

**IXIS**

CORPORATE & INVESTMENT BANK

GROUPE CAISSE D'ÉPARGNE

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Bloomberg: IXCR

Covered Bond Issuer Profile

Cédulas Grupo Banco Popular 2 FTA

Market Segment: Spanish Cédulas Hipotecarias – Structured Multicédulas

Updated: 27th March 2006 **IXIS CIB has been appointed joint lead of the forthcoming issue of Cédulas Grupo Banco Popular 2 FTA**

Key credit factors

- ▶ Cédulas are backed by the entire mortgage portfolios of 7 participating banking subsidiaries of Grupo Banco Popular (see below for list). At issuance, the ratio between total mortgage portfolio and total outstanding Cédulas stands at 2.97 (OC-ratio 297%) (mortgage loan portfolios end Dec-05)
- ▶ Grupo Banco Popular (Aa1/AA/AA, Moodys/S&P/Fitch) is the third largest commercial banking group in Spain (5th credit institution).
- ▶ The collateral pool is dominated by residential mortgage loans (83.2% of total mortgages)
- ▶ Rating by Moody's and S&P: expected Aaa/AAA

Basic Facts

Domicile: *Madrid/Spain*

Legal structure: Fondo de Titulización (FTA) acquires individual Cédulas hipotecarias from 7 participating financial institutions and issues Cédulas in equivalent amount

Covered Bonds regulated by: *Ley 2/1981 of 25/03/1981*

Risk weight acc. to EU CAD: 10%

Market share Jumbo Cov. Bonds (1Y.+): 0.3% (1.2% of CH)

Outst. CH (March 2006): € 2 bn.

Homepage: www.imcedulas.com

Bloomberg: IMCED1

Risk profile

Credit risks

- Collateral pool dominated by residential mortgage loans (83.2% of total mortgage loans; no mortgage loan exposure outside Spain)
- Domestic geographical diversification: 39% of total mortgage portfolio is granted in the wealthier parts of Spain (GDP per capita above national average). The region of Madrid accounts for 24.2% and the Balears Islands for 7.5%.
- Loan-to-value ratio at an weighted average of 55.8% (based on initial property valuation)
- Average over-collateralisation ratio in percent of 297% (Total mortgage portfolio/outstanding Cédulas), the average over-collateralisation ratio of the transaction weighted by participants' contributions stands at 295% Average ratio of legally apt mortgage loan portfolio/outstanding Cédulas at 193% (legal minimum 111%), eligibility criteria for legally apt mortgage loans: first rank mortgage, maximum LTV 80% for residential, 70% for commercial mortgages, underlying property of the mortgages must be appraised and insured.
- Stable fundamentals and ratings of participating financial institutions

Reinvestment and loan pre-payment risks

At Cédulas Grupo Banco Popular 2 FTA:

- Assets and liabilities are both fixed, non-callable

At participating banking subsidiaries:

- High share of variable-rate mortgage loans (98.4% of total mortgage portfolio)
- Over-collateralisation ratio at participating banks ranging from 266% to 361%

Interest rate and currency risks

At Cédulas Grupo Banco Popular 2 FTA:

- Complete interest rate and maturity match between assets and liabilities

At participating banking subsidiaries:

- Over-collateralisation ratio at participating banks ranging from 266% to 361%
- Participating banks swap fixed-rate Cédulas issues into floating in order to reduce interest rate mismatch with mortgage portfolio on the asset side
- Currency risks are non-existent as no mortgage loan exposure outside Spain

Liquidity risks

At Cédulas Grupo Banco Popular 2 FTA:

- Complete match between assets and liabilities. In case of a downgrade of Banco Popular's short term ratings below A-1+ (S&P) or P-1 (Moody's) the Sociedad Gestora will contract a liquidity facility according to the amount required by the rating agencies.

At participating banking subsidiaries:

- The participating banks benefit from a high share of customer deposits (ratio customer deposits/total assets at an average of 54.3% (excl. BP Hipotecario and Bancopopular-e.com, including both: 41.2%))

Counterparty risks

- The payments of the Cédulas to the Fund will be made two working days prior to the notes payments in order to avoid administrative cash flow mismatches
- Intermoney Titulización administers and legally represents Cédulas Grupo Banco Popular 2 FTA. The company is supervised by the CNMV (Spanish Securities supervisor). The objective of the company is the origination, management and legal representation of securitization funds. The professionals who direct the company have more than 10 years of experience in the Securitization Market

Administrative costs

- Initial expenses and taxes will be paid at issue date. Periodical ordinary expenses will be covered through a 1 basis point spread between the coupon of Cédulas issued by participating banks and the coupon of Cédulas issued by Cédulas Grupo Banco Popular 2 FTA.

