23 October 2012 │ 40 pages

Banks (Citi)
Europe | France

Slowdown Not Showdown

French Retail Banking in Austere Times

■ Industry Overview

- **Austere Times** — Our economists expect 2013 to be the second year of 'no growth' for France. If anything, meeting deficit targets may require further austerity. French retail banking will not be immune. However, it will remain a relatively stable 'cash cow', in our view.
- **Sluggish Top-Line Offset By Cost Control** — Credit growth is weakening (c2%) although robust deposit growth (c9%) helps to protect net interest margins (see *Avoiding the Margin Cliff*, 3 July 2012) & further close the funding 'gap'. Regulatory reform may continue to weigh although the worst of the pressure from weak market-sensitive fees & commissions may be behind us (Figure 32). Continued cost control and positive operating jaws should largely 'protect' operating profit.
- **Provisioning Cycle Turns Further** — We expect a further increase in French retail provisioning towards 45-50bps in 2013E, from c40bps in 2012E and c30bps in 2011. This increase should have a relatively moderate impact (c5-7% headwind) on retail operating earnings. Moreover, 'kicking the tyres' to peak provisioning levels (2009) would have a manageable 1-6% impact on Group earnings (Figure 23).
- **Q3 Preview: Capital Markets in Spotlight** — 3Q12 should be characterized by a further, well-documented 'soft landing' in French retail (Figure 31). We expect relative strength in capital market revenues notably driven by strong debt issuance, better rates and recovering equity derivatives (*Banking on Markets - 26th Edition*, 19 October 2012). Moreover, French banks have generally significantly exceeded their 2012 funding plans, with recent funding costs closer to 1H11 levels (Figure 9).
- **Overweight French banks, Prefer SocGen and BNP Paribas** — We continue to be Overweight on French banks and believe that concerns on capital, deleveraging and regulatory risk are overdone. Potential regulatory forbearance on LCR in late-2012 could be supportive. Our preference is for BNP Paribas and notably SocGen (Most Preferred) where we believe that capital concerns are overdone & potential disposals, including that of NSGB (Egypt) could significant accelerate the 9% B3 timeline from end-2013. See page overleaf for updated forecasts & TP.

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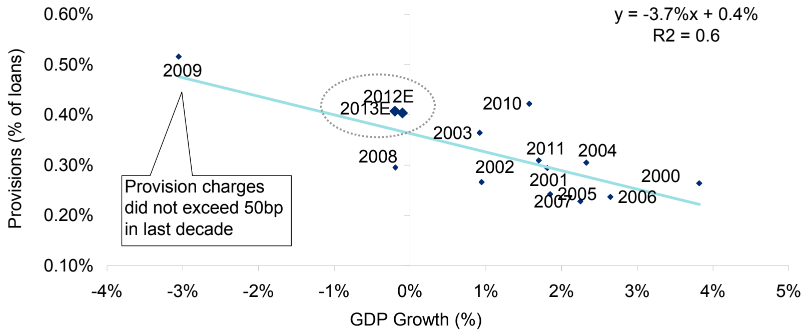
Figure 1. Provisions should remain moderate (we forecast 45-50bp in 2013E)



Source: Company reports, dataStream, Citi Research Estimates

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

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Figure 2. Changes to Forecasts

		Rating		Target Price		Current Year Earnings Estimates	
Company	**Ticker**	**Old**	**New**	**Old**	**New**	**Old**	**New**
BNP Paribas	BNPP.PA	1	1	€43.00	€47.00	€5.86	€5.53
Societe Generale	SOGN.PA	1	1	€30.00	€30.00	€2.35	€1.77
Credit Agricole	CAGR.PA	2	2	€6.40	€6.70	€0.11	€-0.41
Natixis	CNAT.PA	2	2	€2.20	€2.80	€0.26	€0.27

Source: Powered by dataCentral.

Figure 3. French Banks – Valuation Metrics

Bank	RIC	Rec	Curr	Now	Target	Share Price +/-%	2012E	2013E	$bn
BNP Paribas SA	BNPP.PA	Buy	E	**40.9**	47.0	+15%	7.4x	7.7x	51
Societe Generale	SOGN.PA	Buy	E	**26.0**	30.0	+15%	14.7x	6.4x	20
Credit Agricole SA	CAGR.PA	Neutral	E	**6.2**	6.7	+7%	<0	5.0x	16
Natixis	CNAT.PA	Neutral	E	**2.7**	2.8	+5%	10.0x	7.8x	8

Source: dataCentral, Citi Research

I. French Banking Still Relatively Attractive

We dive into the impact from the weakening economy on French retail banking, both directly (growth, provision) and indirectly (sovereign impact on borrowing costs and cost of equity). Overall, we continue to believe that French retail banking remains relatively attractive compared to other Eurozone countries in light of lower household leverage and conservative lending policies, robust deposit growth and relatively high profitability.

The Macro View: The Weight of Austerity

Worrying signs on the economy: flat 1H GDP growth, business confidence back to 2009 levels and rising unemployment

The French economic engine is rapidly slowing down. In 1H12, GDP growth was flat on an annualized basis compared to 0.5% in 2H11 and a relatively healthy 1.9% in H1 2011. Economic sentiment and other surveys of business confidence are well below historical averages: the composite flash PMI for September recorded a drop of 4.8 points to 44.1, its lowest reading since April 2009. Unemployment is also a concern, rising at a slightly faster pace than other soft core countries and the gap with Germany is becoming considerable. This highlights a gradual erosion of competitiveness (mostly due to differences in the product mix) that will require the government to lower the cost of labor in our view.

-0.2% GDP growth in 2013E according to our economists vs consensus +0.3%, government +0.8%

Our economists remain more cautious than consensus on French GDP forecasts in 2013E (-0.2% vs consensus +0.3%, government +0.8%), partly due to their 60% probability of a Grexit in the coming 12-18 months and the (manageable but tough) contagion effects that would follow this event. The absence of Grexit would possibly lead to growth similar to consensus expectations.

3% deficit target means additional austerity measures are likely…

The French government's 3% deficit target is critical. As the government adjusts growth expectations, it will likely pass additional austerity & structural measures in order to impress investors & rating agencies (e.g. -0.2% growth would imply an extra €18bn of fiscal tightening) – possibly in early 2013.

…except if EU agreement to delay austerity

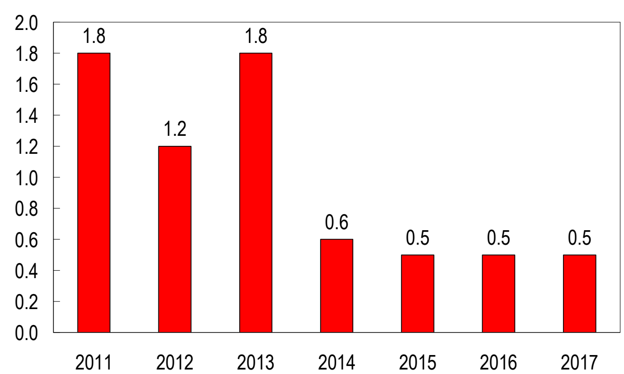
The alternative to additional austerity would be for HoSHoGs (Heads of States & Governments) to decide that the protection of the euro area's 2013 GDP growth is paramount once the Fiscal Compact Treaty has been fully ratified, allowing member states to focus on slightly smaller structural budget deficit adjustments. More details in our economists' report '*2013 Budget: Structurally Austere, But Doubtful Targets*'.

Figure 4. Sluggish French Economic Outlook

		2011	2012F	2013F
Real GDP	YoY	1.70%	-0.10%	-0.20%
Final Domestic Demand	YoY	0.9	0.2	0.2
Private Consumption	YoY	0.3	-0.2	0.2
Fixed Investment	YoY	3.6	0.3	-0.3
Exports	YoY	5.5	2.4	1.8
Imports	YoY	5.2	1.2	1.9
CPI	YoY	2.1	2.1	1.4
Unemployment Rate	%	9.2	9.8	10.0
Current Account	€bn	-39.2	-34.3	-17.7
	% of GDP	-2.0	-1.7	-0.9
General Govt. Balance	€bn	-103.1	-89.8	-77.6
	% of GDP	-5.2	-4.4	-3.7
Primary Balance	% of GDP	-2.6	-2.2	-1.5
General Govt. Debt	% of GDP	86.0	93.9	98.6

F Citi forecast. YoY Year-to-year growth rate. Note: Forecasts for GDP and its components are calendar adjusted. Sources: INSEE and Citi Research

Figure 5. Economy Weighed by Austerity: Change in French Structural Deficit (%)



Sources: French Audit Court of Accounts

The Rates View: Better Outlook than in 2011

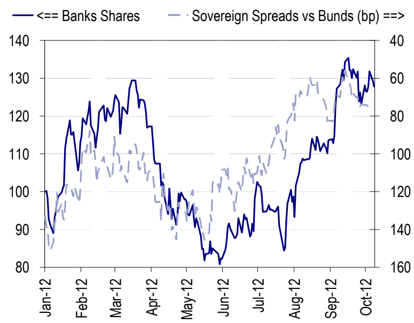
The relationship between French sovereign rates and bank funding costs (and also share prices – see Figure 6) remains strong. With this relationship in mind, we summarize our interest rates strategists' views on French government bonds (more details in '*International Interest Rate Strategist - Focus on France*', 27 Sept.):

- **2012: Non-Residents Supported Yields** – Over 2011-12, the share of non-resident investors in French bonds has been resilient, declining to c55% in 1Q12 – close to its average over the decade (Figure 7). Over the year, strong demand for OATs has been supported by central banks diversifying away from peripheral EMU debt, the Swiss National Bank's (SNB) defense of the EUR/CHF peg, Japanese banks' carry trade as well as hedge funds' short-covering of positions on French bonds contracted in late 2011.

- **2013: Yields Could be Helped by Domestic Demand** – French banks' holdings of domestic government bonds remain lower than European peers (Figure 8). Our rates strategists therefore believe that domestic investors will play a central role in the event of rising sovereign risk premia.

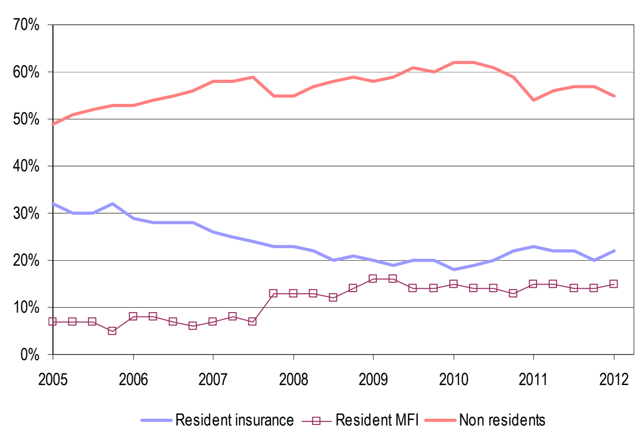
- **Longer Term: More Credit Rating Downgrades Likely** – Our strategists expect Moody's to place France's sovereign rating on review for possible downgrade followed by a one-notch cut (to Aa1), based on expectations for a Grexit (now expected around 1H14 see *Sovereign Ratings Outlook*, 25 July). Over the next 2-3 years, they expect France's rating to reach AA/Negative for S&P (from AA+ Negative today) and Aa1/Negative for Moody's (from Aaa today).

Figure 6. Sovereign Rates Still Matter to Bank Share Prices



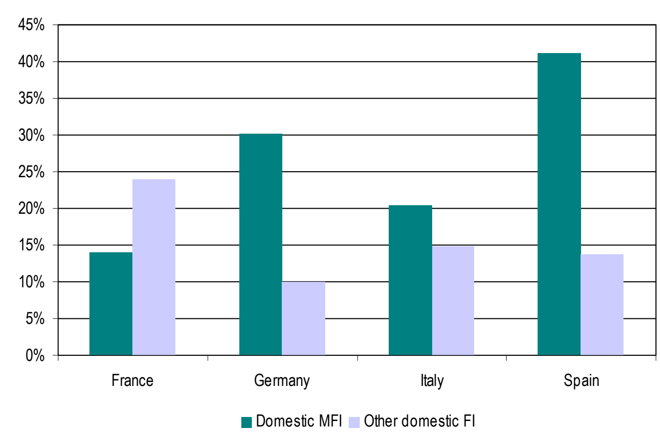
Source: Citi Research, DataStream, Bloomberg
Note: Indexed 4 listed French Banks Share prices (1 Jan 2012 = 100) vs French 10Y sovereign spreads vs bunds

Figure 7. Resilient Non-Resident Holdings of French Sovereign Bonds



Source: AFT, Citi Research

Figure 8. Holdings of Domestic Bonds Relatively Low at French Banks



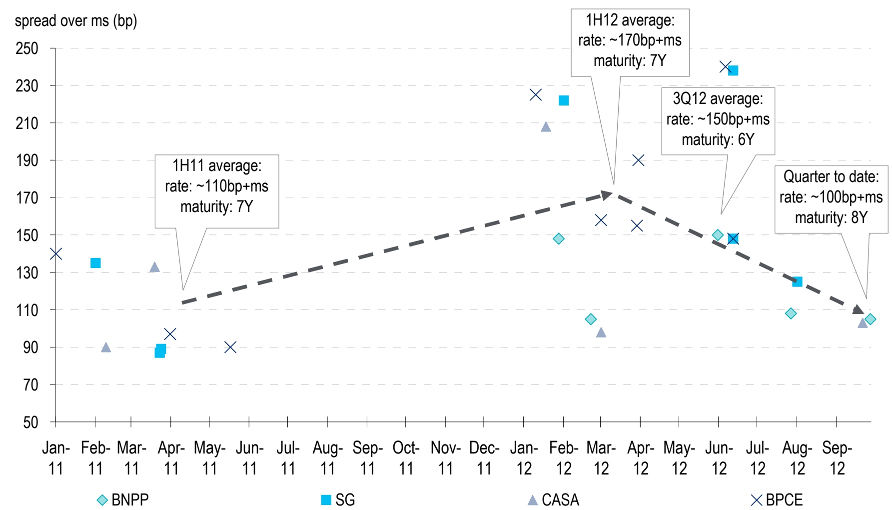
Source: AFT, Buba, Bank of Italy, Bank of Spain, Citi Research

Funding Ahead Of Plans, Cost 'Normalising'

Funding costs have fallen sharply and excess liquidity weighs – LTRO reimbursement is an option

Banks' issuance remains strong, with costs declining to levels last seen in early 2011 (Figure 9). Banks have also issued far more than their requirement in 2012 (Figure 10). Together with LTRO funding, BNP Paribas highlighted that excess liquidity cost the bank €55m in 2Q12. We believe that some French banks may consider the opportunity to repay the LTRO, with LTRO 1 offering an early repayment option in December.

Figure 9. (Public) Wholesale Borrowing Costs Back to 2011 Levels



Source: Dealogic, Citi Research
Note: Based on unsecured bonds price data available from Dealogic. Averages are imperfect measures given the small size of samples, but offers insights on trends

Figure 10. 140-180% of 2012 Medium & Long Term Funding Target Met for BNPP, SG & CASA

	2010 Target	2011 Target	2012 Target	2012 Achieved (ex LTRO)
BNP Paribas	€30bn	€35bn	€20bn	€28bn (140%) at 7 Sept.
SocGen	€28bn	€26bn	€10-15bn	€18.8bn (150%) at 17 Sept.
CASA	€25bn	€27bn (€22bn market, €5bn retail)	€12bn market	€16.6bn (180%) as at Sept.
BPCE		€33bn	€18bn	€16bn (91%) at 30 Sept.

Source: Company Reports and Citi Research

Micro View: Remain Constructive, Watching Risks

French retail banking attractive in Eurozone context thanks to low household debt and smooth LDR deleveraging from strong deposit growth

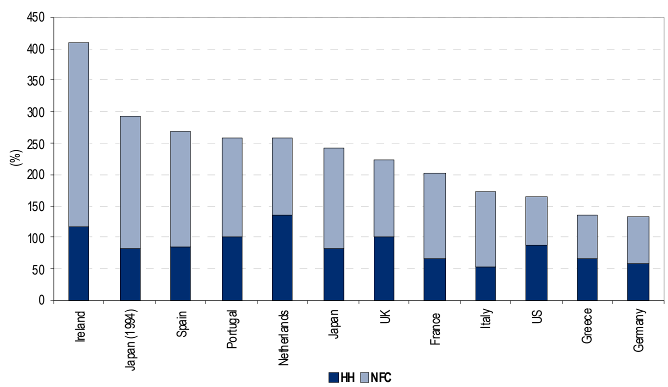
In the Eurozone context, we remain constructive on the near-term outlook of French retail banking, particularly compared to other Euro Area countries:

- **Private leverage remains manageable** – French household leverage is one of the lowest of advanced economies (67% of GDP vs c90% for sample - Figure 11). Corporate leverage (136% of GDP) is more comparable to the average (140%) and could be partly driven by a high number of large French multinationals.

