

# French Banks

## Decoupling Overdone

- **Bank Equity Underperforms Credit** — Since the Cyprus restructuring, French banks have decoupled from both sovereign as well as bank funding markets (Figure 2). While funding spreads have continued to tighten, French banks are down 16% over the past 3 months, underperforming the sector by 8% (albeit having outperformed by 22% on a one-year view). Although we believe the sovereign decoupling can partly be justified by the ongoing shift towards 'bail-in', the relative resilience of bank funding markets suggest that the banks sell-off has been over-done, even taking into account modest earnings downgrades (Figure 4). We expect capital return to become a theme, starting with Natixis' expected special dividend later this year.
- **Q1: Focus on Cost Cutting** — With revenue under pressure, focus is expected on the progress & detail of the banks' cost cutting plans (Figure 6). We make estimate changes displayed below and lower our target price on CASA to €7.50. Other themes:
  - **Capital:** We see upside potential on B3 CET1 ratios from (1) SME RWA relief of c5-20bp by bank; (2) for SG & NTX, sales of 'legacy assets' which have further appreciated in 1Q13 (Figure 9).
  - **Retail:** French revenue growth to stay slightly negative (Figure 10), albeit with potentially improving deposit margins (Figure 12). Provisions stable vs 4Q12: moderate in France (c60bp SG, c20-40bp others) and elevated in Italy & Romania.
  - **CIB & Markets:** IB relatively weak yoy due to FICC bias to Europe & Rates (Figure 16). Equities under pressure from low volumes, although market-making backdrop remains relatively calm (Figure 18). Insurance showed strong inflows (Figure 22).
- **Buy BNP Paribas for Capital Return** — Focus on progress on cost cutting plan, Italian provisions, IB revenue trends. While 1Q13 is likely to be unspectacular, BNPP's strong capital position (9.9% B3 ratio at 4Q12) and continued capital generation should increasingly support our capital return thesis. BNPP is on our European focus list.
- **Buy SocGen: Oversold** — SocGen has disappointed ytd due to weaker capital and lack of clear cost plans. We expect an announcement soon representing 5-10% of cost base (Figure 6). In 1Q13 we expect 8.5% B3 CET1 ratio, with upside from legacy assets. At 0.45x 2014E PTB for 10% underlying RoTE, risks appear overpriced to us.
- **Buy Natixis: €0.65 Dividend Coming Soon** — Restructuring update in focus, with a €0.65 special dividend (20% yield) expected in Q3. Management's announcement of the closure of the 'bad bank' in mid-2014 also suggest confidence on capital return.
- **Neutral on CASA, but Restructuring Opportunity** — Focus on costs & provisions in Q1 ahead of the Autumn strategic day. CASA trades at attractive (0.6x TBV for 11% 2014E RoTE), but we see less capital return potential.

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Company	Ticker	Rating		Target Price		Current Year Earnings Estimates	
		Old	New	Old	New	Old	New
BNP Paribas	BNPP.PA	1	1	€60.00	€60.00	€5.04	€4.64
Credit Agricole	CAGR.PA	2	2	€8.00	€7.50	€1.20	€1.05
Natixis	CNAT.PA	1	1	€4.00	€4.00	€0.31	€0.31
Societe Generale	SOGN.PA	1	1	€40.00	€40.00	€4.48	€3.21

### See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

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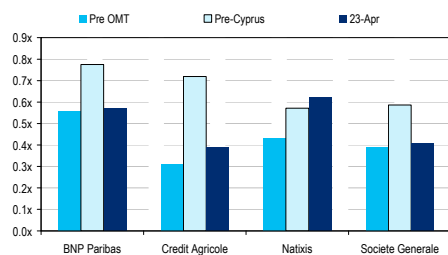
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# French Banks

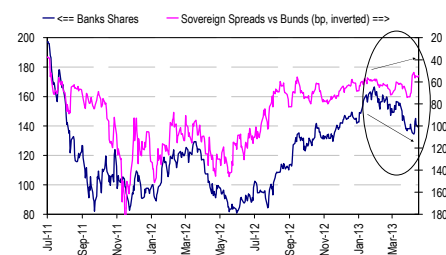
## Decoupling Overdone

Figure 1. French Bank Valuations Close to Pre-OMT Levels (1 year forward PTB)



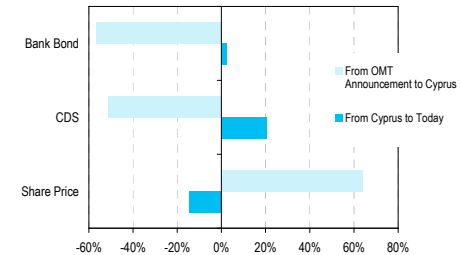
Source: dataCentral

Figure 2. Share Prices Decoupling with French Sovereign...



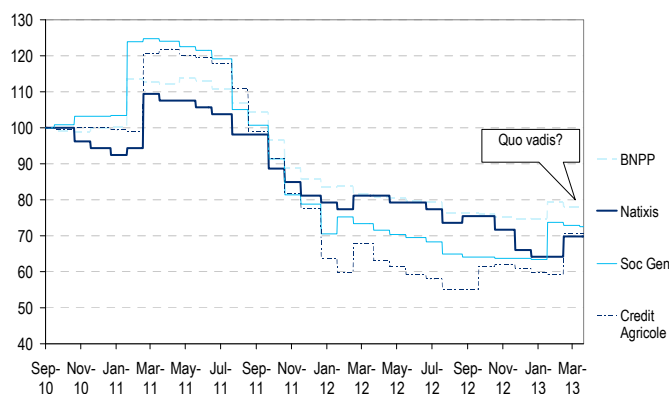
Source: Bloomberg, dataStream, Citi Research

Figure 3. And Other French Bank Asset Classes (Bond & CDS) Also Outperforming



Source: Bloomberg, dataStream, Citi Research  
Note: Share price & CDS based on 4 French banks, bank bond based on typical bonds for BNPP & SG

Figure 4. Key Driver: Earnings Momentum is Unclear...



Source: Datastream; Note: 2 year forward consensus

Figure 5. ...Given Unclear Macro Outlook (Economic Surprise Index)



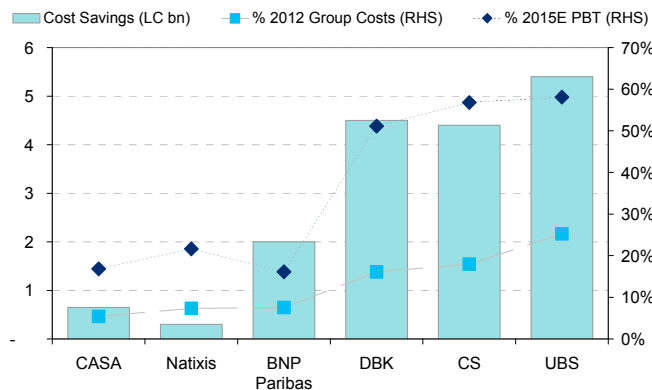
Source: Citi Bloomberg; Note: Citi Economic Surprise Index for Europe

We believe that other regulatory factors that may be weighing on share prices include uncertainty over the forthcoming regulation on Financial Transaction Tax as well as the European Commission proposal on the resolution mechanism.

## 1Q13 Preview: Focus on Cost Cutting

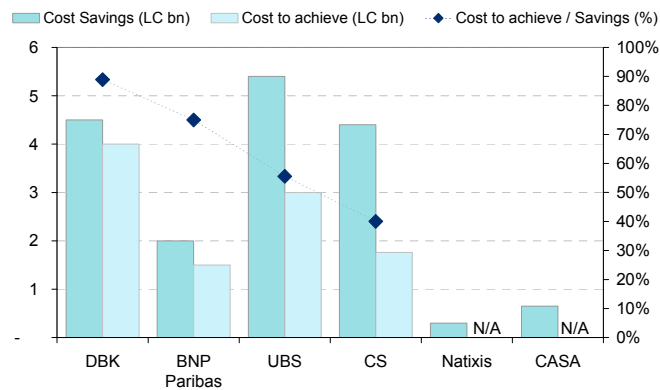
### Cost Cutting: SocGen Still to Present a Plan

Figure 6. French Banks' Cost Savings Plans Appear Reasonable



Source: Company Reports and Citi Research Estimates; Note: LC= local currency

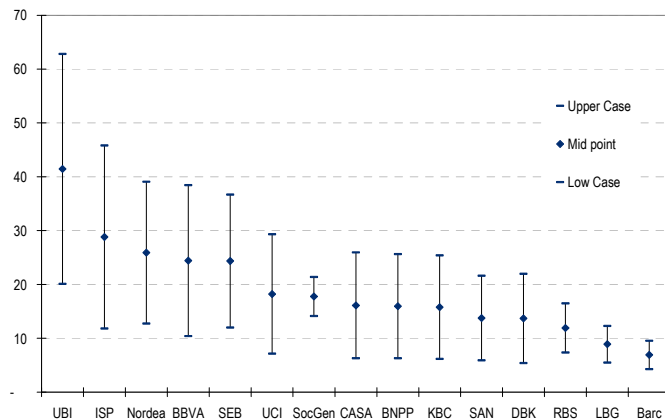
Figure 7. Cost-to-Achieve Typically €0.5-€1 for €1 Saving



Source: Company Reports and Citi Research Estimates

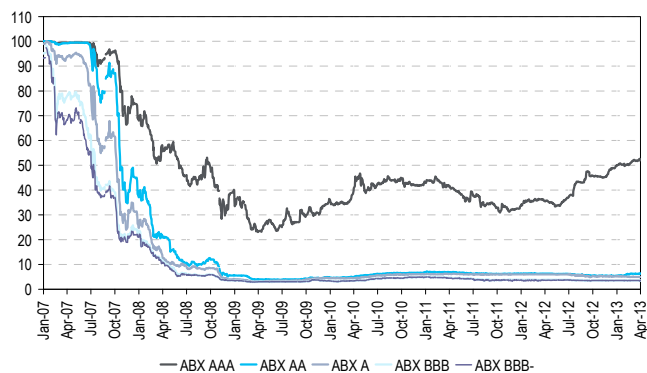
## Capital: Upside Potential

Figure 8. CRD IV (Basel 3 in Europe) Could provide 5-20bp CET1 Boost



Source: Company Reports and Citi Research Estimates;  
see EU SME Treatment Could Boost Capital Ratios, 5 Apr

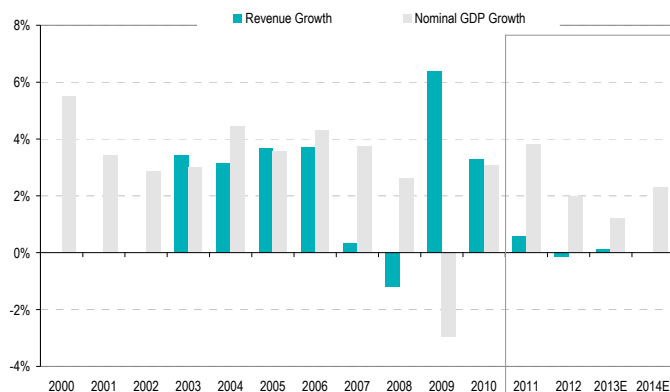
Figure 9. Legacy Asset Drivers Supportive: ABX AAA +6% qoq



Source: FFSA

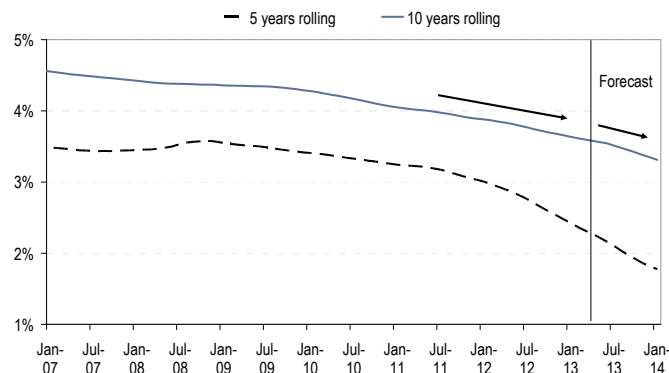
## French Retail: Livret A Cuts to Support Margins

Figure 10. French Retail Revenue Growth Under Trend (Nominal GDP)...



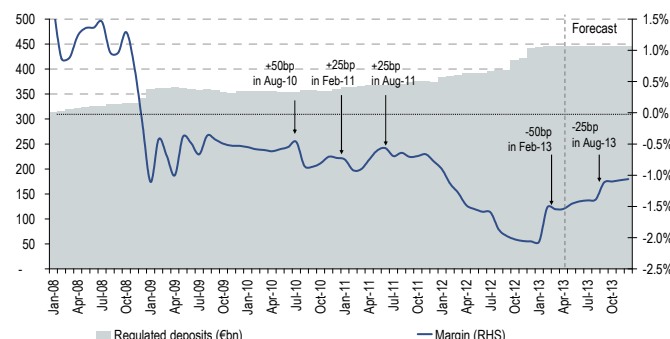
Source: Company Reports, Citi Research Estimates; French Retail Revenue based on Core Banks

Figure 11. ...mainly Driven by Low Rates Environment



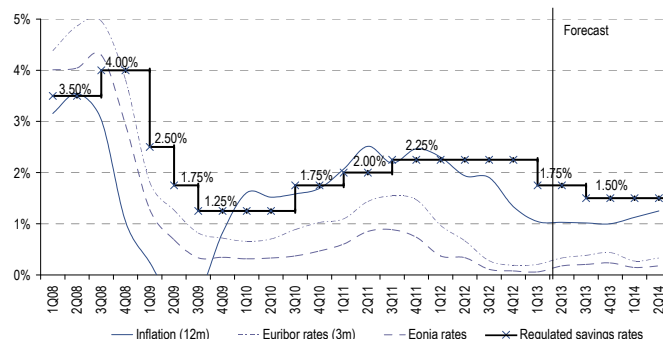
Source: Citi Research; Note: Rolling average for sovereign bond yields

Figure 12. But: Deposit Margins Helped by Livret A Rates Cut on 1 Feb



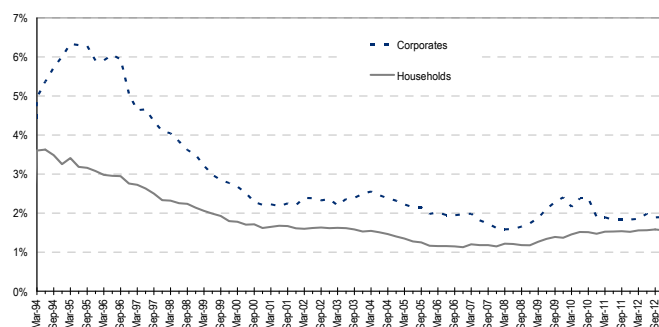
Source: Banque de France, Citi Research Estimates

Figure 13. Low Inflation Could Mean 25-75bp extra Cut on 1 August



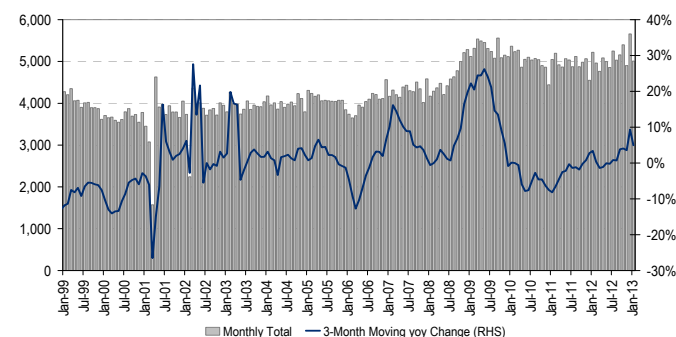
Source: Bloomberg, Banque de France, Citi Research Estimates

Figure 14. Mild Pressure on Corporate NPLs



Source: Banque de France, Citi Research; Note: NPL over loans

Figure 15. ...but Corporate Insolvencies Still Increasing



Source: INSEE

More on French retail trends in our accompanying document 'French Big Picture – Spring 2013'.

## CIB & Markets: Weak FICC, Resilient Insurance

Figure 16. US Banks yoy Revenue (%)



Note: Includes major US wholesale banks that have reported 1Q13 results; Source: Company Reports

**FICC:** The 1Q13 environment was characterised by generally tighter credit spreads and seasonally stronger client activity. US banks' underlying FICC revenues declined 12% yoy (up 64% qoq), on average, with lower rates revenues vs prior-year LTRO strength partly offset by stronger credit and securitised product revenues. Given their bias to Europe & Rates (Figure 17), we expect weaker performance (-20-25% yoy) for French banks. More in [Banking on Markets - 29th Edition: Read-through From US Banks' 1Q13 Reporting Season\\*](#) (22 Apr).

**Equities:** The environment was characterized by rising markets, lower volatility and seasonally stronger client activity. US banks' underlying EQ revenues declined 9% yoy (up 32% qoq) with lower derivatives revenues partly offset by stronger cash and more robust prime brokerage revenues. Given BNPP and SocGen's bias to equity derivatives, we expect a fairly uneventful quarter.

Figure 17. FICC – Relative Product Strength

Product	BARC	DB	CS	UBS	RBS	BNP	CASA	SG
FX - G10	●	●	○	●	●	○	○	○
FX – EM	○	●	○	●	○	●	○	○
Rates - G10	●	●	○	○	●	●	○	○
Rates – EM	○	●	●	○	○	○	○	○
Credit - IG & HY	●	●	○	○	○	○	○	○
Mortgages	●	○	●	○	●	○	○	○
Commodities	●	○	○	○	○	○	○	○

Source: Citi Research.

