



Moody's Investors Service

## Rating Action: **Moody's assigns Aa3 senior debt and deposit ratings to BPCE**

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Global Credit Research - 31 Jul 2009

### **C- BFSR with a negative outlook is affirmed following Groupe BPCE merger**

Paris, July 31, 2009 -- Moody's Investors Service today assigned first-time Aa3 (stable outlook)/Prime-1 senior debt and bank deposit ratings and A1 subordinated debt and junior subordinated debt ratings to the newly created BPCE. Simultaneously, Moody's affirmed the bank's C- (negative outlook) bank financial strength rating (BFSR) and its A2 (stable outlook) preferred stock ratings on the new undated deeply subordinated notes to be issued in four series by BPCE under the exchange offer for seven issues of outstanding Tier 1 securities issued by Natixis, NBP Capital Trust I and NBP Capital Trust III. Moody's also withdrew the Aa3 (stable outlook)/Prime-1 senior debt and deposit ratings and C- (negative outlook) BFSR of Banque Fédérale des Banques Populaires (BFBP) and the Aa3 (stable outlook) senior debt and deposit ratings and C- (negative outlook) BFSR of Caisse Nationale des Caisses d'Epargne (CNCE). Natixis' D BFSR (negative outlook), Aa3/Prime-1 senior debt and bank deposit ratings, A1 subordinated debt rating, B2 non-cumulative Tier 1 instruments remain unchanged, all deposit and debt ratings having a stable outlook.

At the same time, Moody's withdrew the A1 subordinated debt ratings of BFBP and CNCE, and CNCE's A1 junior subordinated debt and A2 preferred stock ratings. The Prime-1 short-term rating of CNCE, now renamed Caisses d'Epargne Participations, remains in place. These rating actions follow the merger of Groupe Banque Populaire (GBP) and Groupe Caisse d'Epargne (GCE) to form Groupe BPCE, which took place on 31 July 2009.

In respect of the ratings of BPCE and Natixis' hybrid instruments which carry a stable outlook, Moody's cautions, however, that it released a Request for Comment entitled, "Moody's Proposed Changes to Bank Subordinated Capital Ratings" on 16 June 2009 requesting market feedback on potential changes to its bank hybrid rating methodology. Should Moody's implement this revised methodology as proposed, the ratings of the hybrid securities could potentially be subject to a multi-notch downgrade, to non-investment grade.

BPCE, with the French status of "Societe Anonyme", is the central body of the newly formed Groupe BPCE, owned equally by the Caisse d'Epargne savings banks and Banque Populaire regional banks. CNCE, renamed Caisses d'Epargne Participations, and BFBP, renamed Banques Populaires Participations, were, respectively, the former central bodies of the mutual banking groups GCE and GBP. Following completion of the merger, Moody's understands that BPCE has effectively become the central body of the newly formed Groupe BPCE via the transfer of certain assets from CNCE and BFBP to BPCE, encompassing a 72% stake in the two groups' investment banking and financial services arm Natixis, the main retail banking subsidiaries in France and abroad, as well as GCE Assurances and the 17,7% indirect stake in CNP Assurances.

Moody's notes that a number of specialised subsidiaries that were not transferred to BPCE, including Banque Palatine (rated C- stable/A1 outlook developing/P-1), which is active in the French SME segment, the specialised real estate financial institution Crédit Foncier de France (rated D+ stable/Aa3 stable/P-1), the commercial real estate financial services provider Locindus (rated D+ stable/A1/P-1) and other real estate subsidiaries such as Nexity and Foncia, are held separately by Caisses d'Epargne Participations and Banques Populaires Participations, which are owned directly by the regional banks. BFBP's and CNCE's debt outstanding, including hybrid instruments, were transferred to BPCE following completion of the merger, with the exception of US and euro commercial paper outstanding notes and extendible notes that will remain with Caisses d'Epargne Participations until maturity (i.e. 19 November 2009, 22 April 2010 and 10 September 2009).

Moody's understands that BPCE will undertake a review of Groupe BPCE's various activities, appraising the strategic importance of selected business lines in the insurance, real estate and international retail banking sectors. The rating agency expects to resolve its negative outlook on BPCE's BFSR in the next 18 months once a more detailed strategic plan and review of the various activities' importance to Groupe BPCE have been completed.

### **SENIOR DEBT RATINGS BENEFIT FROM INTRA-GROUP SOLIDARITY SCHEMES AND SYSTEMIC SUPPORT**

BPCE's Aa3 senior debt and deposit ratings reflect Moody's opinion of the continued importance of Groupe BPCE to the domestic retail market and a very high probability of ongoing systemic support from the Aaa-rated French government if needed. They also incorporate the full support expected from the solidarity mechanisms and cross-guarantees prevailing within Groupe BPCE, to be implemented by BPCE and including BPCE itself. The stable outlook on the Aa3 long-term debt and deposit ratings reflects, inter alia, the stability of expected support.

Moody's assessment of a very high probability of systemic support for Groupe BPCE was reinforced by the French government's recent EUR5 billion capital injection via subscription in deeply subordinated debt and preference shares issued by BPCE. This enables the state to take a stake of up to 20% in the new central body in the event that these preference shares are not redeemed within five years.

#### SUMMARY OF RATING CHANGES

Moody's took the following ratings actions on Groupe BPCE entities:

- BPCE's C- BFSR affirmed with a negative outlook, which maps to a Baseline Credit Assessment (BCA) of Baa2; Aa3 first-time deposit and senior unsecured debt ratings assigned; A1 first-time subordinated and junior subordinated debt ratings assigned; all deposit and debt ratings have a stable outlook; Prime-1 first-time short-term rating assigned.