- **LDR deleveraging helped by deposit growth** – We believe that markets with high levels of off-balance sheet savings pools benefit from 'natural' deleveraging. Like the US, we believe that France has been a beneficiary of a significant shift from US MMFs to deposits (Figure 12), allowing its loan-to-deposit ratio to decline from c140% to a more manageable c120% today. This ratio should further decline as deposit growth (up 9% yoy in July) continues to outpace loan growth (c2%, respectively) - see our accompanying *'French Big Picture'* report.

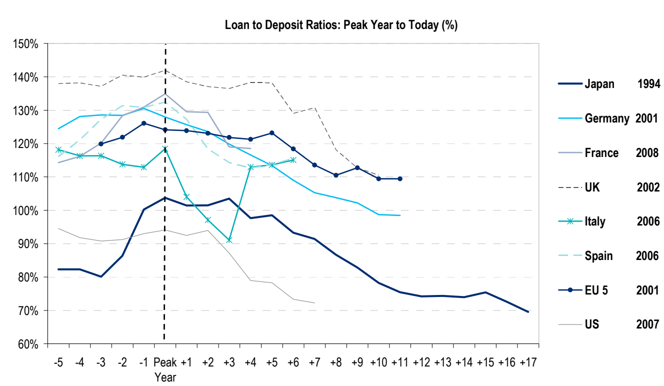
- **Still a Cash Cow** – Although under pressure from the weak economy (subpar revenue growth, provisioning cycle), the French retail banking model remains intact, in our view, with RoE remaining above 15-20% (Figure 15).

Figure 11. Leverage is Low for French Households, Comparable to Peers for Corporates (% of GDP)



Source: National Central Banks, Citi Research; Note: Household & Non-Financial Sector Leverage – Major European Countries, US and Japan (% of GDP)

Figure 12. Rapid French LDR Improvement (from c140% to c120%) Supported by Shift from Savings Pools



Source: National Central Banks, Citi Research
Note: Italian data restated in 2010

Key risks to French retail P&L (sluggish revenue, provision cycle and regulatory reforms) are manageable

Better prepared for tail risks on funding

We see the following (French specific) **risks**:

- **Sluggish revenue growth**: We forecast -0.5 to -1% revenue decline in 2013E - subpar to historical trends compared to nominal GDP growth (Figure 14).

  – **Volume slowdown to continue** but remain positive and with further LDR improvement.

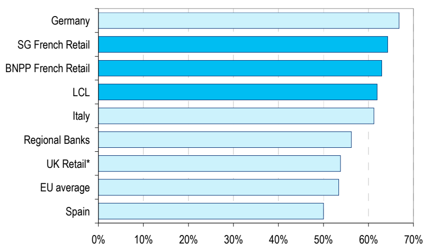
  – **Net interest margins should see modest pressure**. Negative pressure comes from declining reinvestment yields, further deterioration in the deposit mix and deposits not re-pricing as rapidly as loans. This should be partly offset by ongoing replacement of (pricier) wholesale funding with deposits through asset re-pricing. See our detailed analysis on margin trends in *Avoiding the Margin Cliff* (July 2012).

– **Banking & financial fees & commissions (F&C) to remain at low levels**: Weak client risk appetite and regulatory pressure should continue to weigh on F&C. However, the recent recovery in markets could decelerate this trend.

- **Provisioning cycle to be tame** – The key driver for NPLs, and therefore provisions, remains GDP growth (Figure 16). Based on historical trends, we therefore expect provisions at 40-50bp vs c40 bps in 2012E. More details below.

- **Cost Opportunity?** Structurally, cost income ratios in French retail remain higher than international peers (Figure 13). We expect no dramatic change in the near future, not least due to the sensitive issue of employment. However, declining revenue could act as a catalyst to accelerate cost measures, in our opinion.

Figure 13. French retail C/I ratios high



Source: ECB, Company Reports and Citi Research
Note: 1H12 cost-to-income (C/I) ratios; *UK Retail based on UK retail operations of RBS, Barclays and Lloyds; EU average is linear average of 27 banks from countries

- **Reforms to regulated savings could hurt liquidity**: We remain uncomfortable with the Government's appetite for the sizeable French savings. Beyond the increase of the ceiling of regulated accounts, the government aims a more comprehensive reform at the end of the year to pursue its policies, such as municipal lending. This could imply a lowering of the commission paid on deposits centralized at the government's CDC and a widening of regulated accounts. We believe the direct impact (additional deposits centralized and lost revenue) should be manageable, but we are more concerned about the indirect impacts, in particular if deposit growth slows down.

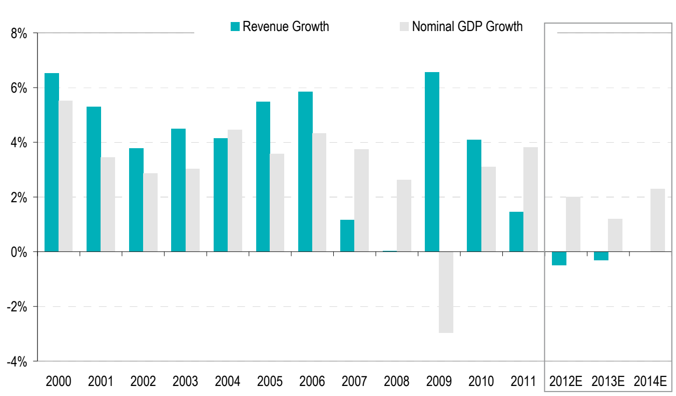
- **Increased taxation & other banking reforms**: As mentioned above, the government's 3% deficit target is likely to result in additional austerity measures – and possibly additional taxes affecting banks. We discuss structural reforms in the section *Separation of 'Speculative Activities': Work-in-Progress*.

- **Better prepared for funding tail risks**

  – **Deposit war remains key risk, but unlikely**, given (i) robust deposit growth, (ii) considerably lower pressure on wholesale funding (vs late 2011), (iii) central bank warnings, (iv) the oligopolistic banking structure.

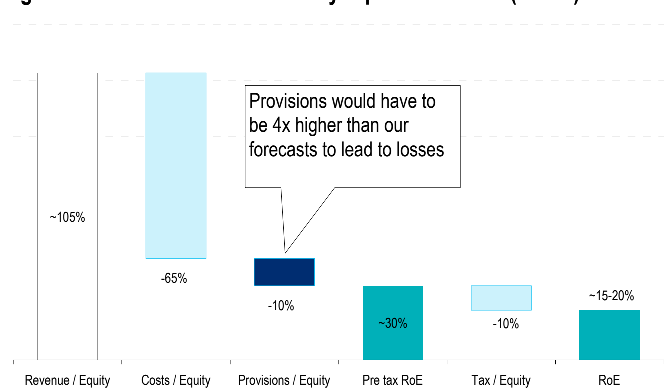
  – **Resurging €-zone stress**: A reversal in the improvement of bank wholesale funding costs is possible, but as demonstrated over 1H12 this is surmountable with (a) high levels of pre-funding, (b) higher reliance on covered bonds and private placements, (c) lower funding requirements driven by deleveraging, (d) optionality of access to central bank funding.

Figure 14. Revenue Growth to Remain Subpar to Historical Trends



Source: Company Reports and Citi Research Estimates

Figure 15. French Retail Profitability Equation is Solid (2013E)



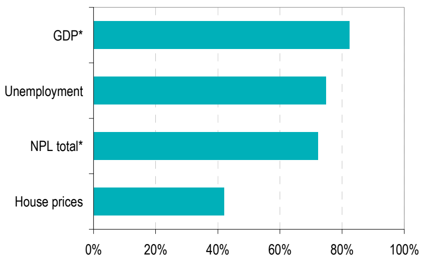
Source: Company Reports and Citi Research Estimates
Note: Based on SG, BNPP, LCL; equity = 9% of RWA

Focus on French Retail Provisions

We continue to expect a moderate increase of **provisions, reaching 45-50bp vs c40bp in 2012E** and c30bp in 2011, based on our economists' -0.2% GDP growth forecast (Figure 18).

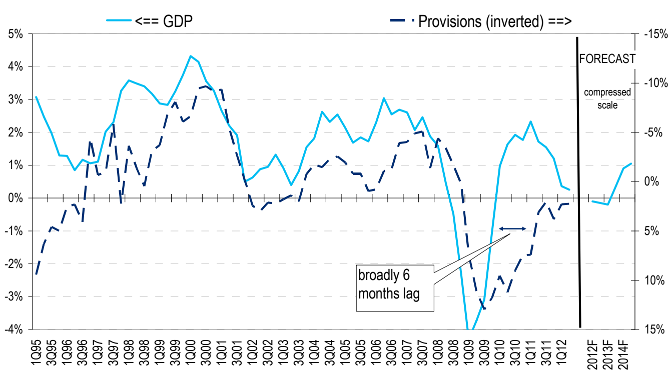
- **SMEs** are likely to **drive provision charges in 2012E**. This is because of SMEs' higher sensitivity to GDP growth (Figure 19). Furthermore, smaller corporates (Figure 22) could also suffer more in the early stages of a downturn.
- We remain **cautiously comfortable with household loans**, at this stage. This is because we do not forecast significant changes in the key drivers of mortgage loan losses: unemployment, level of interest rates and change to household income.
- **(Moderate) house prices changes should have a manageable impact**. We reiterate the arguments that we view mortgage lending as being conservative (with moderate LTV, lending based on income, fixed rates, guarantee mechanisms, recourse) and supported by robust demand (driven by low interest rates, favourable demographics and housing formation, low debt levels and high savings rates). Conservative lending policies in the run up to this probable recession should also allow for moderate deterioration. According to FNAIM (federation of real estate agencies) French house prices have declined by 1% ytd and could decline by 5% in 2013.
- Our **stress test** assumes a worsening of the economic situation in 2013E which would lead to economic growth similar to 2009E (-3%) and when house prices fell by 8%. This would take out 1-6% of group earnings (Figure 23 for details).

Figure 16. GPD Growth Best Predictor for Provision Reserve Growth Historically



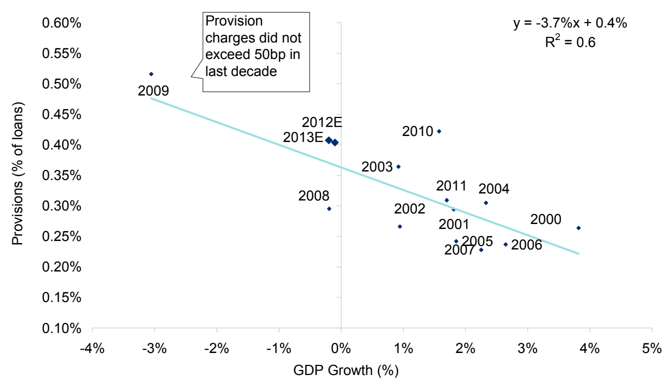
Source: Citi Research, BdF,
Note: Correlation 1997-2012; * 6 months lead

Figure 17. GDP Forecasts Suggest Provision Growth will be Moderate Next Year



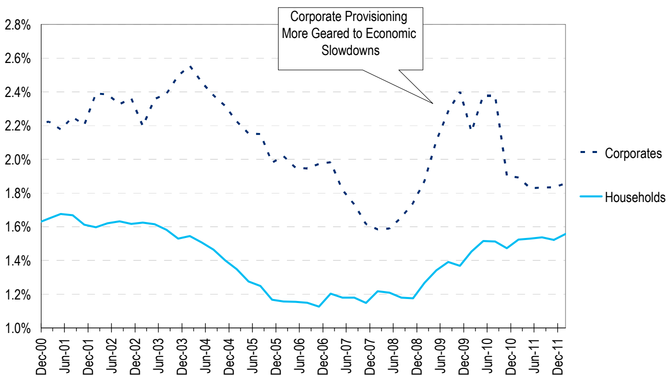
Source: Banque de France, DataStream, Citi Research

Figure 18. Regression Suggests Provisions of c40-45bp in 2013E from c40bp in 2012E (we forecast c45-50bp)



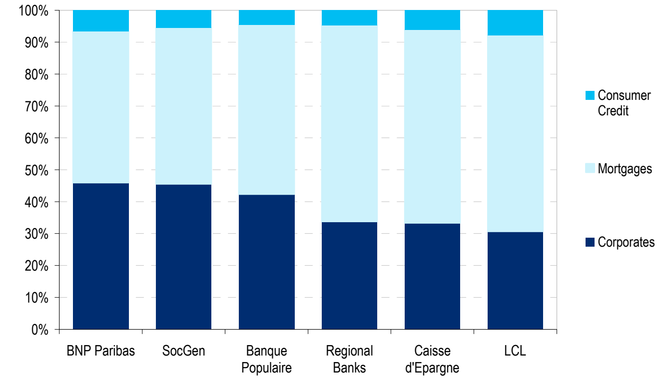
Source: Company Reports, DataStream, Citi Research;
Note: Based on average of BNPP, SG, LCL and regional banks

Figure 19. Business mix matters: provisions likely to be driven by corporates…



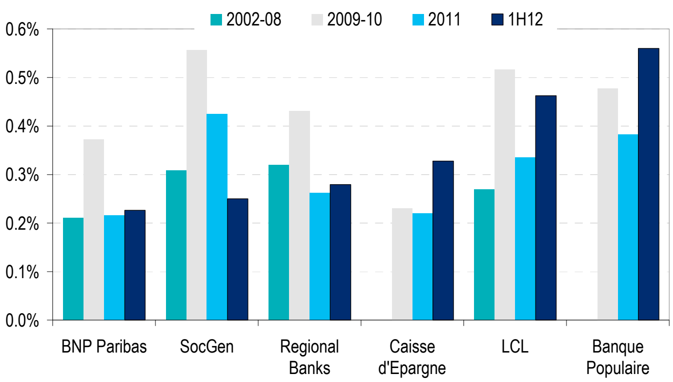
Source: Banque de France, DataStream, Citi Research
Note: French system data; Provision Reserves / Loans

Figure 20. …business mix not significantly different between banks…



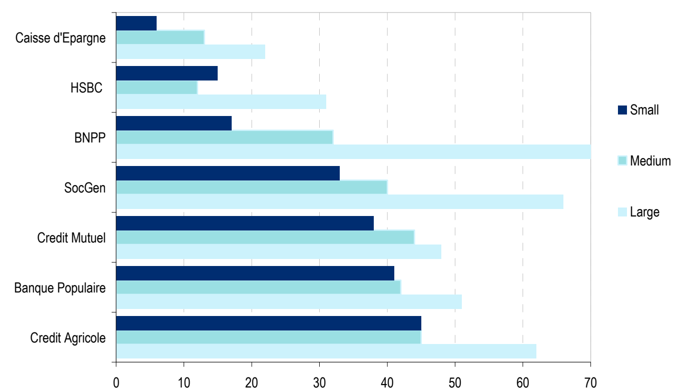
Source: Company reports and Citi Research

Figure 21. …but slight variations between banks in provisioning levels…



Source: SocGen, TNS Sofres survey, 2009
Note: SE : revenue €1.5-7.5m ; ME : revenue €7.5-75m ; LC : revenue>€75m

Figure 22. …likely explained by degree of exposures to smaller corporates…



Source : Socgen, TNS Sofres survey 2009
Note: % penetration with corporates by size; SE : revenue €1.5-7.5m ; ME : revenue €7.5-75m ; LC : revenue > €75m

Figure 23. Provisions reaching decade peak would hit 1-6% of group earnings

€bn	CASA (LCL & Regional banks)	SocGen	BNP Paribas	Natixis
Memo: 2013E French Retail Provisions	0.34%	0.53%	0.34%	0.46%
Stress: Provisions of Decade Peak (2009)	0.51%	0.60%	0.40%	0.39%
Stress (Post tax)	0.19	0.08	0.06	0
Memo: 2013E French Retail Net Profit	0.8	1.3	1.2	0.0
Net Income 2013E	3.1	3.4	6.4	1.1
Stress as % Net Income	6%	2%	1%	0%

Source: Company Reports and Citi Research Estimates

II. Regulatory Update: IB Split & Liquidity

Regulatory uncertainty remaining: (i) Separation of 'speculative activities', (ii) Liquidity ratios. We believe focus will be on preserving economic growth

Two regulatory overhangs remain on French banks. First, Hollande's promise to isolate 'speculative operations' has found a new twist with the findings of the Likkanen proposition. We however continue to lack a clear framework. Second, the requirements of the liquidity ratios, where we continue to see mounting pressure for 'recalibration' (i.e. significant watering down). On both topics, we remain relatively sanguine, given governments' focus on economic growth and the French track record of negotiating reforms that are manageable for all parties.