Figure 18. Equity Derivative Market Metrics Suggest No Significant Trading Losses in 1Q13

	1Q 07	2Q 07	3Q 07	4Q 07	1Q 08	2Q 08	3Q 08	4Q 08	1Q 09	2Q 09	3Q 09	4Q 09	1Q 10	2Q 10	3Q 10	4Q 10	1Q 11	2Q 11	3Q 11	4Q 11	1Q 12	2Q 12	3Q 12	4Q 12	1Q 13*
Equity Rev.	2.5	2.5	1.7	1.7	1.3	2.4	1.5	-3.2	0.7	1.8	1.7	1.2	1.6	0.6	1.2	1.3	1.6	1.3	0.8	0.8	1.1	0.8	1.0	0.7	
o/w BNPP	1.1	1.1	0.8	0.9	0.5	1.2	0.7	-2.5	0.0	0.8	0.6	0.5	0.8	0.3	0.5	0.6	0.7	0.7	0.3	0.4	0.5	0.4	0.4	0.3	
o/w SocGen	1.4	1.4	0.9	0.9	0.8	1.2	0.8	-0.7	0.6	1.0	1.1	0.7	0.8	0.4	0.6	0.7	0.9	0.6	0.5	0.4	0.7	0.5	0.6	0.4	
% qoq		1%	-31%	0%	-25%	86%	-38%	-313%	-121%	165%	-7%	-31%	40%	-62%	86%	9%	24%	-18%	-41%	7%	41%	-27%	21%	-20%	
Market Metric																									
Volatility	↑	↔	↑	↔	↑↑	↓	↑↑	↑↑	↔	↓↓	↓	↓	↓	↑↑	↓	↓	↓↑	↑	↑↑	↓	↓↓	↑	↓	↓	↑
Skew	↑↑	↓	↑↑	↔	↑↑	↓	↑↑	↑↑	↓↓	↓↓	↓	↔	↓↓	↑↑	↓	↓	↔	↔	↑↑	↓↓	↓	↑	↓	↓	↑
Correlation	↑↑	↓↓	↑↑	↓↓	↑↑	↓↓	↑↑	↔	↓↓	↑	↑	↑↑	↓	↑↑	↔	↓	↓	↑	↑↑	↔	↓↓	↑↑	↓	↔	↑
Dividend	↔	↑↑	↓	↓	↓↓	↔	↓	↓↓	↓↓	↑↑	↑↑	↑	↔	↓↓	↔	↑	↑	↔	↓↓	↔	↑	↓	↓	↑	↑

Note: Volatility = 3m implied volatility on SX5E; Skew = 3m normalised index skew on SX5E; Correlation = realised correlation on SX5E; Dividend = 2-year rolling dividend swap ask on SX5E; When volatility, skew & correlation rise, dealers tend to suffer derivatives losses. \* To be reported. Source: Company Reports, Bloomberg and Citi Research

Figure 19. Volatility

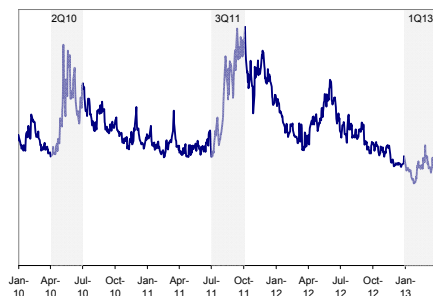


Figure 20. Skew

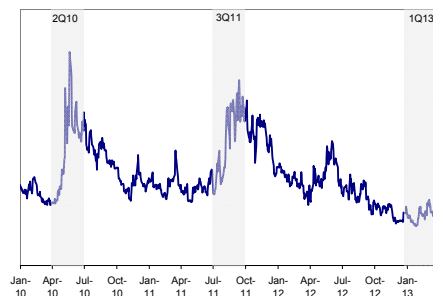
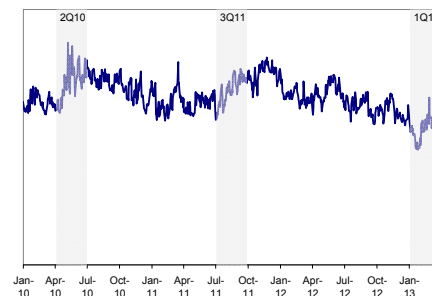
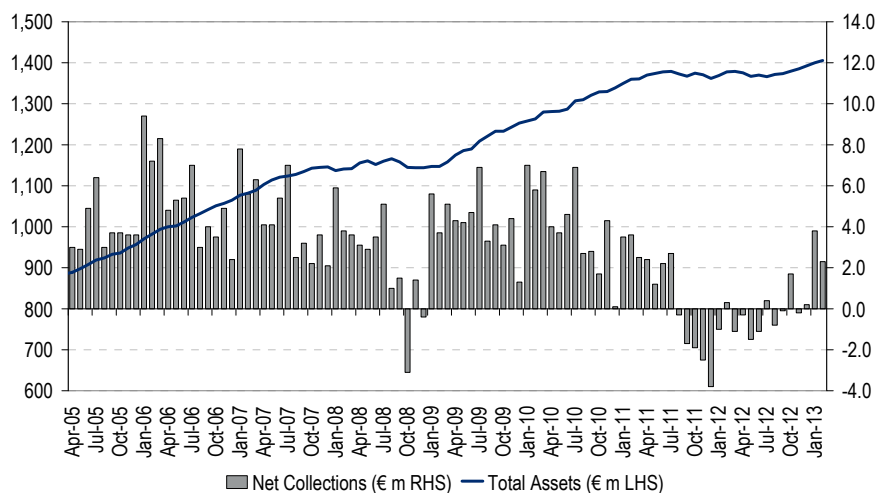


Figure 21. Correlation



Note: Volatility = 3m implied volatility on SX5E; Skew = 3m normalised index skew on SX5E; Correlation = realised correlation on SX5E; Dividend = 2-year rolling dividend swap ask on SX5E; When volatility, skew & correlation rise, dealers tend to suffer derivatives losses. \* To be reported. Source: Company Reports, Bloomberg and Citi Research

Figure 22. Strong Rebound in Life Insurance Flows YTD



Source: FFSA; Life Insurance Total Assets and Net Inflows, 2005-13

## Corporate Centre: Liquidity Buffer Optimisation Can Help

Figure 23. Growth in Total Liquidity Buffers & Central Banks Deposits - Sept-2012 vs Jun-2011

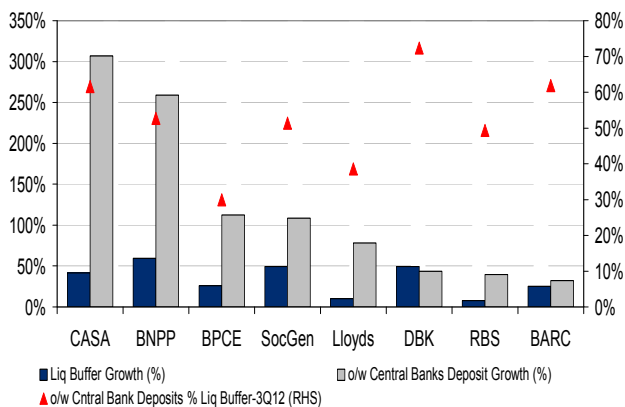
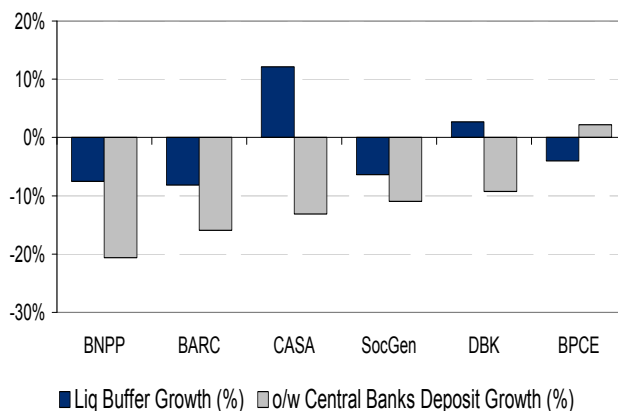


Figure 24. Growth in Liquidity Buffers & Central Banks Deposits - Q4 Change



Source for both charts: Company reports and Citi research; Note: DBK central bank deposit growth based on Cash & Cash Deposit with Banks  
More in 'Liquidity Buffer Optimisation Kicks Off', 21 Feb 2013

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# **Company 1Q13 Previews & Financials**

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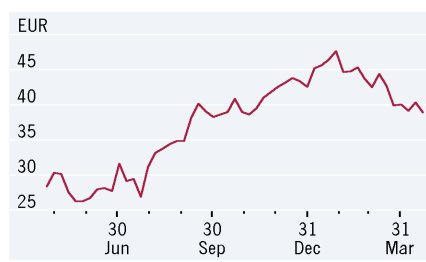
## Company Focus

- Company Update
- Estimate Change

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<b>Buy</b>	<b>1</b>
Price (23 Apr 13)	€40.61
Target price	€60.00
Expected share price return	47.7%
Expected dividend yield	3.7%
<b>Expected total return</b>	<b>51.4%</b>
Market Cap	€50,448M
	US\$65,921M

### Price Performance (RIC: BNPP.PA, BB: BNP FP)



## BNP Paribas SA (BNPP.PA) Restructuring & Capital Return

- **Ticking the 3Rs** — In *The Road Ahead* (4 Jan 2013), we highlighted Return of Capital, Restructuring and Regulation as key themes for European banks and added BNPP to our Most Preferred list. We believe that the bank is well-placed to benefit from these themes; the bank has now met LCR (liquidity coverage ratio) requirements, partly benefiting from the recent regulatory forbearance.
- **Return of Capital To Grow** — In 2012, BNPP raised its payout ratio from 25% (including scrip) to 30% cash while its B3 'fully loaded' capital ratio improved to 9.9%, or comfortably over its 9% target (Figure 1). Although the bank is looking to invest in growth, notably in Asia, this still leaves room for further growth in payout ratios. The bank has previously paid-out 33-40%; we assume 40%. Management clearly guided to 9% being the B3 'go-to' level while M&A is not in the game-plan.
- **Restructuring Upside, Strong Track Record** — With a targeted €2bn cost savings (gross of inflation headwinds), BNPP should further improve efficiency ratios over time, even taking into account organic growth investments. BNPP has a strong track record of delivering (& over-achieving) on its cost savings plans, including in Belgium, Italy and Turkey.
- **1Q13 Preview: Focus on Cost Cutting & Provisions** — BNP Paribas is likely to detail further its cost cutting plan.
  - **Retail: Comparable to Q4:** Provisions to remain elevated in Italy (c130bp) and Personal Finance (c170bp), but moderate in France & Belgium (c20-30bp). Revenue to remain under pressure from low rates, offset by cost control.
  - **CIB: Unfavourable trends:** Corporate Banking revenue to remain subdued even as deleveraging has been completed. FICC & Equities to compare poorly to 1Q12 due to mix bias (Europe, Rates & Equity derivatives – more on p. 6).
  - **One-offs & Scope:** Key one-offs are restructuring costs (-€160m) and loss on own debt (-€200m). Unfavourable scope effects will weigh on Personal Finance (JV in Russia) whereas elevated liquidity pressure will continue to weigh on corporate centre revenue (underlying -c€200m).
- **Buy BNP Paribas, Most Preferred, €60 PT** — We reiterate our Buy rating on BNP Paribas which offers a combination of growth potential (via Asian investments), restructuring benefits, progressive capital return as well as an attractive valuation trading at 0.6x 2014E P/TBV for a c10% RoTE.

### BNP Paribas SA (EUR)

Year to 31 Dec	2011A	2012A	2013E	2014E	2015E
Net Income (€M)	5,760.0	6,354.0	5,614.3	6,802.7	8,094.5
Diluted EPS (€)	4.78	5.26	4.64	5.63	6.70
Diluted EPS (Old) (€)	4.78	5.25	5.04	5.74	6.76
PE (x)	8.5	7.7	8.7	7.2	6.1
P/BV (x)	0.7	0.6	0.6	0.6	0.5
DPS (€)	1.20	1.50	1.86	2.25	2.68
Net Div Yield (%)	3.0	3.7	4.6	5.5	6.6
ROE (%)	8.6	8.7	7.0	8.1	9.1

## Company Focus

- Company Update
- Estimate Change

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<b>Buy</b>	<b>1</b>
Price (23 Apr 13)	€26.03
Target price	€40.00
Expected share price return	53.7%
Expected dividend yield	4.4%
<b>Expected total return</b>	<b>58.1%</b>
Market Cap	€20,311M US\$26,540M

**Price Performance**  
(RIC: SOGN.PA, BB: GLE FP)



## Societe Generale (SOGN.PA)

0.45x for Sustainable RoTEs of 9-10%

■ **Buy SocGen, Overpunished** — SocGen has disappointed in Q1 due to weaker capital and lack of cost plans, in our opinion. However, trading at 0.45x for sustainable RoTE of 9-10% and potential capital return from next year – concerns are overpriced in our view.

■ **Sustainable Returns of 9-10%** — In 2012, SocGen delivered a 9% underlying RoTE in a relatively challenging environment. Although provisioning is likely to remain elevated in 2013, we believe that SocGen should be able to deliver c10% RoTE.

### ■ 1Q13 Preview: Focus on Capital, Cost Cutting & Provisions

- **Capital:** We forecast B3 CET1 ratio of 8.5%. However, we see potential upside from (1) legacy assets (€2.3bn Basel 3 capital at end 2012) could have declined given further repricing of underlying assets (Figure 9); (2) the treatment of SME loans under Basel 3 (c10-20bp guided by management - see *EU SME Treatment Could Boost Capital Ratios*, 5 Apr).
- **Further Restructuring Potential:** With the simplification of Group divisional structure from 5 to 3 divisions, we see additional scope for cost savings which could boost RoTE by c0.5-1%. Benchmarking on other French banks suggest 5-10% potential reduction of the cost base (Figure 6).
- **Retail: Comparable to Q4:** Provisions to remain elevated in Romania (-c€100m) and financial services (c140bp), but moderate in France (c65bp). Results from the turnaround in Russia will also likely not be visible before 2H13.
- **CIB: Unfavourable trends:** Corporate Banking revenue to remain subdued even as deleveraging has been completed. FICC & Equities to compare poorly to 1Q12 due to mix bias (Europe, Rates & Equity derivatives – more on p. 6).
- **One-offs & Scope:** Key one-offs are loss on own debt (-€1bn), FICC CVA/DVA methodology change (-€150m). Scope effects will distort International Retail (deconsolidation of Greece & Egypt) and asset management (deconsolidation of TCW) whereas elevated liquidity pressure will continue to weigh on corporate centre revenue (underlying -c€230m).

### Societe Generale (EUR)

Year to 31 Dec	2011A	2012A	2013E	2014E	2015E
Net Income (€M)	2,130.0	490.0	2,429.2	3,730.5	4,283.4
Diluted EPS (€)	2.88	0.65	3.21	4.93	5.66
Diluted EPS (Old) (€)	2.88	0.65	4.48	5.10	5.83
PE (x)	9.0	40.1	8.1	5.3	4.6
P/BV (x)	0.5	0.5	0.4	0.4	0.4
DPS (€)	0.00	0.45	1.15	1.50	2.00
Net Div Yield (%)	0.0	1.7	4.4	5.8	7.7
ROE (%)	5.3	1.2	5.5	7.6	8.2

## Company Focus

- Company Update
- Target Price Change
- Estimate Change

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<b>Neutral</b>	<b>2</b>
Price (23 Apr 13)	€6.58
Target price	€7.50
from €8.00	
Expected share price return	14.0%
Expected dividend yield	0.0%
<b>Expected total return</b>	<b>14.0%</b>
Market Cap	€16,437M
	US\$21,478M

Price Performance  
(RIC: CAGR.PA, BB: ACA FP)



## Credit Agricole SA (CAGR.PA) Attractive Valuation, But Capital Return Depends on Regulation

- **A Capital Debate** — CASA's plans a 'significant increase' of its 'Switch' (mechanism to transfer RWAs). CASA could then reach 9% B3 CET1 ratio at a reasonable price (we estimate c€0.3bn annually for c€4.5bn capital equivalent – see [Valuations Still Attractive, Favour Capital Return](#), 28 Feb). More capital release could be unveiled at the Investor Day (e.g. equity stakes, consumer finance & investment banking), but we expect no 'revolution'. We like CASA's potential capital return strategy and see upside in the shares, but apply a discount due to the medium term risks to the regulatory forbearance the bank benefits on its 'Switch' mechanism & Danish compromise (Figure 14).
- **1Q13 Preview: Focus on Capital, Cost Cutting & Provisions**
  - **Capital:** For CASA, we forecast a CET1 ratio of 10% B2.5 / 6.8% B3. We expect the bank to provide limited new information on the impact of Basel 3 on CASA and on the expansion of the 'Switch mechanism' ahead of the investor day in Autumn.
  - **Details on €650m Cost Reduction:** In Q4, CASA announced €650m savings by 2016, of which €320m in 2013 (Figure 6). We expect the bank to provide more details, possibly by division.
  - **Retail: Comparable to Q4:** Provisions to remain elevated in Italy (c130bp) and Italian consumer finance (-c€250m for Agos), but moderate in France (c40bp LCL, c20bp Regional banks). French Retail deposit margins could have benefited from the cut in Livret A rates (more on French retail on p.5).
  - **CIB: Stable, but Profitability Remains Underwhelming:** Financing trends should be stable with contained provisions. IB, as for other French banks, should compare poorly to 1Q12 due to mix bias (Europe, Rates – more on p. 6). More importantly, we continue to see IB B3 RoE (10% allocation on RWAs) of c5% as too low for an activity that represents c25% of Group RWAs – despite synergies with the Group.
  - **One-offs & Scope:** Key one-offs are loss on own debt (-€320m), FICC CVA/DVA methodology change (-€100m), sale of shares of a Spanish bank (+€33m). The leverage of Insurance will dampen revenue by c€85m over 2013 whereas elevated liquidity pressure will continue to weigh on corporate centre revenue (with CASA still bolstering liquidity buffers meet LCR ratios by year end, see [Feedback from US Roadshow: 'Switch'-On Capital Returns](#), 14 March).