All figures are end of December 2005, except otherwise stated – Source: InterMoney

Overview participating financial institutions, mortgage portfolios and over-collateralisation

Contributing financial institution	Contribution to Cédulas Grupo Banco Popular 2 FTA	Total mortgage portfolio *	Legally apt mortgage portfolio 1) *	Outstanding Cédulas 2) *	Over-collateralisation Ratio 2), 3)	Over-collateralisation in percent 2), 4)
Banco de Andalucía	1,175.0	5,847.9	4,420.0	1,975.0	3.0	196%
Banco de Castilla	550.0	2,281.9	1,438.1	825.0	2.8	177%
Banco de Galicia	375.0	1,828.5	1,069.1	625.0	2.9	193%
Banco de Vasconia	300.0	1,198.0	712.8	450.0	2.7	166%
Banco Popular Hipotecario	300.0	2,167.5	913.5	600.0	3.6	261%
Banco de Credito Balear	175.0	1,134.4	881.6	400.0	2.8	184%
bancopopular-e.com	125.0	384.0	249.3	125.0	3.1	207%
TOTAL...	3,000.0	14,842.1	9,684.4	5,000.0	3.0	197%

Source: InterMoney, IXIS CIB * as of 31.Dec 2005

1) Eligibility criteria for legally apt mortgages: first rank mortgage, maximum LTV 80% for residential, 70% for commercial mortgages

2) Including contribution to Cédulas Grupo Banco Popular 2 FTA

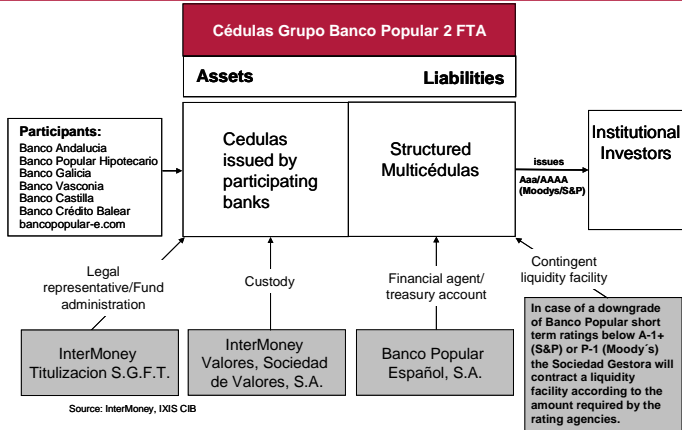
3) Ratio between total mortgage portfolio and total outstanding Cédulas (incl. new issue)

4) Relation between the part of the mortgage loan portfolio exceeding the outstanding Cédulas (incl. new issue) and the amount of outstanding Cédulas in %

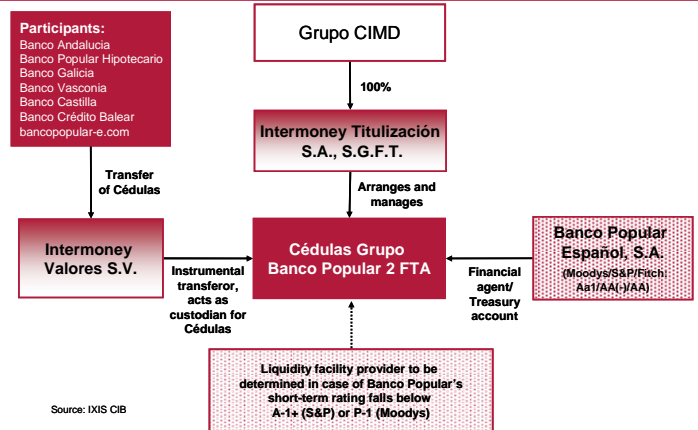
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Structure of the transaction



Participants of the transaction



Structured Cédulas: Key figures of bond issues, mortgage portfolios, over-collateralisation and reserve funds