Separation of 'Speculative Activities': Work-in-Progress

Liikanen proposals are potentially significant – but implementation is likely to take time and Banking Union (EBU) should remain the priority

As we explained in *First-Take of Liikanen Group Proposals* (3 October), the key recommendation from Liikanen report are:

- **Trading book ring-fence**: two-step process; in the first stage banks with high levels of trading and available-for-sale assets (over €100bn or 15-25% of bank's total assets) are to be selected, before a second threshold — yet to be calibrated by the European Commission — is applied. We view the Liikanen approach more as a Volcker/Dodd Frank approach than a UK Vickers-style retail/wholesale split. The differentiating approach appears to be on whether a business is 'socially useful' or otherwise; financing, corporate hedging and underwriting operations do not require separation. We believe French banks' gearing to servicing corporates could alleviate the weight of these proposals (Figure 25).

- **Potentially more focus on leverage**: the Group also questioned whether current (Basel 3) leverage requirements are sufficient. Based on our US-style leverage analysis (Figure 26), CASA could be at risk in our view.

- Potentially **more robust risk-weights on the trading book & real estate assets**. This could include RWA 'floors' to ensure sufficient buffers against substantial property market stress. The Group also supports LTV (loan-to-value) and LTI (loan-to-income) 'caps'.

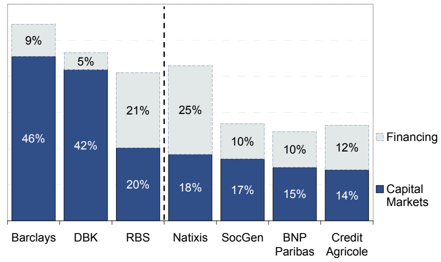
- **Emphasis on BRR** (Bank Recovery & Resolution) plans, including "a sufficiently larger layer of bail-inable debt"

Politicians' reactions suggest process will take time, particularly given the priority on the European Banking Union (EBU).

- **EU focus is on EBU**: The next step for the Commission is to decide which proposals to put forward. Such proposals would then also require an impact assessment before going for parliamentary approval. We suspect that the timing of implementation is likely to be a 'drawn-out' process. In the mean-time, we believe the European institutions' focus in on the implementation of the EBU.

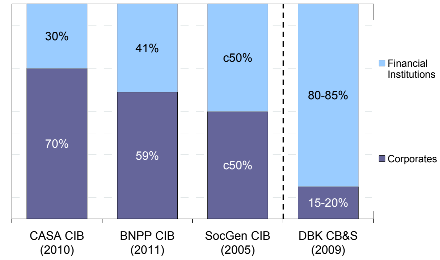
- **French government likely to propose 'own' reforms.** Officially, the French government targets reforms by year-end and has previously said it would consider ongoing EU reforms. However, first reactions post Liikanen report appear cautious; with the French Finance minister reiterating support for the universal banking model, but details remain scarce.

Figure 24. French Banks' CIB is Biased Towards Financing



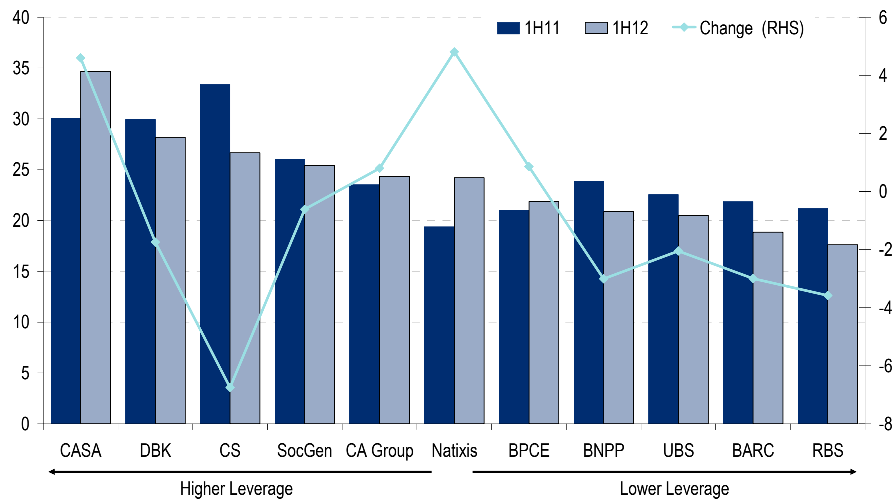
Source: Company Reports and Citi Research
Note: CIB Revenue as % Group Revenue, 9M11; Financing defined as loans to corporates and other transaction related services, where data is available

Figure 25. French Banks' CIB Relationships Biased Towards Corporates



Source: Company Reports and Citi Research
Note: Breakdown of CIB Revenue by Client Type; Considering the decrease in IB revenue, current share of revenue from Corporates is likely to have increased in 2011

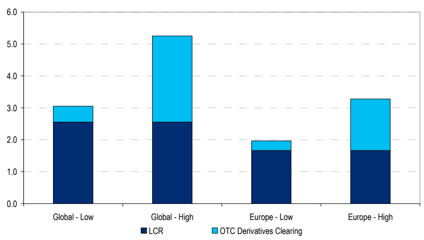
Figure 26. Comparative Adjusted Leverage Trends – 1H11 vs 1H12; CASA at Risk



Source: Company Reports and Citi Research Estimates
*Adjusted assets estimated as: reported assets - netted derivatives - insurance reserves – intra-group funding (for CASA) - netted repos - netted brokerage receivables; CS includes recent convertible issuance

Liquidity Ratios: Reiterate Constructive View

Figure 27. Potential Collateral Requirements from LCR & OTC Derivatives (US$)



Source: Citi Research, BIS, EBA, ISDA

As highlighted in *Banking on Europe* (5 September), banks and the financial system potentially facing a collateral 'crunch' from the trio of: i) banks' LCR (liquidity coverage ratio) requirements, ii) margin posting via CCP clearing as well as iii) on uncleared derivatives transactions. At the global level, we estimate global collateral needs of US$3-5trn, including US$2-3trn from Europe (Figure 27). This is at a time as Central Bank QE is removing high-quality collateral from the system.

We expect the Basel Committee to make **some adjustments** to the ratio, including the definition of the liquidity buffer, assumptions of deposit outflow as well as draw-down of liquidity lines:

We expect a significant recalibration of LCR requirements…

- **Broadening of Liquidity Buffer:** The LCR's definition of high-quality assets should be broadened with the Fed supporting efforts to move away from the current credit risk-based approach and towards a quantitative liquidity-based approach.
- **More Realistic Run-Off Rates:** Some of the assumptions embedded in the LCR about run rates of liabilities and the liquidity of assets might be grounded more firmly in actual experience during the crisis, as the LCR may overstate in particular the liquidity risks of commercial banking activities.
- **Counter-cyclical, Not Pro-cyclical:** The LCR could be better adapted to ensure usability of the high-quality liquid asset buffer in appropriate circumstances: for example, by making credibly clear that ordinary minimum liquidity levels need not be maintained in the midst of a crisis. As currently constituted, the LCR may have the unintended effect of exacerbating a period of stress by liquidity hoarding.

…with an announcement expected in the coming months

From a timing perspective, the LCR rules are due to be agreed by central bank governors and heads of supervision by January 2013 with an observation period over 2012-14, before 2015 implementation. In practice, we expect an earlier update from the Committee.

The LCR has been designed to require global banks to have sufficient high-quality liquid assets to withstand a stressed 30-day funding scenario specified by supervisors. The LCR numerator consists of a stock of unencumbered, high quality liquid assets that must be available to cover any net outflow, while the denominator is comprised of cash outflows less cash inflows (subject to a cap at 75% of outflows) that are expected to occur in a severe stress scenario.

III. 3Q12 Preview: IB in Spotlight?

Beyond one-offs (significant losses on own debt, impact from the disposal of Greek operations, further loan losses in CIB), 3Q focus is likely to be on (i) IB strength, (ii) provisioning trends and (iii) NIM pressure from excess liquidity and declining rates.

IB: Strong Recovery from Trading & DCM

Favourable trading conditions offsetting weak client demand

Although client activity remained relatively challenged, Fed QE3 and ECB OMT reducing euro zone 'tail risk' drove broad strength across fixed income and equity derivatives in Q3. More details in *Banking on Markets - 26th Edition: Read-through from US Banks' 3Q12 Results* (19 Oct.).

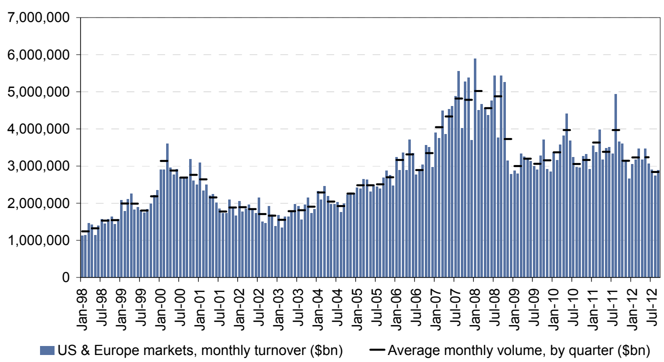
FICC strength could be somewhat weaker than US banks due to lower bias to credit & mortgages

- **FICC & DCM Strength** — US banks' underlying FICC revenues were up 11% qoq (+65% yoy), driven by rates, mortgages and notably credit. By contrast, commodities and FX were impacted by low volatility and volumes. French banks could show somewhat less impressive strength, given a lower bias to credit trading, although DCM platforms should have benefited from the recovery in debt issuance. Favourable mortgage trends should also support legacy asset deleveraging.

Equity derivatives revenue could rebound

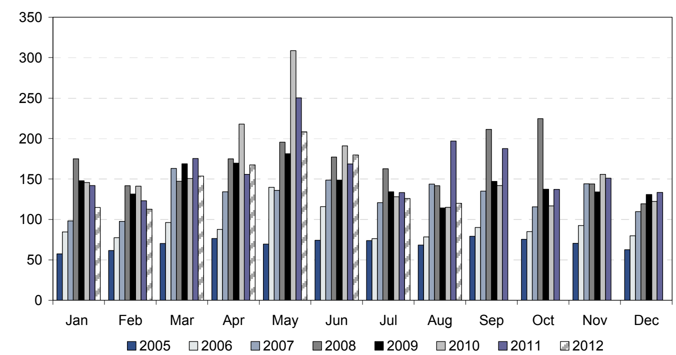
- **Equities Derivatives Strong, Cash Equities Remain under Pressure** — US banks' underlying EQ revenues were down -1% qoq (up 2% yoy). We believe that the stronger results were driven by improved market-making conditions for equity derivatives, namely lower correlation & volatility (Figure 30); SocGen & BNP Paribas remain best-placed to benefit from such trends. CASA & Natixis' cash equities platforms should continue to deliver subpar growth.

Figure 28. 3Q EU & US Equities Trading Volumes -12% QoQ, -28% YoY



Source: Datastream

Figure 29. Equity Derivative Contracts Traded -c30% YoY



Source: Eurex and Euronext/Liffe

Figure 30. Equity Derivative Market Metrics point to relatively positive trends for 3Q

	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12
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**	
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	
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	
% qoq		**1%**	**-31%**	**0%**	**-25%**	**86%**	**-38%**	**- 313%**	**- 121%**	**165%**	**-7%**	**-31%**	**40%**	**-62%**	**86%**	**9%**	**24%**	**-18%**	**-41%**	**7%**	**41%**	**-27%**	
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

Looking ahead: (i) OTC reforms could put pressure on parts of FICC franchises, (ii) provisioning cycle should be tamer than in 2009-9

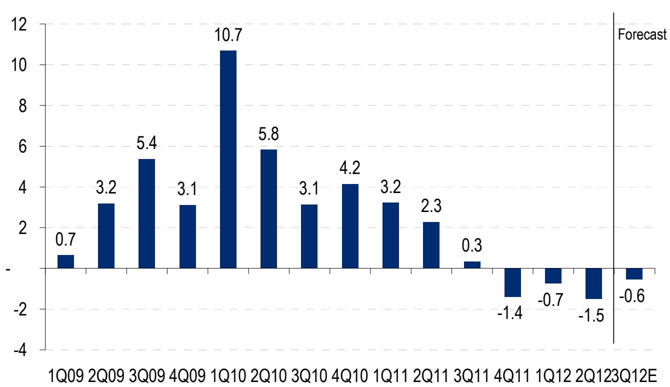
Looking ahead, we continue to focus on the **transition of OTC derivatives** to central clearing which could present headwinds. The key risks relate to: (i) increased collateral requirements (primarily initial margin) of US$0.5-2.7 trillion, according to ISDA; (ii) reduced collateral efficiency given more limited netting ability & enhanced segregation; and (iii) potential shift towards futures (exchanged-driven) over swaps (bank-driven). We believe that the comparatively weaker FICC franchises of CASA and Natixis could undergo more refocusing as these reforms come into place. At this stage, we believe that the time-line of implementation is likely to shift into 2Q13.

We still expect shallow provisioning cycle, supported by improved liquidity conditions for corporates (e.g. strong high yield issuance and low rates), and expect peak default rates to fall far short of 2001-02 and 2008-09. More details in *Monthly Default Data – September 2012 - Global Default Rate Rises Above 3%* (9 October).

French Retail Trends: Soft Landing Continues

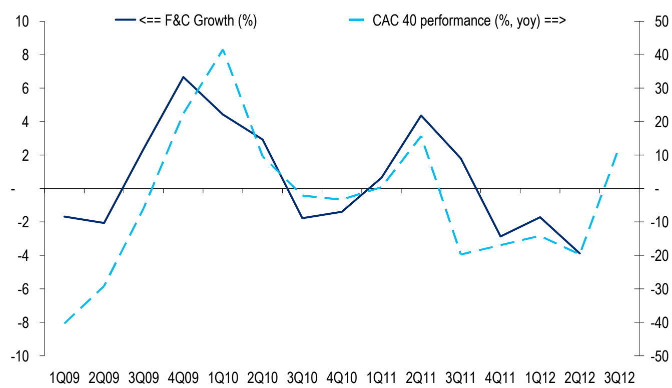
In our accompanying report *French Big Picture – Autumn 2012*, we highlight the key trends in French retail: Loan growth is still positive (up c2% yoy), but is slowing down sharply. Deposit growth remains strong (up c9% yoy). NPL and provisions remain low, but corporate NPLs are showing a slow inflection. Life insurance outflows continue, although strong market performance (Figure 32) should support life insurance AuM and potentially bank fees & commissions (F&C).

