

Banque Accord

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Counterparty Credit Rating

A/Stable/A-1

Major Rating Factors

Strengths:

- Core status within French retail parent Auchan
- Dynamic business growth
- Robust revenues generation capacity

Weaknesses:

- Business concentration on consumer finance
- Small size that increases the bank's vulnerability to adverse economic conditions
- Rising credit risk
- Expected erosion in financial flexibility

Rationale

The ratings on France-based Banque Accord primarily reflect its core status as a captive finance and services company to its parent, French retailer Groupe Auchan SA (A/Stable/A-1), as well as the bank's adequate financial profile, although rising credit risk is expected to erode financial flexibility in 2008.

The ratings on Auchan—the No. 3 food retailer in France—reflect its well established positions in the tightly regulated French and southern European markets, which account for 52% and 31% of 2007 sales, respectively), underpinned by expertise in the hypermarket format. A conservative financial policy also underpins the ratings. The erosion of buying power in Auchan's three largest markets (France, Spain, and Italy) is a concern, but its positioning in low-price hypermarkets provides strong resilience. The group is also selectively expanding in emerging markets.

Banque Accord is fully integrated into Auchan, both in terms of business and strategy. By offering a broad range of financial products and managing customer loyalty programs, the bank plays a key role in enhancing the parent's sales. The bank also manages the group's payment systems, enabling Auchan to benefit from lower transaction fees. Since early 2000, Banque Accord has rapidly expanded internationally to accompany its parent's business expansion abroad. Banque Accord also diversifies its sources of revenues with noncaptive activities, like direct lending through the Internet channel to benefit from developments in e-commerce. Although these activities involve partnerships signed with remote retailers outside of the parent's scope, we consider that they do not alter the bank's importance to Auchan.

Standard & Poor's Ratings Services' ratings on Banque Accord factor in its adequate, but deteriorating, financial profile. We expect a rising cost of risk to dent 2008 bottom-line profits, owing to rising economic risk—primarily in Spain. Given the bank's strategic focus on traditionally riskier revolving lending, we expect Banque Accord to maintain a riskier-than-average risk profile. Robust earnings and diversified revenues that help compensate for rising funding costs continue to underpin operating efficiency. The bank manages funding and market risks prudently.

We consider Banque Accord's capitalization to be adequate for its risk profile. Although the 9.42% ratio of adjusted total equity (ATE) to risk assets compares favorably with peers', we believe that the bank's position in a riskier business demands higher capital.

Outlook

The stable outlook reflects Banque Accord's full ownership by Auchan and core status within the group. Auchan's solid operational performance and conservative financial policy reinforce the outlook. It also reflects the group's flexibility at the current rating level to pursue its expansion strategy and further increase capital expenditures. We will closely monitor two of the group's core markets, Spain and Italy, as the two countries confront sluggish economic conditions. We expect that marked growth in the group's international operations, notably in Eastern Europe, will counter the challenges facing Auchan in 2008 in its mature markets. The group's financial profile is set to remain conservative.

Also factored into the outlook is our expectation that rising credit risk will hurt Banque Accord's financial flexibility in 2008. Failure to address this negative trend and subsequent capital erosion could put pressure on our assessment of stand-alone creditworthiness. At this stage, we do not believe this affects the bank's strategic importance to its parent.

Profile: Auchan's Captive Finance And Services Subsidiary

Banque Accord is the captive finance subsidiary of Auchan, the third-largest French food retailer. The bank provides sales financing to its parent, which gives the small subsidiary access to a wide client base. Banque Accord actively manages these clients to develop direct lending. Primarily operating in France, the bank has also built a network of fast-growing subsidiaries in Europe and Russia, aiming to accompany Auchan's commercial expansion.

