

January 23, 2012

Research Update:

French Bank BPCE And Core Subsidiaries Lowered To 'A' After Sovereign Downgrade; Outlook Stable

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Table Of Contents

- Overview
- Rating Action
- Rationale
- Outlook
- Ratings Score Snapshot
- Related Criteria And Research
- Ratings List

Research Update:

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Overview

- We lowered our unsolicited long-term sovereign credit rating on the Republic of France to 'AA+' on Jan. 13, 2012.
- As a result, we are lowering our long-term ratings on France-based BPCE and its core subsidiaries to 'A' from 'A+'. At the same time, we are affirming our 'A-1' short-term ratings on these entities.
- We are also lowering to 'A-/A-2' from 'A/A-1' the long- and short-term ratings on highly strategic subsidiary Crédit Foncier de France (CFF) and its core subsidiary, Locindus S.A.
- In addition, we are removing all ratings from CreditWatch with negative implications, where they were placed on Dec. 7, 2011.
- The stable outlook on BPCE reflects our expectation that it will maintain a "strong" business position and gradually improve its capital ratios.

Rating Action

On Jan. 23, 2012, Standard & Poor's Ratings Services lowered to 'A' from 'A+' its long-term counterparty credit ratings on BPCE and its core subsidiaries, Natixis S.A., BRED-Banque Populaire, and Compagnie Europeenne de Garanties et Cautions. The long-term ratings were removed from CreditWatch with negative implications, where they were placed on Dec. 7, 2011. The outlook is stable. At the same time, the 'A-1' short-term counterparty credit ratings on BPCE and its core subsidiaries (except Compagnie Europeenne de Garanties et Cautions which has no short-term rating) were affirmed.

In a related rating action, we lowered our long- and short-term counterparty credit ratings on BPCE's "highlystrategic" subsidiary Crédit Foncier de France (CFF), and its core subsidiary Locindus S.A., to 'A-/A-2' from 'A/A-1'. The outlook on the long-term counterparty credit ratings is stable.

In addition, the issue ratings on BPCE's subordinated and junior subordinated debt were also affirmed.

Rationale

The rating actions on BPCE and its core subsidiaries follow similar action taken on The Republic of France (unsolicited AA+/Negative/A-1+) on Jan. 13, 2012. In accordance with our criteria, the lowering of the long-term rating on France to 'AA+' from 'AAA' led us to remove one of the two notches of

government support factored into the long-term rating on BPCE.

Our ratings on BPCE continue to reflect its 'a-' anchor, and our view of the bank's "strong" business position, "moderate" capital and earnings, "adequate" risk position, "average" funding, and "adequate" liquidity, as our criteria define those terms. The stand-alone credit profile (SACP) is 'a-'.

We consider that BPCE has "high" systemic importance in France and that the French government is "supportive" of the banking sector, according to our criteria.

Outlook

The stable outlook on BPCE reflects our expectation that it will maintain a "strong" business position and cope with the increasingly tough operating conditions it faces. While we believe the group's core earnings in 2011 and 2012 will fall short of its underlying earnings potential, they should remain adequate and enable a gradual improvement in its capital ratios. In the coming quarters, we also anticipate that BPCE will pursue tighter management of its balance sheet and contain its risk position. We note that, under our criteria, with all other factors remaining the same, were we to revise the rating on the Republic of France by one notch, this would not trigger a downgrade of BPCE. Nonetheless, we would review our opinion of the French banking system to include the underlying reasons for the downgrade and their potential impact on the bank's SACP.

We expect the bank to achieve its funding program for 2012 primarily through covered bonds, private placements, and debt raised through its networks. However, a prolonged disruption of capital markets that would reduce the bank's access to euro-denominated resources would weigh on our assessment of BPCE's funding and liquidity position. We note that under our criteria, a downgrade of BPCE would be triggered by a revision of BPCE's SACP to 'bbb+' from 'a-' if it were combined with a lowering of our long-term sovereign credit rating on France.

An improvement in the economic environment and a sustainable recovery in BPCE's profitability that would result in markedly stronger capital to a level that would be considered "adequate" in our capital and earnings assessment would, in our opinion, be positive for its SACP. However, we consider this to be a remote scenario at this stage given the increasingly challenging operating environment.

Ratings Score Snapshot

Long-Term Issuer Credit Rating	A
SACP	a-
Anchor	a-

Business Position	Strong (+1)
Capital and Earnings	Moderate (-1)
Risk Position	Adequate (0)
Funding and Liquidity	Average and Adequate (0)
Support	1
GRE Support	0
Group Support	0
Sovereign Support	1
Additional Factors	0

Related Criteria And Research

- France's Unsolicited Long-Term Ratings Lowered To 'AA+'; Outlook Negative, Jan. 13, 2012
- France's Unsolicited 'AAA' Long-Term Rating Placed On CreditWatch Negative, Dec. 5, 2011
- Standard & Poor's Puts Ratings On Eurozone Sovereigns On CreditWatch With Negative Implications, Dec. 5, 2011
- French Bank BPCE And Most Core Subsidiaries 'A+/A-1' Ratings Affirmed On Bank Criteria Change, Nov. 29, 2011
- Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- Group Rating Methodology And Assumptions, Nov. 9, 2011
- Bank Hybrid Capital Methodology And Assumptions, Nov. 1, 2011
- Use Of CreditWatch And Outlooks, Sept. 14, 2009

Ratings List

Downgraded; CreditWatch/Outlook Action; Ratings Affirmed

	To	From
BPCE		
Natixis S.A.		
Natixis Financial Products LLC		
Natixis Australia Pty Ltd.		
BRED-Banque Populaire		
Counterparty Credit Rating	A/Stable/A-1	A+/Watch Neg/A-1

Downgraded; CreditWatch/Outlook Action

Credit Foncier de France		
Locindus S.A.		
Counterparty Credit Rating	A-/Stable/A-2	A/Watch Neg/A-1

Downgraded; CreditWatch/Outlook Action

To	From
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BPCE		
Senior Unsecured (45 issues)	A	A+/Watch Neg
Natixis S.A.		
Senior Unsecured (33 issues)	A	A+/Watch Neg
Credit Foncier de France		
Senior Unsecured (3 issues)	A-	A/Watch Neg
Locindus S.A.		
Senior Unsecured (2 issues)	A-	A/Watch Neg
Compagnie Europeenne de Garanties et Cautions		
Counterparty Credit Rating	A/Stable/--	A+/Watch Neg/--

Ratings Affirmed

BPCE		
Subordinated (4 issues)	BBB+	
Junior Subordinated (13 issues)	BBB-	
Certificate Of Deposit (1 issue)	A-1	
Commercial Paper (2 issues)	A-1	
BRED-Banque Populaire		
Subordinated (1 issue)	BBB+	
Natixis S.A.		
Subordinated (14 issues)	BBB+	
Junior Subordinated (5 issues)	BBB-	
Commercial Paper (1 issue)	A-1	
Natexis Banques Populaires Capital Trust III		
Preferred Stock (1 issue)	BBB	
Natixis Funding S.A.		
Certificate Of Deposit (1 issue)*	A-1	
Natixis U.S. Finance Co. LLC		
Commercial Paper (1 issue)*	A-1	

*Guaranteed by Natixis S.A.

NB: This list does not cover all ratings affected

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