Figure 31. Revenue Growth to Remain Weak (%)



Source: Company Reports & Citi Research Estimates

Figure 32. Although Markets Strength Has Historically Helped F&C



Source: DataStream, Citi Research; Note: F&C for covered French banks

International Retail: Focus Shifting to Provisions

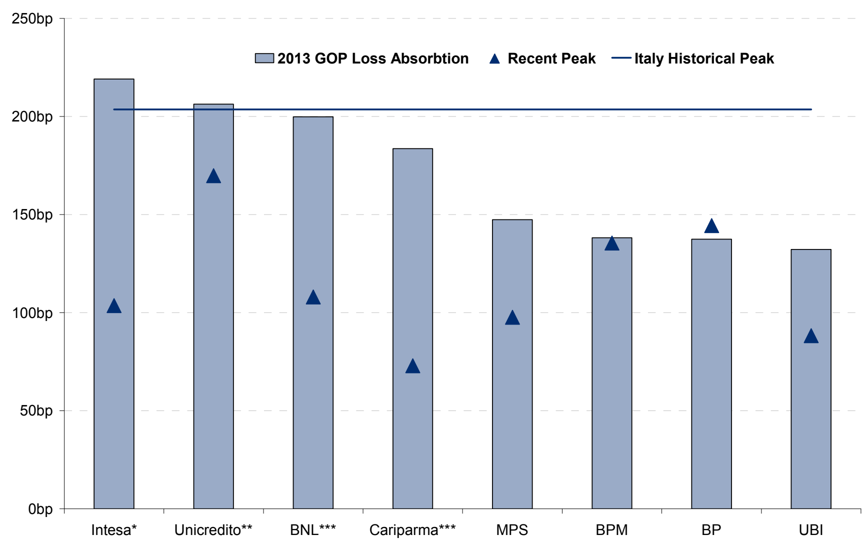
Focus on international retail is likely to shift from intragroup funding, to provisions.

- **Greece: Impact of disposals well flagged** by CASA (€2bn) and SocGen (€100m). Whilst some details remain to be clarified (e.g. value of Greek banks' bonds subscribed), some marginal execution risks remain (both on approvals and given the banks remain responsible for managing the banks until closure at year end), we believe this quarter should mark the end of the Greek chapter.

- **Italy: Focus on intragroup funding (deposits) and provisions**. BNPP & CASA have both outperformed peers on Italian deposit growth in recent quarter, supporting the reduction of their intragroup funding. This appears to have been achieved by substituting customer 'core deposits' and repos with (more stable but likely more expensive & more sensitive to sovereign prices) retail bonds. We will be looking for progress and for the impact on NII. We also expect a further pickup in provisions, although remain sanguine about the Italians' subs ability to remain profitable in coming quarters (Figure 16). For details on asset quality of Italian banks (including French banks in Italy), please refer to *Banking In Italy* (12 September).

- **CEE: Provision pick up.** The economic slowdown is likely to drive some increase in CEE operations. Even in relatively resilient Poland, our Polish bank analysts are warning about the pick up in the number of bankruptcies and the increase in corporate NPLs (more details in *Polish Financials - Time To Turn Negative*, 17 Oct.), although trends in other geographies (Romania, Ukraine, Turkey) remain difficult to forecast.

Figure 33. Italian Banks – 2013E GOP Loss Absorption vs Historical Provisioning Peak



Source: Company data and Citi Research. * BdT + Corporate ** Italy Retail + Italy Corporate. *** Italian subsidiaries based on French parent group reporting and recent peak based on Italian accounts.

III. Financial Forecasts

BNP Paribas – Financial Forecasts

We reduce our forecast EPS for 2012-14E by 4-6%. 2012E is impacted by the expected €400m loss on own debt in 3Q12, partly offset by better expectations for capital markets operations. The reduction in revenue primarily reflects the impact of margin pressure, both on retail and corporate banking operations. In light of the recent reduction in sovereign tail risks, we stop including a sovereign risk discount to our fair value (previously calculated on GIIPS exposures). We therefore increase our Target Price for BNP Paribas to €47 from €43 and reiterate our Buy recommendation.

Figure 34. BNP Paribas – Changes to our Financial Forecasts

€ m	2012E Old	2012E New	Change	2013E Old	2013E New	Change	2014E Old	2014E New	Change
Revenues	39,081	38,691	-1%	40,614	40,359	-1%	41,790	41,540	-1%
Costs	-26,025	-26,203	1%	-25,684	-25,831	1%	-26,266	-26,420	1%
Profit Before Loan Losses	**13,056**	**12,488**	**-4%**	**14,930**	**14,528**	**-3%**	**15,525**	**15,120**	**-3%**
Loan Losses	-3,876	-3,878	0%	-4,108	-4,140	1%	-4,013	-4,010	0%
Profit before tax	**9,179**	**8,610**	**-6%**	**10,822**	**10,388**	**-4%**	**11,512**	**11,110**	**-3%**
Associate income	2,274	2,274	0%	539	539	0%	553	553	0%
Tax	-3,204	-3,033	-5%	-3,408	-3,278	-4%	-3,619	-3,499	-3%
Minorities	-967	-967	0%	-1,015	-1,015	0%	-1,066	-1,066	0%
Net profit (attributable)	**7,283**	**6,884**	**-5%**	**6,938**	**6,633**	**-4%**	**7,379**	**7,098**	**-4%**
EPS basic (attributable, incl hybrid funding €)	**5.87**	**5.54**	**-6%**	**5.58**	**5.33**	**-5%**	**5.95**	**5.72**	**-4%**
EPS basic (reported - excl hybrid funding, €)	**6.03**	**5.70**	**-5%**	**5.74**	**5.49**	**-4%**	**6.11**	**5.88**	**-4%**
EPS diluted (attributable, €)	**5.86**	**5.53**	**-6%**	**5.58**	**5.33**	**-5%**	**5.94**	**5.71**	**-4%**

Source: Company Reports and Citi Research Estimates

Figure 35. BNPP – Quarterly Profit & Loss Account, 1Q10-4Q12E

€ m	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12E	4Q12E
Total operating income	**11,184**	**10,789**	**10,487**	**9,955**	**11,685**	**10,981**	**10,032**	**9,686**	**9,886**	**10,098**	**9,166**	**9,541**
Total operating expenses	-6,407	-6,225	-6,422	-6,680	-6,754	-6,634	-6,150	-6,684	-6,847	-6,337	-6,574	-6,445
Operating profit pre provisions	**4,777**	**4,564**	**4,065**	**3,275**	**4,931**	**4,347**	**3,882**	**3,002**	**3,039**	**3,761**	**2,592**	**3,096**
Credit loss expense	-1,272	-1,011	-1,162	-1,102	-919	-1,350	-3,010	-1,518	-945	-853	-1,012	-1,068
Profit before tax	**3,505**	**3,553**	**2,903**	**2,173**	**4,012**	**2,997**	**872**	**1,484**	**2,094**	**2,908**	**1,580**	**2,028**
Associate income	259	5	144	51	67	243	34	-164	1,844	77	182	183
Tax	-1,188	-1,248	-951	-469	-1,175	-956	-240	-386	-927	-914	-529	-663
Minorities & Hybrids	-369	-323	-295	-334	-318	-184	-167	-175	-144	-223	-300	-300
Net profit (reported)	**2,207**	**1,987**	**1,801**	**1,421**	**2,586**	**2,100**	**499**	**759**	**2,867**	**1,848**	**934**	**1,247**

Source: Company Reports and Citi Research Estimates

Figure 36. BNPP — Group Profit and Loss Account by Year

€ m	2009	2010	% Chg	2011	% Chg	2012E	% Chg	2013E	% Chg	2014E	% Chg
Net interest income	21,021	24,060	+14%	23,981	-0%	23,262	-3%	23,959	+3%	24,918	+4%
Net fee & commission income	7,467	8,486	+14%	8,419	-1%	8,166	-3%	8,411	+3%	8,748	+4%
Net trading income	5,649	4,657	-18%	3,453	-26%	3,591	+4%	3,807	+6%	4,111	+8%
Net insurance income	1,282	1,553	+21%	1,626	+5%	1,794	+10%	1,842	+3%	1,948	+6%
Other income	4,772	5,113	+7%	4,905	-4%	1,878	-62%	2,339	+25%	1,815	-22%
Total operating income	**40,191**	**43,869**	**+9%**	**42,384**	**-3%**	**38,691**	**-9%**	**40,359**	**+4%**	**41,540**	**+3%**
Total operating expenses	-23,340	-26,517	+14%	-26,222	-1%	-26,203	-0%	-25,831	-1%	-26,420	+2%
Operating profit pre provisions	**16,851**	**17,352**	**+3%**	**16,162**	**-7%**	**12,488**	**-23%**	**14,528**	**+16%**	**15,120**	**+4%**
Credit loss expense	-8,369	-4,802	-43%	-6,797	+42%	-3,878	-43%	-4,140	+7%	-4,010	-3%
Profit before tax	**8,482**	**12,550**	**+48%**	**9,365**	**-25%**	**8,610**	**-8%**	**10,388**	**+21%**	**11,110**	**+7%**
Associate income	340	191	-44%	95	-50%	2,274	+2294%	539	-76%	553	+3%
Tax	-2,526	-3,856	+53%	-2,757	-29%	-3,033	+10%	-3,278	+8%	-3,499	+7%
Minorities & Hybrids	-642	-1,321	+106%	-844	-36%	-967	+15%	-1,015	+5%	-1,066	+5%
Net profit (reported)	**5,832**	**7,832**	**+34%**	**5,859**	**-25%**	**6,884**	**+17%**	**6,633**	**-4%**	**7,098**	**+7%**
PER SHARE FIGURES											
EPS - incl hybrid funding (€)	5.51	6.01	+9%	4.31	-28%	5.54	+29%	5.33	-4%	5.72	+7%
EPS - excl hybrid funding (€)	**5.39**	**6.41**	**+19%**	**4.87**	**-24%**	**5.70**	**+17%**	**5.49**	**-4%**	**5.88**	**+7%**
Dividend per share	1.50	2.10	+40%	1.20	-43%	1.38	+15%	1.60	+16%	1.71	+7%
Payout Ratio	0.27	0.35	nm	0.28	nm	0.25	nm	0.30	nm	0.30	nm
Book value per share	**51.85**	**55.56**	**+7%**	**56.40**	**+1%**	**63.81**	**+13%**	**67.92**	**+6%**	**72.20**	**+6%**
Tangible Book Value per share	40.73	44.03	+0%	44.90	+0%	52.48	+0%	56.59	+0%	60.87	+0%
Diluted (period avg, m)	1,059	1,193	+13%	1,204	+1%	1,209	+0%	1,209	+0%	1,209	+0%
OPERATING RATIOS											
Cost / income ratio	**58%**	**60%**		**62%**		**68%**		**64%**		**64%**	
Provision charge / customer loans	**1.33%**	**0.75%**		**1.07%**		**0.62%**		**0.65%**		**0.62%**	
NPL ratio	5.0%	5.5%		5.2%		5.5%		5.8%		6.1%	
Coverage ratio	81.1%	74.9%		84.5%		80.5%		80.5%		80.5%	
Return on Tangible Equity	**14.9%**	**15.5%**		**11.0%**		**11.7%**		**10.1%**		**10.0%**	
BALANCE SHEET ITEMS											
Total Assets	2,057,698	1,998,158	+0%	1,965,283	-2%	1,925,977	-2%	1,906,718	-1%	1,887,650	-1%
Gross customer loans	**652,900**	**668,163**	**+2%**	**664,413**	**-1%**	**650,651**	**-2%**	**663,664**	**+2%**	**676,938**	**+2%**
Customer deposits	604,903	580,913	-4%	546,284	-6%	535,359	+2%	556,773	+4%	579,044	+4%
Loan / deposit ratio	108%	115%	0%	122%	0%	122%	0%	119%	0%	117%	0%
Shareholders equity excl minorities	**69,501**	**74,632**	**+7%**	**75,370**	**+1%**	**84,311**	**+12%**	**89,274**	**+6%**	**94,442**	**+6%**
REGULATORY CAPITAL											
Risk-Weighted Assets	620,714	600,424	-3%	614,000	+2%	571,009	-7%	634,802	+11%	652,963	+3%
RWA - B3 Pro forma (Estimates)		682,424	+0%	669,000	+0%	621,009	+0%	634,802	+0%	652,963	+0%
Core Tier 1	49,600	55,239	+11%	58,900	+7%	64,963	+10%	62,106	-4%	67,075	+8%
CET1 - B3 Pro forma (Estimates)		47,739	+0%	51,400	+0%	57,463	+0%	62,106	+0%	67,075	+0%
Tier 1 ratio	10.1%	11.4%	+13%	11.6%	+1%	13.4%	+16%	12.8%	-5%	13.2%	+3%
Total ratio	14.2%	14.7%	+4%	14.0%	-5%	16.1%	+15%	15.2%	-5%	15.5%	+2%
Core Tier 1 ratio	**8.0%**	**9.2%**		**9.6%**		**11.4%**		**9.8%**		**10.3%**	
CET1 ratio - Basel 2		9.2%		10.0%		11.9%		12.5%		12.9%	
CET1 ratio - B3 Pro-forma (Estimates)		**7.0%**		**7.7%**		**9.3%**		**9.8%**		**10.3%**	

Source: Company Reports and Citi Research Estimates

Figure 37. BNPP — Divisional Profit and Loss Account by Year

€ m	2009	2010	% Chg	2011	% Chg	2012E	% Chg	2013E	% Chg	2014E	% Chg
TOTAL RETAIL BANKING											
Total operating income	20,702	23,339	+13%	24,361	+0%	24,345	-0%	24,597	+1%	25,067	+2%
Total operating expenses	-12,642	-14,183	+12%	-14,878	+0%	-14,844	-0%	-14,927	+1%	-15,130	+1%
Operating profit pre provisions	**8,060**	**9,156**	**+14%**	**9,483**	**+0%**	**9,500**	**+0%**	**9,670**	**+2%**	**9,937**	**+3%**
Provisions	-5,847	-4,499	-23%	-3,565	+0%	-3,495	-2%	-3,710	+6%	-3,631	-2%
Operating pre-tax Profit	**2,213**	**4,657**	**+110%**	**5,918**	**+0%**	**6,005**	**+1%**	**5,960**	**-1%**	**6,306**	**+6%**
Cost/income ratio	61%	61%		61%		61%		61%		60%	
-- FRENCH RETAIL BANKING											
Total operating income	6,247	6,600	+6%	6,786	+2%	6,718	-1%	6,675	-1%	6,775	+1%
Total operating expenses	-4,249	-4,406	+4%	-4,462	+1%	-4,384	-2%	-4,334	-1%	-4,378	+1%
Operating profit pre provisions	**1,998**	**2,194**	**+10%**	**2,324**	**+6%**	**2,334**	**+0%**	**2,341**	**+0%**	**2,397**	**+2%**
Provisions	-515	-481	-7%	-315	-35%	-377	+20%	-521	+38%	-489	-6%
Pre-tax Profit	**1,484**	**1,716**	**+16%**	**2,011**	**+17%**	**1,957**	**-3%**	**1,820**	**-7%**	**1,908**	**+5%**
Cost/income ratio	68%	67%		66%		65%		65%		65%	
-- BNL bc											
Total operating income	2,975	3,026	2%	3,163	5%	3,212	2%	3,244	1%	3,277	1%
Total operating expenses	-1,780	-1,776	0%	-1,806	2%	-1,788	-1%	-1,797	1%	-1,806	1%
Operating profit pre provisions	**1,195**	**1,250**	**5%**	**1,357**	**9%**	**1,424**	**5%**	**1,447**	**2%**	**1,471**	**2%**
Provisions	-671	-817	22%	-793	-3%	-932	17%	-964	4%	-947	-2%
Operating pre-tax Profit	**524**	**433**	**-17%**	**564**	**30%**	**492**	**-13%**	**483**	**-2%**	**524**	**9%**
Non Operating Items	0	-1	NM	0	0%	0	0%	0	0%	0	0%
Pre-tax Profit	**524**	**432**	**-18%**	**564**	**31%**	**492**	**-13%**	**483**	**-2%**	**524**	**9%**
Cost/income ratio	60%	59%		57%		56%		55%		55%	
- INTERNATIONAL RETAIL BANKING & FINANCIAL SERVICES											
Total operating income	8,349	8,987	8%	9,011	0%	9,084	1%	9,267	2%	9,507	3%
Total operating expenses	-4,429	-4,864	10%	-4,938	2%	-5,071	3%	-5,170	2%	-5,284	2%
Operating profit pre provisions	**3,920**	**4,123**	**5%**	**4,073**	**-1%**	**4,013**	**-1%**	**4,097**	**2%**	**4,223**	**3%**
Provisions	-4,002	-2,724	-32%	-2,163	-21%	-1,857	-14%	-1,857	0%	-1,844	-1%
Operating pre-tax Profit	**-82**	**1,399**	**NM**	**1,910**	**NM**	**2,157**	**+13%**	**2,240**	**+4%**	**2,379**	**+6%**
Non Operating Items	76	138	+82%	146	+6%	157	+8%	161	+2%	167	+4%
Pre-tax Profit	**-6**	**1,537**	**NM**	**2,056**	**NM**	**2,314**	**+13%**	**2,401**	**+4%**	**2,546**	**+6%**
Cost/income ratio	53%	54%		55%		56%		56%		56%	
INVESTMENT SOLUTIONS											
Total operating income	5,363	6,096	14%	5,922	-3%	6,035	2%	6,292	4%	6,669	6%
Total operating expenses	-3,835	-4,297	12%	-4,253	-1%	-4,247	0%	-4,401	4%	-4,624	5%
Operating profit pre provisions	**1,528**	**1,799**	**18%**	**1,669**	**-7%**	**1,788**	**7%**	**1,891**	**6%**	**2,045**	**8%**
Provisions	-41	21	N/M	-64		-14		0		0	
Operating pre-tax Profit	**1,487**	**1,820**	**22%**	**1,605**	**-12%**	**1,774**	**11%**	**1,891**	**7%**	**2,045**	**8%**
Non Operating Items	-24	162	-775%	-76	-147%	99	-230%	104	5%	112	8%
Pre-tax Profit	**1,463**	**1,982**	**35%**	**1,529**	**-23%**	**1,873**	**23%**	**1,995**	**7%**	**2,157**	**8%**
Cost/income ratio	72%	70%		72%		70%		70%		69%	
CORPORATE AND INVESTMENT BANKING											
Total operating income	13,497	12,125	-10%	9,897	-18%	9,259	-6%	9,569	3%	9,904	3%
Total operating expenses	-6,174	-6,500	5%	-6,126	-6%	-6,079	-1%	-5,903	-3%	-6,048	2%
Operating profit pre provisions	**7,323**	**5,625**	**-23%**	**3,771**	**-33%**	**3,180**	**-16%**	**3,666**	**15%**	**3,856**	**5%**
Provisions	-2,473	-350	-86%	-75	-79%	-342	356%	-430	26%	-378	-12%
Operating pre-tax Profit	**4,850**	**5,275**	**9%**	**3,696**	**-30%**	**2,838**	**-23%**	**3,236**	**14%**	**3,478**	**7%**
Non Operating Items	16	94	488%	80	-15%	63	-21%	35	-44%	35	0%
Pre-tax Profit	**4,866**	**5,369**	**10%**	**3,776**	**-30%**	**2,901**	**-23%**	**3,271**	**13%**	**3,513**	**7%**
Cost/income ratio	46%	54%		62%		66%		62%		61%	
CORPORATE CENTRE											
Total operating income	629	2,309	NA	2,204	-5%	-948	-143%	-100	0%	-100	0%
Total operating expenses	-689	-1,537	123%	-965	-37%	-1,032	7%	-600	-42%	-618	3%
Operating profit pre provisions	**-60**	**772**	**-1387%**	**1,239**	**60%**	**-1,980**	**NM**	**-700**	**NM**	**-718**	**NM**
Provisions	-8	26	NM	-3,093	NM	-27	NM	0	NM	0	NM
Operating pre-tax Profit	**-68**	**798**	**-1274%**	**-1,854**	**-332%**	**-2,007**	**NM**	**-700**	**NM**	**-718**	**NM**
Non Operating Items	427	76	-82%	-86	-213%	1,915	-2327%	200	-90%	200	0%
Pre-tax Profit	**359**	**874**	**143%**	**-1,940**	**-322%**	**-92**	**-95%**	**-500**	**NM**	**-518**	**NM**
Cost/income ratio	110%	67%		44%		-109%		NM		NM	