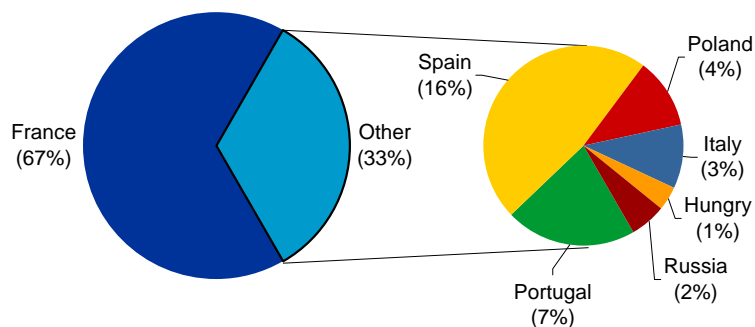
With €2.7 billion on the balance sheet at year-end 2007, Banque Accord is a fast-growing small French consumer finance specialist. The bank's primary business is to provide sales financing to Auchan's customers through personal and payment cards, revolving and redeemable loans, as well as plain-vanilla savings and insurance products. The bank also markets nonfinancial services, such as discount phone contracts, at self-service areas in Auchan's stores.

We consider Banque Accord to be core to its parent. The bank enjoys high penetration rates: 20% of Auchan's 2007 consolidated sales were paid for through the bank's cards, of which almost 27% were paid on credit. In addition to sales financing, the bank stimulates Auchan sales through customer relationship management and loyalty improvement programs. Banque Accord is in charge of Auchan's customer database—a key asset in the distribution business—and manages the noncash systems of Auchan's hypermarkets, which enables the group to pay lower merchant fees and fraud costs on payment transactions.

In turn, the bank benefits from Auchan's large and diversified distribution activities that give access to client files. Through partnership agreements with other Auchan chains and companies held by a holding company, Association Familiale Mulliez (AFM), the bank widens the acceptance network for its services and enlarges its client base.

Auchan's geographic coverage provides Banque Accord with growth opportunities abroad. Since 2000, the bank has developed a network of subsidiaries to accompany Auchan's business expansion, primarily in Europe (see chart 1). Foreign activities have developed at a rapid pace, generating 33% of new loans in 2007 and 29% of outstanding managed loans. Spain represents Banque Accord's second largest market, as a result of very dynamic lending growth from 2002 to 2007. The proportion of foreign activities is set to increase further, with new activities to begin in Romania and Ukraine in 2008.

Banque Accord Breakdown Of New Loan Production In 2007



Source: Banque Accord.

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Banque Accord is also developing operations beyond its parent's field of activities. In addition to direct lending to end-customers, the bank offers debt consolidation solutions to individuals, as well as Visa and MasterCard cards in selected countries. The bank is also developing direct lending via the Internet under the brand name Oney.fr, which operates through partnerships with remote retailers.

Support And Ownership: 100% Ownership By Auchan, Ratings Equalized

We view Banque Accord as a core subsidiary of Auchan, which results in equalization of the ratings on the bank with those on its parent, three notches above its stand-alone creditworthiness. We do not consider Banque Accord as a systemically important bank in France. France is a "supportive" country according to our methodology, where the government relies on prudential policies to maintain a sound banking sector. We give the credit ratings on private sector banks in supportive countries no uplift for potential external extraordinary support above the stand-alone credit quality.

Banque Accord is a bank under France's 1984 banking law. Auchan has fully owned it since October 2000, when the group took over the responsibility as "reference shareholder" vis-à-vis French regulators. The bank's management and strategy are deeply integrated with those of Auchan.

Auchan is itself 84.7% owned by the Mulliez family, one of the leading French business families with a strong foothold in northern France. Auchan's management team and several employee-dedicated investment funds hold the remaining stake in the group. The Mulliez family privately owns the Auchan group through a holding company, AFM. The holding company also has majority stakes in some of France's most successful retail groups, such as sporting-goods retailer Decathlon and do-it-yourself retailer Leroy Merlin, with which Banque Accord also operates. There are no capital links or cross subsidies among AFM's companies.

Strategy: Primarily Dedicated To Boosting Auchan Business

Banque Accord's strategy is clear and fully integrated with that of Auchan. The bank's role is to encourage Auchan sales by actively managing customer loyalty programs, and to help the group reduce costs through lower transaction fees. Banque Accord also intends to expand lending by widening commercial coverage, both in France and foreign locations.

It is Banque Accord's strategy to replicate its distributional know-how to financial services, while positioning itself as a provider of discount financial products and other services. With its low-price approach, Banque Accord aims to increase its client base and the number of products sold per customer, to compensate for lower margins. For the same reason, the bank also intends to increase the share of revolving lending in its loan book.

