



# STANDISH



## Natixis Capital Markets, Inc.

Natixis Financial Products, Inc.

**RATING:** Q1  
**Other Ratings as of:** December 2008  
**Moody's:** Aa3  
**S & P:** A+  
**Fitch:** A+

**State of Domicile:** Paris, France  
**Holding Company:** Caisse Nationale des Caisse

Natixis Financial Products Inc. (Natixis FP, formerly IXIS Financial Products Inc.) is 100% owned by Natixis Capital Markets (Natixis CM, formerly IXIS Capital Markets North America Inc.). Through its subsidiaries, Natixis CM provides specialist services like commercial and residential real estate finance, structured credit, structured fund products, stable value fund products, equity derivatives, interest rate derivatives and structured hybrid products. Ultimately, Natixis FP is owned by its France-based parent company, Natixis S.A. (Natixis).

Natixis was formed in June 2006 as a jointly controlled subsidiary of two major banking groups, Groupe Caisse d'Epargne (GCE) and Groupe Banque Populaire (GBP), each of which owns a 34.5% stake in the company. The remaining equity interest is traded on the Paris stock exchange. Natixis operates in 68 countries and assists clients through its five core business lines: Corporate and Investment Banking, Asset Management, Private Equity and Private Banking, Financial Services, and Receivables Management. As of December 31, 2007, Natixis had total assets of €520.0 billion, net income of €1.2 billion and more than 24,000 employees.

Natixis Capital Markets (ICM) is the United States subsidiary of Natixis Corporate & Investment Bank (CIB) and a member of Groupe Caisse d'Epargne (GCE), one of the leading retail banking networks in France. ICIB, in turn, is one of three IXIS subsidiaries that were previously owned by Caisse des Depots et Consignations (CDC), but in 2004 were transferred to Caisse Nationale des Caisse d'Epargne (CNCE). CIB is the corporate and investment banking entity of CNCE, with 2,000 employees and a presence in Paris, Frankfurt, London, Tokyo, New York and Hong Kong. The other two 'sister' IXIS subsidiaries specialize in asset management and institutional custodian services. CNCE has a longer-term strategy to transform itself to more of a universal bank, with ICIB playing an important role in the process.

CIB, operational since November 1, 2004 in its current form, provides corporate and structured product services. It is active in fixed income, equities and foreign exchange, including origination, market-making, brokerage and structuring, as well as financial and economic research. CIB is also active in euro money market and euro bond trading, particularly government debt, semi-public and secured debt. Moving forward, CIB is expected to 1) play a key role in CNCE's global refinancing policy and manage CNCE's debt issuance, 2) provide products and services to assist both regional member banks (see CNCE ownership structure below) and CNCE with asset-liability management and market risk management, and 3) coordinate product offering with other group entities, enhancing its proven role as a key provider of structured products.

The French government owns CDC, CIB's former parent. CDC has a specific status defined by the Finance Law of April 26, 1816, under which CDC is placed "in the most special manner under the supervision and guarantee of the

legislative authority." A specially appointed Supervisory Board (Commission de Surveillance) ensures that the law is respected in this sense and reports annually to the legislative authorities regarding CDC's management. Due to government ownership, CDC's creditors have ultimate recourse to the French State. CDC has provided a joint and several guarantee for senior financial obligations of CDC IXIS, for which CDC IXIS paid a fee. In 2003, the French government, under pressure from the European Commission, agreed to phase out the guarantee. Under the ruling, the guarantees have been "grandfathered" for all on-and off-balance sheet liabilities existing on April 1, 2003 until their maturity.

CNCE acquired a controlling interest in IXIS on July 1, 2004, changing what had previously been a joint venture with CDC. CDC remained a strategic partner in CNCE, with a 35% stake in CNCE. As part of the ownership transfer from CDC to CNCE, CDC continued to guarantee CIB obligations. On May 25, 2006, CDC agreed to sell its stake in CNCE to GCE. As a result, CNCE provides a guarantee on senior obligations of CIB and ICM for new debt issued after the sale by CDC. New CIB senior instruments will carry the same ratings of the CNCE parent. CNCE is currently rated A+ by Standard and Poor's, Aa3 by Moody's and A+ by Fitch.

CNCE is the third-largest retail-banking group in France with 4,700 branches, 26 million clients, and 52,800 employees. CNCE benefits from a unique position in the French economy and banking system. CNCE is 100% owned by 34 Caissees d'Epargne, which in turn are cooperative structures owned by 450 member savings banks. CNCE has a prominent position in domestic retail banking and mortgage lending, as well as a market leading position in commercial banking.

On June, 6, 2006, with its partner Groupe Banque Populaire (GBP), GCE agreed to create Natixis, a joint subsidiary bringing together both groups' wholesale banking and services businesses. With Natixis, GCE will benefit from a stronger and broader based wholesale banking arm, with the added bonus of potentially contributing more business to nonretail-banking activities. CNCE owns a 34% equity interest in the joint venture, with GBP owning an equal interest. The remaining equity interest is traded on the Paris stock exchange.

Through its principal operating subsidiaries, ICM provides such products and services as financing and asset securitization, securities and derivatives sales and trading, asset and portfolio protection products and investment products. By year-end 2007, CIB had total assets of \$452.8 billion. ICM produced net banking income of \$1.2 billion in 2007, up from \$1.3 billion in the prior year. This represented just over 64% of CIB's total net banking income. The company had net income after taxes of \$1.1 billion, a decrease of 48% from 2006. CIB had a net loss of \$431 before taxes in 2007, a 154% decrease from 2006.

Given GCE's strong positioning in French banking operations, continued support for existing obligations of Natixis Corporate & Investment Bank, CIB and ICM are awarded our highest rating of Q1.

## Natixis Capital Markets, Inc.

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### Strengths:

- CNCE benefits from a low risk profile, ample capitalization and growing asset base
- CNCE and GCE have integral positioning in French banking operations
- Potential for significant benefits with the successful implementation of the Natixis joint venture

### Weaknesses:

- Risk appetite is increasing, as IXIS becomes more active in capital markets under its new parent
- Execution risks associated with the Natixis joint venture

### Key Statistics

(€ millions)	2007	2006	2005	2004	2003	CAGR/ Average
Total Assets	520,006	458,633	168,119	139,319	135,909	39.86%
Equity	20,144	20,116	7,369	5,329	5,187	40.38%
Equity/Assets	3.87%	4.39%	4.38%	3.83%	3.82%	4.06%
Net Income	1,220	999	725	480	323	39.41%
Tier 1 Capital Ratio	8.30%	8.90%	9.64%	10.10%	11.32%	10.85%
Return on Average Assets	0.25%	0.32%	0.47%	0.35%	0.30%	0.34%
Return on Average Equity	7.10%	8.75%	14.74%	11.02%	7.76%	9.87%

Source: Company reports and SEC filings.



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