	Cédulas Grupo Banco Popular 2	IM Cédulas 7	IM Cédulas IM1	IM Cédulas 5	IM Cédulas 4	IM Cédulas 3	IM Cédulas 2	IM Cédulas 1
Issuance date	Mar-06	Mar-06	Nov-05	Jun-05	Mar-05	Nov-04	Jun-04	Feb-04
Issuance volume	3	1.25	1.655	1.25	2.075	1.06	1.475	2
Maturity date	Mar-21	Mar-21	Dec-15	Jun-20	Mar-15	Nov-14	Jun-14	Feb-14
Coupon	3)	4.00%	3.50%	3.50%	3.75%	4.00%	4.50%	4.25%
Mortgage loan portfolio at issuance (EUR bn)	14.8	21.8	35.8	30.5	38.2	21.3	16.6	8.8
Share of residential mortgage loans	83%	80%	83%	84%	75%	84%	73%	76%
Type of interest rate	98% variable	98% variable	98% variable	96% variable	93% variable	96% variable	97% variable	98% variable
Average Loan-To-Value ²⁾	56%	60%	61%	58%	58%	60%	61%	58%
Outstand. Cédulas of participating banks ¹⁾	5.0	7.2	10.2	8.5	9.3	3.9	3.1	2.0
Over-collateralisation ratio for credit enhancement at issuance (in %, unweighted)	297%	303%	352%	360%	409%	541%	539%	442%
Over-collateralisation ratio for credit enhancement at issuance (in %, weighted)	295%	380%	419%	564%	420%	715%	518%	443%
Reserve Fund in % of issuance volume	-	-	-	-	-	-	-	-
Liquidity facility (senior to repayment of Cédulas, no credit-enhancement)[shortcuts see legend]	Contingent Liquidity Facility ⁵⁾	covers 3.5% of issuance volume incl. EE	covers 2.86% of issuance volume incl. EE	covers 3.16% of total outstanding incl. EE: 45.01% (EUR 39.49mn) of 2 AP	covers 38.75% (EUR 60.27mn) of 2 AP and EE up to EUR 3.94mn	4.89% of total outstanding incl. EE: covers 61.15% (EUR 51.83mn) of 2 AP	initial liquidity facility limit will be EUR 43.05m (or 2.87% of total outstanding)	covers max 2 annual coupon payments plus EE up to EUR 300,000
Liquidity provider (in case of downgrade replacement, or set-up of reserve fund)	To be determined in case Banco Popular's short-term rating falls below A-1+ (S&P) or P-1 (Moody's)	IXIS CIB guaranteed by Caisse Nat. des Caisses d'Epargne (ratings ST: P-1/A-1+/F1+)	HSBC (ST: P-1/A-1+/F1+) and IXIS CIB guaranteed by Caisse des Dépôts (ratings ST: P-1/A-1+/F1+), 4)	IXIS CIB and guaranteed by Caisse Nat. des Caisses d'Epargne (ST: P-1/A-1+/F1+)	IXIS CIB and guaranteed by Caisse des Dépôts (F-1+/P-1/A-1+)	IXIS CIB and guaranteed by Caisse des Dépôts (F-1+/P-1/A-1+)	IXIS CIB and guaranteed by Caisse des Dépôts (F-1+/P-1/A-1+)	Banco Popular (F-1+/P-1/A-1+)
Participating institutions	Banco Andalucía, Banco Popular Hipotecario, Banco Galicia, Banco Vasconia, Banco Castilla, Banco Crédito Balear, bancopopular-e.com	Caja Laboral, Caja San Fernando, Banca March, Caixa Terrassa, Ipar Kutxa	Caja Laboral, Cajamar, Caixa Penedés, Caja Murcia, Banco Gallego, Caja Cantabria, Caja Segovia	Caja Laboral, Banca March, Caja Espana, Banco Valencia, Caixa Terrassa, Sa Nostra, Caixa Girona	C. Cantabria, Caja San Fernando, Banco Pastor, Cajamar, Caixa Terrassa, Caja Espana, Caixa Manresa, Ipar Kutxa, La Caja Canarias, Banco Valencia	Cajamar, Caja Insular Canarias, Banco Valencia, Banco E. Santo, Caixa Manresa, Caixa Tarragona, Caja Laboral	Caja Laboral, Banco Valencia, Banca March, Caixa Penedes, Banco E. Santo	Banco Andalucía, Banco Popular Hipotecario, Banco Galicia, Banco Vasconia, Banco Castilla, Banco Crédito Balear

Sources: Intermoney Titulización, IXIS CIB

Legend: AP = annual payments; EE = extraordinary expenses

1) At issuance of the new Cédulas issue (included)

2) Based on initial property valuation

3) To be determined on pricing day

4) Until January 2007 and thereafter by Caisse Nationale des Caisses d'Epargne (ST: P-1/A-1+/F1+)

5) In case of a downgrade of Banco Popular short term ratings below A-1+ (S&P) or P-1 (Moody's) the Sociedad Gestora will contract a liquidity facility according to the amount required by the rating agencies.