Business expansion relies both on agreements with Auchan and AFM members, and widening its product range in all foreign locations. It also includes the development of direct lending under the brand name Oney.fr and partnerships with players outside the AFM universe, which we believe is positive for revenue diversification.

The contribution of foreign business stands to increase further as activities mature. So far, the bank has entered new countries through business partnerships with well-established local players to share the risk, and by replicating its French strategy of accessing a wide customer base via retail partnerships and exploiting that base using marketing tools to develop direct lending. After several years of rapid expansion abroad, we understand that the bank will focus on developing its existing businesses before targeting new countries.

Risk Profile And Management: Adequate

Enterprise risk management

Banque Accord's enterprise risk management is adequate for its risk profile. We consider that the bank has put in place risk management tools and procedures that enable it to conduct its operations adequately, relying on business partners for credit risk management in most of its foreign subsidiaries.

Credit risk

Banque Accord's credit risk is higher than the peer average, because of the bank's increasing focus on revolving loans, its target clientele, and its rising exposure to emerging markets where asset quality is more volatile or unseasoned. Given a greater-than-expected deterioration of the operating environment in selected markets, we expect the cost of risk to deteriorate to about 3.5% in 2008.

Banque Accord's assets are primarily domestic, with 79% of consolidated assets located in France at year-end 2007. Revolving loans, which are traditionally riskier than personal loans, represented 66% of the bank's outstanding loans. Dynamic foreign subsidiary loan growth (up 34% in 2007) has outpaced that of domestic activities in the past few years, underpinning double-digit growth of Banque Accord's loan portfolio. Although we expect foreign activities' contribution to continue to rise as businesses mature, we think the business will decelerate in 2008, both in France and abroad.

Since 2004, consolidation effects have distorted the ratio of new loan loss provisions (LLP) to customer loans, subsequent to the acquisition of the Egg credit portfolio in 2004 (renamed Oney), and, to a lesser extent, by the transition to International Financial Reporting Standards (IFRS) in 2005. Excluding the impact of the discount agreed on at the purchase of Oney, the cost of risk would have consistently exceeded by several basis points that published in the bank's consolidated accounts (see table 1).

Table 1

Banque Accord Cost Of Risk Adjusted For Impact Of Discount On Oney					
(Mil. €)	2007	2006	2005	2004	2003
Average customer loans (net)	2,034.0	1,800.0	1,500.0	1,061.3*	893.0
Loan loss provisions	56.0	31.3	22.8	19.7	25.2
Of which Egg discount	(2.0)	(7.0)	(14.6)	(1.6)	0.0
Adjusted loan loss provisions	58.0	38.3	37.4	21.3	25.2
Adjusted cost of risk (%)	2.85	2.13	2.49	2.01	2.82
Difference above published cost of risk (basis points)	10	39	97	29	0

*Average customer loans exclude €168 million Egg loan book accounted for in December 2004. Source: Company data, Standard & Poor's calculations.

Rising adjusted cost of risk primarily results from a riskier business mix subsequent to the development of the bank's direct lending activities in France (with a riskier-than-expected Oney loan book), as well as business expansion abroad, where the Portuguese and Spanish subsidiaries exhibit a concentration on revolving lending. Given the bank's strategic orientation toward developing revolving lending to support interest margins, we expect the cost of risk to be structurally higher in the next few years than it was during the past few years.

A deteriorating operating environment in some of Banque Accord's markets is also pushing up credit risk. After recovery problems in Italy in 2006, Spain was the main source of risk deterioration in 2007 and early 2008. The cost of risk in Spain is set to continue to deteriorate throughout 2008. In our opinion, the bank's most recent expansion in emerging countries increases the vulnerability of its asset quality. Nevertheless, the bank's expansion policy is prudent, with partnership agreements in selected foreign countries and stop-loss mechanisms that cap the cost of risk the bank incurs in Poland and Russia.

In 2006, the bank widened the accounting definition of problem loans. According to IFRS, impaired loans include loans that are 30 days past due, versus 90 days for nonperforming loans under French GAAP (generally accepted accounting principles). At year-end 2007, impaired loans rose to 15.5% of gross customer loans, which is higher than the peer average. Although Banque Accord is willing to gradually reduce this ratio, we expect further deterioration, given the ongoing rise in credit risk.