Source: Company Reports and Citi Research Estimates

Societe Generale – Financial Forecasts

We reduce sharply our forecast EPS for 2012E (-25%) whilst slightly decreasing our forecasts for 2013-14E (-4% and -1%, respectively). This is primarily driven by (i) the disposal of Geniki (€100m net impact in 3Q12), (ii) our forecast €500m loss on own debt in 3Q12. Forecasts for underlying operations are broadly unchanged, with non-operational forecasts impacting our 2013-14E forecasts. In light of the recent reduction in sovereign tail risks, we stop including a sovereign risk discount to our fair value (previously calculated on GIIPS exposures). We reiterate our €30 TP and our Buy recommendation.

Figure 38. SocGen – Changes to our Financial Forecasts, 2012E-2014E

€m	2012E Old	2012E New	Change	2013E Old	2013E New	Change	2014 Old	2014E New	Change
Revenues	24,033	23,847	-1%	24,951	24,982	0%	25,766	25,909	1%
Costs	-16,420	-16,688	2%	-16,119	-16,232	1%	-16,424	-16,526	1%
Profit before loan losses	**7,613**	**7,159**	**-6%**	**8,832**	**8,750**	**-1%**	**9,342**	**9,383**	**0%**
Loan Losses	-3,578	-3,578	0%	-3,071	-3,070	0%	-2,885	-2,847	-1%
Operating profit before tax	**4,035**	**3,580**	**-11%**	**5,760**	**5,680**	**-1%**	**6,457**	**6,536**	**1%**
Gains on long-term investments & changes in provisions	-313	-522	67%	150	84	-44%	163	91	-44%
Tax	-1,270	-1,055	-17%	-1,792	-1,757	-2%	-1,857	-1,868	1%
Minorities	-396	-396	0%	-552	-564	2%	-615	-633	3%
Net profit (attributable)	**2,056**	**1,607**	**-22%**	**3,566**	**3,443**	**-3%**	**4,148**	**4,126**	**-1%**
EPS - incl. Hybrid Funding (€) - reported	2.36	1.77	-25%	4.24	4.08	-4%	4.94	4.91	-1%
EPS - excl. Hybrid Funding (€)	2.70	2.11	-22%	4.57	4.41	-3%	5.27	5.24	-1%
EPS - diluted, incl. Hybrid Funding (€)	2.35	1.77	-25%	4.22	4.06	-4%	4.92	4.89	-1%

Source: Company Reports and Citi Research Estimates

Figure 39. Societe Generale – Quarterly Profit and Loss Account, 1Q10-4Q12E

€m	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12E	4Q12E
Total operating income	**6,581**	**6,679**	**6,301**	**6,857**	**6,619**	**6,504**	**6,504**	**6,010**	**6,311**	**6,272**	**5,371**	**5,893**
Total operating expenses	-4,001	-4,065	-4,039	-4,440	-4,376	-4,241	-4,018	-4,401	-4,333	-3,986	-4,178	-4,191
Operating profit pre provisions	**2,580**	**2,614**	**2,262**	**2,417**	**2,243**	**2,263**	**2,486**	**1,609**	**1,978**	**2,286**	**1,193**	**1,702**
Credit loss expense	-1,132	-1,010	-918	-1,100	-878	-1,185	-1,192	-1,075	-902	-822	-912	-942
Profit before tax	**1,448**	**1,604**	**1,344**	**1,317**	**1,365**	**1,078**	**1,294**	**534**	**1,076**	**1,464**	**281**	**760**
Net other income	51	5	32	42	39	103	-148	-154	61	-457	-170	44
Tax	-375	-431	-372	-364	-370	-317	-455	-181	-299	-440	-11	-219
Minorities	-62	-95	-107	-122	-118	-116	-69	-101	-107	-132	-81	-76
Net profit (attributable)	**1,062**	**1,083**	**897**	**873**	**916**	**748**	**622**	**98**	**731**	**435**	**18**	**509**

Source: Company Reports and Citi Research Estimates

Figure 40. SocGen — Group Profit and Loss Account

€ m	2009	2010	% Chg	2011	% Chg	2012E	% Chg	2013E	% Chg	2014E	% Chg
Net Interest Income	11,635	11,970	+3%	12,207	+2%	11,597	-5%	11,713	+1%	11,947	+2%
Net fee & commission income	7,812	7,485	-4%	7,179	-4%	6,820	-5%	6,956	+2%	7,165	+3%
Net trading income	947	5,374	+467%	4,432	-18%	4,265	-4%	4,444	+4%	4,633	+4%
Other income	1,336	1,589	+19%	1,819	+14%	1,165	-36%	1,869	+60%	2,164	+16%
Total operating income	**21,730**	**26,418**	**+22%**	**25,637**	**-3%**	**23,847**	**-7%**	**24,982**	**+5%**	**25,909**	**+4%**
Total operating expenses	-15,766	-16,545	+5%	-17,036	+3%	-16,688	-2%	-16,232	-3%	-16,526	+2%
Operating profit pre provisions	**5,964**	**9,873**	**+66%**	**8,601**	**-13%**	**7,159**	**-17%**	**8,750**	**+22%**	**9,383**	**+7%**
Credit loss expense	-5,848	-4,160	-29%	-4,330	+4%	-3,578	-17%	-3,070	-14%	-2,847	-7%
Profit before tax	**116**	**5,713**	**+4825%**	**4,271**	**-25%**	**3,580**	**-16%**	**5,680**	**+59%**	**6,536**	**+15%**
Net other income	683	130	-81%	-157	-221%	-522	+233%	84	-116%	91	+9%
Associate income	0	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
Tax	308	-1,542	-601%	-1,323	-14%	-1,055	-20%	-1,757	+67%	-1,868	+6%
Minorities	-430	-386	-10%	-403	+4%	-396	-2%	-564	+42%	-633	+12%
Net profit (attributable)	**677**	**3,915**	**+478%**	**2,388**	**-39%**	**1,607**	**-33%**	**3,443**	**+114%**	**4,126**	**+20%**
PER SHARE FIGURES											
EPS - incl. Hybrid Funding (€) - reported	0.45	4.96	+1010%	2.88	-42%	1.77	-38%	4.08	+130%	4.91	+20%
Dividend per share	0.25	1.75	+600%	0.00		0.50		1.00	+100%	1.50	+50%
Payout Ratio	56%	35%		0%		28%		25%		31%	
Book value per share	**48.9**	**53.9**	**+10%**	**54.5**	**+1%**	**54.7**	**+0%**	**57.9**	**+6%**	**62.6**	**+8%**
Tangible Book Value per Share	37.5	41.6	+11%	42.9	+3%	43.5	+1%	47.5	+9%	52.2	+10%
Basic (period avg, m)	624	725		747		774		787		787	
OPERATING RATIOS											
Cost / income ratio	**73%**	**63%**		**66%**		**70%**		**65%**		**64%**	
Provision charge / customer loans	**1.46%**	**0.81%**		**1.02%**		**0.83%**		**0.70%**		**0.63%**	
NPL ratio	5.2%	5.4%		5.7%		6.3%		6.8%		6.8%	
Coverage ratio	53.0%	59.3%		61.4%		60.6%		60.8%		63.0%	
Return on Tangible Equity	**2.6%**	**13.7%**		**7.7%**		**4.9%**		**9.7%**		**10.5%**	
BALANCE SHEET											
Total Assets	1,023,701	1,132,072	+11%	1,181,372	+4%	1,221,359	+3%	1,257,999	+3%	1,295,739	+3%
Gross customer loans	**400,400**	**426,000**	**+6%**	**425,500**	**-0%**	**432,726**	**+2%**	**441,380**	**+2%**	**454,621**	**+3%**
Customer deposits	300,054	337,447	+12%	340,172	+1%	351,994	+3%	366,073	+4%	380,716	+4%
Loan / deposit ratio	133%	126%		125%		123%		121%		119%	
Shareholders equity excl minorities	**35,128**	**39,118**	**+11%**	**40,700**	**+4%**	**42,307**	**+4%**	**45,556**	**+8%**	**49,288**	**+8%**
CAPITAL POSITION											
Risk-Weighted Assets	324,080	334,800	+3%	349,300	+4%	336,943	-4%	390,181	-1%	394,240	+3%
RWA - B3 Pro forma (Estimates)		447,800	+0%	419,622	-6%	395,651	-6%	390,181	-1%	394,240	+1%
Core Tier 1	26,800	28,458	+6%	31,437	+10%	34,677	+10%	36,864	+6%	40,486	+10%
Core Tier 1 ratio	**8.3%**	**8.5%**		**9.0%**		**10.3%**		**9.4%**		**10.3%**	
CET1 ratio - Basel 2		8.5%		9.7%		11.1%		12.4%		13.2%	
CET1 ratio - B3 Pro-forma (Estimates)		**6.0%**		**7.2%**		**8.4%**		**9.4%**		**10.3%**	

Source: Company Reports and Citi Research Estimates

Figure 41. Societe Generale — Divisional Profit and Loss Account

€m	2009	2010	% Chg	2011	% Chg	2012E	% Chg	2013E	% Chg	2014E	% Chg
TOTAL RETAIL BANKING											
Total Operating Income	**15,454**	**16,260**	**5%**	**16,625**	**2%**	**16,481**	**-1%**	**16,558**	**0%**	**16,999**	**3%**
Total Operating Expenses	-9,410	-9,668	3%	-10,082	4%	-10,066	0%	-9,862	-2%	-9,992	1%
Operating Profit Pre Provisions	6,044	6,592	9%	6,543	-1%	6,415	-2%	6,695	4%	7,007	5%
Provisions	-3,492	-3,378	-3%	-2,858	-15%	-2,957	3%	-2,727	-8%	-2,533	-7%
Operating Pre-tax Profit	2,552	3,214	26%	3,685	15%	3,457	-6%	3,968	15%	4,473	13%
Non Operating Items	-86	10	-112%	-211	0%	-238	13%	7	-103%	7	1%
Pre-tax Profit	**2,466**	**3,224**	**31%**	**3,474**	**8%**	**3,219**	**-7%**	**3,975**	**23%**	**4,480**	**13%**
Cost/Income Ratio	61%	59%		61%		61%		60%		59%	
o/w FRENCH RETAIL BANKING											
Total Operating Income	**7,466**	**7,791**	**4%**	**8,165**	**2%**	**8,112**	**-1%**	**8,071**	**-1%**	**8,193**	**2%**
Total Operating Expenses	-4,911	-5,058	3%	-5,248	2%	-5,234	0%	-5,182	-1%	-5,208	1%
Operating Profit Pre Provisions	2,555	2,733	7%	2,917	7%	2,878	-1%	2,890	0%	2,985	3%
Provisions	-970	-864	-11%	-745	-14%	-866	16%	-978	13%	-940	-4%
Operating Pre-tax Profit	1,585	1,869	18%	2,172	16%	2,011	-7%	1,912	-5%	2,045	7%
Non Operating Items	15	14	NA	14	0%	10	-29%	10	0%	10	0%
Pre-tax Profit	**1,600**	**1,883**	**18%**	**2,186**	**16%**	**2,021**	**-8%**	**1,922**	**-5%**	**2,055**	**7%**
Cost/Income Ratio	66%	65%		64%		65%		64%		64%	
o/w IRBFS											
Total Operating Income	**7,988**	**8,469**	**6%**	**8,460**	**0%**	**8,369**	**-1%**	**8,486**	**1%**	**8,806**	**4%**
Total Operating Expenses	-4,499	-4,610	2%	-4,834	5%	-4,832	0%	-4,680	-3%	-4,784	2%
Operating Profit Pre Provisions	3,489	3,859	11%	3,626	-6%	3,537	-2%	3,806	8%	4,022	6%
Provisions	-2,522	-2,514	0%	-2,113	-16%	-2,091	-1%	-1,750	-16%	-1,594	-9%
Operating Pre-tax Profit	967	1,345	39%	1,513	12%	1,446	-4%	2,056	42%	2,429	18%
Non Operating Items	-101	-4	NA	-225	NA	-248	NA	-3	NA	-3	NA
Pre-tax Profit	**866**	**1,341**	**55%**	**1,288**	**-4%**	**1,198**	**-7%**	**2,053**	**71%**	**2,426**	**18%**
Cost/Income Ratio	56%	54%		57%		58%		55%		54%	
GLOBAL INVESTMENT MANAGEMENT											
Total Operating Income	**2,534**	**2,270**	**-10%**	**2,169**	**-4%**	**2,183**	**1%**	**1,975**	**-10%**	**2,125**	**8%**
Total Operating Expenses	-2,228	-2,002	-10%	-1,967	-2%	-1,946	-1%	-1,704	-12%	-1,792	5%
Operating Profit Pre Provisions	306	268	-12%	202	-25%	237	17%	271	14%	332	22%
Provisions	-40	-7	NA	-13	NA	-16	NA	0	NA	0	NA
Pre-tax Profit	**266**	**359**	**35%**	**216**	**-40%**	**99**	**-54%**	**343**	**246%**	**411**	**20%**
Cost/income Ratio	88%	88%		91%		89%		86%		84%	
CORPORATE AND INVESTMENT BANKING											
Total Operating Income	**9,848**	**7,765**	**-21%**	**6,457**	**-17%**	**5,999**	**-7%**	**6,799**	**13%**	**7,035**	**3%**
Total Operating Expenses	-3,941	-4,634	18%	-4,688	1%	-4,340	-7%	-4,344	0%	-4,431	2%
Operating Profit Pre Provisions	5,907	3,131	-47%	1,769	-44%	1,659	-6%	2,455	48%	2,604	6%
Provisions	-922	-72	-92%	-138	92%	-234	70%	-293	25%	-263	-10%
Operating Pre-tax Profit	**4,985**	**3,059**	**NM**	**1,631**	**-47%**	**1,425**	**-13%**	**2,163**	**52%**	**2,341**	**8%**
Non Operating Items	46	2	NM	75	NM	0	NM	5	NM	5	NM
Pre-tax Profit	**5,031**	**3,061**	**NM**	**1,706**	**-44%**	**1,429**	**-16%**	**2,168**	**52%**	**2,346**	**8%**
Cost/Income Ratio	40%	60%	49%	66%	10%	65%	-1%	64%	-1%	63%	-1%
CORPORATE CENTRE											
Total Operating Income	-3,286	52	NM	862	NM	-547	-163%		-36%		-14%
Pre-tax Profit	**-2,590**	**-104**	**-96%**	**-321**	**NM**	**-1,011**	**215%**		**-38%**		**-8%**

Source: Company Reports and Citi Research Estimates

Credit Agricole – Financial Forecasts

We reduce sharply our forecast EPS for 2012E (to a loss) whilst slightly increasing forecasts for 2013-14E. This is because of the loss caused by the disposal of Emporiki (€2bn net impact in 3Q12). Forecasts for most divisions are broadly unchanged, with a slight increase in French retail provisions partly offset by better cost control in CIB. In light of the recent reduction in sovereign tail risks, we stop including a sovereign risk discount to our fair value (previously calculated on GIIPS exposures). We therefore increase our Target Price for CASA to €6.7 from €6.4 and reiterate our Neutral recommendation.

