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Banque Accord

CREDIT RATING

A/Stable/A-1

Outstanding Rating(s)

Counterparty Credit A/Stable/A-1

Certificate of deposit A/A-1

Senior unsecured

Local currency A

Credit Rating History

Aug. 29, 2006 A/A-1

Nov. 5, 2002 A-/A-2

Sovereign Rating

France (Republic of) AAA/Stable/A-1+

Related Entities

Groupe Auchan SA

Counterparty Credit A/Stable/A-1

Senior unsecured

Local currency A

Auchan Finances SNC

Counterparty Credit A-1

Commercial paper

Local currency A-1

Major Rating Factors

Strengths:

- Core status within French retail parent Groupe Auchan SA
- Satisfactory business growth
- Recurrent earnings generation
- Increased funding diversification

Weaknesses:

- Business concentration on consumer finance
- Dependence on parent's expansion
- Unfavorable cost structure burdened by development outlays

Rationale

The ratings on Banque Accord reflect the French bank's core status as a captive finance and services company to its parent, Groupe Auchan SA (A/Stable/A-1). Banque Accord is fully integrated into the France-based retailer, both in terms of business and strategy. Due to the Banque Accord's relationship with Auchan, the bank benefits from a stable market position and favorable growth potential, featuring international expansion and business diversification—compensating for its small size. The ratings on Banque Accord also factor in the bank's adequate financial profile.

The ratings on Auchan reflect the group's strong operating performance and healthy financial profile. Auchan is the third-largest food retailer in France with 12.6% market share and a leading position in hypermarkets, which represented 78% of 2005 domestic sales. The group is also a top player in Italy, Spain, and Portugal, and is selectively expanding in emerging markets.

By offering a broad range of financial products and managing customer loyalty programs, the bank plays a key role in enhancing Auchan's sales. Moreover, the bank manages the group's payment systems, enabling Auchan to benefit from lower transaction fees. We expect this role within the group to grow ahead of the forthcoming Single Euro Payments Area (SEPA).

Although operating exclusively in France until 1999, the bank rapidly developed internationally to accompany its parent's business expansion abroad. In 2005, foreign activities generated 26% of new loan production, a level that is likely to increase further.

In addition, Banque Accord recently has begun to diversify revenues with noncaptive activities. Under the brand name Oney.fr, the bank is developing direct lending through partnerships with remote retailers outside of its parent's scope of activities. These developments do not alter the importance of the bank to its parent company, however.

The ratings on Banque Accord factor in the bank's adequate financial profile. Asset quality has significantly improved in past years, thanks to enhanced credit risk processes, and is adequate in light of the bank's business profile. Profitability is underpinned by favorable earnings generation. Business expansion, however, is set to continue to hamper the cost structure in the medium term. The bank's funding policy is conservative. Capitalization is adequate in light of the bank's risk profile.

Outlook

The stable outlook reflects Banque Accord's full ownership by Auchan and core status within the group. The outlook on Auchan is underpinned by the group's solid operational performance and conservative financial policy. It also reflects the flexibility of Auchan, at the current rating level, to pursue its expansion strategy—including some midsize acquisitions—and further increase capital expenditures. We expect the bank to strengthen its position within the parent group.

Also factored into the outlook is our expectation that Banque Accord's financial profile will remain adequate in the near future. We expect the bank to preserve its asset quality. A comparatively heavy cost base derived from the bank's business expansion will likely continue to weigh on profitability in the short term. We furthermore expect Banque Accord not to materially modify its capital policy.

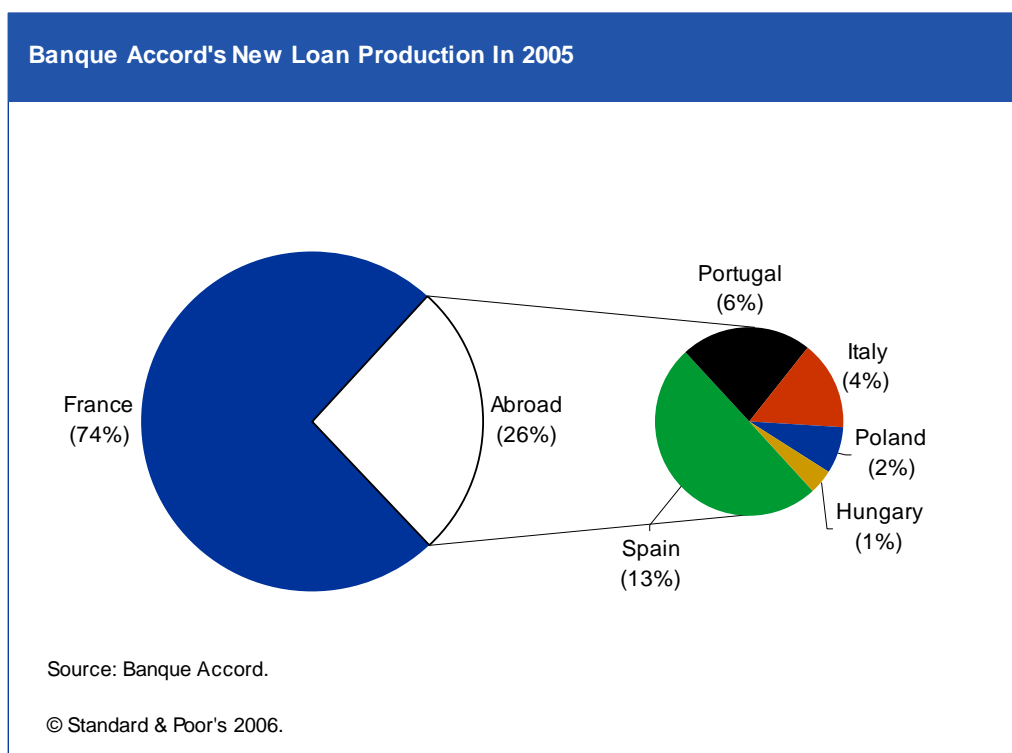
Profile: Captive Finance And Services Subsidiary Of Auchan