The new Spanish Insolvency Act from 2004: Impact on rating approaches for Cédulas and the role of the liquidity facility in structured Multicédulas transactions

The new Spanish Insolvency Act was passed in July 2003 and became effective September 1, 2004. The most important changes relevant for Cédulas are:

- **Strengthening of the ranking of Cédulas creditors:** Claims of Cédulas holders shall be satisfied directly from the debtor's assets, taking priority over all other secured and un-secured liabilities (revival of the so-called "tacit mortgage").
- **Higher protection of Cédulas payments in case of issuer's insolvency:** Payments on Cédulas are explicitly exempted from a possible debt moratorium or acceleration after insolvency of the issuer. The insolvency administrator will have to make on-schedule interest and redemption payments on Cédulas.
- **Provision of post-insolvency procedures for Cédulas:** Cédulas creditors have access to cover assets in a process segregated from issuer insolvency, which should allow the possibility of segregating Cédulas and the associated lending business in the event of issuer insolvency. Moreover, Cédulas should be able to obtain third-party liquidity in a post-insolvency scenario.

Based on the amendments of the Spanish Insolvency Act, rating agencies revised their rating approach for Spanish Cédulas. Under the new methodology, rating agencies could raise the Cédulas rating by more than 2 notches above the issuer's senior unsecured rating. Moreover, the amendments of the legal framework reduce the importance of the liquidity facility to cover interest shortfall in a post-insolvency scenario.

Therefore, in case of the present transaction where the participating banking subsidiaries are part of a banking group rated Aa1/AA/AA (Moody's/S&P/Fitch), for assigning triple-A ratings to the transaction rating agencies only require a third-party liquidity facility to be established in case of downgrade of Banco Popular's short term ratings below A-1+ (S&P) or P-1 (Moody's).

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Comment

Grupo Banco Popular (Aa1/AA/AA, Moody's/S&P/Fitch) is the third largest commercial banking group in Spain (5th credit institution). The business activities of Grupo Banco Popular are primarily focused on domestic retail banking, targeting individuals and SMEs. Grupo Banco Popular holds a 5.5% market share in Spain.

Grupo Banco Popular runs a multibrand and multichannel strategy. By virtue of Banco Popular's majority in the capital stock of its banking subsidiaries or of the agreements with its outside partners, the group operates as a single entity with unified direction, management, common technical and support services. The banking subsidiaries are highly integrated in the group, acting each in specific market segments or regional areas within the Banco Popular Group organisation.

The group is headed by Banco Popular Espanol consists of a total of 10 banking subsidiaries of which 7 participate in the Cédulas Grupo Banco Popular 2 FTA transaction.

Banco de Andalucía, Banco de Castilla, Banco de Crédito Balear, Banco de Galicia and Banco de Vasconia are regional retail-banks, which are majority-owned by Banco Popular Espanol with participations ranging from 65% to 97%. The remaining common stock is held through the stock exchange by minority shareholders.

Banco de Andalucía operates in the southern Spanish region of Andalusia, Banco de Castilla in the center Spanish regions of Castile and Leon, Banco de Crédito on the Balearic Islands, Banco de Galicia in the north-western Spanish region of Galicia and Banco de Vasconia in the Basque Country.

Banco Popular Hipotecaria, specialised in property finance and Bancopopular-e.com, a provider of Internet financial services are 100% owned by Banco Popular Espanol. Both subsidiaries operate country-wide.

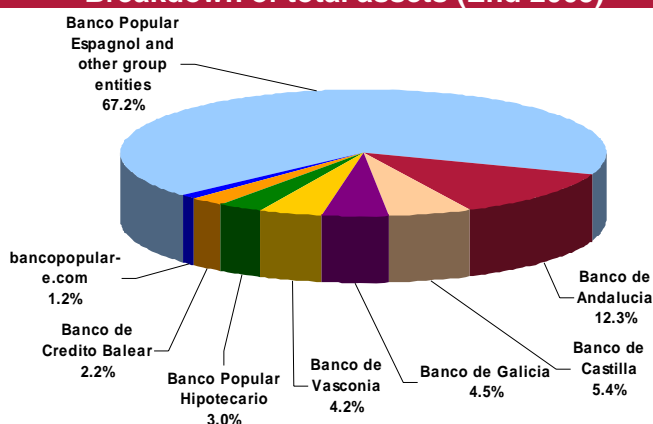
As shown in the pie charts, the banking subsidiaries participating in the Cédulas Grupo Banco Popular 2 FTA transaction play a significant role within the group. The 7 subsidiaries account for 32.8% of Banco Popular's total assets and for 35.9% of the group's net income.