Figure 42. Credit Agricole – Changes to our Financial Forecasts

€m	2012E Old	2012E New	Change	2013E Old	2013E New	Change	2014E Old	2014E New	Change
Revenues	**19,010**	**18,346**	**-3%**	**18,367**	**18,298**	**0%**	**18,644**	**18,461**	**-1%**
Costs	-13,043	-12,555	-4%	-12,298	-12,105	-2%	-12,303	-11,932	-3%
Profit Before Provisions	**5,966**	**5,791**	**-3%**	**6,069**	**6,193**	**2%**	**6,342**	**6,529**	**3%**
Loan Losses	-5,248	-3,240	-38%	-3,019	-3,078	2%	-2,400	-2,429	1%
Profit Before Taxes	**718**	**2,551**	**255%**	**3,050**	**3,115**	**2%**	**3,941**	**4,101**	**4%**
Net Income	**240**	**-1,013**	**-521%**	**3,085**	**3,138**	**2%**	**3,414**	**3,501**	**3%**
EPS - diluted, as reported	0.10	-0.41	-521%	1.23	1.26	2%	1.37	1.40	3%

Source: Company Reports and Citi Research Estimates

Figure 43. Credit Agricole – Quarterly Profit and Loss Account, 1Q10-4Q12E

€m	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12E	4Q12E
Total operating income	**4,824**	**5,470**	**4,977**	**4,863**	**5,303**	**5,532**	**5,286**	**4,664**	**5,424**	**4,750**	**3,856**	**4,316**
Total operating expenses	-3,163	-3,406	-3,193	-3,420	-3,276	-3,330	-3,226	-3,780	-3,206	-3,271	-2,949	-3,129
Operating profit pre provisions	**1,661**	**2,064**	**1,784**	**1,443**	**2,027**	**2,202**	**2,060**	**884**	**2,218**	**1,479**	**907**	**1,187**
Credit loss expenses	-1,073	-980	-973	-751	-821	-1,125	-1,851	-1,860	-1,770	-1,165	468	-773
Profit before tax	**588**	**1,084**	**811**	**692**	**1,206**	**1,077**	**209**	**-976**	**448**	**314**	**1,375**	**413**
Associate Income & Other	266	-128	362	-1,035	438	-84	242	-2,285	412	268	-3,130	236
Tax	-270	-458	-292	144	-520	-588	-114	195	-594	-410	-90	-151
Minorities	-114	-119	-133	-123	-124	-69	-78	-1	-13	-63	-91	-101
Net profit (attributable)	**470**	**379**	**748**	**-322**	**1,000**	**336**	**259**	**-3,067**	**253**	**109**	**-1,936**	**397**

Source: Company Reports and Citi Research Estimates

Figure 44. Credit Agricole — Group Profit and Loss Account by Year

€ m	2009	2010	% Chg	2011	% Chg	2012E	% Chg	2013E	% Chg	2014E	% Chg
Net interest income	14,290	14,894	+4%	15,169	+2%	14,259	-6%	13,689	-4%	14,099	+3%
Net fee & commission income	4,776	4,896	+3%	4,672	-5%	3,738	-20%	3,551	-5%	3,728	+5%
Net trading income	5,055	5,447	+8%	-3,622	-166%	-1,449	-60%	1,449	-200%	1,521	+5%
Other income	-6,179	-5,103	-17%	4,648	-191%	1,798	-61%	-390	-122%	-888	+128%
Total operating income	**17,942**	**20,134**	**+12%**	**20,867**	**+4%**	**18,346**	**-12%**	**18,298**	**-0%**	**18,461**	**+1%**
Total operating expenses	-12,180	-13,182	+8%	-13,612	+3%	-12,555	-8%	-12,105	-4%	-11,932	-1%
Operating profit pre provisions	**5,762**	**6,952**	**+21%**	**7,255**	**+4%**	**5,791**	**-20%**	**6,193**	**+7%**	**6,529**	**+5%**
Credit loss expenses	-4,691	-3,777	-19%	-5,657	+50%	-3,240	-43%	-3,078	-5%	-2,429	-21%
Profit before tax	**1,071**	**3,175**	**+196%**	**1,598**	**-50%**	**2,551**	**+60%**	**3,115**	**+22%**	**4,101**	**+32%**
Capital gains and non-recurring income	-419	-622	NM	-1,929	NM	0	NM	0	NM	0	NM
Associate Income & Other	847	65	-92%	229	+252%	-2,049	-995%	1,774	-187%	1,355	-24%
Tax	-211	-875	+315%	-1,027	+17%	-1,246	+21%	-1,304	+5%	-1,450	+11%
Minorities	-321	-489	+52%	-272	-44%	-268	-1%	-447	+66%	-504	+13%
Attributable Net profit (reported)	**967**	**1,254**	**+30%**	**-1,401**	**-212%**	**-1,013**	**-28%**	**3,138**	**-410%**	**3,501**	**+12%**
PER SHARE FIGURES											
EPS - basic, as reported	**0.43**	**0.53**	**+24%**	**-0.57**	**-208%**	**-0.41**	**-29%**	**1.26**	**-410%**	**1.40**	**+12%**
Dividend per share	0.45	0.45	0%	0.00	-100%	0.05	nm	13%	151%	46%	268%
Payout Ratio (%)	105%	85%	nm	0%	nm	-12%	nm	10%	nm	33%	nm
Book value per share	**19.60**	**19.01**	**-3%**	**17.13**	**-10%**	**17.36**	**+1%**	**18.56**	**+7%**	**19.84**	**+7%**
Tangible Book Value per share	10.5	10.4	-1%	9.4	-10%	9.7	+3%	10.9	+12%	12.1	+12%
Basic (period avg, m)	2,256	2,361		2,450		2,498	0	2,498	+0%	2,498	+0%
OPERATING RATIOS											
Cost / income ratio	**68%**	**65%**		**65%**		**68%**		**66%**		**65%**	
Provision charge / customer loans	**1.29%**	**0.99%**		**1.42%**		**0.82%**		**0.80%**		**0.62%**	
NPL ratio	5.0%	5.5%		5.8%		6.4%		5.2%		5.4%	
Coverage ratio	51.4%	67.0%		64.4%		69.3%		73.4%		75.8%	
Return on Equity (underlying)	**5.6%**	**10.0%**		**-4.0%**		**-5.0%**		**12.2%**		**12.2%**	
BALANCE SHEET ITEMS											
Total Assets	1,557,300	1,593,500	+2%	1,723,600	+8%	1,784,322	+4%	1,718,636	-2%	1,701,449	-1%
Gross customer loans	**374,413**	**397,217**	**+6%**	**415,379**	**+5%**	**415,133**	**-0%**	**397,285**	**+1%**	**405,230**	**+2%**
Customer deposits	464,080	501,360	+8%	525,600	+5%	529,334	+1%	522,027	+1%	532,467	+2%
Loan / deposit ratio	78%	76%	-2%	76%	-1%	75%	-1%	73%	-2%	73%	0%
Shareholders equity excl minorities (avg)	**43,594**	**45,562**	**+5%**	**44,234**	**-3%**	**43,081**	**-3%**	**44,868**	**+4%**	**47,968**	**+7%**
REGULATORY CAPITAL											
Risk-Weighted Assets	326,400	371,700	+14%	333,700	-3%	257,940	-10%	234,300	-9%	240,368	+3%
RWA - B3 Pro forma (Estimates)		455,300		309,100	-32%	341,540	+10%	317,900	-7%	323,968	+2%
Core Tier 1	30,300	31,400	+4%	28,600	-9%	27,499	-4%	27,323	-1%	29,669	+9%
Core Tier 1 ratio	**9.3%**	**8.4%**	**+0%**	**8.6%**	**+1%**	**9.7%**	**+0%**	**8.6%**	**+0%**	**9.2%**	**+0%**
Tier 1 ratio	9%	11%		11%		12%		15%		16%	
CET 1 ratio - Basel 2		8%		9%		11%		13%		14%	
CET1 ratio - B3 Pro-forma (Estimates, incl. mitigation)		**6.2%**		**6.5%**		**7.2%**		**8.6%**		**9.2%**	

Source: Company Reports and Citi Research Estimates

Figure 45. Credit Agricole — Divisional Profit and Loss Account by Year

€ m	2009	2010	% Chg	2011	% Chg	2012E	% Chg	2013E	% Chg	2014E	% Chg
DOMESTIC RETAIL BANKING											
Other	822	955	+16%	1,009	+6%	934	-7%	886	-5%	937	+6%
Pre-tax Profit	**1,685**	**1,966**	**+17%**	**2,048**	**+4%**	**1,946**	**-5%**	**1,823**	**-6%**	**1,941**	**+7%**
Tax	-351	-302	-14%	-331	+10%	-334	+1%	-309	-7%	-331	+7%
Net Profit after tax	**1,334**	**1,664**	**+25%**	**1,717**	**+3%**	**1,613**	**-6%**	**1,513**	**-6%**	**1,610**	**+6%**
Cost/income ratio	*66%*	*65%*	*-2%*	*65%*	*0%*	*65%*	*0%*	*65%*	*0%*	*65%*	*0%*
O/W REGIONAL BANKS											
Net Profit after tax	730	957	+31%	1,008	+5%	934	-7%	886	-5%	937	+6%
Cost/income ratio (Regional Banks)	*54%*	*54%*	*-1%*	*55%*	*3%*	*57%*	*3%*	*56%*	*0%*	*56%*	*0%*
O/W LCL											
Total operating income	**3,849**	**3,945**	**+2%**	**3,822**	**+0%**	**3,843**	**+0%**	**3,822**	**-1%**	**3,876**	**+1%**
Total operating expenses	-2,551	-2,575	+1%	-2,497	-0%	-2,500	+0%	-2,480	-1%	-2,505	+1%
Operating profit pre provisions	**1,298**	**1,370**	**+6%**	**1,325**	**-3%**	**1,344**	**+1%**	**1,341**	**-0%**	**1,371**	**+2%**
Provisions	-435	-359	-17%	-286	-20%	-332	+16%	-404	+22%	-367	-5%
Operating pre-tax Profit	**863**	**1,011**	**+17%**	**1,039**	**+3%**	**1,012**	**-3%**	**937**	**-7%**	**1,004**	**+7%**
Other	0	-2	+0%	1	+0%	0	+0%	0	+0%	0	+0%
Pre-tax Profit	**863**	**1,009**	**+17%**	**1,040**	**+3%**	**1,012**	**-3%**	**937**	**-7%**	**1,004**	**+7%**
Tax	-259	-302	+17%	-331	+10%	-334	+1%	-309	-7%	-331	+7%
Net Profit	**604**	**707**	**17%**	**709**	**0%**	**679**	**-4%**	**628**	**-8%**	**673**	**7%**
Cost/income ratio	*66%*	*65%*	*-2%*	*65%*	*0%*	*65%*	*0%*	*65%*	*0%*	*65%*	*0%*
INTERNATIONAL RETAIL BANKING & FINANCIAL SERVICES											
Total operating income	**6,610**	**6,919**	**+5%**	**6,995**	**+1%**	**6,035**	**-14%**	**5,895**	**-2%**	**6,017**	**+2%**
Total operating expenses	-3,692	-3,685	-0%	-3,848	+4%	-3,169	-18%	-3,056	-4%	-3,110	+2%
Operating profit pre provisions	**2,918**	**3,234**	**+11%**	**3,147**	**-3%**	**2,866**	**-9%**	**2,839**	**-1%**	**2,907**	**+2%**
Provisions	-2,409	-2,742	+14%	-3,453	+26%	-2,314	-33%	-1,972	-15%	-1,726	-12%
Operating pre-tax Profit	**509**	**492**	**-3%**	**-306**	**-162%**	**551**	**-280%**	**866**	**+57%**	**1,181**	**+36%**
Other	-127	-295	+132%	-1,751	+494%	-3,095	+77%	199	-106%	229	+15%
Pre-tax Profit	**382**	**197**	**-48%**	**-2,057**	**-1144%**	**-2,544**	**+24%**	**1,065**	**-142%**	**1,410**	**+32%**
Tax	-316	-513	+62%	-489	-5%	-347	-29%	-323	-7%	-432	+34%
Net Profit after tax	**66**	**-316**	**-579%**	**-2,546**	**+706%**	**-2,890**	**+14%**	**742**	**-126%**	**978**	**+32%**
Cost/income ratio	*56%*	*53%*	*-5%*	*55%*	*3%*	*53%*	*-5%*	*52%*	*-1%*	*52%*	*0%*
ASSET MANAGEMENT, INSURANCE & PRIVATE BANKING											
Total operating income	**3,910**	**4,983**	**+27%**	**5,244**	**+5%**	**5,152**	**-2%**	**5,036**	**-2%**	**5,281**	**+5%**
Total operating expenses	-1,979	-2,490	+26%	-2,508	+1%	-2,425	-3%	-2,428	+0%	-2,529	+4%
Operating profit pre provisions	**1,931**	**2,493**	**+29%**	**2,736**	**+10%**	**2,727**	**-0%**	**2,608**	**-4%**	**2,753**	**+6%**
Pre-tax Profit	**1,926**	**2,465**	**+28%**	**1,670**	**-32%**	**2,673**	**+60%**	**2,622**	**-2%**	**2,767**	**+6%**
Tax	-535	-801	+50%	-620	-23%	-854	+38%	-855	+0%	-901	+5%
Net Profit after tax	**1,391**	**1,664**	**+20%**	**1,050**	**-37%**	**1,819**	**+73%**	**1,767**	**-3%**	**1,865**	**+6%**
Cost/income ratio	*51%*	*50%*	*0%*	*48%*	*0%*	*47%*	*0%*	*48%*	*0%*	*48%*	*0%*
CORPORATE CENTRE AND DISCONTINUING OPERATIONS											
Total operating income	**-1,930**	**-1,402**	**-27%**	**-945**	**-33%**	**-1,175**	**+24%**	**-600**	**-49%**	**-600**	**+0%**
Total operating expenses	-901	-1,033	+15%	-1,405	+36%	-1,344	-4%	-1,304	-3%	-1,291	-1%
Pre-tax Profit	-3,880	-4,128	+6%	-2,901	-30%	-2,769	-5%	-2,079	-25%	-1,991	-4%
Net Profit after tax	**-2,525**	**-2,817**	**+12%**	**-1,834**	**-35%**	**-2,068**	**+13%**	**-1,455**	**-30%**	**-1,393**	**-4%**
CORPORATE AND INVESTMENT BANKING											
Total operating income	**5,503**	**5,689**	**+3%**	**5,751**	**+1%**	**4,490**	**-22%**	**4,146**	**-8%**	**3,887**	**-6%**
Total operating expenses	-3,057	-3,399	+11%	-3,354	-1%	-3,118	-7%	-2,837	-9%	-2,497	-12%
Operating profit pre provisions	2,446	2,290	-6%	2,397	+5%	1,373	-43%	1,310	-5%	1,390	+6%
Provisions	-1,032	-283	-73%	-329	+16%	-331	+1%	-504	+52%	-214	-58%
Operating pre-tax Profit	**1,414**	**2,007**	**+42%**	**2,068**	**+3%**	**1,042**	**-50%**	**805**	**-23%**	**1,176**	**+46%**
Other	127	133	+5%	-919	-791%	153	-117%	653	+327%	153	-77%
Pre-tax Profit	**1,541**	**2,140**	**+39%**	**1,149**	**-46%**	**1,195**	**+4%**	**1,458**	**+22%**	**1,329**	**-9%**
Tax	-364	-570	+57%	-654	+15%	-412	-37%	-440	+7%	-383	-13%
Net Profit after tax	**1,177**	**1,570**	**+33%**	**495**	**-68%**	**783**	**+58%**	**1,018**	**+30%**	**946**	**-7%**
Cost/income ratio	*56%*	*60%*	*0%*	*58%*	*0%*	*69%*	*0%*	*68%*	*0%*	*64%*	*0%*