Banque Accord is the captive finance subsidiary of Auchan, the third-largest retailer in France. 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 its direct lending activity. It primarily operates in France, but also has developed a network of subsidiaries in five European countries to accompany Auchan's commercial expansion.

With more than € billion on the balance sheet at year-end 2005, Banque Accord has doubled in size in the past three years. The bank primarily provides sales financing to Auchan's customers through personal and payment cards, revolving and redeemable loans, but also offers plain-vanilla savings and insurance products. The Accord payment and credit card is the bank's main product, distributed to more than 4.2 million cardholders at year-end 2005; 18% of Auchan's 2005 sales were paid through Banque Accord's cards. The bank also markets nonfinancial services, such as discount phone contracts and magazine subscriptions, at self-service areas in Auchan's stores.

We consider Banque Accord to be core to its parent. In addition to sales financing, the bank stimulates Auchan's 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. In turn, the bank benefits from Auchan's large and diversified distribution activities. Through partnership agreements with other chains of Auchan and companies held by Auchan's holding company, Association Familiale Mulliez (AFM), the bank widens the acceptance network of its services and enlarges its clientele. Banque Accord furthermore manages the noncash systems of Auchan's hypermarkets, which enables the group to pay lower commissions on payment transactions.

Auchan's geographic coverage provides Banque Accord with growth opportunities abroad. Since 2000, the bank has developed a network of European subsidiaries to accompany Auchan's business expansion. Foreign activities have developed at a rapid pace, generating 26% of new loans in 2005. Banque Accord's Spanish subsidiary is the largest contributor to foreign production, followed by Portugal, Italy, Poland, and Hungary (see chart 1). The contribution of foreign activities is set to increase further, with new activities to begin in Russia in 2006, and in China and Romania in the years ahead.



Banque Accord is also expanding outside of the pure scope of the activities of its parent. In addition to its direct lending activity to end-customers, the bank recently launched Visa and MasterCard credit cards in France, Italy, Poland, and Hungary. The bank is also developing a direct lending activity via the Internet under the brand name Oney.fr. It plans to continue expanding through partnerships with remote retailers.

Ownership And Legal Status: Full Ownership By Auchan

Created in 1983, Banque Accord is a bank under France's 1984 banking law. It has been fully owned by Auchan 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 within 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. The remaining stake in the group is held by Auchan's management team and several employee-dedicated investment funds. 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. There are no capital links or cross subsidies among AFM's companies.

Strategy: Continued Growth In Volumes In France And Abroad

Banque Accord's strategy is clear and fully integrated with that of Auchan. The bank intends to enhance Auchan's sales and help it lower costs through reduced transaction fees, while positioning itself as a provider of innovative and discount financial products. Consequently, business growth will continue to rely

on widening the product range and active management of customer loyalty programs, both in France and abroad, and additional partnerships with AFM brands.

Banque Accord intends to apply its distributional know-how to financial services to offer discount financial products and other services. This low-price approach aims to increase the client base and the number of products sold per customer, to compensate for lower margins. The bank also develops innovative distribution channels, like its small network of a dozen of branches located within Auchan's stores.

Banque Accord will continue to expand through additional agreements with Auchan and AFM members and by widening its product range in all foreign locations. Business expansion includes the development of direct lending under the brand name Oney.fr and recently signed partnerships with players outside the AFM universe, which we believe is positive for revenue diversification.