Liquidity risk

Without a deposit base, Banque Accord is highly dependent on wholesale funding. We believe that the bank's liquidity risk management is prudent, primarily aimed at diversifying and securing funding sources and instruments. At year-end 2007, bank funding and short-to-medium-term market issues represented 26% each of funding, with the remainder made up of bonds (39%) and Auchan funding facilities (9%). Group funding significantly rose throughout 2007, as it constitutes an alternative and cheaper source of funding in a context of market turbulence. This illustrates the potential for parental support that the bank enjoys.

The bank's general rule is to maintain at all times 100% of 12-month provisional funding needs covered by drawn long-term resources and available confirmed backup bank credit lines, diversified among counterparties. We consider this policy as prudent.

Market risk

Banque Accord adequately covers its exposure to rising interest rates. The bank fully hedges fixed interest rate risk by a close matching of loans with resources of similar maturities and through the use of derivatives. As the bank funds revolving lending with variable interest rate instruments, only a residual variable-rate risk remains, equivalent to the delay between a rise in funding costs and the passage of the rise on to customers in the form of higher interest rate charges. The bank partly covers this risk with optional instruments according to an opportunistic hedging policy, designed to protect margins against excessive interest rate rises. Foreign exchange risk arising from non-euro-denominated activities is marginal.

Profitability: Robust Revenue Generation Primarily Supports Profitability, Which Is Expected To Deteriorate In 2008 Due To Rising Cost Of Risk

Profitability is satisfactory. It primarily relies on revenue generation that we expect to remain strong in 2008, supporting a stabilization of operating efficiency. Our ratings factor in, however, a deterioration of bottom-line profitability, owing to rising credit risk that is set to result in declining net income in 2008.

Banque Accord's revenue stream is robust, boasting high growth rates in the past several years. The bank exhibits higher interest margins than the peer average, thanks to the contribution of the most profitable revolving loans in Banque Accord's loan book. Rising funding costs significantly hampered margins in 2007, but the bank managed to limit margin erosion thanks to a favorable business mix, increased recourse to group funding, and greater revenue diversification than for peers. The distribution of nonfinancial products and services generated a comparatively high 44% of revenues in fees and commissions in 2007, which we consider as mitigating narrowing interest margins. We expect Banque Accord to maintain satisfactory revenue generation.

Banque Accord's business expansion resulted in a double-digit rise its cost base over the past few years, primarily resulting from the development of foreign activities. The rise was slower than that for revenues, however, leading the cost-to-income ratio to improve to about 60% at year-end 2007. We believe that the bank's commercial expansion, both domestically and abroad, will weigh on costs and prevent the cost-to-income ratio from improving significantly. Instead, we forecast that the ratio will fluctuate within the 59%-61% range.

Despite robust earnings, we expect rising credit risk to hinder Banque Accord's bottom-line profitability. Adjusted for the discount on Oney, the coverage of credit risk provisions by net operating income declined to 1.9x in 2007 from 2.7x in 2004. This ratio is set to erode further in 2008, leading to an expected reduction in the bank's financial flexibility.

Capital: Adequate For Risk Profile

We consider Banque Accord's capitalization as adequate for its risk profile. Although a 9.42% ratio of ATE to risk assets compares favorably with peers', we believe that the bank's positioning in a riskier business demands stronger capitalization. We understand that both Banque Accord and Auchan intend to maintain capitalization at close to current levels.

Auchan has demonstrated its commitment to sustain Banque Accord's financial profile over the years. Banque Accord issued Tier 2 instruments that were entirely subscribed by Auchan, which we consider as a supporting factor. In addition, Auchan did not require any cash dividend until 2005, enabling its subsidiary to strengthen its capital base to support the bank's business expansion. After a 27.5% payout ratio in 2006, the group required no dividends on 2007 results to strengthen the bank's capital base. We believe that Auchan is able and will remain willing to support its subsidiary should the need arise.