### Credit Agricole SA (EUR)

Year to 31 Dec	2011A	2012A	2013E	2014E	2015E
Net Income (€M)	-1,471.0	-6,469.0	2,622.1	2,818.7	3,362.0
Diluted EPS (€)	-0.60	-2.59	1.05	1.12	1.31
Diluted EPS (Old) (€)	-0.60	-2.59	1.20	1.18	1.39
PE (x)	-11.0	-2.5	6.3	5.9	5.0
P/BV (x)	0.4	0.4	0.4	0.4	0.4
DPS (€)	0.00	0.00	0.30	0.35	0.40
Net Div Yield (%)	0.0	0.0	4.6	5.3	6.1
ROE (%)	-3.3	-15.7	6.4	6.5	7.4

## Company Focus

### ■ Company Update

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<b>Buy</b>	<b>1</b>
Price (23 Apr 13)	€3.33
Target price	€4.00
Expected share price return	20.1%
Expected dividend yield	3.0%
<b>Expected total return</b>	<b>23.1%</b>
Market Cap	€10,277M
	US\$13,429M

### Price Performance (RIC: CNAT.PA, BB: KN FP)



## Natixis (CNAT.PA) Geared to Return Capital

■ **Buy Natixis for Capital Return** — We remain buyers of Natixis, even after the relative outperformance since its '*Radical Restructuring & Capital Return*', (18 Feb). First, we believe the bank's profile is less risky than commonly assumed, with significant de-risking and stable return profile of core activities (Figure 13). Second, with low RWA growth, the 50% distribution policy is well in reach. Third, our assumptions remain conservative vs management guidance, e.g. we forecast 10% RoE in CIB vs 12% management target. More in [Valuations Still Attractive, Favour Capital Return](#) (28 Feb) and [Capital Return Model in Place, Focus on RoEs](#) (19 March).

### ■ 1Q13 Preview: Focus on Capital, Cost Cutting & Provisions

- **Capital:** For Natixis, we forecast a B3 CET1 ratio of 9.1% (incl. DTAs, 7.6% ex DTAs). We see potential upside from legacy assets (€10bn Basel 3 RWAs end 2012) which could have declined given further repricing of underlying assets (Figure 9) and management's confident target to 'close the bad bank' by mid-2014.
- **€0.65 Special Dividend (c20% Yield) Expected in Q3:** We expect an update on the sale of the Retail business and the attached €0.65 special dividend, expected by 3Q13. We also expect progress on cost savings targets (€300m by 2014, of which €105m in 2013, Figure 6) but we believe further announcements are unlikely before parent BPCE's investor day, likely this Summer.
- **CIB: Stable, Focus on Costs:** Financing trends should be stable with contained provisions, while the bank could provide more guidance on the progress on the implementation of the originate-to-distribute model. IB could show somewhat more resilience to French peers due to its lower seasonality. With underlying B3 RoEs of c8%, focus will remain on costs and RWA optimization, in our view.

### Natixis (EUR)

Year to 31 Dec	2011A	2012A	2013E	2014E	2015E
Net Income (€M)	1,289.0	822.0	953.8	1,229.7	1,377.1
Diluted EPS (€)	0.43	0.27	0.31	0.40	0.45
Diluted EPS (Old) (€)	0.43	0.27	0.31	0.40	0.45
PE (x)	7.7	12.5	10.8	8.3	7.5
P/BV (x)	0.6	0.6	0.6	0.6	0.6
DPS (€)	0.10	0.10	0.15	0.20	0.22
Net Div Yield (%)	3.0	3.0	4.6	6.0	6.7
ROE (%)	8.0	4.9	5.8	7.5	8.1

# Financials

## BNP Paribas

We reduce our forecast EPS for 2013-15E by 8%, 2% and 1%, respectively. This is mainly driven by a more cautious view on the corporate centre due to the cost of liquidity buffers, but also due to scope effects in personal finance & BancWest. We therefore maintain our Target Price for BNP Paribas at €60 and reiterate our Buy recommendation.

Figure 25. BNP Paribas – Changes to our Financial Forecasts (2013E-2015E)

€ m	2013E Old	2013E New	Change	2014E Old	2014E New	Change	2015E Old	2015E New	Change
Revenues	40,122	39,302	-2%	41,256	40,830	-1%	42,509	42,090	-1%
Costs	-26,180	-26,068	0%	-26,506	-26,351	-1%	-26,333	-26,125	-1%
<b>Profit Before Loan Losses</b>	<b>13,942</b>	<b>13,234</b>	<b>-5%</b>	<b>14,750</b>	<b>14,480</b>	<b>-2%</b>	<b>16,176</b>	<b>15,965</b>	<b>-1%</b>
Loan Losses	-4,275	-4,373	2%	-3,716	-3,767	1%	-3,286	-3,319	1%
<b>Profit before tax</b>	<b>9,667</b>	<b>8,861</b>	<b>-8%</b>	<b>11,034</b>	<b>10,713</b>	<b>-3%</b>	<b>12,890</b>	<b>12,646</b>	<b>-2%</b>
Non Operating Income	691	811	17%	602	724	20%	610	736	21%
Tax	-3,107	-2,902	-7%	-3,491	-3,431	-2%	-4,050	-4,015	-1%
Minorities	-950	-950	0%	-998	-998	0%	-1,067	-1,067	0%
<b>Net profit (attributable)</b>	<b>6,300</b>	<b>5,820</b>	<b>-8%</b>	<b>7,148</b>	<b>7,009</b>	<b>-2%</b>	<b>8,383</b>	<b>8,301</b>	<b>-1%</b>
<b>EPS basic (attributable, incl hybrid funding €)</b>	<b>5.05</b>	<b>4.65</b>	<b>-8%</b>	<b>5.75</b>	<b>5.63</b>	<b>-2%</b>	<b>6.77</b>	<b>6.70</b>	<b>-1%</b>
<b>EPS diluted (attributable, €)</b>	<b>5.04</b>	<b>4.64</b>	<b>-8%</b>	<b>5.74</b>	<b>5.63</b>	<b>-2%</b>	<b>6.76</b>	<b>6.70</b>	<b>-1%</b>
<b>EPS underlying (€)</b>	<b>5.33</b>	<b>4.93</b>	<b>-7%</b>	<b>6.36</b>	<b>6.25</b>	<b>-2%</b>	<b>7.01</b>	<b>6.94</b>	<b>-1%</b>

Source: Citi Research

Figure 26. BNPP – Quarterly Profit & Loss Account, 1Q11-4Q13E

€ m	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12	1Q13E	2Q13E	3Q13E	4Q13E
<b>Total operating income</b>	<b>11,685</b>	<b>10,981</b>	<b>10,032</b>	<b>9,686</b>	<b>9,886</b>	<b>10,098</b>	<b>9,693</b>	<b>9,395</b>	<b>9,878</b>	<b>9,949</b>	<b>9,793</b>	<b>9,681</b>
Total operating expenses	-6,726	-6,602	-6,106	-6,677	-6,845	-6,335	-6,562	-6,801	-6,693	-6,482	-6,325	-6,567
<b>Operating profit pre provisions</b>	<b>4,959</b>	<b>4,379</b>	<b>3,926</b>	<b>3,009</b>	<b>3,041</b>	<b>3,763</b>	<b>3,131</b>	<b>2,594</b>	<b>3,185</b>	<b>3,467</b>	<b>3,468</b>	<b>3,114</b>
Credit loss expense	-919	-1,350	-3,010	-1,518	-945	-853	-944	-1,199	-1,086	-1,096	-1,053	-1,138
<b>Profit before tax</b>	<b>4,040</b>	<b>3,029</b>	<b>916</b>	<b>1,491</b>	<b>2,096</b>	<b>2,910</b>	<b>2,187</b>	<b>1,395</b>	<b>2,099</b>	<b>2,371</b>	<b>2,415</b>	<b>1,976</b>
Associate income	71	239	34	-164	1,844	77	119	-249	276	177	182	176
Tax	-1,175	-956	-240	-386	-927	-914	-736	-482	-712	-764	-779	-646
Minorities & Hybrids	-318	-184	-167	-175	-144	-223	-244	-149	-240	-240	-240	-230
<b>Net profit (reported)</b>	<b>2,618</b>	<b>2,128</b>	<b>543</b>	<b>766</b>	<b>2,869</b>	<b>1,850</b>	<b>1,326</b>	<b>515</b>	<b>1,422</b>	<b>1,544</b>	<b>1,578</b>	<b>1,277</b>

Source: Company reports, Citi Research

Figure 27. BNPP — Group Profit and Loss Account by Year

€ m	2009	2010	2011	% Chg	2012	% Chg	2013E	% Chg	2014E	% Chg	2015E	% Chg
Net interest income	21,021	24,060	23,981	-0%	23,262	-3%	23,494	+1%	23,964	+2%	24,683	+3%
Net fee & commission income	7,467	8,486	8,419	-1%	8,166	-3%	8,330	+2%	8,496	+2%	8,751	+3%
Net trading income	5,649	4,657	3,453	-26%	3,626	+5%	3,734	+3%	3,884	+4%	4,039	+4%
Net insurance income	1,282	1,553	1,626	+5%	1,970	+21%	2,063	+5%	2,182	+6%	2,300	+5%
Other income	4,772	5,113	4,905	-4%	2,048	-58%	1,681	-18%	2,304	+37%	2,317	+1%
<b>Total operating income</b>	<b>40,191</b>	<b>43,869</b>	<b>42,384</b>	<b>-3%</b>	<b>39,072</b>	<b>-8%</b>	<b>39,302</b>	<b>+1%</b>	<b>40,830</b>	<b>+4%</b>	<b>42,090</b>	<b>+3%</b>
Total operating expenses	-23,340	-26,517	-26,111	-2%	-26,543	+2%	-26,068	-2%	-26,351	+1%	-26,125	-1%
<b>Operating profit pre provisions</b>	<b>16,851</b>	<b>17,352</b>	<b>16,273</b>	<b>-6%</b>	<b>12,529</b>	<b>-23%</b>	<b>13,234</b>	<b>+6%</b>	<b>14,480</b>	<b>+9%</b>	<b>15,965</b>	<b>+10%</b>
Credit loss expense	-8,369	-4,802	-6,797	+42%	-3,941	-42%	-4,373	+11%	-3,767	-14%	-3,319	-12%
<b>Profit before tax</b>	<b>8,482</b>	<b>12,550</b>	<b>9,476</b>	<b>-24%</b>	<b>8,588</b>	<b>-9%</b>	<b>8,861</b>	<b>+3%</b>	<b>10,713</b>	<b>+21%</b>	<b>12,646</b>	<b>+18%</b>
Associate income	340	191	180	-6%	1,791	+895%	811	-55%	724	-11%	736	+2%
Tax	-2,526	-3,856	-2,757	-29%	-3,059	+11%	-2,902	-5%	-3,431	+18%	-4,015	+17%
Minorities & Hybrids	-642	-1,321	-844	-36%	-760	-10%	-950	+25%	-998	+5%	-1,067	+7%
<b>Net profit (reported)</b>	<b>5,832</b>	<b>7,832</b>	<b>6,055</b>	<b>-23%</b>	<b>6,560</b>	<b>+8%</b>	<b>5,820</b>	<b>-11%</b>	<b>7,009</b>	<b>+20%</b>	<b>8,301</b>	<b>+18%</b>
<b>Underlying Profit (Citi Calculations)</b>		<b>6,853</b>	<b>6,868</b>	<b>+0%</b>	<b>5,543</b>	<b>-19%</b>	<b>5,964</b>	<b>+8%</b>	<b>7,553</b>	<b>+27%</b>	<b>8,395</b>	<b>+11%</b>
<b>PER SHARE FIGURES</b>												
EPS - incl hybrid funding (€)	5.51	6.01	4.79	-20%	5.26	+10%	4.65	-12%	5.63	+21%	6.70	+19%
<b>EPS - excl hybrid funding (€)</b>	<b>5.39</b>	<b>6.41</b>	<b>5.03</b>	<b>-22%</b>	<b>5.43</b>	<b>+8%</b>	<b>4.82</b>	<b>-11%</b>	<b>5.80</b>	<b>+20%</b>	<b>6.87</b>	<b>+18%</b>
EPS underlying (€)		5.74	5.70	-1%	4.59	-20%	4.93	+8%	6.25	+0%	6.94	+11%
Dividend per share	1.50	2.10	1.20	-43%	1.50	+25%	1.86	+24%	2.25	+21%	2.68	+19%
Payout Ratio	27%	35%	25%	nm	29%	nm	40%	nm	40%	nm	40%	nm
<b>Book value per share</b>	<b>51.85</b>	<b>55.56</b>	<b>56.40</b>	<b>+1%</b>	<b>64.47</b>	<b>+14%</b>	<b>67.79</b>	<b>+5%</b>	<b>71.73</b>	<b>+6%</b>	<b>76.35</b>	<b>+6%</b>
Tangible Book Value per share	40.73	44.03	44.90	+0%	53.56	+0%	56.88	+0%	60.82	+0%	65.44	+0%
Diluted (period avg, m)	1,059	1,193	1,204	+1%	1,209	+0%	1,209	+0%	1,209	+0%	1,209	+0%
<b>OPERATING RATIOS</b>												
<b>Cost / income ratio</b>	<b>58%</b>	<b>60%</b>	<b>62%</b>		<b>68%</b>		<b>66%</b>		<b>65%</b>		<b>62%</b>	
<b>Provision charge / customer loans</b>	<b>1.33%</b>	<b>0.75%</b>	<b>1.07%</b>		<b>0.65%</b>		<b>0.72%</b>		<b>0.61%</b>		<b>0.53%</b>	
NPL ratio	5.0%	5.5%	5.2%		5.5%		5.6%		5.7%		5.6%	
Coverage ratio	81.1%	74.9%	84.5%		83.1%		87.9%		90.8%		94.6%	
<b>Return on Tangible Equity</b>	<b>14.9%</b>	<b>15.5%</b>	<b>11.3%</b>		<b>11.0%</b>		<b>8.7%</b>		<b>9.9%</b>		<b>10.9%</b>	
<b>RoTE underlying (Citi Estimates)</b>		<b>13.6%</b>	<b>12.8%</b>		<b>9.3%</b>		<b>8.9%</b>		<b>10.6%</b>		<b>11.0%</b>	
RoTE underlying for B3 CET1R 9.5%		20.5%	16.6%		9.0%		8.2%		9.3%		9.3%	
<b>BALANCE SHEET ITEMS</b>												
Total Assets	2,057,698	1,998,158	1,965,283	-2%	1,907,290	-3%	1,869,429	-2%	1,850,735	-1%	1,832,228	-1%
<b>Gross customer loans</b>	<b>652,900</b>	<b>668,163</b>	<b>664,413</b>	<b>-1%</b>	<b>630,520</b>	<b>-5%</b>	<b>633,673</b>	<b>+0%</b>	<b>646,346</b>	<b>+2%</b>	<b>659,273</b>	<b>+2%</b>
Customer deposits	604,903	580,913	546,284	-6%	539,513	-1%	553,123	+3%	569,716	+3%	581,111	+2%
Loan / deposit ratio	108%	115%	122%	0%	117%	0%	115%	0%	113%	0%	113%	0%
<b>Shareholders equity excl minorities</b>	<b>69,501</b>	<b>74,632</b>	<b>75,370</b>	<b>+1%</b>	<b>85,886</b>	<b>+14%</b>	<b>89,895</b>	<b>+5%</b>	<b>94,660</b>	<b>+5%</b>	<b>100,242</b>	<b>+6%</b>
<b>REGULATORY CAPITAL</b>												
Risk-Weighted Assets	620,714	600,424	614,000	+2%	552,000	-10%	597,430	+8%	606,352	+1%	618,532	+2%
RWA - B3 Pro forma (Estimates)		682,424	669,000	+0%	597,000	+0%	597,430	+0%	606,352	+0%	618,532	+0%
Core Tier 1	49,600	55,239	58,900	+7%	65,100	+11%	63,237	-3%	67,442	+7%	72,423	+7%
CET1 - B3 Pro forma (Estimates)		47,739	51,400	+0%	59,100	+0%	63,237	+0%	67,442	+0%	72,423	+0%
<b>Core Tier 1 ratio</b>	<b>8.0%</b>	<b>9.2%</b>	<b>9.6%</b>		<b>11.8%</b>		<b>10.6%</b>		<b>11.1%</b>		<b>11.7%</b>	
CET1 ratio - Basel 2		9.2%	10.0%		12.4%		13.2%		13.7%		14.3%	
<b>CET1 ratio - B3 Pro-forma (Estimates)</b>		<b>7.0%</b>	<b>7.7%</b>		<b>9.9%</b>		<b>10.6%</b>		<b>11.1%</b>		<b>11.7%</b>	