Moreover, the bank intends to consolidate its expertise in credit and payment card management. Under the recently launched brand CardOps, the bank is to manage the massive amounts of payment transactions of Auchan and AFM retailers, so that the bank can benefit from economies of scale and be well positioned in the forthcoming SEPA. The ultimate aim is to enable stores to benefit from lower payment transaction fees and encourage them to increase the number of clients who have Banque Accord's financial products. This strategy strengthens the position of the bank within its parent.

Although Banque Accord's geographic expansion is limited to that of its parent, the contribution of foreign activities stands to increase further, as existing foreign subsidiaries mature and the bank expands to new countries. The bank will continue to settle in new countries via business risk-reducing partnerships with a well-established local player and by replicating its French strategy—accessing a wide customer base via retail partnerships and exploiting that base through the use of marketing tools to develop direct lending.

Risk Management: Prudent, Featuring Enhanced Credit Processes

Banque Accord's asset quality has improved over the past few years. We expect that enhanced credit risk management, coupled with prudent expansion abroad, will prevent any deterioration in asset quality. We view Banque Accord's funding policy as sound. The gradual diversification of the bank's funding sources has resulted in increased recourse to financial markets. Market risk management is prudent, with hedging rules designed to reduce risk exposure to minimal levels.

Credit risk

Banque Accord's assets are primarily domestic, with 80% of the gross loan book located in France at year-end 2005. Revolving loans, which are traditionally riskier than personal loans, represented 61% of the bank's outstandings. The loan portfolio has been expanding rapidly, with average annual growth of more than 20% between 1996-2005. The expansion of the loan book in 2005 was underpinned by foreign activities that surged 39%, primarily driven by fast-expanding Spanish activities. Domestic activities remained dynamic as well, growing 16%. In the years ahead, we expect the domestic business to remain robust and the contribution of foreign activities to continue to rise as they mature and the bank continues its expansion abroad.

Over the past four years, asset quality has improved. Banque Accord managed to address a deterioration in the late 1990s by better adapting products to client risk, tightening acceptance rules, and closer monitoring of loans over their lifespan. The bank also initially outsourced part of its processes to Sofinco (AA-/Positive/A-1+), the second-largest consumer finance provider in France and leading domestic player in credit risk management. Banque Accord now benefits from satisfactory credit risk management tools that it continues to enhance, both in France and in subsidiaries abroad.

Consequently, Banque Accord's provisioning needs have steadily declined in the past several years. The ratio of new loan loss provisions (LLP) to customer loans reached a low 1.5% in 2005, after peaking at 4.4% in 2001. This ratio has been distorted in the past two years, however, by consolidation and accounting effects. Excluding those impacts, the cost of risk would have remained quasi-stable over the past two years at about 1.9%. We believe that Banque Accord is able to maintain this ratio at this level.

The credit risk of foreign activities compares well with those of the domestic loan book. Only the Polish loan book exhibits a higher level of risk that the bank partly hedges through a stop-loss mechanism. The trend in credit risk abroad remains well oriented.

NPLs account for a significant portion of total gross customer loans. After having increased until 2002, the proportion of NPLs in total outstanding loans decreased to just below 11% in 2005, a level that remains higher than for peers. Although Banque Accord is committed to gradually reducing this ratio, any significant improvement will likely remain constrained by the bank's focus on revolving loans. NPLs are conservatively covered by loan loss reserves, with a coverage ratio at 86% at year-end 2005.

Liquidity risk

Banque Accord is primarily wholesale funded. In the past two years, the bank implemented a gradual diversification of its funding sources, resulting in a reduced contribution from interbank deposits to 33% of total funding in 2005. Banque Accord lengthened the maturity of its funding through greater issuance of medium- to long-term debt instruments, namely bonds under domestic and euro MTN programs. The recourse to market funding is set to increase further, in line with the bank's expansion strategy. According to its prudent hedging rules, Banque Accord reduces liquidity risk through the maintenance of available backup bank credit lines, diversified among counterparties.

Market risk

Standard & Poor's believes that Banque Accord's exposure to rising interest rates is adequately covered. Fixed interest rate risk is fully hedged through matching with liabilities of the same maturities and the use of derivatives. As revolving lending is funded through variable interest rate instruments, only a residual variable-rate risk remains, equivalent to the delay between a rise in funding costs and its passage onto customers in the form of higher interest rate charges. This risk is partly covered with optional instruments and is minimal. Foreign exchange risk arising from non-euro-priced activities is marginal.

Profitability: Hampered By Business Expansion

Banque Accord's profitability is satisfactory. In the coming years, we believe that the bank's capacity to generate earnings will remain strong, but that the profitability structure will continue to be hampered by business expansion, which should continue to weigh on the cost base.