Ownership of Grupo Banco Popular in banking subsidiaries participating in the Cédulas Grupo Banco Popular 2 FTA transaction (end 2005)

Participants	Ownership Total (in %)
Banco de Andalucía	80.12
Banco de Castilla	95.17
Banco de Crédito Balear	64.50
Banco de Galicia	92.62
Banco de Vasconia	96.86
Bancopopular-e.com	100.00
Banco Popular Hipotecario	100.00

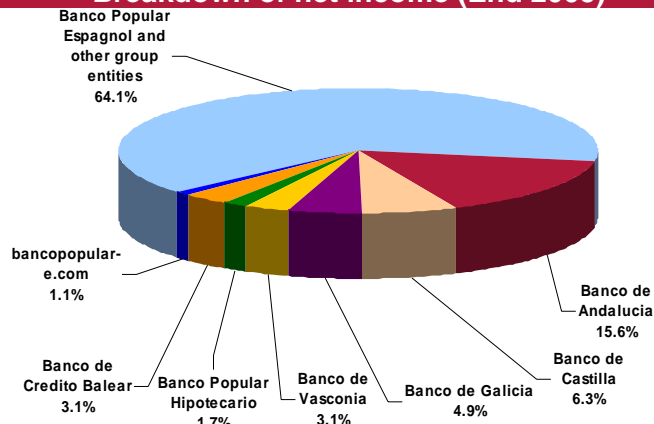
Source: Grupo Banco Popular

Grupo Banco Popular : Breakdown of total assets (End 2005)



Source: Grupo Banco Popular Report Q4-05 and subsidiary figures

Grupo Banco Popular : Breakdown of net income (End 2005)

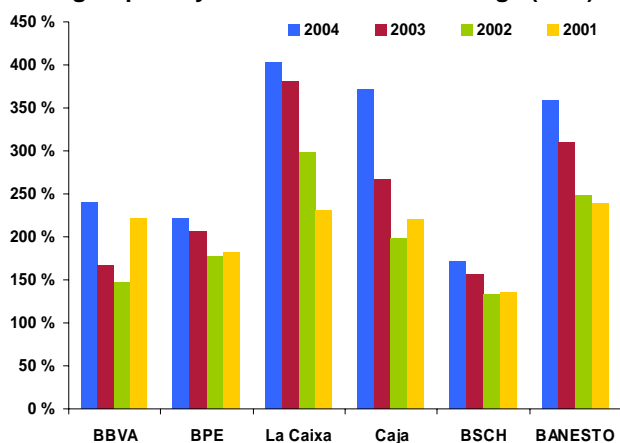


Source: Grupo Banco Popular Report Q4-05 and subsidiary figures

Comment on Grupo Banco Popular's 2005 results

- Banco Popular's 2005 net banking income rose 9.6% to EUR 2,764 mln (ex insurance business +9.4% to EUR 2,738 mln, IFRS accounting standards). While interest margins decreased, expansion in domestic lending (+23% yoy) and higher net fees (+7.9%) underpinned results. End of 2005, the cost-to-income ratio stood at 33.5% compared to 33.9% at end of 2004. Net operating income reached EUR 1,726 mln, up 10.4%. Backed by lower loan-loss provisions down 34.5% yoy to EUR 349.2 mln, Banco Popular's total net income (net income attributed to the group) rose 34.8% to 877.7 mln. ROE was reported at 21% at end of 2005 compared to 19.7% one year earlier.
- In its Q3-2005 report, Banco Popular announced that its objective is to progressively refocus the composition of credit growth towards transactions which do not imply a dilution of margins and which enable to better withstand potential negative spillover from rising interest rates on loan performance. 2005 figures show the first results of the slow but steady transformation of the composition of the loan portfolio. Mortgage lending grew at an annual rate of 25.6% in 2005, compared to an annual growth rate of 29.5% in 2004. Non-mortgage credits and loans grew at an annual rate of 23.6% in 2005. The overall NPL ratio stood at 0.78% in 2005 (2004: 0.98%) and NPL coverage reached 248.7% at end 2005 (2004: 198.97%).