Source: Company Reports and Citi Research Estimates



Figure 28. BNPP — Divisional Profit and Loss Account by Year

€ m	2009	2010	2011	% Chg	2012	% Chg	2013E	% Chg	2014E	% Chg	2015E	% Chg
<b>TOTAL RETAIL BANKING</b>												
Total operating income	20,702	23,339	24,361	+4%	24,521	+1%	24,103	-2%	24,434	+1%	24,992	+2%
Total operating expenses	-12,642	-14,183	-14,878	+5%	-14,978	+1%	-14,682	-2%	-14,576	-1%	-14,612	+0%
<b>Operating profit pre provisions</b>	<b>8,060</b>	<b>9,156</b>	<b>9,483</b>	<b>+4%</b>	<b>9,543</b>	<b>+1%</b>	<b>9,421</b>	<b>-1%</b>	<b>9,857</b>	<b>+5%</b>	<b>10,380</b>	<b>+5%</b>
Provisions	-5,847	-4,499	-3,565	-21%	-3,505	-2%	-3,678	+5%	-3,409	-7%	-3,166	-7%
<b>Operating pre-tax Profit</b>	<b>2,213</b>	<b>4,657</b>	<b>5,918</b>	<b>+27%</b>	<b>6,038</b>	<b>+2%</b>	<b>5,742</b>	<b>-5%</b>	<b>6,448</b>	<b>+12%</b>	<b>7,214</b>	<b>+12%</b>
Cost/income ratio	61%	61%	61%		61%		61%		60%		58%	
<b>-- FRENCH RETAIL BANKING</b>												
Total operating income	6,247	6,600	6,786	+2%	6,797	-0%	6,687	-2%	6,780	+1%	6,895	+2%
Total operating expenses	-4,249	-4,406	-4,462	+1%	-4,424	-1%	-4,355	-2%	-4,340	+1%	-4,331	+1%
<b>Operating profit pre provisions</b>	<b>1,998</b>	<b>2,194</b>	<b>2,324</b>	<b>+6%</b>	<b>2,373</b>	<b>+2%</b>	<b>2,332</b>	<b>-2%</b>	<b>2,441</b>	<b>+5%</b>	<b>2,564</b>	<b>+5%</b>
Provisions	-515	-481	-315	-35%	-315	+0%	-392	+25%	-360	-8%	-323	-10%
<b>Pre-tax Profit</b>	<b>1,484</b>	<b>1,716</b>	<b>2,011</b>	<b>+17%</b>	<b>2,061</b>	<b>+2%</b>	<b>1,940</b>	<b>-6%</b>	<b>2,081</b>	<b>+7%</b>	<b>2,241</b>	<b>+8%</b>
Cost/income ratio	68%	67%	66%		65%		65%		64%		63%	
<b>-- BNL bc</b>												
Total operating income	2,975	3,026	3,163	5%	3,230	2%	3,225	0%	3,225	0%	3,289	2%
Total operating expenses	-1,780	-1,776	-1,806	2%	-1,793	-1%	-1,771	-1%	-1,738	-1%	-1,735	1%
<b>Operating profit pre provisions</b>	<b>1,195</b>	<b>1,250</b>	<b>1,357</b>	<b>9%</b>	<b>1,437</b>	<b>6%</b>	<b>1,453</b>	<b>1%</b>	<b>1,486</b>	<b>2%</b>	<b>1,554</b>	<b>5%</b>
Provisions	-671	-817	-793	-3%	-961	21%	-1,046	9%	-958	-8%	-812	-15%
<b>Operating pre-tax Profit</b>	<b>524</b>	<b>433</b>	<b>564</b>	<b>30%</b>	<b>476</b>	<b>-16%</b>	<b>407</b>	<b>-14%</b>	<b>528</b>	<b>30%</b>	<b>742</b>	<b>40%</b>
Non Operating Items	0	-1	0	0%	1	0%	0	0%	0	0%	0	0%
<b>Pre-tax Profit</b>	<b>524</b>	<b>432</b>	<b>564</b>	<b>31%</b>	<b>477</b>	<b>-15%</b>	<b>407</b>	<b>-15%</b>	<b>528</b>	<b>30%</b>	<b>742</b>	<b>40%</b>
Cost/income ratio	60%	59%	57%		56%		55%		54%		53%	
<b>- INTERNATIONAL RETAIL BANKING &amp; FINANCIAL SERVICES</b>												
Total operating income	8,349	8,987	9,011	0%	9,130	1%	8,856	-3%	9,062	2%	9,324	3%
Total operating expenses	-4,429	-4,864	-4,938	2%	-5,114	4%	-4,924	-4%	-4,923	0%	-4,978	1%
<b>Operating profit pre provisions</b>	<b>3,920</b>	<b>4,123</b>	<b>4,073</b>	<b>-1%</b>	<b>4,016</b>	<b>-1%</b>	<b>3,932</b>	<b>-2%</b>	<b>4,139</b>	<b>5%</b>	<b>4,346</b>	<b>5%</b>
Provisions	-4,002	-2,724	-2,163	-21%	-1,932	-11%	-1,887	-2%	-1,775	-6%	-1,734	-2%
<b>Operating pre-tax Profit</b>	<b>-82</b>	<b>1,399</b>	<b>1,910</b>	<b>NM</b>	<b>2,084</b>	<b>NM</b>	<b>2,044</b>	<b>-2%</b>	<b>2,364</b>	<b>+16%</b>	<b>2,613</b>	<b>+10%</b>
Non Operating Items	107	168	231	+38%	251	+9%	418	+67%	327	-22%	339	+4%
<b>Pre-tax Profit</b>	<b>25</b>	<b>1,567</b>	<b>2,141</b>	<b>NM</b>	<b>2,335</b>	<b>NM</b>	<b>2,462</b>	<b>+5%</b>	<b>2,692</b>	<b>+9%</b>	<b>2,952</b>	<b>+10%</b>
Cost/income ratio	53%	54%	55%		56%		56%		54%		53%	
<b>INVESTMENT SOLUTIONS</b>												
Total operating income	5,363	6,096	5,922	-3%	6,204	5%	6,400	3%	6,718	5%	7,102	6%
Total operating expenses	-3,835	-4,297	-4,253	-1%	-4,328	2%	-4,349	0%	-4,444	2%	-4,621	4%
<b>Operating profit pre provisions</b>	<b>1,528</b>	<b>1,799</b>	<b>1,669</b>	<b>-7%</b>	<b>1,876</b>	<b>12%</b>	<b>2,051</b>	<b>9%</b>	<b>2,273</b>	<b>11%</b>	<b>2,481</b>	<b>9%</b>
Provisions	-41	21	-64		54		0		0		0	
<b>Operating pre-tax Profit</b>	<b>1,487</b>	<b>1,820</b>	<b>1,605</b>	<b>-12%</b>	<b>1,930</b>	<b>20%</b>	<b>2,051</b>	<b>6%</b>	<b>2,273</b>	<b>11%</b>	<b>2,481</b>	<b>9%</b>
Non Operating Items	-24	162	-76	-147%	159	-309%	116	-27%	120	3%	120	0%
<b>Pre-tax Profit</b>	<b>1,463</b>	<b>1,982</b>	<b>1,529</b>	<b>-23%</b>	<b>2,089</b>	<b>37%</b>	<b>2,167</b>	<b>4%</b>	<b>2,393</b>	<b>10%</b>	<b>2,601</b>	<b>9%</b>
Cost/income ratio	72%	70%	72%		70%		68%		66%		65%	
<b>CORPORATE AND INVESTMENT BANKING</b>												
Total operating income	13,497	12,125	9,897	-18%	9,715	-2%	9,674	0%	9,979	3%	10,296	3%
Total operating expenses	-6,174	-6,500	-6,126	-6%	-6,309	3%	-6,112	-3%	-6,129	0%	-6,163	1%
<b>Operating profit pre provisions</b>	<b>7,323</b>	<b>5,625</b>	<b>3,771</b>	<b>-33%</b>	<b>3,406</b>	<b>-10%</b>	<b>3,562</b>	<b>5%</b>	<b>3,850</b>	<b>8%</b>	<b>4,133</b>	<b>7%</b>
Provisions	-2,473	-350	-75	-79%	-493	557%	-695	41%	-358	-49%	-153	-57%
<b>Operating pre-tax Profit</b>	<b>4,850</b>	<b>5,275</b>	<b>3,696</b>	<b>-30%</b>	<b>2,913</b>	<b>-21%</b>	<b>2,867</b>	<b>-2%</b>	<b>3,493</b>	<b>22%</b>	<b>3,980</b>	<b>14%</b>
Non Operating Items	16	94	80	-15%	36	-55%	36	0%	36	0%	36	0%
<b>Pre-tax Profit</b>	<b>4,866</b>	<b>5,369</b>	<b>3,776</b>	<b>-30%</b>	<b>2,949</b>	<b>-22%</b>	<b>2,903</b>	<b>-2%</b>	<b>3,529</b>	<b>22%</b>	<b>4,016</b>	<b>14%</b>
Cost/income ratio	46%	54%	62%		65%		63%		61%		60%	
<b>CORPORATE CENTRE</b>												
Total operating income	629	2,309	2,204	-5%	-1,368	-162%	-875	-36%	-300	0%	-300	0%
Total operating expenses	-689	-1,537	-854	-44%	-928	9%	-925	0%	-1,201	30%	-729	-39%
<b>Operating profit pre provisions</b>	<b>-60</b>	<b>772</b>	<b>1,350</b>	<b>75%</b>	<b>-2,296</b>	<b>NM</b>	<b>-1,800</b>	<b>NM</b>	<b>-1,501</b>	<b>NM</b>	<b>-1,029</b>	<b>NM</b>
Provisions	-8	26	-3,093	NM	3	NM	0	NM	0	NM	0	NM
<b>Operating pre-tax Profit</b>	<b>-68</b>	<b>798</b>	<b>-1,743</b>	<b>-318%</b>	<b>-2,293</b>	<b>NM</b>	<b>-1,800</b>	<b>NM</b>	<b>-1,501</b>	<b>NM</b>	<b>-1,029</b>	<b>NM</b>
Non Operating Items	427	76	-86	-213%	1,307	-1620%	200	-85%	200	0%	200	0%
<b>Pre-tax Profit</b>	<b>359</b>	<b>874</b>	<b>-1,829</b>	<b>-309%</b>	<b>-986</b>	<b>-46%</b>	<b>-1,600</b>	<b>NM</b>	<b>-1,301</b>	<b>NM</b>	<b>-829</b>	<b>NM</b>
Cost/income ratio	110%	67%	39%		-68%		NM		NM		NM	

Source: Company Reports and Citi Research Estimates



## Société Générale

We reduce our forecast EPS for 2013-15E by 28%, 3% and 3%, respectively. This has limited impact on underlying results: the 2013E downgrades are mainly driven by one-offs in 1Q13 (CVA/DVA adjustments and loss on own debt – see 1Q13 *Preview* section for details), whereas 2014-15E downgrades are primarily driven a more cautious view on the corporate centre due to the cost of liquidity buffers. We therefore maintain our Target Price for SocGen at €40 and reiterate our Buy recommendation.

Figure 29. Societe Generale – Changes to our Financial Forecasts (2013E-2015E)

€m	2013E Old	2013E New	Change	2014 Old	2014E New	Change	2015 Old	2015E New	Change
Revenues	24,734	23,230	-6%	25,161	24,905	-1%	25,914	25,652	-1%
Costs	-15,786	-15,726	0%	-15,967	-15,909	0%	-16,236	-16,177	0%
<b>Profit before loan losses</b>	<b>8,948</b>	<b>7,504</b>	<b>-16%</b>	<b>9,195</b>	<b>8,996</b>	<b>-2%</b>	<b>9,678</b>	<b>9,475</b>	<b>-2%</b>
Loan Losses	-3,192	-3,186	0%	-2,729	-2,723	0%	-2,367	-2,361	0%
<b>Operating profit before tax</b>	<b>5,756</b>	<b>4,318</b>	<b>-25%</b>	<b>6,466</b>	<b>6,273</b>	<b>-3%</b>	<b>7,310</b>	<b>7,114</b>	<b>-3%</b>
<b>Net profit (attributable)</b>	<b>3,763</b>	<b>2,801</b>	<b>-26%</b>	<b>4,233</b>	<b>4,103</b>	<b>-3%</b>	<b>4,789</b>	<b>4,655</b>	<b>-3%</b>
<b>EPS diluted (incl. Hybrids)</b>	<b>4.48</b>	<b>3.21</b>	<b>-28%</b>	<b>5.10</b>	<b>4.93</b>	<b>-3%</b>	<b>5.83</b>	<b>5.66</b>	<b>-3%</b>

Source: Citi Research

Figure 30. Societe Generale – Quarterly Profit and Loss Account, 1Q11-4Q13E

€m	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12	1Q13E	2Q13E	3Q13E	4Q13E
<b>Total operating income</b>	<b>6,619</b>	<b>6,504</b>	<b>6,504</b>	<b>6,010</b>	<b>6,311</b>	<b>6,272</b>	<b>5,398</b>	<b>5,131</b>	<b>4,950</b>	<b>6,398</b>	<b>6,011</b>	<b>5,872</b>
Total operating expenses	-4,376	-4,241	-4,018	-4,401	-4,333	-3,986	-3,981	-4,138	-4,050	-3,875	-3,782	-4,020
<b>Operating profit pre provisions</b>	<b>2,243</b>	<b>2,263</b>	<b>2,486</b>	<b>1,609</b>	<b>1,978</b>	<b>2,286</b>	<b>1,417</b>	<b>993</b>	<b>900</b>	<b>2,523</b>	<b>2,229</b>	<b>1,852</b>
Credit loss expense	-878	-1,185	-1,192	-1,075	-902	-822	-897	-1,696	-844	-794	-742	-805
<b>Profit before tax</b>	<b>1,365</b>	<b>1,078</b>	<b>1,294</b>	<b>534</b>	<b>1,076</b>	<b>1,464</b>	<b>520</b>	<b>-703</b>	<b>56</b>	<b>1,729</b>	<b>1,487</b>	<b>1,047</b>
Net other income	39	103	-148	-154	61	-457	-441	43	33	33	34	38
Tax	-370	-317	-455	-181	-299	-440	121	284	51	-508	-429	-299
Minorities	-118	-116	-69	-101	-107	-132	-114	-81	-141	-116	-121	-92
<b>Group Net Income</b>	<b>916</b>	<b>748</b>	<b>622</b>	<b>98</b>	<b>731</b>	<b>435</b>	<b>86</b>	<b>-457</b>	<b>-1</b>	<b>1,138</b>	<b>971</b>	<b>693</b>

Source: Company reports and Citi Research Estimates

Figure 31. SocGen — Group Profit and Loss Account

€ m	2009	2010	% Chg	2011	% Chg	2012	% Chg	2013E	% Chg	2014E	% Chg	2015E	% Chg
Net Interest Income	11,635	11,970	+3%	12,207	+2%	11,597	-5%	11,713	+1%	11,947	+2%	12,186	+2%
Net fee & commission income	7,812	7,485	-4%	7,179	-4%	6,820	-5%	6,956	+2%	7,165	+3%	7,380	+3%
Net trading income	947	5,374	+467%	4,432	-18%	4,265	-4%	4,444	+4%	4,633	+4%	4,830	+4%
Other income	1,336	1,589	+19%	1,819	+14%	430	-76%	117	-73%	1,160	+894%	1,256	+8%
<b>Total operating income</b>	<b>21,730</b>	<b>26,418</b>	<b>+22%</b>	<b>25,637</b>	<b>-3%</b>	<b>23,112</b>	<b>-10%</b>	<b>23,230</b>	<b>+1%</b>	<b>24,905</b>	<b>+7%</b>	<b>25,652</b>	<b>+3%</b>
Total operating expenses	-15,766	-16,545	+5%	-17,036	+3%	-16,438	-4%	-15,726	-4%	-15,909	+1%	-16,177	+2%
<b>Operating profit pre provisions</b>	<b>5,964</b>	<b>9,873</b>	<b>+66%</b>	<b>8,601</b>	<b>-13%</b>	<b>6,674</b>	<b>-22%</b>	<b>7,504</b>	<b>+12%</b>	<b>8,996</b>	<b>+20%</b>	<b>9,475</b>	<b>+5%</b>
Credit loss expense	-5,848	-4,160	-29%	-4,330	+4%	-4,317	-0%	-3,186	-26%	-2,723	-15%	-2,361	-13%
<b>Profit before tax</b>	<b>116</b>	<b>5,713</b>	<b>+4825%</b>	<b>4,271</b>	<b>-25%</b>	<b>2,357</b>	<b>-45%</b>	<b>4,318</b>	<b>+83%</b>	<b>6,273</b>	<b>+45%</b>	<b>7,114</b>	<b>+13%</b>
Net other income	683	130	-81%	-160	-223%	-794	+396%	138	-117%	148	+7%	155	+4%
Associate income	0	0	NM	0	NM	0	NM	0	NM	0	NM	0	NM
Net non-recurring expense	0	0	NM	0	NM	0	NM	0	NM	0	NM	0	NM
Tax	308	-1,542	-601%	-1,323	-14%	-334	-75%	-1,185	+255%	-1,794	+51%	-2,031	+13%
Minorities	-430	-386	-10%	-403	+4%	-433	+7%	-470	+9%	-525	+12%	-582	+11%
<b>Group Net Income</b>	<b>677</b>	<b>3,915</b>	<b>+478%</b>	<b>2,385</b>	<b>-39%</b>	<b>796</b>	<b>-67%</b>	<b>2,801</b>	<b>+252%</b>	<b>4,103</b>	<b>+46%</b>	<b>4,655</b>	<b>+13%</b>
<b>PER SHARE FIGURES</b>													
EPS diluted - incl. Hybrid Funding (€) - reported	0.42	4.94	NM	2.88	NM	0.65	-77%	3.21	+393%	4.93	+54%	5.66	+15%
Dividend per share	0.25	1.75	+600%	0.00		0.45		1.15	+156%	1.50	+30%	2.00	+33%
Payout Ratio	56%	35%		0%		69%		36%		30%		35%	
<b>Book value per share</b>	<b>48.9</b>	<b>53.9</b>	<b>+10%</b>	<b>54.5</b>	<b>+1%</b>	<b>56.9</b>	<b>+5%</b>	<b>59.9</b>	<b>+5%</b>	<b>64.8</b>	<b>+8%</b>	<b>69.5</b>	<b>+7%</b>
Tangible Book Value per Share	37.5	41.6	+11%	42.9	+3%	46.0	+7%	50.1	+9%	55.0	+10%	59.6	+9%
Basic (period avg, m)	624	725		747		754		754		754		754	
<b>OPERATING RATIOS</b>													
<b>Cost / income ratio</b>	<b>73%</b>	<b>63%</b>		<b>66%</b>		<b>71%</b>		<b>68%</b>		<b>64%</b>		<b>63%</b>	
<b>Provision charge / customer loans</b>	<b>1.46%</b>	<b>0.81%</b>		<b>1.02%</b>		<b>1.06%</b>		<b>0.79%</b>		<b>0.66%</b>		<b>0.56%</b>	
NPL ratio	5.2%	5.4%		5.7%		5.8%		6.4%		6.5%		6.6%	
Coverage ratio	53.0%	59.3%		61.4%		57.4%		54.1%		57.1%		59.2%	
<b>Return on Tangible Equity</b>	<b>2.6%</b>	<b>13.7%</b>		<b>7.7%</b>		<b>2.4%</b>		<b>7.7%</b>		<b>10.4%</b>		<b>10.8%</b>	
<b>BALANCE SHEET</b>													
Total Assets	1,023,701	1,132,072	+11%	1,181,372	+4%	1,250,696	+6%	1,225,869	-2%	1,201,352	-2%	1,165,311	-3%
<b>Gross customer loans</b>	<b>400,400</b>	<b>426,000</b>	<b>+6%</b>	<b>425,500</b>	<b>-0%</b>	<b>407,100</b>	<b>-4%</b>	<b>402,300</b>	<b>-1%</b>	<b>410,346</b>	<b>+2%</b>	<b>422,656</b>	<b>+3%</b>
Customer deposits	300,054	337,447	+12%	340,172	+1%	337,230	-1%	337,427	+0%	350,924	+4%	364,961	+4%
Loan / deposit ratio	133%	126%		125%		121%		119%		117%		116%	
<b>Shareholders equity excl minorities</b>	<b>35,128</b>	<b>39,118</b>	<b>+11%</b>	<b>40,700</b>	<b>+4%</b>	<b>42,939</b>	<b>+6%</b>	<b>45,199</b>	<b>+5%</b>	<b>48,868</b>	<b>+8%</b>	<b>52,392</b>	<b>+7%</b>
<b>CAPITAL POSITION</b>													
Risk-Weighted Assets	324,080	334,800	+3%	349,300	+4%	324,200	-8%	362,318	-4%	361,869	+1%	359,831	+2%
RWA - B3 Pro forma (Estimates)		457,800	+0%	429,622	-6%	387,810	-10%	362,318	-7%	361,869	-0%	359,831	-1%
Core Tier 1	26,800	28,458	+6%	31,437	+10%	34,689	+10%	33,808	-3%	36,407	+8%	39,182	+8%
<b>Core Tier 1 ratio</b>	<b>8.3%</b>	<b>8.5%</b>		<b>9.0%</b>		<b>10.7%</b>		<b>9.3%</b>		<b>10.1%</b>		<b>10.9%</b>	
CET1 ratio - Basel 2		8.5%		9.7%		11.6%		12.9%		13.6%		14.4%	
<b>CET1 ratio - B3 Pro-forma (Estimates)</b>		<b>5.5%</b>		<b>6.6%</b>		<b>8.1%</b>		<b>9.3%</b>		<b>10.1%</b>		<b>10.9%</b>	