Banque Accord's revenue stream is robust, increasing an average 20% a year over the past five years. The 27% growth in revenues in 2005 was attributable to dynamic lending volumes, but also to the full consolidation of the Portuguese subsidiary, which was previously proportionally integrated. Banque Accord enjoys higher margins than for peers, as the bank is positioned on the most profitable revolving segment. The bank's focused strategy on discount products, strong competitive pressures in the French consumer finance business, and a less profitable product mix with a rising proportion of redeemable loans could weigh on interest revenue growth, however. As a way to diversify revenues, we view positively the bank's distribution of nonfinancial products and services, which generated a comparatively high 35% of revenues in fees and commissions in 2005.

Banque Accord's business expansion resulted in a 28.5% rise in noninterest expenses in 2005, mostly due to the full integration of the Portuguese subsidiary, the development of branches in Auchan stores, and direct lending. Consequently, Banque Accord's cost-to-income ratio has deteriorated to about 63% in the past two years, compared with 59% in 2003. We believe that the bank's commercial expansion, both domestically and abroad, will continue to support faster growth in costs than in revenues in the short term. The cost-to-income ratio is therefore likely to deteriorate, rising above 66% in 2006, before it starts to improve.

Thanks to enhanced credit risk management, Banque Accord reduced provisioning needs to about 30% of net operating income before LLPs in 2005, roughly half the level of 2001. This improvement is reflected in bottom line profitability, with a ratio of net income to revenues of 17% in 2005. This level is close to the average for peers, but could deteriorate somewhat given the cost of business expansion in the short term.

Capital: Adequate In Light Of Risk Profile

We consider Banque Accord's capitalization to be adequate in light of the bank's risk profile. With an average 9.6% ratio of adjusted common equity to risk assets in the past five years, capital ratios compared favorably with peers'. They are, however, mitigated by the bank's positioning on a riskier business. Auchan requires its subsidiary to maintain a minimum 10% total regulatory ratio. Banque Accord issued Tier 2 instruments that were entirely subscribed to by Auchan, which we consider as a supporting factor. We believe that Auchan is able and willing to support its subsidiary should the need arise.

The shareholder's commitment to sustain Banque Accord's financial profile has been demonstrated over the years. The bank has never been required to upstream cash dividend to its parent company. Instead, Auchan has preferred to strengthen the capital base of Banque Accord as a way to support the bank's business expansion. Although Banque Accord is to pay a dividend in the foreseeable future, we understand that both Banque Accord and Auchan intend to maintain capitalization in line with the bank's risk profile.