Table 2

Banque Accord Balance Sheet Statistics										
(Mil. €)	—Year ended Dec. 31—					Breakdown as a % of assets (adj.)				
	2007	2006	2005	2004	2003	2007	2006	2005	2004	2003
<i>Assets</i>										
Cash and money market instruments	188	88	69	54	50	6.90	3.72	3.37	3.34	4.08
Securities	5	10	15	0	0	0.19	0.41	0.72	0.00	0.00
Trading securities (marked to market)	1	0	0	0	0	0.02	0.00	0.00	0.00	0.00
Nontrading securities	5	10	15	0	0	0.17	0.41	0.72	0.00	0.00
Customer loans (gross)	2,369	2,122	1,853	1,487	1,089	86.75	89.29	90.83	92.12	89.27

Table 2

Banque Accord Balance Sheet Statistics										
	—Year ended Dec. 31—					Breakdown as a % of assets (adj.)				
(Mil. €)	2007	2006	2005	2004	2003	2007	2006	2005	2004	2003
All other loans	2,369	2,122	1,853	1,487	1,089	86.75	89.29	90.83	92.12	89.27
Loan loss reserves	223	201	176	165	121	8.18	8.44	8.61	10.20	9.94
Customer loans (net)	2,146	1,922	1,677	1,323	967	78.58	80.85	82.22	81.92	79.33
Earning assets	2,503	2,215	1,925	1,532	1,126	91.66	93.18	94.38	94.87	92.37
Inv. in unconsolidated subsidiaries (financial co.)	6	0	0	0	0	0.20	0.00	0.00	0.00	0.00
Intangibles (nonservicing)	22	23	22	5	5	0.81	0.95	1.07	0.31	0.42
Fixed assets	5	5	5	5	4	0.18	0.20	0.24	0.31	0.29
Derivatives credit amount	4	5	4	0	0	0.13	0.23	0.18	0.00	0.00
Accrued receivables	0	325	254	229	192	0.00	13.68	12.47	14.20	15.77
All other assets	377	22	16	4	7	13.81	0.91	0.80	0.22	0.53
Total reported assets	2,753	2,399	2,062	1,620	1,225	100.81	100.95	101.07	100.31	100.42
Less nonservicing intangibles+ I/O strips	(22)	(23)	(22)	(5)	(5)	(0.81)	(0.95)	(1.07)	(0.31)	(0.42)
Adjusted assets	2,731	2,377	2,040	1,615	1,219	100.00	100.00	100.00	100.00	100.00
<i>Liabilities</i>										
Total deposits	946	676	824	575	499	34.35	28.18	39.97	35.53	40.72
Noncore deposits	543	481	602	381	304	19.73	20.04	29.18	23.54	24.79
Core/customer deposits	403	195	222	194	195	14.62	8.14	10.79	11.98	15.93
Other borrowings	1,408	1,347	922	776	520	51.14	56.12	44.70	47.92	42.50
Other credit reserves	0	0	0	0	1	0.00	0.00	0.00	0.00	0.05
Other liabilities	157	163	142	130	92	5.69	6.81	6.87	8.05	7.48
Total liabilities	2,511	2,186	1,888	1,482	1,111	91.19	91.11	91.54	91.49	90.75
Total shareholders' equity	242	213	174	138	113	8.81	8.89	8.46	8.51	9.25
Minority interest-equity	3	0	0	1	0	0.09	0.02	0.01	0.05	0.00
Common shareholders' equity (reported)	240	213	174	137	113	8.71	8.87	8.45	8.45	9.25
Share capital and surplus	76	75	75	50	32	2.74	3.12	3.63	3.10	2.59
Revaluation reserve	0	0	0	0	0	0.00	0.00	0.00	0.00	0.00
Reserves (incl. inflation revaluations)	126	101	65	63	63	4.59	4.19	3.15	3.87	5.11
Retained profits	38	37	34	24	19	1.38	1.56	1.67	1.48	1.55
Memo: Dividends (not yet distributed)	0	(10)	0	0	0					
Total liabilities and equity	2,753	2,399	2,062	1,620	1,225	100.00	100.00	100.00	100.00	100.00
<i>Equity Reconciliation Table</i>										
Common shareholders' equity (reported)	240	213	174	137	113					
+ Minority Interest (equity)	3	0	0	1	0					
- Dividends (not yet distributed)	0	(10)	0	0	0					
- Revaluation reserves	(0)	0	0	0	0					
- Nonservicing Intangibles	(22)	(23)	(22)	(5)	(5)					
Adjusted common equity	220	180	152	133	108					
- Equity in Unconsolidated Subsidiaries	(6)	0	0	0	0					
Adjusted total equity	215	180	152	133	108					

Financial statements for 2007, 2006, and 2005 are audited, consolidated, and prepared according to IFRS. For prior years, the data is audited, consolidated, and prepared under French GAAP.