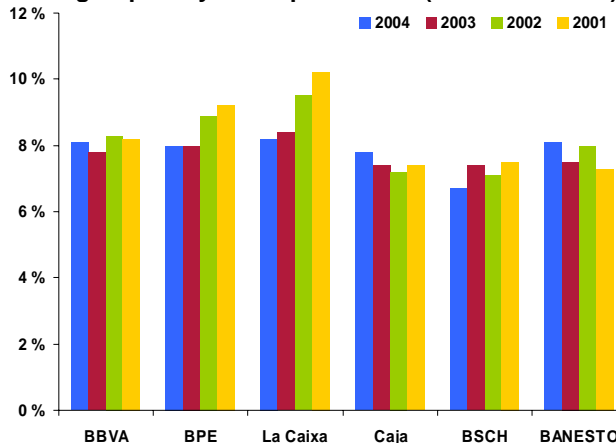
Peer group analysis: Doubtful loan coverage (in %)



Source: Bankscope, IXIS CIB

Loan loss reserves/impaired loans

Peer group analysis: Capitalisation (Tier 1 ratio in %)



Source: Bankscope, IXIS CIB

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27/03/2006

Key figures of Grupo Banco Popular and participating banking subsidiaries of Grupo Banco Popular

Overview Balance Sheets								
in bn Euro	Loans		Cédulas		Deposits & ST funding		Total Assets	
	2005	2004	2005	2004	2005	2004	2005	2004
Grupo Banco Popular	71.4	58.4	4.5	2.0	64.1	54.0	77.8	63.6
Participating subsidiaries:								
Banco de Andalucía	9.0	7.3	0.8	0.8	7.8	6.1	9.5	7.8
Banco de Castilla	4.0	3.4	0.3	0.3	3.4	2.8	4.2	3.6
Banco de Galicia	3.3	2.7	0.3	0.3	2.9	2.3	3.5	2.9
Banco de Vasconia	3.2	2.5	0.2	0.2	2.9	2.3	3.3	2.6
Banco Popular Hipotecario	2.3	1.9	0.3	0.3	1.9	1.5	2.3	2.0
Banco de Credito Balear	1.6	1.4	0.2	0.2	1.3	1.1	1.7	1.5
bancopopular-e.com	0.9	0.7	-	-	0.9	0.7	0.9	0.7

Source: IXXIS CIB, Grupo Banco Popular, participating institutions

Overview Profitability and Efficiency								
in mn Euro	Net Banking Income		Net Interest Margin		Cost to Income Ratio		Return on Average Equity	
	2005	2004	2005	2004	2005	2004	2005	2004
Grupo Banco Popular	1,966.5	1,766.3	2.78%	3.01%	54.3%	56.1%	21.0%	19.7%
Participating subsidiaries:								
Banco de Andalucía	364.8	331.9	3.28%	3.70%	33.6%	35.8%	17.6%	14.5%
Banco de Castilla	165.6	157.4	3.17%	3.66%	41.2%	41.6%	13.8%	11.7%
Banco de Galicia	136.3	130.8	3.28%	3.63%	40.4%	40.3%	13.5%	13.7%
Banco de Vasconia	104.9	99.2	2.57%	2.91%	41.5%	40.4%	16.1%	19.9%
Banco Popular Hipotecario	33.1	32.8	1.41%	1.62%	5.4%	5.9%	8.9%	6.3%
Banco de Credito Balear	79.7	74.8	3.56%	3.81%	43.6%	45.1%	17.1%	19.5%
bancopopular-e.com	48.4	29.8	6.05%	5.38%	44.3%	30.2%	24.8%	23.8%

Source: IXXIS CIB, Grupo Banco Popular, participating institutions

Overview Capitalisation						
in mn Euro	Total Equity		Equity/ Total Assets		Total Capital Ratio	
	2005	2004	2005	2004	2005	2004
Grupo Banco Popular	4,989.8	3,757.7	6.4%	5.9%	10.2%	10.2%
Participating subsidiaries:						
Banco de Andalucía	758.4	696.1	9.2%	10.1%	9.1%	10.0%
Banco de Castilla	394.5	371.3	10.5%	11.4%	9.8%	10.9%
Banco de Galicia	318.6	295.1	10.2%	11.3%	9.3%	10.4%
Banco de Vasconia	165.6	150.2	5.7%	6.5%	4.8%	5.6%
Banco Popular Hipotecario	171.5	151.9	8.0%	8.7%	7.2%	7.2%
Banco de Credito Balear	152.3	130.3	10.3%	10.7%	11.1%	11.0%
bancopopular-e.com	37.4	31.7	5.2%	5.4%	4.8%	5.2%