Table 1

| Banque Accord Balance Sheet Statistics | | | | | | | | | | |
|--|----------------------|-------|-------|-------|------|-----------------------------------|--------|--------|--------|--------|
| <i>(Mil.)</i> | —Year ended Dec. 31— | | | | | Breakdown as a % of assets (adj.) | | | | |
| | 2005 | 2004 | 2003 | 2002 | 2001 | 2005 | 2004 | 2003 | 2002 | 2001 |
| ASSETS | | | | | | | | | | |
| Cash and money market instruments | 69 | 54 | 50 | 10 | 7 | 3.37 | 3.34 | 4.08 | 1.00 | 0.71 |
| Securities | 15 | 0 | 0 | 0 | 0 | 0.72 | 0.00 | 0.00 | 0.00 | 0.00 |
| Nontrading securities | 15 | 0 | 0 | 0 | 0 | 0.72 | 0.00 | 0.00 | 0.00 | 0.00 |
| Customer loans (gross) | 1,853 | 1,487 | 1,089 | 927 | 838 | 90.83 | 92.12 | 89.27 | 91.91 | 90.05 |
| All other loans | 1,853 | 1,487 | 1,089 | 927 | 838 | 90.83 | 92.12 | 89.27 | 91.91 | 90.05 |
| Loan loss reserves | 176 | 165 | 121 | 108 | 87 | 8.61 | 10.20 | 9.94 | 10.74 | 9.30 |
| Customer loans (net) | 1,677 | 1,323 | 967 | 819 | 751 | 82.22 | 81.92 | 79.33 | 81.17 | 80.75 |
| Earning assets | 1,925 | 1,532 | 1,126 | 933 | 841 | 94.38 | 94.87 | 92.37 | 92.50 | 90.35 |
| Equity interests/participations (nonfinancial) | 0 | 0 | 0 | 1 | 0 | 0.00 | 0.00 | 0.00 | 0.05 | 0.00 |
| Intangibles (nonservicing) | 22 | 5 | 5 | 6 | 5 | 1.07 | 0.31 | 0.42 | 0.55 | 0.57 |
| Fixed assets | 5 | 5 | 4 | 3 | 2 | 0.24 | 0.31 | 0.29 | 0.32 | 0.25 |
| Derivatives credit amount | 4 | 0 | 0 | 0 | 0 | 0.18 | 0.00 | 0.00 | 0.00 | 0.00 |
| Accrued receivables | 254 | 229 | 192 | 172 | 168 | 12.47 | 14.20 | 15.77 | 17.03 | 18.04 |
| All other assets | 16 | 4 | 7 | 4 | 2 | 0.80 | 0.22 | 0.53 | 0.44 | 0.24 |
| Total reported assets | 2,062 | 1,620 | 1,225 | 1,014 | 936 | 101.07 | 100.31 | 100.42 | 100.55 | 100.57 |
| Less nonservicing intangibles | (22) | (5) | (5) | (6) | (5) | | | | | |
| Adjusted assets | 2,040 | 1,615 | 1,219 | 1,009 | 930 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| LIABILITIES | | | | | | | | | | |
| Total deposits | 824 | 575 | 499 | 680 | 664 | 39.97 | 35.53 | 40.72 | 67.05 | 70.92 |
| Noncore deposits | 602 | 381 | 304 | 490 | 510 | 29.18 | 23.54 | 24.79 | 48.31 | 54.54 |
| Core/customer deposits | 222 | 194 | 195 | 190 | 153 | 10.79 | 11.98 | 15.93 | 18.74 | 16.38 |
| Other borrowings | 922 | 776 | 520 | 161 | 100 | 44.70 | 47.92 | 42.50 | 15.83 | 10.71 |
| Other credit reserves | 0 | 0 | 1 | 1 | 0 | 0.00 | 0.00 | 0.05 | 0.05 | 0.05 |
| Other liabilities | 142 | 130 | 92 | 79 | 93 | 6.87 | 8.05 | 7.48 | 7.81 | 9.91 |
| Total liabilities | 1,888 | 1,482 | 1,111 | 920 | 857 | 91.54 | 91.49 | 90.75 | 90.75 | 91.59 |
| Total shareholders' equity | 174 | 138 | 113 | 94 | 79 | 8.46 | 8.51 | 9.25 | 9.25 | 8.41 |
| Minority interest-equity | 0 | 1 | 0 | 0 | 0 | 0.01 | 0.05 | 0.00 | 0.00 | 0.00 |
| Common shareholders' equity (reported) | 174 | 137 | 113 | 94 | 79 | 8.45 | 8.45 | 9.25 | 9.25 | 8.41 |
| Share capital and surplus | 75 | 50 | 32 | 25 | 15 | 3.63 | 3.10 | 2.59 | 2.49 | 1.56 |
| Reserves (incl. inflation revaluations) | 65 | 63 | 63 | 54 | 52 | 3.15 | 3.87 | 5.11 | 5.31 | 5.58 |
| Retained profits | 34 | 24 | 19 | 15 | 12 | 1.67 | 1.48 | 1.55 | 1.45 | 1.27 |
| Total liabilities and equity | 2,062 | 1,620 | 1,225 | 1,014 | 936 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| Less revaluation reserve, intangibles | (22) | (5) | (5) | (6) | (5) | | | | | |
| Tangible total equity | 152 | 133 | 108 | 88 | 73 | | | | | |
| Tangible common equity | 152 | 133 | 108 | 88 | 73 | | | | | |
| Adjusted common equity | 152 | 133 | 108 | 88 | 73 | | | | | |
| Adjusted total equity | 152 | 133 | 108 | 88 | 73 | | | | | |

Note: Financial statements for 2005 are audited, consolidated, and prepared according to IFRS. For prior years, the data are audited, consolidated, and prepared according to French GAAP.