Source: Company Reports and Citi Research Estimates

Figure 32. Societe Generale — Divisional Profit and Loss Account

€m	2009	2010	% Chg	2011	% Chg	2012	% Chg	2013E	% Chg	2014E	% Chg	2015E	% Chg
<b>TOTAL RETAIL BANKING</b>													
<b>Total Operating Income</b>	<b>15,454</b>	<b>16,260</b>	<b>5%</b>	<b>16,625</b>	<b>2%</b>	<b>16,593</b>	<b>0%</b>	<b>16,292</b>	<b>-2%</b>	<b>16,626</b>	<b>2%</b>	<b>16,986</b>	<b>2%</b>
Total Operating Expenses	-9,410	-9,668	3%	-10,082	4%	-10,185	1%	-9,788	-4%	-9,851	1%	-9,937	1%
Operating Profit Pre Provisions	6,044	6,592	9%	6,543	-1%	6,408	-2%	6,504	1%	6,774	4%	7,048	4%
Provisions	-3,492	-3,378	-3%	-2,858	-15%	-2,966	4%	-2,796	-6%	-2,449	-12%	-2,132	-13%
Operating Pre-tax Profit	2,552	3,214	26%	3,685	15%	3,442	-7%	3,708	8%	4,325	17%	4,916	14%
Non Operating Items	-86	10	-112%	-214	0%	-223	0%	8	-104%	12	50%	12	0%
<b>Pre-tax Profit</b>	<b>2,466</b>	<b>3,224</b>	<b>31%</b>	<b>3,471</b>	<b>8%</b>	<b>3,219</b>	<b>-7%</b>	<b>3,716</b>	<b>15%</b>	<b>4,337</b>	<b>17%</b>	<b>4,928</b>	<b>14%</b>
Cost/Income Ratio	61%	59%		61%		61%		60%		59%		59%	
<b>o/w FRENCH RETAIL BANKING</b>													
<b>Total Operating Income</b>	<b>7,466</b>	<b>7,791</b>	<b>4%</b>	<b>8,165</b>	<b>2%</b>	<b>8,161</b>	<b>0%</b>	<b>8,197</b>	<b>0%</b>	<b>8,320</b>	<b>2%</b>	<b>8,445</b>	<b>2%</b>
Total Operating Expenses	-4,911	-5,058	3%	-5,248	4%	-5,264	0%	-5,247	0%	-5,274	1%	-5,300	1%
Operating Profit Pre Provisions	2,555	2,733	7%	2,917	7%	2,897	-1%	2,950	2%	3,047	3%	3,145	3%
Provisions	-970	-864	-11%	-745	-14%	-931	25%	-1,129	21%	-991	-12%	-893	-10%
Operating Pre-tax Profit	1,585	1,869	18%	2,172	16%	1,966	-9%	1,821	-7%	2,056	13%	2,252	10%
Non Operating Items	15	14	NA	11	-21%	11	0%	8	-27%	8	0%	8	0%
<b>Pre-tax Profit</b>	<b>1,600</b>	<b>1,883</b>	<b>18%</b>	<b>2,183</b>	<b>16%</b>	<b>1,977</b>	<b>-9%</b>	<b>1,829</b>	<b>-7%</b>	<b>2,064</b>	<b>13%</b>	<b>2,260</b>	<b>10%</b>
Cost/Income Ratio	66%	65%		64%		65%		64%		63%		63%	
<b>o/w IRBFS</b>													
<b>Total Operating Income</b>	<b>7,988</b>	<b>8,469</b>	<b>6%</b>	<b>8,460</b>	<b>0%</b>	<b>8,432</b>	<b>0%</b>	<b>8,095</b>	<b>-4%</b>	<b>8,305</b>	<b>3%</b>	<b>8,540</b>	<b>3%</b>
Total Operating Expenses	-4,499	-4,610	2%	-4,834	5%	-4,921	2%	-4,541	-8%	-4,578	1%	-4,637	1%
Operating Profit Pre Provisions	3,489	3,859	11%	3,626	-6%	3,511	-3%	3,554	1%	3,728	5%	3,903	5%
Provisions	-2,522	-2,514	0%	-2,113	-16%	-2,035	-4%	-1,667	-18%	-1,458	-13%	-1,239	-15%
Operating Pre-tax Profit	967	1,345	39%	1,513	12%	1,476	-2%	1,887	28%	2,269	20%	2,664	17%
Non Operating Items	-101	-4	NA	-225	NA	-234	NA	0	NA	4	NA	4	NA
<b>Pre-tax Profit</b>	<b>866</b>	<b>1,341</b>	<b>55%</b>	<b>1,288</b>	<b>-4%</b>	<b>1,242</b>	<b>-4%</b>	<b>1,887</b>	<b>52%</b>	<b>2,273</b>	<b>20%</b>	<b>2,668</b>	<b>17%</b>
Cost/Income Ratio	56%	54%		57%		58%		56%		55%		54%	
<b>GLOBAL INVESTMENT MANAGEMENT</b>													
<b>Total Operating Income</b>	<b>2,534</b>	<b>2,270</b>	<b>-10%</b>	<b>2,169</b>	<b>-4%</b>	<b>2,160</b>	<b>0%</b>	<b>1,897</b>	<b>-12%</b>	<b>1,961</b>	<b>3%</b>	<b>2,093</b>	<b>7%</b>
Total Operating Expenses	-2,228	-2,002	-10%	-1,967	-2%	-1,905	-3%	-1,635	-14%	-1,666	2%	-1,731	4%
Operating Profit Pre Provisions	306	268	-12%	202	-25%	255	26%	262	3%	296	13%	362	22%
Provisions	-40	-7	NA	-13	NA	-392	NA	0	NA	0	NA	0	NA
<b>Pre-tax Profit</b>	<b>266</b>	<b>359</b>	<b>35%</b>	<b>216</b>	<b>-40%</b>	<b>-212</b>	<b>-198%</b>	<b>387</b>	<b>-282%</b>	<b>427</b>	<b>10%</b>	<b>499</b>	<b>17%</b>
Cost/Income Ratio	88%	88%		91%		88%		86%		85%		83%	
<b>CORPORATE AND INVESTMENT BANKING</b>													
<b>Total Operating Income</b>	<b>9,848</b>	<b>7,765</b>	<b>-21%</b>	<b>6,457</b>	<b>-17%</b>	<b>6,459</b>	<b>0%</b>	<b>6,651</b>	<b>3%</b>	<b>6,998</b>	<b>5%</b>	<b>7,254</b>	<b>4%</b>
Total Operating Expenses	-3,941	-4,634	18%	-4,688	1%	-4,115	-12%	-4,104	0%	-4,206	2%	-4,333	3%
Operating Profit Pre Provisions	5,907	3,131	-47%	1,769	-44%	2,344	33%	2,548	9%	2,791	10%	2,921	5%
Provisions	-922	-72	-92%	-138	92%	-368	167%	-320	-13%	-224	-30%	-179	-20%
<b>Operating Pre-tax Profit</b>	<b>4,985</b>	<b>3,059</b>	<b>NM</b>	<b>1,631</b>	<b>-47%</b>	<b>1,976</b>	<b>21%</b>	<b>2,228</b>	<b>13%</b>	<b>2,567</b>	<b>15%</b>	<b>2,742</b>	<b>7%</b>
Non Operating Items	46	2	NM	75	NM	10	NM	5	NM	5	NM	5	NM
<b>Pre-tax Profit</b>	<b>5,031</b>	<b>3,061</b>	<b>NM</b>	<b>1,706</b>	<b>-44%</b>	<b>1,986</b>	<b>16%</b>	<b>2,233</b>	<b>12%</b>	<b>2,572</b>	<b>15%</b>	<b>2,747</b>	<b>7%</b>
Cost/Income Ratio	40%	60%	49%	66%	10%	57%	-13%	62%	8%	60%	-3%	60%	-1%
<b>CORPORATE CENTRE</b>													
Total Operating Income	-3,286	52	NM	862	NM	-1,832	NM		-23%		-48%		-7%
<b>Pre-tax Profit</b>	<b>-2,590</b>	<b>-104</b>	<b>-96%</b>	<b>-321</b>	<b>NM</b>	<b>-2,826</b>	<b>NM</b>		<b>-44%</b>		<b>-43%</b>		<b>-6%</b>

Source: Company Reports and Citi Research Estimates

## Crédit Agricole

We reduce our forecast EPS for 2013-15E by 13%, 6% and 6%, respectively. This is driven by a more cautious view on CIB trends, corporate centre revenue (driven by the need to further bolster liquidity buffers to meet LCR ratios by end 2013) as well as several one-offs in 1Q13 (CVA/DVA adjustments and loss on own debt – see *1Q13 Preview* section for details). We therefore reduce our Target Price for CASA to €7.5 from €8 and reiterate our Neutral recommendation.

Figure 33. Credit Agricole – Changes to our Financial Forecasts (2013E-2015E)

€m	2013E Old	2013E New	Change	2014E Old	2014E New	Change	2015E Old	2015E New	Change
Revenues	17,616	17,166	-3%	17,322	16,953	-2%	17,737	17,312	-2%
Costs	-11,674	-11,505	-1%	-11,422	-11,271	-1%	-11,403	-11,254	-1%
Profit Before Provisions	5,942	5,661	-5%	5,900	5,681	-4%	6,335	6,058	-4%
Loan Losses	-3,387	-3,469	2%	-2,717	-2,750	1%	-2,326	-2,360	1%
Profit Before Taxes	2,555	2,192	-14%	3,183	2,932	-8%	4,009	3,699	-8%
Net Income	3,005	2,622	-13%	2,983	2,819	-6%	3,567	3,362	-6%
EPS - diluted, as reported	1.20	1.05	-13%	1.18	1.12	-6%	1.39	1.31	-6%

Source: Citi Research

Figure 34. Credit Agricole – Quarterly Profit and Loss Account, 1Q11-4Q13E

€m	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12	1Q13E	2Q13E	3Q13E	4Q13E
Total operating income	5,050	5,290	5,040	4,405	5,128	4,509	3,350	3,325	3,990	4,293	4,690	4,193
Total operating expenses	-3,101	-3,153	-3,058	-3,508	-2,981	-2,984	-2,947	-3,120	-2,984	-2,853	-2,822	-2,846
Operating profit pre provisions	1,949	2,137	1,982	897	2,147	1,525	403	205	1,006	1,440	1,868	1,347
Credit loss expenses	-605	-782	-1,386	-1,481	-943	-790	-963	-1,041	-907	-884	-822	-856
Profit before tax	1,344	1,355	596	-584	1,204	735	-560	-836	99	556	1,046	491
Associate Income & Other	295	-516	-142	-2,658	-497	-139	-2,474	-3,584	443	298	296	304
Tax	-515	-433	-117	176	-439	-424	248	255	-31	-188	-186	-172
Minorities	-124	-69	-78	-1	-13	-63	-65	183	-79	-89	-89	-90
Net profit (attributable)	1,000	337	259	-3,067	255	109	-2,851	-3,982	431	577	1,067	533

Source: Company Reports and Citi Research Estimates

Figure 35. Credit Agricole — Group Profit and Loss Account by Year

€ m	2009	2010	2011	% Chg	2012	% Chg	2013E	% Chg	2014E	% Chg	2015E	% Chg
Net interest income	14,290	14,894	15,169	+2%	14,730	-3%	14,141	-4%	14,565	+3%	15,002	+3%
Net fee & commission income	4,776	4,896	4,672	-5%	2,626	-44%	2,495	-5%	2,619	+5%	2,750	+5%
Net trading income	5,055	5,447	-3,622	-166%	5,255	-245%	-5,255	-200%	-5,518	+5%	-5,794	+5%
Other income	-6,179	-5,103	3,566	-170%	-6,299	-277%	5,786	-192%	5,286	-9%	5,354	+1%
<b>Total operating income</b>	<b>17,942</b>	<b>20,134</b>	<b>19,785</b>	<b>-2%</b>	<b>16,312</b>	<b>-18%</b>	<b>17,166</b>	<b>+5%</b>	<b>16,953</b>	<b>-1%</b>	<b>17,312</b>	<b>+2%</b>
Total operating expenses	-12,180	-13,182	-12,820	-3%	-12,032	-6%	-11,505	-4%	-11,271	-2%	-11,254	-0%
<b>Operating profit pre provisions</b>	<b>5,762</b>	<b>6,952</b>	<b>6,965</b>	<b>+0%</b>	<b>4,280</b>	<b>-39%</b>	<b>5,661</b>	<b>+32%</b>	<b>5,681</b>	<b>+0%</b>	<b>6,058</b>	<b>+7%</b>
Credit loss expenses	-4,691	-3,777	-4,254	+13%	-3,737	-12%	-3,469	-7%	-2,750	-21%	-2,360	-14%
<b>Profit before tax</b>	<b>1,071</b>	<b>3,175</b>	<b>2,711</b>	<b>-15%</b>	<b>543</b>	<b>-80%</b>	<b>2,192</b>	<b>+304%</b>	<b>2,932</b>	<b>+34%</b>	<b>3,699</b>	<b>+26%</b>
Capital gains and non-recurring income	-261	-601	-1,929	NM	-2,704	NM	0	NM	0	NM	0	NM
Associate Income & Other	847	66	-1,092	-1755%	-3,990	+265%	1,354	+0%	1,485	+0%	1,558	+0%
Tax	-211	-875	-889	+2%	-360	-60%	-577	+60%	-1,111	+93%	-1,370	+23%
Minorities	-321	-489	-272	-44%	42	-115%	-347	+0%	-487	+0%	-525	+0%
<b>Attributable Net profit (reported)</b>	<b>1,125</b>	<b>1,276</b>	<b>-1,471</b>	<b>-215%</b>	<b>-6,469</b>	<b>+340%</b>	<b>2,622</b>	<b>-141%</b>	<b>2,819</b>	<b>+7%</b>	<b>3,362</b>	<b>+19%</b>
<b>PER SHARE FIGURES</b>												
<b>EPS - basic, as reported</b>	<b>0.50</b>	<b>0.54</b>	<b>-0.60</b>	<b>-211%</b>	<b>-2.59</b>	<b>+331%</b>	<b>1.05</b>	<b>-141%</b>	<b>1.12</b>	<b>+6%</b>	<b>1.31</b>	<b>+17%</b>
Dividend per share	0.45	0.45	0.00	-100%	0.00	nm	0.30	nm	35%	17%	40%	14%
Payout Ratio (%)	90%	83%	0%	nm	0%	nm	29%	nm	31%	nm	31%	nm
<b>Book value per share</b>	<b>19.60</b>	<b>19.01</b>	<b>17.13</b>	<b>-10%</b>	<b>15.93</b>	<b>-7%</b>	<b>16.98</b>	<b>+7%</b>	<b>17.46</b>	<b>+3%</b>	<b>18.06</b>	<b>+3%</b>
Tangible Book Value per share	10.5	10.4	9.4	-10%	9.7	+3%	10.7	+11%	11.3	+6%	12.0	+6%
Basic (period avg, m)	2,256	2,361	2,450		2,498	0	2,498	0	2,523	+1%	2,573	+2%
<b>OPERATING RATIOS</b>												
<b>Cost / income ratio</b>	<b>68%</b>	<b>65%</b>	<b>65%</b>		<b>74%</b>		<b>67%</b>		<b>66%</b>		<b>65%</b>	
<b>Provision charge / customer loans</b>	<b>1.22%</b>	<b>0.99%</b>	<b>1.07%</b>		<b>1.13%</b>		<b>1.05%</b>		<b>0.82%</b>		<b>0.69%</b>	
NPL ratio	4.7%	5.5%	5.8%		4.7%		4.9%		5.1%		5.2%	
Coverage ratio	50.0%	65.8%	64.4%		75.7%		74.2%		78.8%		81.6%	
<b>Return on Equity (underlying)</b>	<b>3.0%</b>	<b>6.4%</b>	<b>8.2%</b>		<b>5.6%</b>		<b>5.5%</b>		<b>6.5%</b>		<b>7.4%</b>	
<b>BALANCE SHEET ITEMS</b>												
Total Assets	1,557,300	1,593,500	1,723,600	+8%	1,842,361	+7%	1,769,765	-4%	1,734,369	-2%	1,699,682	-2%
<b>Gross customer loans</b>	<b>396,968</b>	<b>396,968</b>	<b>415,379</b>	<b>+5%</b>	<b>341,578</b>	<b>-18%</b>	<b>341,578</b>	<b>+0%</b>	<b>348,410</b>	<b>+2%</b>	<b>355,378</b>	<b>+2%</b>
Customer deposits	464,080	501,360	525,600	+5%	483,600	-8%	493,345	+2%	503,212	+2%	513,276	+2%
Loan / deposit ratio	83%	76%	76%	-1%	68%	-10%	67%	-2%	67%	0%	66%	0%
<b>Shareholders equity ex minorities (avg)</b>	<b>43,594</b>	<b>45,562</b>	<b>44,234</b>	<b>-3%</b>	<b>41,300</b>	<b>-7%</b>	<b>41,104</b>	<b>-0%</b>	<b>43,443</b>	<b>+6%</b>	<b>45,713</b>	<b>+5%</b>
<b>REGULATORY CAPITAL</b>												
Risk-Weighted Assets	326,400	371,700	333,700	-3%	268,500	-7%	193,229	-28%	194,040	+0%	195,247	+1%
RWA - B3 Pro forma (Estimates)		480,300	309,100	-36%	362,625	+17%	287,915	-21%	289,184	+0%	290,618	+0%
Core Tier 1	30,300	31,400	28,600	-9%	27,000	-6%	29,421	+9%	27,357	-7%	29,689	+9%
<b>Core Tier 1 ratio</b>	<b>9.3%</b>	<b>8.4%</b>	<b>8.6%</b>	<b>+1%</b>	<b>9.2%</b>	<b>+0%</b>	<b>10.2%</b>	<b>+0%</b>	<b>9.5%</b>	<b>+0%</b>	<b>10.2%</b>	<b>+0%</b>
Tier 1 ratio	9%	11%	11%		10%		19%		17%		18%	
CET 1 ratio - Basel 2		8%	9%		10%		15%		16%		17%	
<b>CET1 ratio - B3 Pro-forma (Estimates)</b>		<b>5.7%</b>	<b>5.9%</b>		<b>6.3%</b>		<b>8.8%</b>		<b>9.5%</b>		<b>10.2%</b>	