Source: IXXIS CIB, Grupo Banco Popular, participating institutions

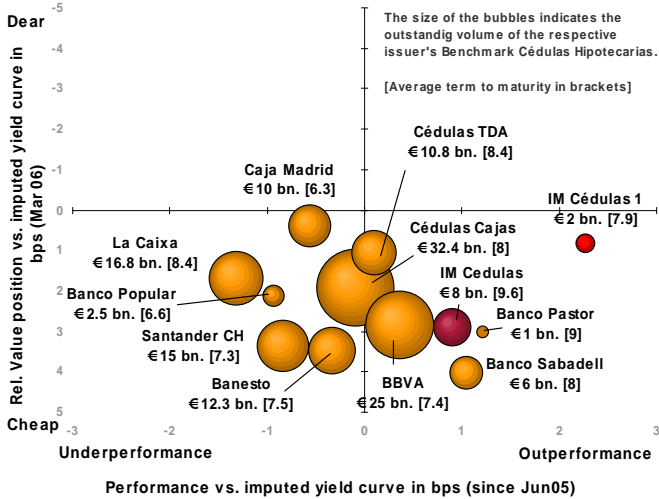
Overview Asset Quality						
in percent	Impaired loans/ gross loans		Loan loss reserves/ gross loans		Loan loss reserves/ impaired loans	
	2005	2004	2005	2004	2005	2004
Grupo Banco Popular	0.78%	0.98%	1.94%	1.96%	248.7%	199.0%
Participating subsidiaries:						
Banco de Andalucía	0.77%	1.12%	1.75%	1.80%	225.8%	160.9%
Banco de Castilla	0.50%	0.90%	1.89%	1.95%	374.1%	217.1%
Banco de Galicia	0.51%	0.99%	1.90%	1.99%	369.9%	200.2%
Banco de Vasconia	0.62%	0.87%	2.07%	2.13%	332.7%	244.8%
Banco Popular Hipotecario	1.13%	0.46%	1.71%	1.65%	150.6%	360.8%
Banco de Credito Balear	0.84%	0.88%	1.92%	2.08%	229.2%	236.7%
bancopopular-e.com	3.47%	2.51%	2.83%	2.59%	81.5%	103.3%

Source: IXXIS CIB, Grupo Banco Popular, participating institutions

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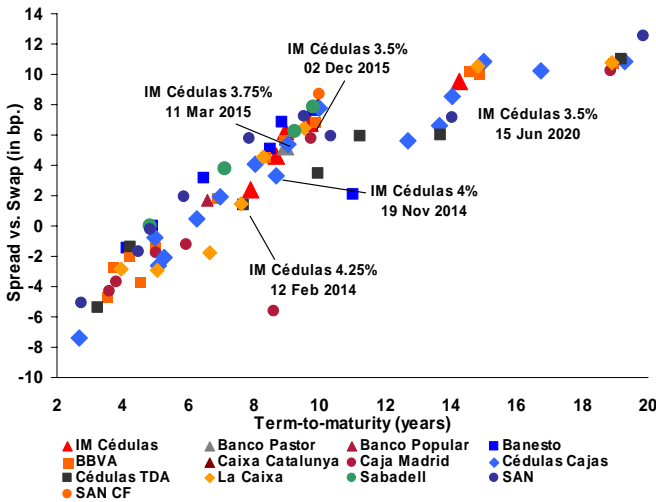
Relative Value

Benchmark Cédulas Hipotecarias: Relative value position and average performance since Jun 05



Source: IXIS CIB, based on market data Banco Popular since 10/12/

Cédulas Hipotecarias: mapping by selected issuer (spreads vs. swaps in bps, 21 March 2006)



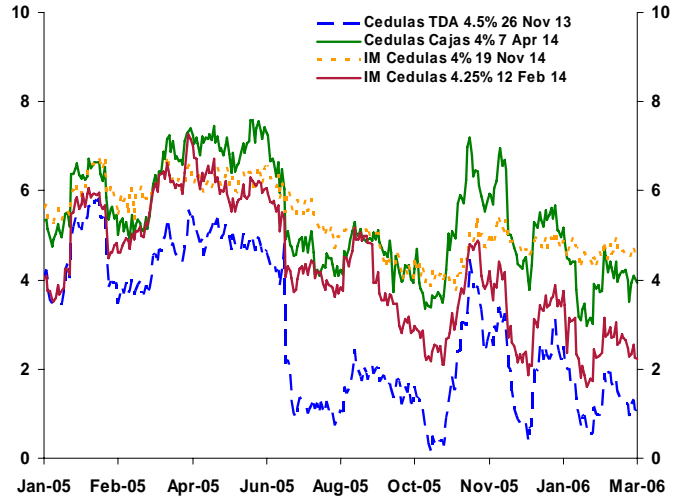
Source: IXIS CIB, based on market data

Cédulas Hipotecarias: New issuance by issuers (in bn EUR)