Table 2

| Banque Accord P&L Statement Statistics | | | | | | | | | | |
|---|----------------------|-------------|-------------|-------------|-------------|----------------------|--------|-------|-------|-------|
| | —Year ended Dec. 31— | | | | | Adj. avg. assets (%) | | | | |
| <i>(Mil.)</i> | 2005 | 2004 | 2003 | 2002 | 2001 | 2005 | 2004 | 2003 | 2002 | 2001 |
| PROFITABILITY | | | | | | | | | | |
| Interest income | 165 | 129 | 112 | 106 | 95 | 9.04 | 9.11 | 10.09 | 10.96 | 10.91 |
| Interest expense | 33 | 32 | 27 | 29 | 29 | 1.83 | 2.27 | 2.44 | 2.97 | 3.38 |
| Net interest income | 132 | 97 | 85 | 77 | 65 | 7.22 | 6.84 | 7.65 | 7.99 | 7.53 |
| Operating noninterest income | 70 | 61 | 53 | 54 | 56 | 3.85 | 4.32 | 4.73 | 5.55 | 6.46 |
| Fees and commissions | 46 | 45 | 37 | 40 | 39 | 2.50 | 3.14 | 3.36 | 4.08 | 4.51 |
| Trading gains | (1) | (0) | (0) | (0) | 0 | (0.04) | (0.03) | 0.00 | 0.00 | 0.00 |
| Other market-sensitive income | 0 | 0 | 0 | 0 | 0 | 0.00 | 0.01 | 0.00 | 0.00 | 0.00 |
| Other noninterest income | 25 | 17 | 15 | 14 | 17 | 1.39 | 1.20 | 1.37 | 1.47 | 1.95 |
| Operating revenues | 202 | 158 | 138 | 131 | 122 | 11.07 | 11.16 | 12.38 | 13.54 | 13.99 |
| Noninterest expenses | 128 | 99 | 82 | 80 | 72 | 6.99 | 7.02 | 7.32 | 8.21 | 8.23 |
| Personnel expenses | 41 | 30 | 24 | 21 | 16 | 2.22 | 2.09 | 2.19 | 2.21 | 1.82 |
| Other general and administrative expense | 85 | 68 | 55 | 57 | 55 | 4.65 | 4.77 | 4.94 | 5.85 | 6.27 |
| Amortization of intangibles | 0 | 0 | 0 | 0 | 0 | 0.00 | 0.00 | 0.00 | 0.00 | 0.02 |
| Depreciation and amortization-other | 2 | 2 | 2 | 2 | 1 | 0.12 | 0.16 | 0.19 | 0.16 | 0.11 |
| Net operating income before loss provisions | 75 | 59 | 56 | 52 | 50 | 4.08 | 4.15 | 5.06 | 5.33 | 5.76 |
| Credit loss provisions (net new) | 23 | 20 | 25 | 28 | 30 | 1.25 | 1.39 | 2.26 | 2.88 | 3.50 |
| Net operating income after loss provisions | 52 | 39 | 31 | 24 | 20 | 2.83 | 2.75 | 2.80 | 2.46 | 2.26 |
| Nonrecurring/special income | 1 | 1 | 0 | 0 | 0 | 0.04 | 0.08 | 0.02 | 0.00 | 0.03 |
| Nonrecurring/special expense | 0 | 2 | 1 | 0 | 0 | 0.00 | 0.11 | 0.12 | 0.04 | 0.04 |
| Pretax profit | 53 | 39 | 30 | 23 | 20 | 2.87 | 2.73 | 2.70 | 2.42 | 2.26 |
| Tax expense/credit | 18 | 15 | 11 | 9 | 8 | 0.99 | 1.04 | 1.00 | 0.91 | 0.89 |
| Net income before minority interest | 34 | 24 | 19 | 15 | 12 | 1.88 | 1.69 | 1.70 | 1.52 | 1.37 |
| Minority interest in consolidated subsidiaries | (0) | (1) | (0) | 0 | 0 | (0.01) | (0.04) | 0.00 | 0.00 | 0.00 |
| Net income before extraordinary | 35 | 24 | 19 | 15 | 12 | 1.89 | 1.73 | 1.70 | 1.52 | 1.37 |
| Net income after extraordinary | 35 | 24 | 19 | 15 | 12 | 1.89 | 1.73 | 1.70 | 1.52 | 1.37 |
| Core earnings | 34 | 25 | 20 | 15 | 12 | 1.86 | 1.74 | 1.77 | 1.54 | 1.37 |
| | 2005 | 2004 | 2003 | 2002 | 2001 | | | | | |
| ASSET QUALITY | | | | | | | | | | |
| Nonperforming assets | 203 | 184 | 133 | 117 | 92 | | | | | |
| Nonaccrual loans | 203 | 184 | 133 | 117 | 92 | | | | | |
| Net charge-offs | 15 | (20) | 12 | 9 | 5 | | | | | |
| AVERAGE BALANCE SHEET | | | | | | | | | | |
| Average customer loans | 1,500 | 1,145 | 893 | 785 | 691 | | | | | |
| Average earning assets | 1,729 | 1,329 | 1,030 | 887 | 766 | | | | | |
| Average assets | 1,841 | 1,422 | 1,119 | 975 | 874 | | | | | |
| Average total deposits | 700 | 537 | 589 | 672 | 632 | | | | | |
| Average interest-bearing liabilities | 1,549 | 1,185 | 930 | 802 | 714 | | | | | |
| Average common equity | 156 | 125 | 104 | 86 | 73 | | | | | |
| Average adjusted assets | 1,827 | 1,417 | 1,114 | 970 | 870 | | | | | |
| OTHER DATA | | | | | | | | | | |

Table 2

| Banque Accord P&L Statement Statistics | | | | | | | | | | |
|---|----------------------|-------|-------|-------|-------|----------------------|------|------|------|------|
| <i>(Mil.)</i> | —Year ended Dec. 31— | | | | | Adj. avg. assets (%) | | | | |
| | 2005 | 2004 | 2003 | 2002 | 2001 | 2005 | 2004 | 2003 | 2002 | 2001 |
| Number of employees (end of period, actual) | 1,040 | 757 | 663 | 576 | 450 | | | | | |
| Number of branches | N.A. | 8 | 0 | 0 | 0 | | | | | |
| Off-balance-sheet credit equivalents | 8,395 | 7,042 | 6,099 | 5,078 | 5,006 | | | | | |

