Caisses d'Epargne, Q2 to Q1 has seen a significant improvement in the savings activity and in the credit activity. The credit activity in fact increased by over 10% in the quarter, which is a great achievement by Caisses d'Epargne, not only on consumer finance.

Roland Charbonnel, BPCE

I would like to confirm that Q2 was quite good for the savings banks, with a 9% growth in revenues between Q1 and Q2.

Thibault Nardin, Morgan Stanley

Is there any PEL impact in that 9% growth?

Roland Charbonnel, BPCE

No, it is very marginal in Q2. It is the result of a very dynamic production of new loans. The lending activity did quite well in Q2. I would say that the cost of risk has decreased. The savings banks had a cost of risk of 20 basis points in Q2, which is not the lowest point. In 2006-2007, the cost of risk was about 10-12 basis points. It is nevertheless quite low, and is lower than in the previous quarters. That is quite good for the bottom line.

In terms of the sensitivity to the Livret A, this is a complex issue. We obviously have to be cautious as we know that the commission on the Livret A will decrease next year. I believe that it will decrease by 0.2 percentage points next year and by 0.1 in 2012 in order to reach the level of 0.6%, the level the other French banks currently have. At the same time, Livret A revenues depend very much on the interest rate of the Livret A itself. The French government has decided to increase the rate to 1.75%. We therefore expect an increase in Livret A deposits as a result of that. It is a complex issue and we have to be cautious. There will be some sensitivity on the revenues of the savings banks in 2011 and 2012.

Laurent Mignon

Regarding asset disposal, we have advanced discussions on the non-French private equity business. I cannot say that we have concluded anything but we have advanced discussions in that area. I hope that we will manage to finalise that during the third quarter. We have not decided to sell Coficiné, which is now part of the SFS business. We are very pleased with the performance of that activity. It is a small activity.

Thibault Nardin, Morgan Stanley

It was a loss maker in the past.

Laurent Mignon

No. It has never been a loss maker. Coficiné has always been profitable. It may have been small numbers (2 to 3 million) but it has always been profitable.

Thibault Nardin, Morgan Stanley

Sorry, my mistake.

Laurent Mignon

It is highly visible but makes a small profit. This is a business where only specialists can make a profitable business in the long-term. We have a team within Coficiné that is long-standing and knowledgeable. It knows the film industry environment extremely well. It is therefore able to make the right selection in terms of production and financing, and ensures that this is a profitable company in the long run. They have a 20 year track record of profits, which is a significant achievement. We are therefore pleased to continue to develop that activity. It is part of the SFS business and it is doing well, at about +€2 million.

Thibault Nardin, Morgan Stanley

You have made a good turnaround story for Coface. It is now professionalised and has a good combined ratio.

Laurent Mignon

Yes, we are moving in the right direction in terms of turning Coface around. The economic environment is still one of uncertainty. There is no real convergence in the different forecasts being made about the future of the economic environment. You will have seen during the quarter that people are talking about V-curves, U-curves, Ws, square root situations, etc. Whenever there is strong uncertainty about the economic environment, that is not the best environment in which to value our asset, Coface. We therefore have to continue focusing on improving Coface income during a difficult economic environment. We have to ensure that we follow a strategy that is always generating value for the Group by operating Coface in the right way. For the time being, we are focusing on that.

Thibault Nardin, Morgan Stanley

Reuters has mentioned that you are potentially in discussions with Pioneer, Unicredito's asset management. Would you comment on that?

Laurent Mignon

I will not comment on any discussions. We have seen that Unicredito has announced it is reviewing strategic opportunities. The only thing we can say is to refer to the strategic orientation we have provided for Natixis Global Asset Management – to become a worldwide leader in asset management with a real strategy to be worldwide. Today, we have a strong US presence and a strong French position. We want to develop in Asia, and we have taken some initiatives to accelerate our development in that area. We want to develop our expertise in Europe, which is why we are undertaking the H_2O operation, through a multi-boutique approach. We also want to increase our ability to distribute our products throughout Europe, becoming a more European asset manager rather than a purely French asset manager. Regarding the Pioneer and Unicredito distribution ability, there is evidence that it makes strategic sense to look at this. It is natural that Natixis Global Asset Management has interest in exploring a potential partnership with Pioneer and Unicredito in the long run in that business.