	1999	2000	2001	2002	2003	2004	2005	2006 ytd	Total
Banesto				1	1.5	3.75	4	2	12.3
BBVA	2.5	1.5		3	3	9	8.5	4	31.5
Banco Pastor							1		1.0
Banco Popular							2.5		2.5
Caja Madrid	1	0.5	2	3	1.5	2	4	1.5	15.5
Caixa Catalunya								1.75	1.8
AyT Cédulas Cajas			4.55	3.5	5.9	8.35	10.4	4.6	37.3
Cedulas TDA				3.75	5	5			13.8
La Caixa		1.5	1.5	5.25	1	5	5		19.3
Sabadell				1.5	1.2	1.5	1.75		6.0
Santander (SAN)			3	5	1.5	7	4.5		21.0
SAN Consumer Finance							1.2		1.2
IM Cédulas					4.54	4.98			9.5
Total	3.5	2.0	8.0	15.0	27.4	36.3	53.9	26.3	

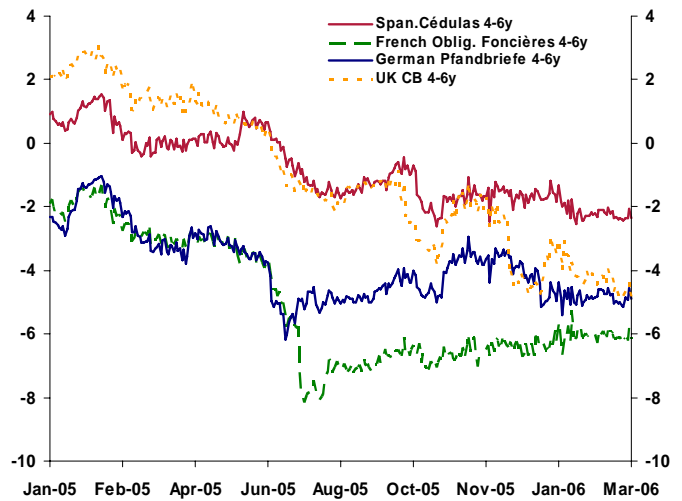
Source: IXIS CIB, based on market data

IM Cédulas 1 vs selected multistructured Cédulas (Spreads vs. swap in bp.)



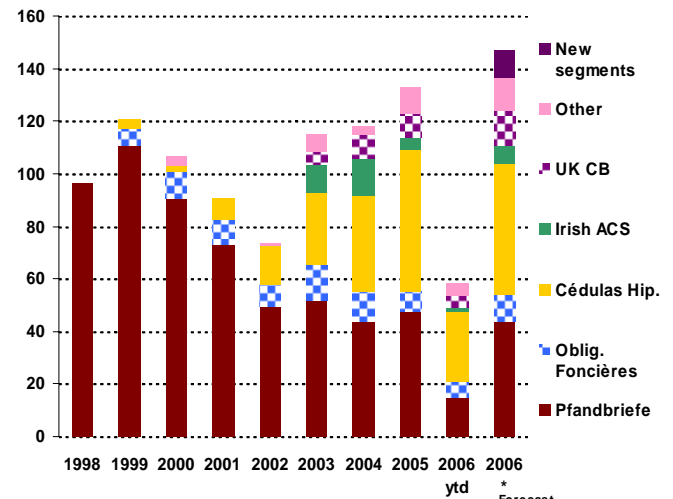
Source: IXIS CIB, based on market data

Swap spread of segments with maturities 4-6Y (in bp.)



Source: IXIS CIB, based on market data

Cédulas Hipotecarias issuance versus other market segments (in EUR bn)



Source: IXIS CIB, based on market data

Comment

- The regional Spanish banking subsidiaries of Grupo Banco Popular joined the Cédulas market for the first time in 2004 with the EUR 2 bn IM Cédulas Grupo Banco Popular 4.25%, Feb/2014. Banco Popular Espanol launched its first Cédulas in 2005 (EUR 2.5bn, 3% Oct/2012)
- In relative value terms, IM Cédulas Grupo Banco Popular 4.25%, Feb/2014 outperformed the other Cédulas issuers. Despite strong primary market activities in 2005, Cédulas Hipotecarias have on average managed to deliver a stable performance.

Please note that the Group Caisse d'Epargne holds 0% in the company which is the subject of this report.

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French corporation with Supervisory Board and Executive Board -Licensed as a bank with capital stock of €1,909,410,791.25

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