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Ratings On Four Public Covered Bond Programs Lowered After Sovereign Rating On France Lowered

Primary Credit Analysts:

Andrew O'Neill, CFA, London (44) 20-7176-3578; andrew.oneill@standardandpoors.com
Tristan Gueranger, London (44) 20-7176-3628; tristan.gueranger@standardandpoors.com

Secondary Contact:

Nicolas Malaterre, Paris (33) 1-4420-7324; nicolas.malaterre@standardandpoors.com

OVERVIEW

- On Nov. 8, 2013, we lowered our long-term sovereign rating on France to 'AA' from 'AA+' and revised the outlook to stable from negative.
- Under our criteria for rating above sovereigns in the eurozone, the ratings on covered bonds backed primarily by French public sector assets are capped at one notch above the French sovereign rating.
- We are therefore lowering our long-term ratings on four covered bond programs backed primarily by French public-sector assets to 'AA+' from 'AAA'. We are affirming the 'A-1+' short-term credit ratings on two of these covered bond programs.
- The outlooks on the four covered bond programs and related issues were revised to stable from negative, reflecting the outlook revision affecting the sovereign rating.

LONDON (Standard & Poor's) Nov. 15, 2013--Standard & Poor's Ratings Services said today that it lowered to 'AA+' its ratings on four covered bond programs and the issues from those programs. All were backed primarily by French public-sector assets. We have affirmed our short-term credit ratings on two of these covered bond programs and the issues from those programs. We also revised the outlook on all four covered bond programs and their underlying issuance to stable from negative (see list below).

The rating actions followed the lowering of our long-term sovereign rating on France to 'AA' from 'AA+' and the revision of the outlook to stable from negative on Nov. 8, 2013. Under our criteria, we may rate nonsovereign issuers and structured finance transactions, including covered bonds, above the rating on the related eurozone (European Economic and Monetary Union) sovereign in certain circumstances (see "Nonsovereign Ratings That Exceed EMU Sovereign Ratings: Methodology And Assumptions," published on June 14, 2011). For a covered bond program that has what we consider to be a "high" country-risk exposure, we typically cap the rating at one notch above the rating on the country in which the cover pool assets are located, unless the program has significant exposure to multiple jurisdictions. We consider that covered bonds backed by public-sector exposures have "high" country-risk exposure, and therefore the ratings on covered bonds backed primarily by French public-sector assets are capped at one notch above the long-term sovereign rating on France.

Based on the latest cover pool information, we consider the following covered bond programs to have a "high" country-risk exposure to France. All have a high proportion of French public-sector assets in the cover pool supporting their covered bonds:

- Caisse Francaise de Financement Local (approximately 71% of total cover pool);
- Société Générale LdG (SG LdG, 70%);
- Société Générale SCF (SG SCF, 92%); and
- Crédit Mutuel Arkéa Public Sector SCF (100%).

We have therefore lowered our long-term credit ratings on these four covered bond programs and all related series to 'AA+' from 'AAA'. Before today's rating actions, the outlook on these programs was negative. This reflected the negative outlook on the sovereign rating on France, as the covered bonds were capped at one notch above the sovereign rating. As the outlook on the sovereign rating is now stable and there is no other risk factor that would lead us to maintain a negative outlook on these programs, we have revised the outlook on the ratings to stable.

We have affirmed the 'A-1+' short-term credit rating on the SG SCF and SG LdG covered bond programs. The two other programs do not have short-term ratings.

We may raise or lower the ratings and outlook on these four programs if:

- We raise or lower our long-term sovereign rating on France, or revise the associated outlook.
- We implement new criteria for rating above the sovereign. On Oct. 14, 2013, we published a request for comment; if we adopt it as criteria, it could enable French public covered bonds to achieve a two-notch uplift above the sovereign rating, all other factors permitting.

We rate other French public-sector covered bond transactions that are exposed to multiple eurozone countries--such as BNP Paribas Public Sector SCF and

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Crédit Agricole Public Sector SCF. We also rate Compagnie de Financement Foncier, a French program that is exposed to public-sector and mortgage assets. Our ratings on these programs and their issues are not affected by the lowering of the long-term sovereign rating on France.

RELATED CRITERIA AND RESEARCH

- Europe Asset Isolation And Special-Purpose Entity Criteria--Structured Finance, Sept. 13, 2013
- Counterparty Risk Framework Methodology And Assumptions, June 25, 2013
- Guarantee Criteria--Structured Finance, May 7, 2013
- Covered Bond Ratings Framework: Methodology And Assumptions, June 26, 2012
- Covered Bonds Counterparty And Supporting Obligations Methodology And Assumptions, May 31, 2012
- Global Investment Criteria For Temporary Investments In Transaction Accounts, May 31, 2012
- Assessing Asset-Liability Mismatch Risk In Covered Bonds: Revised Methodology And Assumptions For Target Asset Spreads, April 24, 2012
- Nonsovereign Ratings That Exceed EMU Sovereign Ratings: Methodology And Assumptions, June 14, 2011
- Principles Of Credit Ratings, Feb. 16, 2011
- Methodology: Credit Stability Criteria, May 3, 2010
- Revised Methodology And Assumptions For Assessing Asset-Liability Mismatch Risk In Covered Bonds, Dec. 16, 2009
- Understanding Standard & Poor's Ratings Definitions, June 3, 2009
- Rating Sovereign-Guaranteed Debt, April 6, 2009
- Surviving Stress Scenarios: Assessing Asset Quality of Public Sector Covered Bond Collateral, Sept. 30, 2003

Related research

- France Long-Term Ratings Lowered To 'AA' On Weak Economic Growth Prospects And Fiscal Policy Constraints; Outlook Stable, Nov. 8, 2013
- Request For Comment: Methodology And Assumptions For Ratings Above The Sovereign--Single Jurisdiction Structured Finance, Oct. 14, 2013
- Assessing Credit Quality By The Weakest Link, Feb. 13, 2012

RATINGS LIST

Ratings Lowered; Outlook Revised
Ratings

	To	From
Caisse Francaise de Financement Local		
Crédit Mutuel Arkéa Public Sector SCF	AA+/Stable	AAA/Negative
Société Générale LdG		
Société Générale SCF	AA+/Stable/A-1+	AAA/Negative/A-1+

Additional Contact:

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Covered Bonds Surveillance; CoveredBondSurveillance@standardandpoors.com

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