Source: Company Reports and Citi Research Estimates

Natixis – Financial Forecasts

We adjust our forecast for Natixis EPS in 2012E (+3%), 2013E (-4%) and 2014E (+5%). We have upgraded our forecasts for SFS & Financial Stakes (robust momentum), but have taken a more cautious outlook on provisions in CIB and French Retail. In light of the recent reduction in sovereign tail risks, we stop including a sovereign risk discount to our fair value (previously calculated on GIIPS exposures). We therefore increase our Target Price for Natixis to €2.8 from €2.20 and reiterate our Neutral recommendation.

Figure 46. Natixis – Changes to our Financial Forecasts, 2012E-2014E

€m	2012E Old	2012E New	% Chg	2013E Old	2013E New	% Chg	2014E Old	2014E New	% Chg
Revenues	**6,043**	**6,277**	**4%**	**6,530**	**6,672**	**2%**	**6,854**	**6,917**	**1%**
Total Op. Expenses	-4,793	-4,994	4%	-4,836	-4,929	2%	-4,959	-5,010	1%
Operating Income	**1,249**	**1,284**	**3%**	**1,694**	**1,743**	**3%**	**1,896**	**1,907**	**1%**
Prov. Loan Losses (Net)	-420	-483	15%	-435	-567	30%	-394	-365	-7%
Operating Income Post Provisions	**830**	**801**	**-3%**	**1,258**	**1,176**	**-7%**	**1,502**	**1,542**	**3%**
Associate Income	555	552	0%	567	527	-7%	576	558	-3%
Pre-Tax Profit	**1,355**	**1,346**	**-1%**	**1,796**	**1,693**	**-6%**	**2,049**	**2,091**	**2%**
Taxes	-428	-411	-4%	-548	-511	-7%	-623	-630	1%
Net Income	**927**	**935**	**1%**	**1,249**	**1,183**	**-5%**	**1,425**	**1,461**	**2%**
Minorities	-45	-34	-26%	-69	-47	-31%	-78	-58	-25%
Attributable Net Income	882	902	2%	1,180	1,135	-4%	1,347	1,402	4%
EPS - Reported, Incl. Hybrids Funding (€)	**0.26**	**0.27**	**3%**	**0.35**	**0.34**	**-4%**	**0.41**	**0.43**	**5%**
EPS - Excl. Hybrids Funding (€)	0.29	0.29	2%	0.38	0.37	-4%	0.44	0.46	4%

Source: Company Reports and Citi Research Estimates

Figure 47. Natixis - Quarterly Profit and Loss Account, 1Q10-4Q12E

	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12E	4Q12E
Revenues	**1,640**	**1,641**	**1,349**	**1,735**	**1,621**	**1,829**	**1,561**	**1,748**	**1,421**	**1,824**	**1,477**	**1,638**
Total Op. Expenses	-1,126	-1,090	-1,090	-1,274	-1,219	-1,231	-1,144	-1,246	-1,240	-1,267	-1,229	-1,257
Operating Income	**514**	**551**	**259**	**461**	**402**	**598**	**417**	**502**	**181**	**557**	**248**	**380**
Prov. Loan Losses	-104	-54	32	-52	-20	-106	-66	-174	-80	-151	-123	-129
Operating Income Post Provisions	**410**	**497**	**291**	**409**	**382**	**492**	**351**	**328**	**101**	**406**	**124**	**252**
Gains and Losses on Other Activities	-15	-1	2	-10	22	0	0	0	0	2	0	0
CCI Associate Income	143	104	91	161	153	177	120	144	134	167	124	127
Goodwill & One Offs	-17	-26	-15	-22	-12	0	0	-43	-5	0	-2	-2
Pre-Tax Profit	**521**	**574**	**369**	**538**	**545**	**669**	**471**	**429**	**230**	**575**	**246**	**377**
Taxes	-49	-43	-53	-96	-126	-161	-121	-118	-37	-168	-81	-124
Net Income	472	531	316	442	419	508	350	311	193	407	165	252
Minorities	-8	-8	-13	-7	-4	-4	-7	-24	-7	-14	-5	-8
Attributable Net Income	**464**	**523**	**303**	**435**	**415**	**504**	**343**	**287**	**186**	**393**	**160**	**245**

Source: Company Reports and Citi Research Estimates

Figure 48. Natixis — Group Profit and Loss Account by Year

€m	2009	2010	% Chg	2011	% Chg	2012E	% Chg	2013E	% Chg	2014E	% Chg
Revenues	**4,155**	**6,365**	**+53%**	**6,759**	**+6%**	**6,277**	**-7%**	**6,672**	**+6%**	**6,917**	**+4%**
Total Op. Expenses	-4,412	-4,580	+4%	-4,840	6%	-4,994	3%	-4,929	-1%	-5,010	2%
Operating Income	**-257**	**1,785**	**NM**	**1,919**	**+8%**	**1,284**	**-33%**	**1,743**	**+36%**	**1,907**	**+9%**
Prov. Loan Losses	-2,402	-178		-366		-483		-567		-365	
Operating Income Post Provisions	**-2,659**	**1,607**	**NM**	**1,553**	**-3%**	**801**	**-48%**	**1,176**	**+47%**	**1,542**	**+31%**
Gains and Losses on Other Activities	5	-24		22		2		0		0	
Associates (incl CCI)	425	499	+17%	594	19%	552	-7%	527	-5%	558	6%
Goodwill & One Offs	-170	-80	+0%	-55	-31%	-9	-84%	-9	0%	-9	0%
Pre-Tax Profit	**-2,399**	**2,002**	**-183%**	**2,114**	**+6%**	**1,346**	**-36%**	**1,693**	**+26%**	**2,091**	**+23%**
Taxes	1,061	-241	-123%	-526	118%	-411	-22%	-511	24%	-630	23%
- Implied Tax Rate	44%	12%		25%		31%		30%		30%	
Net Income	-1,338	1,761	-232%	1,588	-10%	935	-41%	1,183	26%	1,461	24%
Minorities	-55	-36	-35%	-39	8%	-34	-14%	-47	41%	-58	24%
Net Income - Reported	**-1,393**	**1,725**	**-224%**	**1,549**	**-10%**	**902**	**-42%**	**1,135**	**+26%**	**1,402**	**+24%**
Cost of Hybrids	-318	-381	20%	-260	-32%	-81	-69%	-83	2%	-83	0%
Net Income - Adjusted	**-1,711**	**1,344**	**-179%**	**1,289**	**-4%**	**821**	**-36%**	**1,053**	**28%**	**1,320**	**25%**
PER SHARE FIGURES											
EPS - Reported, Incl. Hybrid Funding (€)	**-0.59**	**0.46**	**-178%**	**0.43**	**-7%**	**0.27**	**-38%**	**0.34**	**+28%**	**0.43**	**+25%**
EPS - Excl. Hybrids Funding (€)	-0.48	0.59	-223%	0.52	-13%	0.29	-43%	0.37	+26%	0.46	24%
Dividend	0.00	0.23		0.10		0.13		0.17		0.21	
Payout ratio	**0%**	**50%**		**23%**		**50%**		**50%**		**50%**	
Book Value per share	4.89	5.44	+11%	5.29	-3%	5.51	4%	5.78	+5%	6.12	+6%
Tangible Book Value per share	3.7	4.3	+14%	4.1	-3%	4.3	4%	4.6	+6%	4.9	+7%
Number of shares (avg)	2,898	2,908		2,994		3,082		3,082		3,082	
OPERATING RATIOS											
ROE	**-11.5%**	**8.9%**		**8.0%**		**4.9%**		**6.1%**		**7.2%**	
Cost / income ratio	106.2%	72.0%		71.6%		79.5%		73.9%		72.4%	
Operating Profit / avg RWAs	-0.2%	1.3%		1.4%		1.1%		1.3%		1.3%	
Provision charge / customer loans (bps)	**2.2%**	**0.1%**		**0.3%**		**0.4%**		**0.5%**		**0.3%**	
BALANCE SHEET											
Total assets	449,218	458,009	+2%	508,000	+11%	556,394	10%	528,574	-5%	502,146	-5%
Gross customer loans	**109,090**	**131,120**	**+20%**	**114,546**	**-13%**	**108,949**	**-5%**	**110,039**	**+1%**	**113,340**	**+3%**
Shareholders' equity	14,218	15,831	+11%	16,300	+3%	16,971	4%	17,819	+5%	18,875	+6%
Average shareholders' equity	**14,885**	**15,831**		**16,300**		**16,971**		**17,819**		**18,875**	
CAPITAL RATIOS											
Core Tier 1	11,100	11,700		12,100		13,400		12,626		13,786	
Risk-weighted assets	130,900	147,900	+13%	120,000	-7%	116,171	-3%	146,364	-2%	146,364	+0%
RWA - B3 Pro forma (Estimates)		184,100		150,000	-19%	146,171	-3%	146,364	+0%	146,364	+0%
Core tier 1 capital ratio	**8.5%**	**7.9%**		**10.1%**		**11.5%**		**8.6%**		**9.4%**	
CET 1 ratio - Basel 2		7.9%		10.6%		12.2%		12.6%		13.2%	
CET1 ratio - B3 Pro-forma		**5.1%**		**6.5%**		**7.9%**		**8.6%**		**9.4%**	

Source: Company Reports and Citi Research Estimates

Figure 49. Natixis — Divisional Profit and Loss Account by Year

€m	2009	2010	% Chg	2011	% Chg	2012E	% Chg	2013E	% Chg	2014E	% Chg
CORPORATE AND INVESTMENT BANKING											
Revenue	**2,697**	**3,026**	**12%**	**2,847**	**-6%**	**2,845**	**-1%**	**2,889**	**2%**	**2,969**	**3%**
Operating Expenses	-1,601	-1,650	3%	-1,675	2%	-1,684	1%	-1,682	0%	-1,713	2%
Operating Income	**1,096**	**1,376**	**26%**	**1,172**	**-15%**	**1,160**	**-1%**	**1,207**	**4%**	**1,256**	**4%**
Provisions	-1,384	-204	-85%	-106	-48%	-251	137%	-359	43%	-210	-42%
Operating Profit Post Provisions	**-288**	**1,172**	**-507%**	**1,066**	**-9%**	**910**	**-15%**	**848**	**-7%**	**1,046**	**23%**
Cost/Income Ratio	*59%*	*55%*		*58%*		*59%*		*58%*		*58%*	
INVESTMENT SOLUTIONS											
Revenue	**1,560**	**1,791**	**15%**	**1,889**	**5%**	**1,989**	**5%**	**2,058**	**3%**	**2,172**	**6%**
Operating Expenses	-1,152	-1,280	11%	-1,355	6%	-1,501	11%	-1,532	2%	-1,596	4%
Operating Income	**408**	**511**	**25%**	**534**	**5%**	**488**	**-9%**	**526**	**8%**	**577**	**10%**
Provisions	-33	-26	NA	-100	NA	-7	-93%	-8	10%	-8	0%
Operating Profit Post Provisions	**375**	**485**	**29%**	**434**	**-11%**	**481**	**11%**	**518**	**8%**	**569**	**10%**
Cost/Income Ratio	*74%*	*71%*		*72%*		*75%*		*74%*		*73%*	
SFS											
Revenue	**870**	**961**	**10%**	**1,139**	**19%**	**1,210**	**6%**	**1,234**	**2%**	**1,283**	**4%**
Operating Expenses	-618	-672	9%	-792	18%	-809	2%	-813	0%	-839	3%
Operating Income	**252**	**289**	**15%**	**347**	**20%**	**400**	**15%**	**421**	**5%**	**444**	**6%**
Provisions	-48	-54	13%	-60	-28%	-88	12%	-106	20%	-74	-30%
Operating Profit Post Provisions	**204**	**235**	**15%**	**287**	**22%**	**312**	**9%**	**315**	**1%**	**370**	**17%**
Cost/Income Ratio	*71%*	*70%*		*70%*		*67%*		*66%*		*65%*	
FINANCIAL STAKES											
Revenue	**401**	**869**	**117%**	**869**	**0%**	**933**	**7%**	**931**	**0%**	**949**	**2%**
Operating Expenses	-722	-742	3%	-762	4%	-740	2%	-720	-3%	-724	1%
Operating Income	**-321**	**127**	**NM**	**107**	**-16%**	**193**	**80%**	**211**	**9%**	**225**	**6%**
Provisions	-19	-36	89%	-55	53%	-39	-29%	-39	0%	-27	-30%
Operating Profit Post Provisions	**-340**	**91**	**NM**	**52**	**-43%**	**154**	**196%**	**172**	**12%**	**197**	**15%**
Cost/Income Ratio	*180%*	*80%*		*88%*		*79%*		*77%*		*76%*	
GAPC (Legacy Assets)											
Revenue	**-1,782**	**-146**	**NM**	**55**	**-138%**	**17**	**-69%**	**33**	**-50%**	**16**	**-50%**
Operating Expenses	-168	-183	NM	-137	-25%	-129	-6%	-65	-50%	-32	-50%
Operating Income	**-1,950**	**-329**	**-83%**	**-82**	**-75%**	**-112**	**37%**	**-32**	**-71%**	**-16**	**-50%**
Provisions	-914	146	NM	-31	NM	-72	132%	-43	-40%	-35	-20%
Operating Profit Post Provisions	**-2,864**	**-183**	**-94%**	**-113**	**-38%**	**-184**	**63%**	**-75**	**-59%**	**-51**	**-33%**
Cost/Income Ratio	*-9%*	*-125%*		*249%*		*759%*		*198%*		*198%*	
CORPORATE CENTRE											
Revenue	**409**	**-136**	**-133%**	**217**	**-260%**	**-459**	**-312%**	**-216**	**-53%**	**-216**	**0%**
Operating Expenses	-151	-53	-65%	-119	125%	-130	9%	-117	-10%	-105	-10%
Operating Income	**258**	**-189**	**-173%**	**98**	**-152%**	**-589**	**nm**	**-333**	**-43%**	**-321**	**-4%**
Provisions	-4	-4	0%	-14	250%	-26	-14%	-13	5%	-12	-5%
Operating Profit Post Provisions	**254**	**-193**	**-176%**	**84**	**-144%**	**-615**	**nm**	**-346**	**-44%**	**-333**	**-4%**

Source: Company Reports and Citi Research Estimates

BNP Paribas SA

Valuation

We use a two-stage dividend discount model (DDM) to value BNPP, including the present value of 2011-14E dividends and a terminal value assuming zero growth at the sustainable RoE. We use a Cost of Equity of 11.5% 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 €47 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

Valuation

We use a two-stage dividend discount model (DDM) to value SocGen, including the present value of 2010-13E dividends and a terminal value assuming zero growth at the sustainable RoE. We use a Cost of Equity of 12.0% 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 €30 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 'double-dip' in the macroeconomic 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

Valuation

We use a two-stage dividend discount model (DDM) to value CASA, including the present value of 2011-14E dividends and a terminal value assuming zero growth at the sustainable RoE. We use a Cost of Equity of 11.7% 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 €6.7.