Source: Company Reports and Citi Research Estimates

Figure 36. Credit Agricole — Divisional Profit and Loss Account by Year

€ m	2009	2010	2011	% Chg	2012	% Chg	2013E	% Chg	2014E	% Chg	2015E	% Chg
<b>FRENCH RETAIL BANKING (LCL + 25% Regional Banks)</b>												
Other	822	955	1,009	+6%	825	-18%	989	+20%	1,052	+6%	1,079	+3%
<b>Pre-tax Profit</b>	<b>1,685</b>	<b>1,966</b>	<b>2,048</b>	<b>+4%</b>	<b>1,882</b>	<b>-8%</b>	<b>1,949</b>	<b>+4%</b>	<b>2,086</b>	<b>+7%</b>	<b>2,168</b>	<b>+4%</b>
Tax	-351	-302	-331	+10%	-361	+9%	-327	-10%	-352	+8%	-370	+5%
<b>Net Profit after tax</b>	<b>1,334</b>	<b>1,664</b>	<b>1,717</b>	<b>+3%</b>	<b>1,521</b>	<b>-11%</b>	<b>1,623</b>	<b>+7%</b>	<b>1,734</b>	<b>+7%</b>	<b>1,798</b>	<b>+4%</b>
<i>Cost/income ratio</i>	66%	65%	65%	0%	65%	-1%	66%	1%	65%	-1%	65%	-1%
<b>-- FRENCH RETAIL BANKING REGIONAL BANKS (25%)</b>												
Net Profit after tax	730	957	1,008	+5%	824	-18%	989	+20%	1,052	+6%	1,079	+3%
<i>Cost/income ratio (Regional Banks)</i>	54%	54%	55%	3%	59%	8%	56%	-6%	55%	-3%	54%	0%
<b>-- FRENCH RETAIL BANKING LCL</b>												
<b>Total operating income</b>	<b>3,849</b>	<b>3,945</b>	<b>3,822</b>	<b>+0%</b>	<b>3,890</b>	<b>-1%</b>	<b>3,841</b>	<b>+1%</b>	<b>3,883</b>	<b>+1%</b>	<b>3,960</b>	<b>+2%</b>
Total operating expenses	-2,551	-2,575	-2,497	-0%	-2,522	+1%	-2,521	-0%	-2,531	+0%	-2,556	+1%
<b>Operating profit pre provisions</b>	<b>1,298</b>	<b>1,370</b>	<b>1,325</b>	<b>-3%</b>	<b>1,368</b>	<b>+3%</b>	<b>1,320</b>	<b>-4%</b>	<b>1,352</b>	<b>+2%</b>	<b>1,404</b>	<b>+4%</b>
Provisions	-435	-359	-286	-20%	-311	+9%	-359	+15%	-318	-12%	-315	-1%
<b>Operating pre-tax Profit</b>	<b>863</b>	<b>1,011</b>	<b>1,039</b>	<b>+3%</b>	<b>1,057</b>	<b>+2%</b>	<b>961</b>	<b>-9%</b>	<b>1,034</b>	<b>+8%</b>	<b>1,090</b>	<b>+5%</b>
Other	0	-2	1	+0%	1	+0%	0	+0%	0	+0%	0	+0%
<b>Pre-tax Profit</b>	<b>863</b>	<b>1,009</b>	<b>1,040</b>	<b>+3%</b>	<b>1,058</b>	<b>+2%</b>	<b>961</b>	<b>-9%</b>	<b>1,034</b>	<b>+8%</b>	<b>1,090</b>	<b>+5%</b>
Tax	-259	-302	-331	+10%	-361	+9%	-327	-10%	-352	+8%	-370	+5%
<b>Net Profit</b>	<b>604</b>	<b>707</b>	<b>709</b>	<b>0%</b>	<b>697</b>	<b>-2%</b>	<b>634</b>	<b>-9%</b>	<b>683</b>	<b>8%</b>	<b>719</b>	<b>5%</b>
<i>Cost/income ratio</i>	66%	65%	65%	0%	65%	-1%	66%	1%	65%	-1%	65%	-1%
<b>INTERNATIONAL RETAIL BANKING &amp; FINANCIAL SERVICES</b>												
<b>Total operating income</b>	<b>6,610</b>	<b>6,919</b>	<b>6,307</b>	<b>-9%</b>	<b>5,917</b>	<b>-6%</b>	<b>5,754</b>	<b>-3%</b>	<b>5,802</b>	<b>+1%</b>	<b>5,894</b>	<b>+2%</b>
Total operating expenses	-3,692	-3,685	-3,312	-10%	-3,307	-0%	-3,063	-7%	-3,034	-1%	-3,028	-0%
<b>Operating profit pre provisions</b>	<b>2,918</b>	<b>3,234</b>	<b>2,995</b>	<b>-7%</b>	<b>2,610</b>	<b>-13%</b>	<b>2,691</b>	<b>+3%</b>	<b>2,768</b>	<b>+3%</b>	<b>2,866</b>	<b>+4%</b>
Provisions	-2,409	-2,742	-2,048	-25%	-2,628	+28%	-2,244	-15%	-1,807	-19%	-1,528	-15%
<b>Operating pre-tax Profit</b>	<b>509</b>	<b>492</b>	<b>947</b>	<b>+92%</b>	<b>-18</b>	<b>-102%</b>	<b>447</b>	<b>-2584%</b>	<b>960</b>	<b>+115%</b>	<b>1,338</b>	<b>+39%</b>
Other	-127	-295	-3,024	+925%	-6,679	+121%	203	-103%	273	+34%	320	+17%
<b>Pre-tax Profit</b>	<b>382</b>	<b>197</b>	<b>-2,077</b>	<b>-1154%</b>	<b>-6,697</b>	<b>+222%</b>	<b>650</b>	<b>-110%</b>	<b>1,234</b>	<b>+90%</b>	<b>1,658</b>	<b>+34%</b>
Tax	-316	-513	-326	-36%	-151	-54%	-180	+19%	-370	+105%	-507	+37%
<b>Net Profit after tax</b>	<b>66</b>	<b>-316</b>	<b>-2,403</b>	<b>+660%</b>	<b>-6,848</b>	<b>+185%</b>	<b>470</b>	<b>-107%</b>	<b>863</b>	<b>+84%</b>	<b>1,151</b>	<b>+33%</b>
<i>Cost/income ratio</i>	56%	53%	53%	-1%	56%	6%	53%	-5%	52%	-2%	51%	-2%
<b>SAVINGS MANAGEMENT</b>												
<b>Total operating income</b>	<b>3,910</b>	<b>4,983</b>	<b>5,244</b>	<b>+5%</b>	<b>5,158</b>	<b>-2%</b>	<b>5,122</b>	<b>-1%</b>	<b>5,256</b>	<b>+3%</b>	<b>5,467</b>	<b>+4%</b>
Total operating expenses	-1,979	-2,490	-2,508	+1%	-2,400	-4%	-2,424	+1%	-2,482	+2%	-2,574	+4%
<b>Operating profit pre provisions</b>	<b>1,931</b>	<b>2,493</b>	<b>2,736</b>	<b>+10%</b>	<b>2,758</b>	<b>+1%</b>	<b>2,698</b>	<b>-2%</b>	<b>2,774</b>	<b>+3%</b>	<b>2,893</b>	<b>+4%</b>
<b>Pre-tax Profit</b>	<b>1,926</b>	<b>2,465</b>	<b>1,670</b>	<b>-32%</b>	<b>2,741</b>	<b>+64%</b>	<b>2,692</b>	<b>-2%</b>	<b>2,771</b>	<b>+3%</b>	<b>2,890</b>	<b>+4%</b>
Tax	-535	-801	-620	-23%	-848	+37%	-887	+5%	-897	+1%	-937	+4%
<b>Net Profit after tax</b>	<b>1,391</b>	<b>1,664</b>	<b>1,050</b>	<b>-37%</b>	<b>1,893</b>	<b>+80%</b>	<b>1,805</b>	<b>-5%</b>	<b>1,873</b>	<b>+4%</b>	<b>1,953</b>	<b>+4%</b>
<i>Cost/income ratio</i>	51%	50%	48%	0%	47%	0%	47%	0%	47%	0%	47%	0%
<b>CORPORATE CENTRE AND DISCONTINUING OPERATIONS</b>												
<b>Total operating income</b>	<b>-1,930</b>	<b>-1,402</b>	<b>-1,078</b>	<b>-23%</b>	<b>-2,042</b>	<b>+89%</b>	<b>-1,369</b>	<b>-33%</b>	<b>-1,704</b>	<b>+24%</b>	<b>-1,702</b>	<b>-0%</b>
Total operating expenses	-901	-1,033	-1,411	+37%	-1,207	-14%	-1,121	-7%	-953	-15%	-858	-10%
<b>Pre-tax Profit</b>	<b>-3,880</b>	<b>-4,128</b>	<b>-3,043</b>	<b>-26%</b>	<b>-3,697</b>	<b>+21%</b>	<b>-2,810</b>	<b>-24%</b>	<b>-2,956</b>	<b>+5%</b>	<b>-2,809</b>	<b>-5%</b>
<b>Net Profit after tax</b>	<b>-2,525</b>	<b>-2,817</b>	<b>-1,976</b>	<b>-30%</b>	<b>-2,603</b>	<b>+32%</b>	<b>-1,652</b>	<b>-37%</b>	<b>-2,069</b>	<b>+25%</b>	<b>-1,967</b>	<b>-5%</b>
<b>CORPORATE AND INVESTMENT BANKING</b>												
<b>Total operating income</b>	<b>5,503</b>	<b>5,689</b>	<b>5,490</b>	<b>-3%</b>	<b>3,389</b>	<b>-38%</b>	<b>3,818</b>	<b>+13%</b>	<b>3,716</b>	<b>-3%</b>	<b>3,693</b>	<b>-1%</b>
Total operating expenses	-3,057	-3,399	-3,092	-9%	-2,596	-16%	-2,376	-8%	-2,271	-4%	-2,239	-1%
<b>Operating profit pre provisions</b>	<b>2,446</b>	<b>2,290</b>	<b>2,398</b>	<b>+5%</b>	<b>793</b>	<b>-67%</b>	<b>1,442</b>	<b>+82%</b>	<b>1,445</b>	<b>+0%</b>	<b>1,454</b>	<b>+1%</b>
Provisions	-1,032	-283	-328	+16%	-292	-11%	-530	+82%	-312	-41%	-254	-19%
<b>Operating pre-tax Profit</b>	<b>1,414</b>	<b>2,007</b>	<b>2,070</b>	<b>+3%</b>	<b>501</b>	<b>-76%</b>	<b>912</b>	<b>+82%</b>	<b>1,133</b>	<b>+24%</b>	<b>1,200</b>	<b>+6%</b>
Other	127	133	-978	-835%	-881	-10%	152	-117%	150	-1%	150	+0%
<b>Pre-tax Profit</b>	<b>1,541</b>	<b>2,140</b>	<b>1,092</b>	<b>-49%</b>	<b>-380</b>	<b>-135%</b>	<b>1,064</b>	<b>-380%</b>	<b>1,283</b>	<b>+21%</b>	<b>1,350</b>	<b>+5%</b>
Tax	-364	-570	-679	+19%	-94	-86%	-341	+263%	-378	+11%	-398	+5%
<b>Net Profit after tax</b>	<b>1,177</b>	<b>1,570</b>	<b>413</b>	<b>-74%</b>	<b>-474</b>	<b>-215%</b>	<b>723</b>	<b>-253%</b>	<b>904</b>	<b>+25%</b>	<b>952</b>	<b>+5%</b>
<i>Cost/income ratio</i>	56%	60%	56%	0%	77%	0%	62%	0%	61%	0%	61%	0%

Source: Company Reports and Citi Research Estimates

## Natixis

We reduce our forecast EPS for 2013-15E by 2%, 1% and 1%, respectively. This is driven by a more cautious view on the impact of French taxes on costs. We therefore maintain our Target Price for Natixis at €4 and reiterate our Buy recommendation.

Figure 37. Natixis – Changes to our Financial Forecasts (2013E-2015E)

€m	2013E Old	2013E New	% Chg	2014E Old	2014E New	% Chg	2015E Old	2015E New	% Chg
<b>Revenues</b>	<b>6,841</b>	<b>6,859</b>	<b>0%</b>	<b>7,309</b>	<b>7,329</b>	<b>0%</b>	<b>7,531</b>	<b>7,551</b>	<b>0%</b>
Total Op. Expenses	-4,954	-5,048	2%	-4,975	-5,057	2%	-5,071	-5,148	2%
<b>Operating Income</b>	<b>1,887</b>	<b>1,811</b>	<b>-4%</b>	<b>2,334</b>	<b>2,272</b>	<b>-3%</b>	<b>2,460</b>	<b>2,404</b>	<b>-2%</b>
Prov. Loan Losses (Net)	-556	-501	-10%	-394	-354	-10%	-311	-268	-14%
<b>Operating Income Post Provisions</b>	<b>1,332</b>	<b>1,310</b>	<b>-2%</b>	<b>1,940</b>	<b>1,918</b>	<b>-1%</b>	<b>2,149</b>	<b>2,136</b>	<b>-1%</b>
Associate Income	202	202	0%	14	14	0%	15	15	0%
<b>Pre-Tax Profit</b>	<b>1,527</b>	<b>1,505</b>	<b>-1%</b>	<b>1,947</b>	<b>1,926</b>	<b>-1%</b>	<b>2,156</b>	<b>2,144</b>	<b>-1%</b>
Taxes	-458	-451	-1%	-586	-580	-1%	-649	-645	-1%
<b>Net Income</b>	<b>1,069</b>	<b>1,053</b>	<b>-1%</b>	<b>1,361</b>	<b>1,346</b>	<b>-1%</b>	<b>1,507</b>	<b>1,498</b>	<b>-1%</b>
Minorities	-32	-32	-1%	-48	-47	-1%	-53	-52	-1%
<b>Attributable Net Income</b>	<b>1,037</b>	<b>1,022</b>	<b>-1%</b>	<b>1,313</b>	<b>1,299</b>	<b>-1%</b>	<b>1,455</b>	<b>1,446</b>	<b>-1%</b>
<b>Attributable Net Income (post hybrid cost)</b>	<b>969</b>	<b>954</b>	<b>-2%</b>	<b>1,245</b>	<b>1,231</b>	<b>-1%</b>	<b>1,387</b>	<b>1,378</b>	<b>-1%</b>
EPS - Reported, Incl. Hybrids Funding (€)	0.31	0.31	-2%	0.40	0.40	-1%	0.45	0.45	-1%