Also, BPCE's A2 preferred stock rating was affirmed with stable outlook, after the new undated deeply subordinated notes to be issued in four series by BPCE under the exchange offer for seven issues of outstanding Tier 1 securities issued by Natixis, NBP Capital Trust I and NBP Capital Trust III were assigned provisional ratings of (P)A2 on 6 July 2009. These provisional ratings were conditional on completion of the merger and the effective transfer of assets from CNCE and BFBP to BPCE.

- CNCE's Aa3 (stable outlook) senior debt and deposit ratings, C- (negative outlook) BFSR, A1 junior subordinated debt ratings and A2 preferred stock ratings were withdrawn. The Prime-1 short-term rating of CNCE (now renamed Caisses d'Epargne Participations) was affirmed.

- BFBP's Aa3 (stable outlook) / Prime-1 senior debt and deposit ratings, C- (negative outlook) BFSR, A1 junior subordinated debt ratings and A2 preferred stock ratings were withdrawn.

The following ratings of Groupe BPCE's entities remain unchanged:

- Natixis's D BFSR (negative outlook) mapping to a Ba2 BCA, Aa3 deposit and senior unsecured debt ratings, A1 subordinated debt rating, B2 non-cumulative Tier I instruments issued by Natixis and its vehicles and Prime-1 short-term rating; all deposit and debt ratings have a stable outlook.

- The 16 rated Banque Populaire regional banks's Aa3 / Prime-1 deposit and debt ratings; all ratings have a stable outlook.

- Crédit Foncier de France's D+ BFSR (stable outlook) mapping to a Baa3 BCA, Aa3 deposit and senior unsecured debt ratings and Prime-1 short-term rating; all deposit and debt ratings have a stable outlook.

- Locindus's D+ BFSR (stable outlook) mapping to a Ba1 BCA, A1 deposit and senior unsecured debt ratings and Prime-1 short-term rating; all deposit and debt ratings have a stable outlook.

- Banque Palatine's C- BFSR (stable outlook) mapping to a Baa2 BCA, A1 deposit and senior unsecured debt ratings (outlook developing) and Prime-1 short-term rating.

#### LAST RATING ACTIONS AND MOODY'S METHODOLOGIES

The last rating action on BPCE was on 6 July 2009, when Moody's assigned a provisional BFSR of C- with a negative outlook. Additionally, Moody's assigned provisional ratings of (P)A2 to the new undated deeply subordinated notes to be issued in four series by BPCE under the exchange offer for seven issues of outstanding Tier 1 securities issued by Natixis, NBP Capital Trust I and NBP Capital Trust III. These provisional ratings were conditional on completion of the merger between GBP and GCE and the subsequent effective transfer of assets from CNCE and BFBP to BPCE scheduled for 31 July 2009. The outlooks on the provisional ratings of these hybrid instruments to be issued by BPCE were stable.

The last rating action on BFBP was on 6 July 2009, when Moody's downgraded its BFSR to C- (negative outlook) from C+ (negative outlook). The Aa3 long-term debt and deposit ratings (with a stable outlook) and the Prime-1 short-term rating were affirmed.

The last rating action on CNCE was on 6 July 2009, when Moody's downgraded its BFSR to C- (negative outlook) from C (negative outlook). The Aa3 long-term debt and deposit ratings (with a stable outlook) and the Prime-1 short-term rating were affirmed.

The last rating action on Natixis was on 6 July 2009, when Moody's downgraded its BFSR to D (negative outlook) from D+ (negative outlook) and all its hybrid instruments to B2 (stable outlook) from A3. Simultaneously, Moody's affirmed Natixis's Aa3 long-term deposit and senior unsecured debt ratings, A1 subordinated debt rating and short-term Prime-1 deposit rating, all of which had a stable outlook, in line with the deposit and senior unsecured debt ratings of Natixis's two parent

companies, CNCE and BFBP.

The principal methodologies used in rating the issuers covered by this press release are "Bank Financial Strength Ratings: Global Methodology" and "Incorporation of Joint-Default Analysis into Moody's Bank Ratings: A Refined Methodology", which can be found at [www.moodys.com](http://www.moodys.com) in the Credit Policy & Methodologies directory, in the Ratings Methodologies sub-directory. Other methodologies and factors that may have been considered in the process of rating these issuers can also be found in the Credit Policy & Methodologies directory.

Based in Paris, Groupe BPCE posted proforma consolidated assets of EUR1,143 billion at year-end 2008 and a proforma Tier 1 capital ratio of 8.7% (Basel II) at the end of March 2009.

Based in Paris, Groupe Caisse d'Epargne posted audited, consolidated assets of EUR650 billion and a Tier 1 capital ratio of 8.14% (Basel II) at the end of 2008.

Based in Paris, Groupe Banque Populaire posted audited, consolidated assets of EUR403 billion and a Tier 1 capital ratio of 7.7% (Basel II) at year-end 2008.

Based in Paris, Natixis reported audited, consolidated assets of EUR556 billion and a Tier 1 ratio of 8.2% at the end of 2008 and net losses, group share, of EUR2.8 billion for the full year.

Paris

Helene Sere

Vice President - Senior Analyst

Financial Institutions Group

Moody's France S.A.

JOURNALISTS: 44 20 7772 5456

SUBSCRIBERS: 44 20 7772 5454

Frankfurt

Carola Schuler

Managing Director

Financial Institutions Group

Moody's Deutschland GmbH

JOURNALISTS: 44 20 7772 5456

SUBSCRIBERS: 44 20 7772 5454



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