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

Valuation

We use a two-stage dividend discount model (DDM) to value Natixis, including the present value of 2011-14E dividends and a terminal value assuming zero growth at the sustainable RoE. We use a Cost of Equity of 12.7% 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 €2.8.

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 reliance on some high margin / low volume in capital markets; (4) the execution risk of the 2013 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

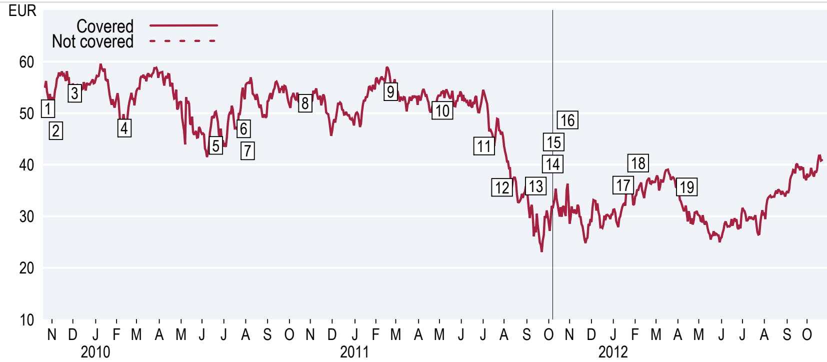
The research analyst(s) primarily responsible for the preparation and content of this research report are named in bold text in the author block at the front of the product except for those sections where an analyst's name appears in bold alongside content which is attributable to that analyst. Each 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

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 27-Oct-09	1M	*65.00	53.24
2 6-Nov-09	1M	*68.00	55.17
3 3-Dec-09	1M	*70.00	54.73
4 11-Feb-10	1M	*65.00	48.50
5 21-Jun-10	1M	*60.00	50.32
6 29-Jul-10	1M	*62.00	53.40
7 4-Aug-10	1M	*66.00	55.89

Date	Rating	Target Price	Closing Price
8 25-Oct-10	1M	*64.00	52.84
9 22-Feb-11	1M	*67.00	55.56
10 5-May-11	1M	*69.00	53.98
11 4-Jul-11	1M	*65.00	53.95
12 28-Jul-11	1M	*64.00	46.40
13 14-Sep-11	1M	*44.00	26.90
14 7-Oct-11	Stock rating system changed		

Date	Rating	Target Price	Closing Price
15 8-Oct-11	*1	44.00	31.55
16 28-Oct-11	1	*40.00	36.35
17 16-Jan-12	1	*38.00	32.31
18 5-Feb-12	1	*47.00	35.20
19 13-Apr-12	1	*43.00	30.40

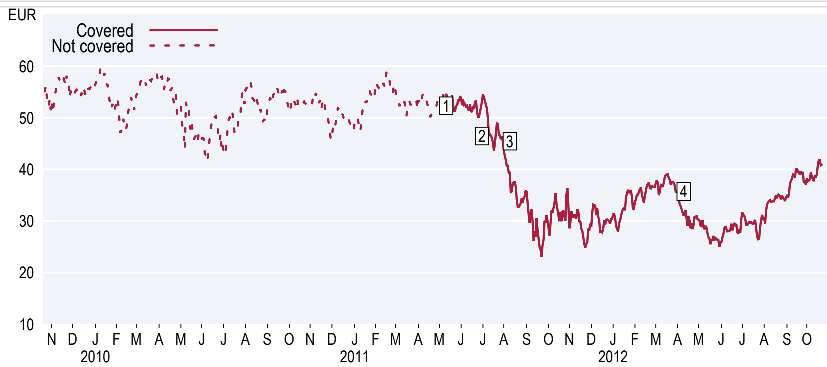
* Indicates change

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

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

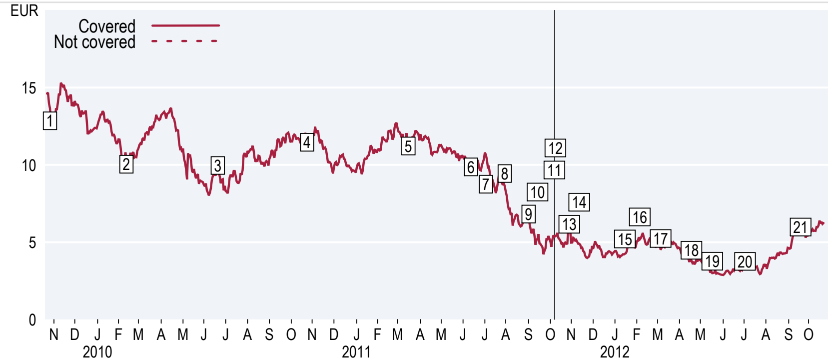
* Indicates change

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	27-Oct-09	*2M	15.00	13.65
2	11-Feb-10	2M	*12.00	10.40
3	21-Jun-10	2M	*10.50	9.96
4	25-Oct-10	2M	*11.50	11.91
5	16-Mar-11	2M	*12.00	11.29
6	13-Jun-11	2M	*11.10	10.01
7	4-Jul-11	2M	*10.80	10.65

	Date	Rating	Target Price	Closing Price
8	29-Jul-11	2M	*9.60	8.62
9	1-Sep-11	2M	*7.00	6.68
10	14-Sep-11	2M	*5.30	5.22
11	7-Oct-11	Stock rating system changed		
12	8-Oct-11	*2	5.30	5.36
13	28-Oct-11	2	*6.20	6.16
14	11-Nov-11	2	*5.00	4.90

	Date	Rating	Target Price	Closing Price
15	16-Jan-12	2	*4.30	4.25
16	6-Feb-12	2	*5.80	5.18
17	6-Mar-12	2	*5.30	4.51
18	18-Apr-12	2	*4.30	3.82
19	17-May-12	2	*3.10	3.00
20	3-Jul-12	2	*3.70	3.75
21	19-Sep-12	2	*6.40	5.79

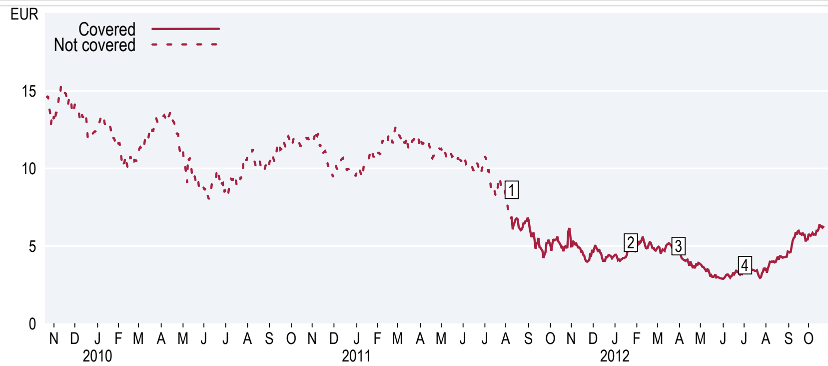
* Indicates change

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

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

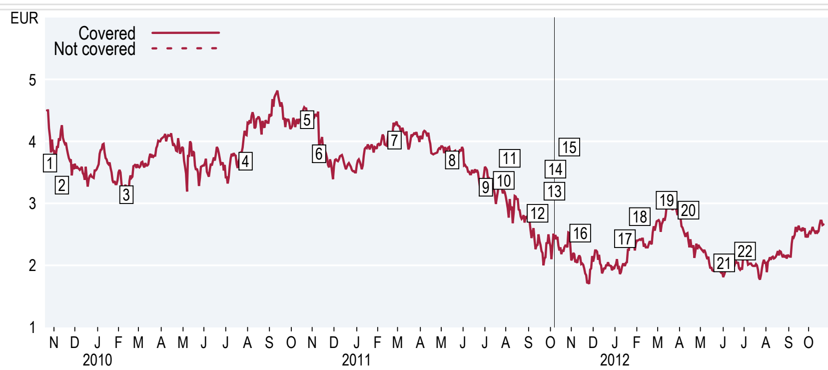
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

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	27-Oct-09	*3H	4.00	4.07
2	12-Nov-09	3H	*3.50	4.26
3	11-Feb-10	3H	*3.00	3.23
4	29-Jul-10	3H	*3.40	4.11
5	25-Oct-10	3H	*3.70	4.44
6	10-Nov-10	3H	*3.50	3.93
7	24-Feb-11	3H	*4.00	4.26
8	17-May-11	*2M	4.00	3.77

	Date	Rating	Target Price	Closing Price
9	4-Jul-11	2M	*3.70	3.57
10	28-Jul-11	2M	*3.40	3.21
11	5-Aug-11	2M	*2.90	3.07
12	14-Sep-11	2M	*2.30	2.33
13	7-Oct-11	Stock rating system changed		
14	8-Oct-11	*2	2.30	2.42
15	28-Oct-11	2	*2.60	2.52
16	14-Nov-11	2	*2.20	2.13

	Date	Rating	Target Price	Closing Price
17	16-Jan-12	2	*2.00	1.99
18	6-Feb-12	2	*2.50	2.42
19	14-Mar-12	2	*3.10	2.95
20	13-Apr-12	2	*2.70	2.39
21	4-Jun-12	2	*1.90	1.85
22	3-Jul-12	2	*2.20	2.21

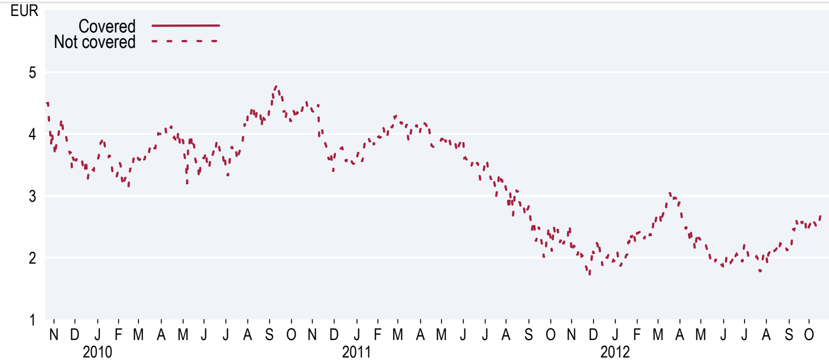
* Indicates change

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



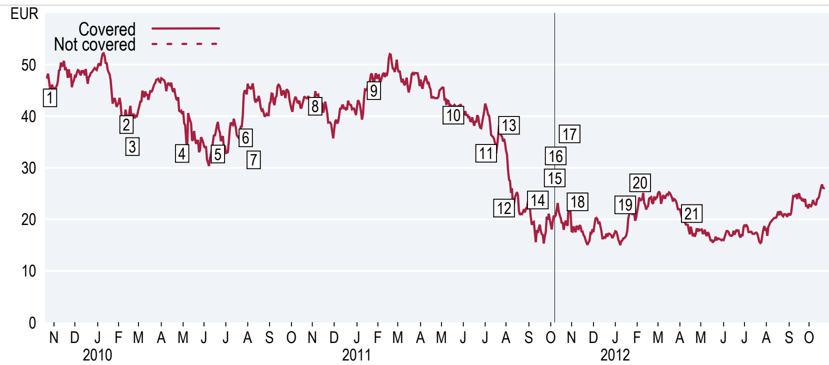
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

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	27-Oct-09	1M	*55.00	45.33
2	11-Feb-10	1M	*50.00	40.26
3	19-Feb-10	1M	*48.00	39.70
4	30-Apr-10	1M	*52.00	40.40
5	21-Jun-10	1M	*50.00	38.89
6	29-Jul-10	1M	*54.00	44.71
7	10-Aug-10	1M	*57.00	45.07

	Date	Rating	Target Price	Closing Price
8	4-Nov-10	1M	*59.00	44.85
9	26-Jan-11	1M	*62.00	46.07
10	18-May-11	1M	*60.00	41.93
11	4-Jul-11	1M	*56.00	41.87
12	28-Jul-11	1M	*55.00	35.61
13	4-Aug-11	1M	*50.00	27.70
14	14-Sep-11	1M	*38.00	17.39

	Date	Rating	Target Price	Closing Price
15	7-Oct-11	Stock rating system changed		
16	8-Oct-11	*1	38.00	20.51
17	28-Oct-11	1	*35.00	23.39
18	9-Nov-11	1	*33.00	18.20
19	16-Jan-12	1	*28.00	16.55
20	6-Feb-12	1	*32.00	23.55
21	18-Apr-12	1	*30.00	17.64

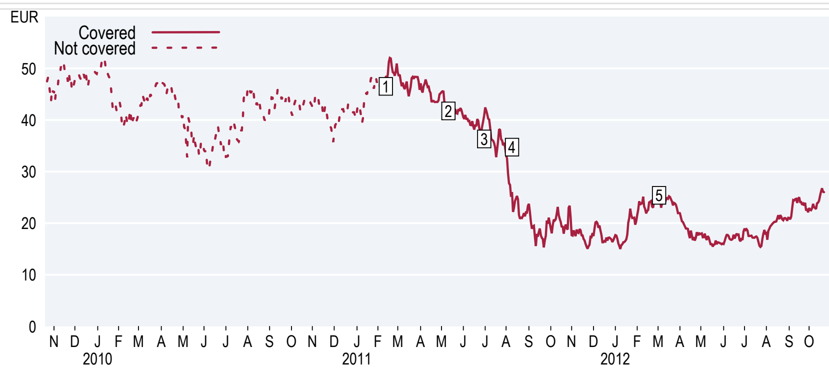
* Indicates change

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

	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

* Indicates change

Rating/target price changes above reflect Eastern Standard Time

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£2.78), EFG International (EFGN.S, SFr8.52), Deutsche Bank (DBKGn.DE, €33.37), BNP Paribas SA (BNPP.PA, €40.05), KBC (KBC.BR, €18.56), Vontobel (VONN.S, SFr25.95), Unione Banche Italiane (UBI.MI, €3.11), Swedbank AB (SWEDa.ST, SKr119.8), Banco de Sabadell SA (SABE.MC, €1.91), Intesa Sanpaolo (ISP.MI, €1.28), Banca Popolare di Milano (PMII.MI, €0.46), DNB ASA (DNB.OL, NKr69.65), Banco Popular Espanol (POP.MC, €1.29), Banca Monte dei Paschi di Siena SpA (BMPS.MI, €0.23), Svenska Handelsbanken AB (SHBa.ST, SKr228.9), Skandinaviska Enskilda Banken AB (SEBa.ST, SKr54.05), Banesto (BTO.MC, €2.92), Banco Popolare (BAPO.MI, €1.28), Nordea (NDA1V.HE, €7.14), Bankinter SA (BKT.MC, €3.06), Danske Bank A/S (DANSKE.CO, Dkr103.7), UniCredit Group (CRDI.MI, €3.59), Raiffeisen Bank Intl (RBIV.VI, €30.27), Standard Chartered Plc (2888.HK, US$184.4), HSBC Holdings Plc (0005.HK, US$76.5), Eurobank (EFGr.AT, €1.27), JSE Limited (JSEJ.J, R68.88), CaixaBank SA (CABK.MC, €2.94), Brait SE (BATJ.J, R33.8), Lloyds Banking Group PLC (LLOY.L, £0.4), Bank of Ireland (BKIR.I, €0.09), Hyprop Investments Limited (HYPJ.J, R71.6), Resilient Property Income Fund Limited (RESJ.J, R47.17), Rebosis Property Fund Limited (REBJ.J, R11.43), Peregrine Holdings Limited (PGRJ.J, R11.1), Bank of Cyprus (BOCr.AT, €0.37), African Bank Investments Limited (ABLJ.J, R29.97). All prices as of 23 Oct 2012.

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Data current as of 4 Oct 2012	**Buy**	**Hold**	**Sell**	**Buy**	**Hold**	**Sell**
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