Source: Citi Research

Figure 38. Natixis - Quarterly Profit and Loss Account, 1Q11-4Q13E

€m	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12	1Q13E	2Q13E	3Q13E	4Q13E
<b>Revenues</b>	<b>1,621</b>	<b>1,829</b>	<b>1,561</b>	<b>1,748</b>	<b>1,421</b>	<b>1,824</b>	<b>1,416</b>	<b>1,610</b>	<b>1,660</b>	<b>1,667</b>	<b>1,767</b>	<b>1,766</b>
Total Op. Expenses	-1,219	-1,231	-1,144	-1,246	-1,240	-1,267	-1,232	-1,326	-1,248	-1,257	-1,242	-1,300
<b>Operating Income</b>	<b>402</b>	<b>598</b>	<b>417</b>	<b>502</b>	<b>181</b>	<b>557</b>	<b>184</b>	<b>284</b>	<b>412</b>	<b>409</b>	<b>525</b>	<b>465</b>
Prov. Loan Losses	-20	-106	-66	-174	-80	-151	-84	-131	-122	-126	-125	-128
<b>Operating Income Post Provisions</b>	<b>382</b>	<b>492</b>	<b>351</b>	<b>328</b>	<b>101</b>	<b>406</b>	<b>100</b>	<b>153</b>	<b>290</b>	<b>283</b>	<b>400</b>	<b>337</b>
Gains and Losses on Other Activities	22	0	0	0	0	2	-7	-3	0	0	0	0
CCI Associate Income	153	177	120	144	134	167	61	118	99	103	0	0
Goodwill & One Offs	-12	0	0	-43	-5	0	0	-11	-2	-2	-2	-1
<b>Pre-Tax Profit</b>	<b>545</b>	<b>669</b>	<b>471</b>	<b>429</b>	<b>230</b>	<b>575</b>	<b>154</b>	<b>257</b>	<b>387</b>	<b>385</b>	<b>398</b>	<b>336</b>
Taxes	-126	-161	-121	-118	-37	-168	-13	-52	-116	-115	-119	-101
<b>Net Income</b>	<b>419</b>	<b>508</b>	<b>350</b>	<b>311</b>	<b>193</b>	<b>407</b>	<b>141</b>	<b>205</b>	<b>271</b>	<b>269</b>	<b>278</b>	<b>235</b>
Minorities	-4	-4	-7	-24	-7	-14	-1	-26	-8	-8	-8	-7
<b>Attributable Net Income</b>	<b>415</b>	<b>504</b>	<b>343</b>	<b>287</b>	<b>186</b>	<b>393</b>	<b>140</b>	<b>179</b>	<b>263</b>	<b>261</b>	<b>270</b>	<b>228</b>

Source: Company Reports and Citi Research Estimates



Figure 39. Natixis — Group Profit and Loss Account by Year

€m	2009	2010	2011	% Chg	2012	% Chg	2013E	% Chg	2014E	% Chg	2015E	% Chg
<b>Revenues</b>	<b>4,106</b>	<b>6,364</b>	<b>6,759</b>	<b>+6%</b>	<b>6,271</b>	<b>-7%</b>	<b>6,859</b>	<b>9%</b>	<b>7,329</b>	<b>+7%</b>	<b>7,551</b>	<b>+3%</b>
Total Op. Expenses	-4,412	-4,580	-4,840	6%	-5,065	5%	-5,048	0%	-5,057	0%	-5,148	2%
<b>Operating Income</b>	<b>-306</b>	<b>1,784</b>	<b>1,919</b>	<b>+8%</b>	<b>1,206</b>	<b>-37%</b>	<b>1,811</b>	<b>50%</b>	<b>2,272</b>	<b>+25%</b>	<b>2,404</b>	<b>+6%</b>
Prov. Loan Losses	-2,402	-178	-366		-446		-501		-354		-268	
<b>Operating Income Post Provisions</b>	<b>-2,708</b>	<b>1,606</b>	<b>1,553</b>	<b>-3%</b>	<b>760</b>	<b>-51%</b>	<b>1,310</b>	<b>72%</b>	<b>1,918</b>	<b>+46%</b>	<b>2,136</b>	<b>+11%</b>
Gains and Losses on Other Activities	5	-24	22		-8		0		0		0	
Associates (incl CCI)	425	499	594	19%	480	-19%	202	-58%	14	-93%	15	2%
Goodwill & One Offs	-170	-80	-55	-31%	-16	-71%	-7	-56%	-7	0%	-7	0%
<b>Pre-Tax Profit</b>	<b>-2,448</b>	<b>2,001</b>	<b>2,114</b>	<b>+6%</b>	<b>1,216</b>	<b>-42%</b>	<b>1,505</b>	<b>24%</b>	<b>1,926</b>	<b>+28%</b>	<b>2,144</b>	<b>+11%</b>
Taxes	1,061	-241	-526	118%	-270	-49%	-451	67%	-580	28%	-645	11%
- Implied Tax Rate	43%	12%	25%		22%		30%		30%		30%	
Net Income	-1,387	1,760	1,588	-10%	946	-40%	1,053	11%	1,346	28%	1,498	11%
Minorities	-55	-36	-39	8%	-48	23%	-32	-34%	-47	49%	-52	11%
<b>Net Income - Reported</b>	<b>-1,442</b>	<b>1,724</b>	<b>1,549</b>	<b>-10%</b>	<b>898</b>	<b>-42%</b>	<b>1,022</b>	<b>14%</b>	<b>1,299</b>	<b>+27%</b>	<b>1,446</b>	<b>+11%</b>
Cost of Hybrids	-318	-381	-260	-32%	-76	-71%	-68	-11%	-68	0%	-68	0%
<b>Net Income - Adjusted</b>	<b>-1,760</b>	<b>1,343</b>	<b>1,289</b>	<b>-4%</b>	<b>822</b>	<b>-36%</b>	<b>954</b>	<b>16%</b>	<b>1,231</b>	<b>+29%</b>	<b>1,378</b>	<b>+12%</b>
Exceptional items (Citi calculations)	0	-45	-210	0%	-287	0%	0	0%	0	0%	0	0%
<b>Underlying Net Income</b>	<b>-1,760</b>	<b>1,388</b>	<b>1,499</b>	<b>0%</b>	<b>1,109</b>	<b>0%</b>	<b>954</b>	<b>0%</b>	<b>1,231</b>	<b>0%</b>	<b>1,378</b>	<b>0%</b>
<b>PER SHARE FIGURES</b>												
<b>EPS - Reported, Incl. Hybrids Funding (€)</b>	<b>-0.61</b>	<b>0.46</b>	<b>0.43</b>	<b>-7%</b>	<b>0.27</b>	<b>-38%</b>	<b>0.31</b>	<b>16%</b>	<b>0.40</b>	<b>+29%</b>	<b>0.45</b>	<b>+12%</b>
EPS - Excl. Hybrids Funding (€)	-0.50	0.59	0.52	-13%	0.29	-44%	0.33	14%	0.42	27%	0.47	11%
Dividend	0.00	0.23	0.10		0.10		0.15		0.20		0.22	
<b>Payout ratio</b>	<b>0%</b>	<b>50%</b>	<b>23%</b>		<b>38%</b>		<b>50%</b>		<b>50%</b>		<b>50%</b>	
<b>Book Value per share</b>	<b>4.89</b>	<b>5.44</b>	<b>5.29</b>	<b>-3%</b>	<b>5.50</b>	<b>4%</b>	<b>5.17</b>	<b>-6%</b>	<b>5.42</b>	<b>+5%</b>	<b>5.66</b>	<b>+5%</b>
Tangible Book Value per share	3.7	4.3	4.1	-3%	4.3	5%	4.1	-5%	4.4	+6%	4.6	+6%
Number of shares (avg)	2,898	2,908	2,994		3,083		3,083		3,083		3,083	
<b>OPERATING RATIOS</b>												
<b>ROE</b>	<b>-11.8%</b>	<b>8.9%</b>	<b>8.0%</b>		<b>4.9%</b>		<b>5.8%</b>		<b>7.5%</b>		<b>8.1%</b>	
Cost / income ratio	107.5%	72.0%	71.6%		80.8%		73.6%		69.0%		68.2%	
Operating Profit / avg RWAs	-0.2%	1.3%	1.3%		0.9%		1.6%		2.0%		1.9%	
<b>Provision charge / customer loans (bps)</b>	<b>2.2%</b>	<b>0.1%</b>	<b>0.3%</b>		<b>0.4%</b>		<b>0.5%</b>		<b>0.3%</b>		<b>0.2%</b>	
<b>BALANCE SHEET</b>												
Total assets	449,218	458,009	508,000	+11%	528,400	+4%	517,911	-2%	497,195	-4%	477,307	-4%
<b>Gross customer loans</b>	<b>109,090</b>	<b>131,120</b>	<b>114,546</b>	<b>-13%</b>	<b>108,047</b>	<b>-6%</b>	<b>105,897</b>	<b>-2%</b>	<b>106,956</b>	<b>+1%</b>	<b>108,025</b>	<b>+1%</b>
Shareholders' equity	14,218	15,831	16,300	+3%	16,972	+4%	15,946	-6%	16,699	+5%	17,462	+5%
<b>Average shareholders' equity</b>	<b>14,885</b>	<b>15,831</b>	<b>16,300</b>		<b>16,972</b>		<b>15,946</b>		<b>16,699</b>		<b>17,462</b>	
<b>CAPITAL RATIOS</b>												
Core Tier 1	11,100	11,700	12,100		13,600		10,477		11,577		12,806	
Risk-weighted assets	130,900	147,900	145,600	-13%	125,700	-14%	105,221	-17%	123,506	-1%	123,960	+0%
RWA - B3 Pro forma		218,400	171,600	-21%	145,300	-15%	124,821	-14%	123,506	-1%	123,960	+0%
<b>Core tier 1 capital ratio</b>	<b>8.5%</b>	<b>7.9%</b>	<b>8.3%</b>		<b>10.8%</b>		<b>10.0%</b>		<b>9.4%</b>		<b>10.3%</b>	
CET 1 ratio - Basel 2		6.3%	8.7%		11.4%		13.1%		13.9%		14.5%	
<b>Core tier 1 - B3 Pro Forma (inc DTA – co'y def'n)</b>		<b>5.1%</b>	<b>6.8%</b>		<b>9.0%</b>		<b>10.0%</b>		<b>10.6%</b>		<b>11.1%</b>	
<b>Core tier 1 - B3 Pro Forma (fully loaded)</b>		<b>3.7%</b>	<b>5.2%</b>		<b>7.4%</b>		<b>8.4%</b>		<b>9.4%</b>		<b>10.3%</b>	

Source: Company Reports and Citi Research Estimates



Figure 40. Natixis — Divisional Profit and Loss Account by Year

€m	2009	2010	2011	% Chg	2012	% Chg	2013E	% Chg	2014E	% Chg	2015E	% Chg
<b>WHOLESALE BANKING</b>												
Revenue	2,648	3,025	2,847	-6%	2,829	-2%	2,864	1%	2,904	1%	2,930	1%
Operating Expenses	-1,601	-1,650	-1,675	2%	-1,690	1%	-1,687	-2%	-1,676	-1%	-1,676	0%
Operating Income	1,047	1,375	1,172	-15%	1,139	-3%	1,177	3%	1,228	4%	1,254	2%
Provisions	-1,384	-204	-106	-48%	-265	150%	-369	39%	-263	-29%	-206	-22%
Operating Profit Post Provisions	-337	1,171	1,066	-9%	874	-18%	808	-8%	965	19%	1,048	9%
Cost/Income Ratio	60%	55%	58%		60%		59%		58%		57%	
<b>INVESTMENT SOLUTIONS</b>												
Revenue	1,560	1,791	1,889	5%	2,069	10%	2,181	6%	2,276	4%	2,422	6%
Operating Expenses	-1,152	-1,280	-1,355	6%	-1,524	12%	-1,584	4%	-1,642	4%	-1,735	6%
Operating Income	408	511	534	5%	545	2%	597	10%	634	6%	687	8%
Provisions	-33	-26	-100	NA	1	-101%	-8	-900%	0	0%	0	0%
Operating Profit Post Provisions	375	485	434	-11%	546	26%	589	8%	634	8%	687	8%
Cost/Income Ratio	74%	71%	72%		74%		73%		72%		72%	
<b>SFS</b>												
Revenue	870	961	1,139	19%	1,189	4%	1,221	3%	1,264	4%	1,309	4%
Operating Expenses	-618	-672	-792	18%	-786	-1%	-809	2%	-831	3%	-854	3%
Operating Income	252	289	347	20%	403	16%	412	3%	433	5%	455	5%
Provisions	-48	-54	-60	-28%	-75	-10%	-94	25%	-66	-30%	-46	-30%
Operating Profit Post Provisions	204	235	287	22%	328	14%	318	-2%	367	15%	409	11%
Cost/Income Ratio	71%	70%	70%		66%		66%		66%		65%	
<b>FINANCIAL STAKES</b>												
Revenue	401	869	869	0%	915	5%	845	-5%	846	0%	865	2%
Operating Expenses	-722	-742	-762	4%	-743	2%	-708	-5%	-701	-1%	-708	1%
Operating Income	-321	127	107	-16%	172	61%	136	-7%	145	6%	157	8%
Provisions	-19	-36	-55	53%	-9	-84%	-10	11%	-7	-30%	-5	-30%
Operating Profit Post Provisions	-340	91	52	-43%	163	213%	126	-9%	138	9%	152	10%
Cost/Income Ratio	180%	80%	88%		81%		84%		83%		82%	
<b>GAPC (Legacy Assets)</b>												
Revenue	-1,782	-146	55	-138%	138	151%	60	-71%	30	-50%	15	-50%
Operating Expenses	-168	-183	-137	-25%	-125	-9%	-65	-48%	-33	-50%	-16	-50%
Operating Income	-1,950	-329	-82	-75%	13	-116%	-5	-114%	-3	nm	-1	nm
Provisions	-914	146	-31	NM	-75	142%	-8	-89%	-6	-20%	0	0%
Operating Profit Post Provisions	-2,864	-183	-113	-38%	-62	-45%	-13	-67%	-9	-32%	-1	-86%
<b>CORPORATE CENTRE</b>												
Revenue	409	-136	217	-260%	-612	-382%	-183	-70%	10	-105%	10	0%
Operating Expenses	-151	-53	-119	125%	-197	66%	-195	-1%	-176	-10%	-158	-10%
Operating Income	258	-189	98	-152%	-809	nm	-378	-53%	-166	-56%	-148	-11%
Provisions	-4	-4	-14	250%	-23	-36%	-12	-48%	-11	-5%	-11	-5%
Operating Profit Post Provisions	254	-193	84	-144%	-832	nm	-390	-53%	-177	-55%	-159	-10%

Source: Company Reports and Citi Research Estimates

## BNP Paribas SA

### Company description

BNP Paribas SA is a universal bank whose activities are roughly split between retail banking (1/2), CIB (1/3) and Investment Solutions (1/6). Retail Banking operates primarily in France, Italy, Belgium and Luxembourg, but increasingly also in Central Eastern Europe and North Africa (particularly in Poland and Turkey). CIB operations include capital markets and financing operations. Investment Solutions includes the private bank, securities services and asset management.

### Investment strategy

We rate BNP Paribas as Buy. We believe management has been strategically bold and also sensible in capital management. In our view, the bank benefits from strong franchises in its three main activities: Retail Banking, CIB and Investment Solutions. The bank's domestic French retail network is focused on urban, affluent clients. The bank also has rapidly growing franchises in retail banking overseas. In wholesale banking, BNPP is a leader in European fixed income and has a strong global equity derivatives franchise. The bank is also now undertaking a refocus of its operations, by reducing reliance on short-term USD financing and by increasing its deposit base, which will allow it to be less exposed to wholesale financing.

### Valuation

We use a two-stage dividend discount model (DDM) to value BNPP, including the present value of 2012-15E dividends, a terminal value assuming zero growth at the sustainable RoE and the estimated surplus capital in 2015E. We use a Cost of Equity of 11.4% based on the company's business mix and funding stress risks. We cross-check this valuation using: (1) justified price-to-book valuation; (2) comparable P/E valuation relative to the bank sector; and (3) comparable P/E valuation relative to BNPP's historical trading range and growth prospects. We set our target price at €60 on this basis.

### Risks

The key risks to our investment thesis on BNPP are: (1) Credit risks are low, but BNPP financial performance would suffer if the credit risk cycle turned down again; and (2) Wholesale banking accounts for approximately one-third of the revenues and capital of BNP Paribas, and the bank may be exposed to positive or negative swings in several of its key market segments, as well as to funding stress risks.

If any of these risk factors has a greater downside impact than we anticipate, the share price will likely have difficulty attaining our target price. Conversely, if the impact of any of these upside risks is greater than we anticipate, the stock could exceed our target price.

## Societe Generale

### Company description

Société Générale is a leading financial services group in Europe, with three core businesses: (1) French Retail Networks, (2) International Retail Banking (primarily

Czech Republic, Romania, other CEE, Russia and Africa) and (3) Corporate & Investment Banking (with leading franchises in equity derivatives, €-denominated DCM for corporates and financing). Société Générale is also a major player in Specialised Financial Services (incl. consumer credit, vehicle lease financing), Insurance, Private Banking and Global Investment Management and Services (incl. asset management, securities services and commodities futures brokerage brokerage).

## Investment strategy

We have a Buy rating on Societe Generale. Following the 2008 fraud losses and the liquidity crisis in 2H11, the company has made substantial progress (1) to restore its credibility by focusing on its core businesses, and (2) to strengthen its balance sheet, by increasing capital ratios while reducing the reliance on ST & USD funding and further bolstering liquidity buffers, (3) reducing its exposure to legacy assets and disposing of non-core activities (e.g. Greece).

## Valuation

We use a two-stage dividend discount model (DDM) to value SocGen, including the present value of 2012-15E dividends, a terminal value assuming zero growth at the underlying through-the-cycle RoE and the expected surplus capital in 2015E. We use a Cost of Equity of 11.5% based on the company's business mix. We cross-check this valuation using: (1) justified price-to-book valuation; (2) comparable P/E valuation relative to the bank sector; and (3) comparable P/E valuation relative to SocGen's historical trading range and growth prospects. We set our target price at €40 on this basis.