Robin Down, HSBC

I have three short questions. First, regarding the retail bank, would you comment on the decline in the accretion profit in Q2? I would have thought that Q2 was a seasonally good quarter. Second, would you provide more colour on the Corporate Centre. There is no real disclosure in the press release on the Corporate Centre but it seems to have done very well in the second quarter. You mentioned earlier an own debt gain of €49 million. Is that distorting that division? Finally, regarding Coface, the loss rates are going down. Are you seeing any real pick up in competition there or are you still able to raise premium rates within Coface?

Laurent Mignon

Within a mutualist bank, there are two owners of capital today: the corporate shareholders and the CCI. Implicitly, this does not provide the same rights to earnings. CCI has a right to earnings as a proportion of earnings, and corporate shareholders have a right to distribution. The more that distributes, the higher the accretion profit is if it distributes less than the effective profit, and vice versa. They distributed less during the second quarter than in the first quarter, which generated a slight reduction in the accretion profit.

Robin Down, HSBC

Is there a particular reason for that?

Laurent Mignon

They have just distributed less.

Robin Down, HSBC

But is Q2 normally not a good quarter for dividends?

Laurent Mignon

However, net profit is down as they had to make provisions on the restructuring of the BPCE Group. That provision is also affecting us in the second quarter. Christophe Ricetti can call you later on to provide you with a detailed explanation on that subject.

The Corporate Centre includes the own debt re-evaluation of €49 million.

Robin Down, HSBC

Does that also include a positive cost number?

Laurent Mignon

No, the cost is a one-off.

Luc-Emmanuel Auberger

There is a one-off in the costs of the Corporate Centre relating to a change in the amount of the pro rata of VAT that we can get back. This is a technical, tax-related change on cost, that is a one-off. We will not have that in the coming quarters; we will get back to the usual numbers.

Robin Down, HSBC

Was that one-off about €35-40 million?

Luc-Emmanuel Auberger

You will get back to what you have in previous quarters.

Laurent Mignon

Regarding Coface, the full impact of the rate increase is not yet finalised as most policies were re-scheduled during 2009 and are still being renewed during the first half of this year. The impact of tariff increases on Coface's turnover is still ongoing. For the past two quarters, Coface's turnover has started to increase again. The other good news on this is that the business of our clients is also increasing. We therefore still see an increase in tariffs in the coming quarters and an increase in the activity of our clients, that is, an increase in the fuel of premium we receive. Whether we will still be in a position to increase tariffs in the future compared to current levels is another question. If the insolvency environment and loss situation remains as it is today, it will be difficult to pass on significant tariff increases in the market. However, for the time being we are not seeing pressure from our competitors on our premiums in France or Germany. Everyone wants to maintain current rates as they know there is still uncertainty in the economic environment.

Guillaume Tiberghien, Crédit Suisse

I have a small follow-up question on the restructuring charge. There was about €17 million again in this quarter. Is this something that will last for some time? Second, you have provided guidance that GAPC should cost roughly €50 million after tax per quarter. After having sold off the complex credit derivatives, can this guidance now come down or do you think that €50 million is still reasonable?

Laurent Mignon

The restructuring charge has diminished compared to last year and will continue to diminish. It will be fully over in the first quarter of 2011. We can expect to converge down to zero during this period. For the GAPC, the more we reduce our exposure and activity the less negatively will it contribute to our earnings. For the time being, it is complex to provide new guidance line by line but we have shown that we have been able to do slightly better than the full guidance.

Ladies and Gentlemen, thank you for being available today. We will be holding road shows in September in Europe and the United States and will make a presentation on the third quarter by the beginning of November. Thank you and have a great day.