Table 3

Banque Accord Profit And Loss Statement Statistics										
(Mil. €)	—Year ended Dec. 31—					Adj. avg. assets (%)				
	2007	2006	2005	2004	2003	2007	2006	2005	2004	2003
<i>Profitability</i>										
Interest income	235	199	165	129	112	9.18	9.00	9.04	9.11	10.09
Interest expense	78	50	33	32	27	3.04	2.28	1.83	2.27	2.44
Net interest income	157	148	132	97	85	6.15	6.72	7.22	6.84	7.65
Operating noninterest income	123	90	70	61	53	4.82	4.06	3.85	4.32	4.73
Fees and commissions	84	58	46	45	37	3.30	2.62	2.50	3.14	3.36
Equity in earnings of unconsolidated subsidiaries	(1)	0	0	0	0	(0.02)	0.00	0.00	0.00	0.00
Trading gains	4	1	(1)	(0)	(0)	0.17	0.03	(0.04)	(0.03)	0.00
Other market-sensitive income	1	0	0	0	0	0.02	0.00	0.00	0.01	0.00
Other noninterest income	35	31	25	17	15	1.36	1.41	1.39	1.20	1.37
Operating revenues	280	238	202	158	138	10.97	10.78	11.07	11.16	12.38
Noninterest expenses	168	150	128	99	82	6.58	6.78	6.99	7.02	7.32
Personnel expenses	53	47	41	30	24	2.08	2.15	2.22	2.09	2.19
Other general and administrative expense	111	99	85	68	55	4.36	4.49	4.65	4.77	4.94
Depreciation	4	3	2	2	2	0.14	0.14	0.12	0.16	0.19
Net operating income before loss provisions	112	88	75	59	56	4.38	4.00	4.08	4.15	5.06
Credit loss provisions (net new)	56	31	23	20	25	2.19	1.42	1.25	1.39	2.26
Net operating income after loss provisions	56	57	52	39	31	2.19	2.58	2.83	2.75	2.80
Nonrecurring/special income	3	0	1	1	0	0.13	0.00	0.04	0.08	0.02
Nonrecurring/special expense	0	0	0	2	1	0.00	0.02	0.00	0.11	0.12
Pretax profit	59	57	53	39	30	2.33	2.57	2.87	2.73	2.70
Tax expense/credit	21	19	18	15	11	0.84	0.88	0.99	1.04	1.00
Net income before minority interest	38	37	34	24	19	1.49	1.69	1.88	1.69	1.70
Minority interest in consolidated subsidiaries	0	(0)	(0)	(1)	(0)	0.00	0.00	(0.01)	(0.04)	0.00
Net income before extraordinary items	38	37	35	24	19	1.48	1.69	1.89	1.73	1.70
Net income after extraordinary items	38	37	35	24	19	1.48	1.69	1.89	1.73	1.70
<i>Core Earnings Reconciliation</i>										
Net Income (before Minority Interest)	38	37	34	24	19					
- Nonrecurring/Special Income	(3)	(0)	(1)	(1)	(0)					
+ Nonrecurring/Special Expense	0	0	0	2	1					
+/- Tax Impact of Adjustments	1	(0)	0	(0)	(0)					
+/- Other earnings adjustments	(1)	(5)	(10)	(1)	0					
Core earnings	34	33	24	23	20	1.35	1.49	1.33	1.63	1.76
<i>Asset Quality</i>										
Nonperforming assets	367	320	269	184	133					
Nonaccrual loans	367	320	269	184	133					
Net charge-offs	31	8	15	(20)	12					
<i>Average balance sheet</i>										
Average customer loans	2,034	1,800	1,500	1,145	893					
Average earning assets	2,359	2,070	1,729	1,329	1,030					