## Risks

The key risks to our investment thesis on SocGen are: (1) the risks of a further sharp downturn in the CEE region where SocGen has significant exposure; (2) a more challenging capital markets environment especially in equity derivatives where SocGen has one of the leading franchises, and (3) more generally, a worsening of the macroeconomic (impacting provisions and revenue) or bank funding environment.

If any of these risk factors has a greater downside impact than we anticipate, the share price will likely have difficulty attaining our target price. Conversely, if the impact of any of these upside risks is greater than we anticipate, the stock could exceed our target price.

## Credit Agricole SA

### Company description

Credit Agricole SA is the quoted entity within the Credit Agricole Group. CASA acts as the central bank of the group, coordinates its sales and marketing strategy and ensures the liquidity and solvency of each of the Caisse Regionales. CASA, through its product subsidiaries, designs and manages specialised financial products such as insurance and consumer credit to the retail network of the Group and via third-party channels.

## Investment strategy

We have a Neutral rating on Credit Agricole. It has a leading position in the growing domestic life insurance market and has used France as a base to expand across Europe in consumer credit and specialised financial services. Its retail network is the largest in France and its revenue and volume growth remain resilient. The bank is withdrawing from the riskier CIB lines and focusing on lower risk activities.

## Valuation

We use a two-stage dividend discount model (DDM) to value CASA, including the present value of 2012-15E dividends, a terminal value assuming zero growth at the over-the-cycle underlying RoE as well as the expected capital surplus in 2015E (adjusted to the discount we apply on the switch mechanism). We use a Cost of Equity of 11.6% based on the company's business mix. We cross-check this valuation using: (1) justified price to book valuation, (2) comparable P/E valuation relative to the banks sector and (3) comparable P/E valuation relative to CASA's historical trading range and growth prospects. Our target price on this basis is €7.5.

## Risks

The key risks to our investment thesis on CASA are: (1) The complexity of the group and its financials, (2) large exposure to the challenged banking markets of Southern Europe, (3) funding risk, (4) operational and financial leverage, and (5) acquisition risk.

If any of these risk factors has a greater downside impact than we anticipate, the share price will likely have difficulty attaining our target price. Conversely, if the impact of any of these upside risks is greater than we anticipate, the stock could exceed our target price.

## Natixis

### Company description

Natixis is the quoted entity within the BPCE group. Natixis' core businesses are: 1) Wholesale banking (FICC, equities, financing), 2) Investment solutions (leading international asset manager, insurance), and 3) Specialised financial services, which includes consumer finance operations. Natixis also owns Coface, the leading credit insurer.

### Investment strategy

We have a Buy rating on Natixis. Natixis has significantly improved its balance sheet and operations to reduce its risk profile and return capital to shareholders. After its recently agreed disposal of retail operations, we expect Natixis to further reduce its non-core assets (financial stakes & legacy assets) and focus on improving the profitability of its core businesses in wholesale banking, investment solutions and specialised financial services.

### Valuation

We use a two-stage dividend discount model (DDM) to value Natixis, including the present value of 2012-15E dividends, a terminal value assuming zero growth at the sustainable RoE and the estimated excess capital in 2015E. We use a Cost of Equity of 11.8% based on the company's business mix and adjusted to funding risks

on CIB. We cross-check this valuation using: (1) justified price to book valuation; and (2) comparable P/E valuation relative to the banks sector. On this basis, we set our target price at €4.

## **Risks**

The key risks to our investment thesis on Natixis include: (1) complexity of the group and its financials, (2) operational and financial leverage (including funding risks), (3) the high reliance on activities related to markets (capital markets, asset management) ; (4) the execution risk of the bank's strategy plan.

If any of these risk factors has a greater downside impact than we anticipate, the share price will likely have difficulty attaining our target price. Conversely, if the impact of any of these upside risks is greater than we anticipate, the stock could exceed our target price.

**Notes**

**Notes**

**Notes**



## Appendix A-1

### Analyst Certification

The research analyst(s) primarily responsible for the preparation and content of this research report are named in bold text in the author block at the front of the product except for those sections where an analyst's name appears in bold alongside content which is attributable to that analyst. Each of these analyst(s) certify, with respect to the section(s) of the report for which they are responsible, that the views expressed therein accurately reflect their personal views about each issuer and security referenced and were prepared in an independent manner, including with respect to Citigroup Global Markets Inc and its affiliates. No part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) expressed by that research analyst in this report.

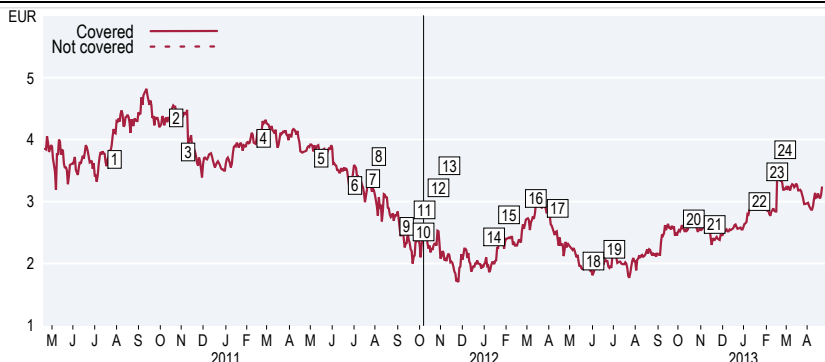
### IMPORTANT DISCLOSURES

#### Natixis (CNAT.PA)

##### Ratings and Target Price History Fundamental Research

Analyst: Florent Nitu

Covered since June 4 2012



Date	Rating	Target Price	Closing Price
1 29-Jul-10	3H	*3.40	4.11
2 25-Oct-10	3H	*3.70	4.44
3 10-Nov-10	3H	*3.50	3.93
4 24-Feb-11	3H	*4.00	4.26
5 17-May-11	*2M	4.00	3.77
6 4-Jul-11	2M	*3.70	3.57
7 28-Jul-11	2M	*3.40	3.21
8 5-Aug-11	2M	*2.90	3.07

\* Indicates change

Date	Rating	Target Price	Closing Price
9 14-Sep-11	2M	*2.30	2.33
10 7-Oct-11	Stock rating system changed		
11 8-Oct-11	*2	2.30	2.42
12 28-Oct-11	2	*2.60	2.52
13 14-Nov-11	2	*2.20	2.13
14 16-Jan-12	2	*2.00	1.99
15 6-Feb-12	2	*2.50	2.42
16 14-Mar-12	2	*3.10	2.95

Date	Rating	Target Price	Closing Price
17 13-Apr-12	2	*2.70	2.39
18 4-Jun-12	2	*1.90	1.85
19 3-Jul-12	2	*2.20	2.21
20 23-Oct-12	2	*2.80	2.60
21 21-Nov-12	2	*2.60	2.38
22 23-Jan-13	2	*3.10	2.88
23 18-Feb-13	*1	*3.80	3.48
24 28-Feb-13	1	*4.00	3.19

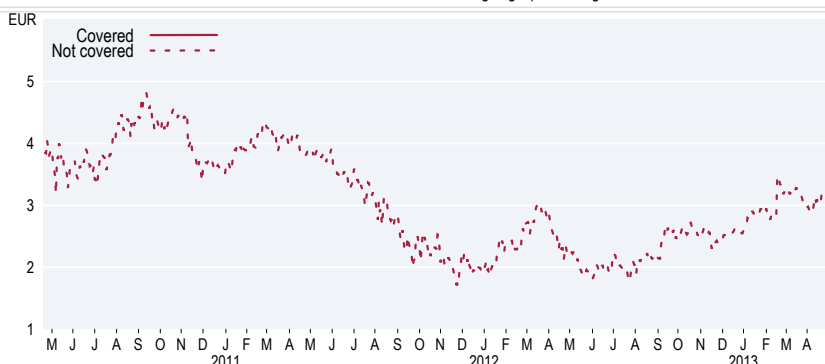
Rating/target price changes above reflect Eastern Standard Time

#### Natixis (CNAT.PA)

##### Ratings and Target Price History Best Ideas Research Relative Call (3 Month)

Analyst: Florent Nitu

Covered since June 4 2012



\* Indicates change

Rating/target price changes above reflect Eastern Standard Time

## BNP Paribas SA (BNPP.PA)

### Ratings and Target Price History Fundamental Research

Analyst: Kinner Lakhani

Covered since June 17 2010



Date	Rating	Target Price	Closing Price
1 21-Jun-10	1M	*60.00	50.32
2 29-Jul-10	1M	*62.00	53.40
3 4-Aug-10	1M	*66.00	55.89
4 25-Oct-10	1M	*64.00	52.84
5 22-Feb-11	1M	*67.00	55.56
6 5-May-11	1M	*69.00	53.98
7 4-Jul-11	1M	*65.00	53.95

\* Indicates change

Date	Rating	Target Price	Closing Price
8 28-Jul-11	1M	*64.00	46.40
9 14-Sep-11	1M	*44.00	26.90
10 7-Oct-11	Stock rating system changed		
11 8-Oct-11	*1	44.00	31.55
12 28-Oct-11	1	*40.00	36.35
13 16-Jan-12	1	*38.00	32.31
14 5-Feb-12	1	*47.00	35.20

Date	Rating	Target Price	Closing Price
15 13-Apr-12	1	*43.00	30.40
16 23-Oct-12	1	*47.00	40.05
17 8-Nov-12	1	*50.00	40.05
18 23-Jan-13	1	*57.00	45.12
19 15-Feb-13	1	*60.00	46.01

Rating/target price changes above reflect Eastern Standard Time

## BNP Paribas SA (BNPP.PA)

### Ratings and Target Price History Best Ideas Research Relative Call (3 Month)

Analyst: Kinner Lakhani

Covered since June 17 2010



Date	Rating	Target Price	Closing Price
1 11-May-11	*ADD MP	-	54.62
2 30-Jun-11	*REM MP	-	53.23

\* Indicates change

Date	Rating	Target Price	Closing Price
3 9-Aug-11	*ADD MP	-	39.34
4 10-Apr-12	*REM MP	-	31.00

Date	Rating	Target Price	Closing Price
5 4-Jan-13	*ADD MP	-	44.39

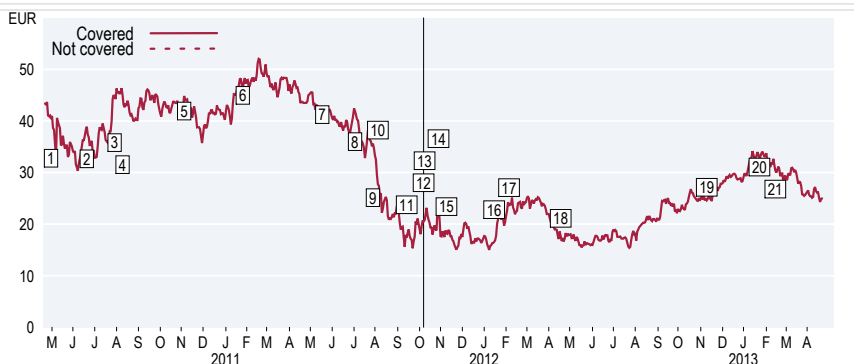
Rating/target price changes above reflect Eastern Standard Time

## Societe Generale (SOGN.PA)

### Ratings and Target Price History Fundamental Research

Analyst: Kinner Lakhani

Covered since June 17 2010



Date	Rating	Target Price	Closing Price
1 30-Apr-10	1M	*52.00	40.40
2 21-Jun-10	1M	*50.00	38.89
3 29-Jul-10	1M	*54.00	44.71
4 10-Aug-10	1M	*57.00	45.07
5 4-Nov-10	1M	*59.00	44.85
6 26-Jan-11	1M	*62.00	46.07
7 18-May-11	1M	*60.00	41.93

\* Indicates change

Date	Rating	Target Price	Closing Price
8 4-Jul-11	1M	*56.00	41.87
9 28-Jul-11	1M	*55.00	35.61
10 4-Aug-11	1M	*50.00	27.70
11 14-Sep-11	1M	*38.00	17.39
12 7-Oct-11	Stock rating system changed		
13 8-Oct-11	*1	38.00	20.51
14 28-Oct-11	1	*35.00	23.39

Date	Rating	Target Price	Closing Price
15 9-Nov-11	1	*33.00	18.20
16 16-Jan-12	1	*28.00	16.55
17 6-Feb-12	1	*32.00	23.55
18 18-Apr-12	1	*30.00	17.64
19 9-Nov-12	1	*32.00	24.62
20 23-Jan-13	1	*41.00	32.34
21 14-Feb-13	1	*40.00	30.41

Rating/target price changes above reflect Eastern Standard Time

## Societe Generale (SOGN.PA)

### Ratings and Target Price History

#### Best Ideas Research

#### Relative Call (3 Month)

Analyst: Kinner Lakhani

Covered since June 17 2010



	Date	Rating	Target Price	Closing Price
1	11-Feb-11	*ADD MP	-	48.40
2	11-May-11	*REM MP	-	42.98

\* Indicates change

	Date	Rating	Target Price	Closing Price
3	30-Jun-11	*ADD MP	-	40.92
4	9-Aug-11	*REM MP	-	26.02

	Date	Rating	Target Price	Closing Price
5	2-Mar-12	*ADD MP	-	25.40
6	4-Jan-13	*REM MP	-	29.33

Rating/target price changes above reflect Eastern Standard Time

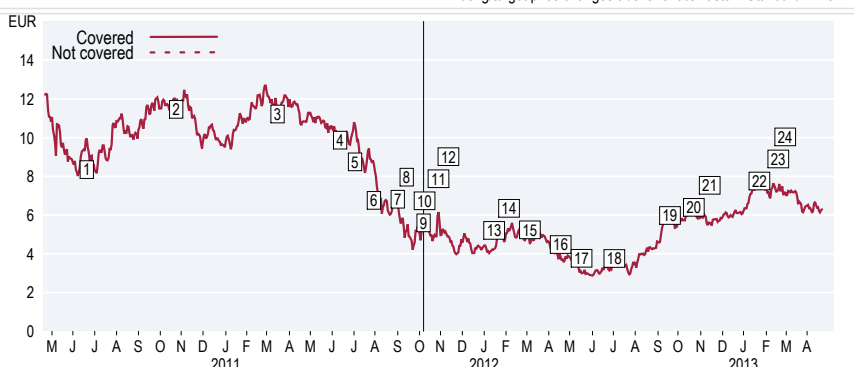
## Credit Agricole SA (CAGR.PA)

### Ratings and Target Price History

#### Fundamental Research

Analyst: Florent Nitu

Covered since July 10 2012



	Date	Rating	Target Price	Closing Price
1	21-Jun-10	2M	*10.50	9.96
2	25-Oct-10	2M	*11.50	11.91
3	16-Mar-11	2M	*12.00	11.29
4	13-Jun-11	2M	*11.10	10.01
5	4-Jul-11	2M	*10.80	10.65
6	29-Jul-11	2M	*9.60	8.62
7	1-Sep-11	2M	*7.00	6.68
8	14-Sep-11	2M	*5.30	5.22

\* Indicates change

	Date	Rating	Target Price	Closing Price
9	7-Oct-11	Stock rating system changed		
10	8-Oct-11	*2	5.30	5.36
11	28-Oct-11	2	*6.20	6.16
12	11-Nov-11	2	*5.00	4.90
13	16-Jan-12	2	*4.30	4.25
14	6-Feb-12	2	*5.80	5.18
15	6-Mar-12	2	*5.30	4.51
16	18-Apr-12	2	*4.30	3.82

	Date	Rating	Target Price	Closing Price
17	17-May-12	2	*3.10	3.00
18	3-Jul-12	2	*3.70	3.75
19	19-Sep-12	2	*6.40	5.79
20	23-Oct-12	2	*6.70	6.10
21	14-Nov-12	2	*6.10	5.54
22	23-Jan-13	2	*8.40	7.32
23	19-Feb-13	2	*8.20	7.32
24	28-Feb-13	2	*8.00	7.20

Rating/target price changes above reflect Eastern Standard Time

## Credit Agricole SA (CAGR.PA)

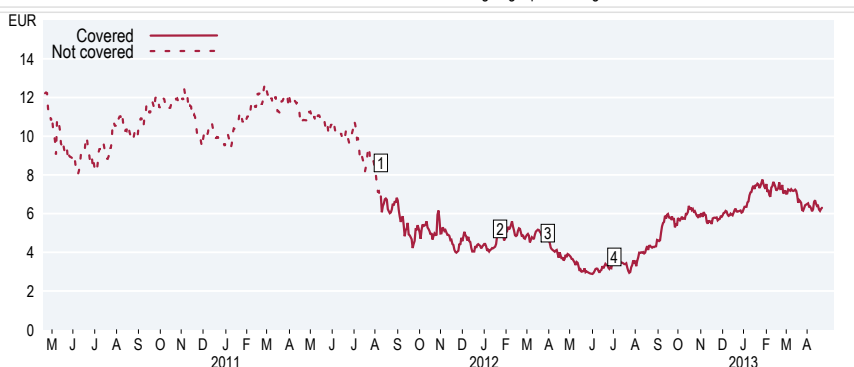
### Ratings and Target Price History

#### Best Ideas Research

#### Relative Call (3 Month)

Analyst: Florent Nitu

Covered since July 10 2012



	Date	Rating	Target Price	Closing Price
1	9-Aug-11	*ADD LP	-	6.89
2	24-Jan-12	*REM LP	-	5.00

\* Indicates change

	Date	Rating	Target Price	Closing Price
3	30-Mar-12	*ADD LP	-	4.66
4	3-Jul-12	*REM LP	-	3.75

Rating/target price changes above reflect Eastern Standard Time

Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of BNP Paribas SA

Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of Societe Generale

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