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

Table 3

| Banque Accord Ratio Analysis | | | | | | | | | | |
|--|----------------------|-------------|-------------|-------------|-------------|--|--|--|--|--|
| | —Year ended Dec. 31— | | | | | | | | | |
| | 2005 | 2004 | 2003 | 2002 | 2001 | | | | | |
| ANNUAL GROWTH (%) | | | | | | | | | | |
| Customer loans (gross) | 24.58 | 36.64 | 17.40 | 10.65 | 21.41 | | | | | |
| Loss reserves | 6.63 | 35.08 | 11.88 | 25.25 | 48.03 | | | | | |
| Adjusted assets | 26.36 | 32.41 | 20.88 | 8.42 | 15.03 | | | | | |
| Customer deposits | 14.64 | (0.48) | 2.58 | 24.03 | (17.05) | | | | | |
| Tangible common equity | 14.83 | 22.85 | 22.45 | 20.21 | 16.52 | | | | | |
| Total equity | 26.57 | 21.63 | 20.69 | 19.18 | 17.72 | | | | | |
| Operating revenues | 27.87 | 14.67 | 5.04 | 7.93 | 29.32 | | | | | |
| Noninterest expense | 28.48 | 21.92 | 2.44 | 11.25 | 29.56 | | | | | |
| Net operating income before provisions | 26.84 | 4.19 | 9.05 | 3.18 | 28.99 | | | | | |
| Loan loss provisions | 15.43 | (21.63) | (9.72) | (8.38) | 41.86 | | | | | |
| Net operating income after provisions | 32.61 | 25.03 | 31.02 | 21.06 | 13.11 | | | | | |
| Pretax profit | 35.91 | 28.39 | 28.20 | 19.57 | 104.58 | | | | | |
| Net income | 43.73 | 26.22 | 29.10 | 23.68 | 182.19 | | | | | |
| | 2005 | 2004 | 2003 | 2002 | 2001 | | | | | |
| PROFITABILITY (%) | | | | | | | | | | |
| Interest margin analysis | | | | | | | | | | |
| Net interest income (taxable equiv.)/avg. earning assets | 7.63 | 7.30 | 8.28 | 8.74 | 8.54 | | | | | |
| Net interest spread | 7.40 | 7.00 | 7.99 | 8.39 | 8.26 | | | | | |
| Interest income (taxable equiv.)/avg. earning assets | 9.56 | 9.71 | 10.91 | 11.98 | 12.38 | | | | | |
| Interest expense/avg. interest-bearing liabilities | 2.16 | 2.71 | 2.92 | 3.59 | 4.12 | | | | | |
| Revenue analysis | | | | | | | | | | |
| Net interest income/revenues | 65.19 | 61.30 | 61.78 | 59.00 | 53.80 | | | | | |
| Fee income/revenues | 22.61 | 28.17 | 27.14 | 30.14 | 32.27 | | | | | |
| Market-sensitive income/revenues | (0.33) | (0.18) | (0.00) | (0.00) | 0.00 | | | | | |
| Noninterest income/revenues | 34.81 | 38.70 | 38.22 | 41.00 | 46.20 | | | | | |
| Personnel expense/revenues | 20.05 | 18.73 | 17.71 | 16.31 | 13.04 | | | | | |
| Noninterest expense/revenues | 63.17 | 62.87 | 59.14 | 60.64 | 58.83 | | | | | |
| Noninterest expense/revenues less investment gains | 63.17 | 62.90 | 59.14 | 60.64 | 58.83 | | | | | |
| Expense less amortization of intangibles/revenues | 63.17 | 62.87 | 59.14 | 60.64 | 58.66 | | | | | |
| Expense less all amortizations/revenues | 62.04 | 61.46 | 57.63 | 59.47 | 57.88 | | | | | |