Table 3

Banque Accord Profit And Loss Statement Statistics										
(Mil. €)	—Year ended Dec. 31—					Adj. avg. assets (%)				
	2007	2006	2005	2004	2003	2007	2006	2005	2004	2003
Average assets	2,576	2,231	1,841	1,422	1,119					
Average total deposits	811	750	700	537	589					
Average interest-bearing liabilities	2,188	1,884	1,549	1,185	930					
Average common equity	226	194	156	125	104					
Average adjusted assets	2,554	2,208	1,827	1,417	1,114					
<i>Other data</i>										
Number of employees (end of period, actual)	1,306	1,103	1,040	757	663					
Off-balance-sheet credit equivalents	9,606	8,342	8,395	7,042	6,099					

Financial statements for 2007, 2006, and 2005 are audited, consolidated, and prepared according to IFRS. For prior years, the data is audited, consolidated, and prepared under French GAAP. N.A.—Not available.

Table 4

Banque Accord Ratio Analysis					
	—Year ended Dec. 31—				
	2007	2006	2005	2004	2003
<i>ANNUAL GROWTH (%)</i>					
Customer loans (gross)	11.63	14.53	24.58	36.64	17.40
Loss reserves	11.30	14.26	6.63	35.08	11.88
Adjusted assets	14.90	16.50	26.36	32.41	20.88
Customer deposits	106.16	(12.23)	14.64	(0.48)	2.58
Total equity	13.68	22.30	26.57	21.63	20.69
Operating revenues	17.66	17.69	27.87	14.67	5.04
Noninterest expense	12.30	17.16	28.48	21.92	2.44
Net operating income before provisions	26.72	18.61	26.84	4.19	9.05
Loan loss provisions	78.94	37.38	15.43	(21.63)	(9.72)
Net operating income after provisions	(1.90)	10.35	32.61	25.03	31.02
Pretax profit	4.84	7.86	35.91	28.39	28.20
Net income	1.60	8.48	43.73	26.22	29.10
<i>PROFITABILITY (%)</i>					
<i>Interest Margin Analysis</i>					
Net interest income (taxable equiv.)/avg. earning assets	6.65	7.17	7.63	7.30	8.28
Net interest spread	6.40	6.93	7.40	7.00	7.99
Interest income (taxable equiv.)/avg. earning assets	9.94	9.60	9.56	9.71	10.91
Interest expense/avg. interest-bearing liabilities	3.55	2.67	2.16	2.71	2.92
<i>Revenue Analysis</i>					
Net interest income/revenues	56.03	62.36	65.19	61.30	61.78
Fee income/revenues	30.06	24.34	22.61	28.17	27.14
Market-sensitive income/revenues	1.70	0.27	(0.33)	(0.18)	(0.00)
Noninterest income/revenues	43.97	37.64	34.81	38.70	38.22
Personnel expense/revenues	18.96	19.93	20.05	18.73	17.71
Noninterest expense/revenues	60.02	62.88	63.17	62.87	59.14
Noninterest expense/revenues less investment gains	60.13	62.88	63.17	62.90	59.14
Net operating income before provision/revenues	39.98	37.12	36.83	37.13	40.86
Net operating income after provisions/revenues	19.99	23.98	25.57	24.66	22.62
New loan loss provisions/revenues	19.98	13.14	11.26	12.47	18.25
Net nonrecurring/abnormal income/revenues	1.21	(0.18)	0.40	(0.23)	(0.79)
Pretax profit/revenues	21.21	23.80	25.97	24.43	21.82
Tax/pretax profit	36.15	34.11	34.49	38.06	36.99
Core Earnings/Revenues	12.29	13.86	11.99	14.61	14.25
<i>Other Returns</i>					
Pretax profit/avg. risk assets (%)	2.75	2.97	3.32	3.21	3.21
Revenues/avg. risk assets (%)	12.99	12.49	12.77	13.13	14.71
Net operating income before LLP/LLP	200.05	282.48	327.20	297.75	223.95
Net operating income before loss provisions/avg. risk assets (%)	5.19	4.64	4.70	4.88	6.01
Net operating income after loss provisions/avg. risk assets (%)	2.60	3.00	3.27	3.24	3.33
Net income before minority interest/avg. adjusted assets (%)	1.49	1.69	1.88	1.69	1.70

Table 4

Banque Accord Ratio Analysis					
—Year ended Dec. 31—					
	2007	2006	2005	2004	2003
Net income/employee (€)	31,490	34,841	38,301	33,721	30,618
Non-interest expenses/average adjusted assets (%)	6.58	6.78	6.99	7.02	7.32
Personnel expense/employee (€)	44,096	44,293	45,136	41,728	39,435
Cash earnings/avg. tang. common equity (ROE) (%)	20.19	23.61	25.73	21.73	21.43
Core earnings/average risk-weighted assets	1.60	1.73	1.53	1.92	2.10
Core earnings/average adjusted assets	1.35	1.49	1.33	1.63	1.76
Core earnings/ Average ACE (ROE)	17.19	19.82	17.00	19.18	20.02
<i>FUNDING AND LIQUIDITY (%)</i>					
Customer deposits/funding base	17.10	9.65	12.74	14.36	19.14
Total loans/customer deposits	588.48	1086.81	832.83	766.35	558.15
Total loans/customer deposits + long-term funds	147.33	178.31	429.36	405.78	318.18
Customer loans (net)/assets (adj.)	78.58	80.85	82.22	81.92	79.33
<i>Parent Only Analysis</i>					
<i>CAPITALIZATION (%)</i>					
Adjusted common equity/risk assets	9.66	8.87	8.58	9.55	10.60
Internal capital generation/prior year's equity	17.79	15.58	25.23	21.61	20.22
Tier 1 capital ratio	9.60	8.74	8.58	9.54	10.60
Regulatory total capital ratio	10.90	10.46	10.52	12.03	13.91
Adjusted total equity/adjusted assets	7.86	7.59	7.47	8.22	8.87
Adjusted total equity/adjusted assets + securitizations	7.86	7.59	7.47	8.22	8.87
Adjusted total equity/risk assets	9.42	8.87	8.58	9.55	10.60
Adjusted total equity plus LLR (specific)/customer loans (gross)	18.49	17.95	17.70	20.00	21.07
Common dividend payout ratio	0.00	27.50	0.00	0.00	0.00
<i>ASSET QUALITY (%)</i>					
New loan loss provisions/avg. customer loans (net)	2.75	1.74	1.52	1.72	2.82
Net charge-offs/avg. customer loans (net)	1.50	0.45	0.97	(1.72)	1.33
Loan loss reserves/customer loans (gross)	9.42	9.45	9.47	11.07	11.14
Credit-loss reserves/risk assets	9.79	9.87	9.87	11.85	11.95
Nonperforming assets (NPA)/customer loans + ORE	15.49	15.06	14.54	12.36	12.25
NPA (excl. delinquencies)/customer loans + ORE	15.49	15.06	14.54	12.36	12.25
Net NPA/customer loans (net) + ORE	6.70	6.19	5.60	1.45	1.25
NPA (net specifics)/customer loans (net specifics)	6.70	6.19	5.60	1.45	1.25
Loan loss reserves/NPA (gross)	60.83	62.77	65.16	89.57	90.95

Financial statements for 2007, 2006, and 2005 are audited, consolidated, and prepared according to IFRS. For prior years, the data is audited, consolidated, and prepared under French GAAP. N.A.—Not available. N.M.—Not meaningful.

Ratings Detail (As Of 26-Jun-2008)*

Banque Accord

Counterparty Credit Rating	A/Stable/A-1
Certificate Of Deposit	A/A-1
Senior Unsecured	
<i>Local Currency</i>	A

Counterparty Credit Ratings History

29-Aug-2006	A/Stable/A-1
05-Nov-2002	A-/Stable/A-2

Sovereign Rating

France (Republic of)	AAA/Stable/A-1+
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Related Entities**Auchan Finances SNC**

Issuer Credit Rating	—/—/A-1
Commercial Paper	
<i>Local Currency</i>	A-1

Groupe Auchan SA

Issuer Credit Rating	A/Stable/A-1
Senior Unsecured	A

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

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