Table 3

| Banque Accord Ratio Analysis | | | | | |
|--|----------------------|--------|--------|--------|--------|
| | —Year ended Dec. 31— | | | | |
| | 2005 | 2004 | 2003 | 2002 | 2001 |
| Net operating income before provision/revenues | 36.83 | 37.13 | 40.86 | 39.36 | 41.17 |
| Net operating income after provisions/revenues | 25.57 | 24.66 | 22.62 | 18.13 | 16.17 |
| New loan loss provisions/revenues | 11.26 | 12.47 | 18.25 | 21.23 | 25.01 |
| Net nonrecurring/abnormal income/revenues | 0.40 | (0.23) | (0.79) | (0.25) | (0.02) |
| Pretax profit/revenues | 25.97 | 24.43 | 21.82 | 17.88 | 16.14 |
| Net income/revenues | 17.01 | 15.13 | 13.75 | 11.19 | 9.76 |
| Tax/pretax profit | 34.49 | 38.06 | 36.99 | 37.43 | 39.51 |
| | 2005 | 2004 | 2003 | 2002 | 2001 |
| Other returns | | | | | |
| Pretax profit/avg. risk assets | 3.32 | 3.21 | 3.21 | 2.87 | 2.73 |
| Net income/avg. risk assets | 2.17 | 1.99 | 2.02 | 1.80 | 1.65 |
| Revenues/avg. risk assets | 12.77 | 13.13 | 14.71 | 16.06 | 16.91 |
| Net operating income before loss provisions/avg. risk assets | 4.70 | 4.88 | 6.01 | 6.32 | 6.96 |
| Net operating income after loss provisions/avg. risk assets | 3.27 | 3.24 | 3.33 | 2.91 | 2.73 |
| Net income before minority interest/avg. adjusted assets | 1.88 | 1.69 | 1.70 | 1.52 | 1.37 |
| Net income/employee () | 38,301 | 33,721 | 30,618 | 28,641 | 27,920 |
| Personnel expense/employee () | 45,136 | 41,728 | 39,435 | 41,754 | 37,297 |
| Cash earnings/avg. tang. common equity (ROE) | 25.73 | 21.73 | 21.43 | 20.06 | 19.10 |
| Core earnings/avg. tang. common equity (ROE) | 23.84 | 20.49 | 20.03 | 18.43 | 17.44 |
| | 2005 | 2004 | 2003 | 2002 | 2001 |
| FUNDING AND LIQUIDITY (%) | | | | | |
| Customer deposits/funding base | 12.74 | 14.36 | 19.14 | 22.61 | 20.07 |
| Total loans/customer deposits | 832.83 | 766.35 | 558.15 | 487.68 | 546.65 |
| Total loans/customer deposits + long-term funds | 429.36 | 405.78 | 318.18 | 291.75 | 316.05 |
| Customer loans (net)/assets (adj.) | 82.22 | 81.92 | 79.33 | 81.17 | 80.75 |
| | 2005 | 2004 | 2003 | 2002 | 2001 |
| CAPITALIZATION (%) | | | | | |
| Adjusted common equity/adjusted assets | 7.47 | 8.22 | 8.87 | 8.75 | 7.89 |
| Adjusted common equity/risk assets | 8.58 | 9.55 | 10.60 | 10.31 | 9.43 |
| Adjusted common equity/customer loans (net) | 9.09 | 10.04 | 11.18 | 10.78 | 9.77 |
| Internal capital generation/prior year's equity | 25.23 | 21.61 | 20.22 | 18.67 | 17.76 |
| Tier 1 capital ratio | 8.58 | 9.54 | 10.60 | 9.41 | 8.54 |
| Regulatory total capital ratio | 10.52 | 12.03 | 13.91 | 13.26 | 12.78 |
| Adjusted total equity/adjusted assets | 7.47 | 8.22 | 8.87 | 8.75 | 7.89 |
| Adjusted total equity/risk assets | 8.58 | 9.55 | 10.60 | 10.31 | 9.43 |
| Adjusted total equity plus LLR (specific)/customer loans (gross) | 17.70 | 20.00 | 21.07 | 21.21 | 19.09 |
| | 2005 | 2004 | 2003 | 2002 | 2001 |
| ASSET QUALITY (%) | | | | | |
| New loan loss provisions/avg. customer loans (net) | 1.52 | 1.72 | 2.82 | 3.55 | 4.40 |
| Net charge-offs/avg. customer loans (net) | 0.97 | (1.72) | 1.33 | 1.14 | 0.71 |
| Loan loss reserves/customer loans (gross) | 9.47 | 11.07 | 11.14 | 11.69 | 10.33 |

Table 3

| Banque Accord Ratio Analysis | | | | | |
|--|----------------------|-------|-------|-------|-------|
| | —Year ended Dec. 31— | | | | |
| | 2005 | 2004 | 2003 | 2002 | 2001 |
| Credit-loss reserves/risk assets | 9.87 | 11.85 | 11.95 | 12.72 | 11.16 |
| Nonperforming assets (NPA)/customer loans + ORE | 10.96 | 12.36 | 12.25 | 12.67 | 10.94 |
| NPA (excl. delinquencies)/customer loans + ORE | 10.96 | 12.36 | 12.25 | 12.67 | 10.94 |
| Net NPA/customer loans (net) + ORE | 1.64 | 1.45 | 1.25 | 1.11 | 0.69 |
| NPA (net specifics)/customer loans (net specifics) | 1.64 | 1.45 | 1.25 | 1.11 | 0.69 |
| Loan loss reserves/NPA (gross) | 86.45 | 89.57 | 90.95 | 92.29 | 94.35 |

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

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