

## FITCH AFFIRMS GROUPE BPCE AT 'A+'

Fitch Ratings-London-11 October 2011: Fitch Ratings has affirmed Groupe BPCE's (GBCPE), BPCE S.A.'s (GBPCE's central body) and Natixis's Long-term Issuer Default Ratings (IDR) at 'A+' and Short-term IDR at 'F1+'. The agency has also affirmed GBPCE's Viability Rating (VR) at 'a-'. A full list of rating actions is at the end of this comment.

GBPCE's IDRs are driven by the agency's view that the probability of French state support, if required, is extremely high given the group's domestic importance. The VR reflects the group's strong domestic retail franchise, solid loan quality, profitability in line with peers and satisfactory liquidity, but also its weak capital ratios and dependence on wholesale funding.

Natixis's IDRs are aligned with those of its 72% shareholder, GBPCE, due to its affiliation with BPCE S.A. Natixis's IDRs will continue to move in tandem with those of its parent. Given Natixis's extremely strong integration within GBPCE, it has not been assigned a Viability Rating and the Individual Rating will be withdrawn at end-2011.

In Fitch's view, GBPCE's bad days are behind it and the group now generates at least EUR2.5bn in operating profit semi-annually. Profitability is likely to remain at this level in the near future. With a 67% cost/income ratio and around a 13% operating return on equity, GBPCE's current profitability is in line with that of its peers despite a more conservative business mix.

Compared with its French peers, GBPCE's operating income has been remarkably stable since mid-2009, the run-off activities have posted positive contributions since H209, and loan impairment charges are the lowest in the sector. Impairment charges booked in Q211 on Greek sovereign debt using similar assumptions to peers were also the lowest among large French banks, at only EUR83m.

At 3.6%, GBPCE's non-performing loan (NPL) ratio is one of the lowest in France. The 56% coverage ratio is understandable given that collateral is adequate. Crisis-related net problem exposure, one of the group's biggest weaknesses, has been reduced to around EUR10bn, 32% of Fitch core capital and write-downs look appropriate.

GBPCE's loan book is only 70% financed by customer deposits, and the group is a large debt issuer in the market. Liquidity is not a problem for the group, notably owing to its large stock of unencumbered repoable assets (around EUR100bn after haircut).

Fitch considers the group's 7.9% Fitch core capital/weighted risks ratio as weak compared with the high standards set in some other European countries and considering the size of the legacy asset portfolio it retains.

GBPCE ranks second in French retail banking, controlling a market share of over 21%. Commercial banking and insurance generate two-thirds of the group's operating profit.

GBPCE's VR could benefit from higher capitalisation, lower dependence on wholesale funding and continued reduction of legacy assets. Its IDRs would be downgraded if Fitch perceived a weakening of the state's willingness to support large French banks.

The rating actions are as follows:

### GBPCE

Long-term IDR: affirmed at 'A+'; Outlook Stable

Short-term IDR: affirmed at 'F1+'

VR: affirmed at 'a-'

Individual Rating: affirmed at 'C'  
Support Rating: affirmed at '1'  
Support Rating Floor: affirmed at 'A+'

#### BPCE S.A.

Long-term IDR: affirmed at 'A+'; Stable Outlook  
Short-term IDR: affirmed at 'F1+'  
Support Rating: affirmed at '1'  
Support Rating Floor: affirmed at 'A+'  
Senior unsecured debt: affirmed at 'A+'  
BMTN programme: long-term affirmed at 'A+'  
EMTN programme: long-term affirmed at 'A+' and short-term affirmed at 'F1+'  
Innovative Tier 1: affirmed at 'BBB-'  
Non-innovative tier 1: affirmed at 'BBB-'  
Lower Tier 2: affirmed at 'A'  
Commercial paper: affirmed at 'F1+'

#### Natixis:

Long-term IDR: affirmed at 'A+'; Outlook Stable  
Short-term IDR: affirmed at 'F1+'  
Individual Rating: affirmed at 'C/D'  
Support Rating: affirmed at '1'  
Senior unsecured debt: affirmed at 'A+'  
Market linked notes: affirmed at 'A+emr'  
Lower Tier 2: affirmed at 'A'  
Hybrid capital instruments: affirmed at 'BBB-'  
BMTN programme: long-term affirmed at 'A+'  
EMTN programme: long-term affirmed at 'A+' and short-term affirmed at 'F1+'  
Debt issuance programme guaranteed by Caisse des Depots et Consignations (CDC): long-term affirmed at 'AAA' and short-term affirmed at 'F1+'  
Debt issuance programme guaranteed by BPCE S.A.: long-term affirmed at 'A+' and short-term affirmed at 'F1+'  
Market linked notes guaranteed by Caisse des Depots et Consignations (CDC): affirmed at 'AAAemr'  
Senior unsecured debt guaranteed by Caisse des Depots et Consignations (CDC): affirmed at 'AAA'  
Senior unsecured debt guaranteed by BPCE: affirmed at 'A+'  
Commercial paper: affirmed at 'F1+'

#### NBP Capital Trust I

Preferred stock: affirmed at 'BBB-'

#### Credit Foncier de France

Long-term IDR: affirmed at 'A+'; Outlook Stable  
Short-term IDR: affirmed at 'F1+'  
Support Rating: affirmed at '1'  
Individual Rating: 'C' unaffected  
BMTN programme: long-term affirmed at 'A+'  
EMTN programme: long-term affirmed at 'A+' and short-term affirmed at 'F1+'  
Senior unsecured debt: affirmed at 'A+'  
Subordinated debt: affirmed at 'A'  
Commercial paper: affirmed at 'F1+'

#### Banque Palatine

Long-term IDR: affirmed at 'A+'; Outlook Stable  
Short-term IDR: affirmed at 'F1+'  
Support Rating: affirmed at '1'  
Individual Rating: 'D' unaffected  
BMTN Programme: affirmed at 'A+'  
Certificate of Deposits: affirmed at 'F1+'

The following entities' Long-term IDRs of 'A+' with Stable Outlooks and Short-term IDRs of 'F1+' have been affirmed:

Banque Populaire Atlantique  
Banque Populaire Bourgogne, Franche-Comte  
Banque Populaire Centre Atlantique  
Banque Populaire Cote d'Azur  
Banque Populaire d'Alsace  
Banque Populaire de l'Ouest  
Banque Populaire de Lorraine-Champagne  
Banque Populaire des Alpes  
Banque Populaire du Massif-Central  
Banque Populaire du Nord  
Banque Populaire du Sud  
Banque Populaire du Sud-Ouest  
Banque Populaire Loire et Lyonnais  
Banque Populaire Occitane  
Banque Populaire Provencale et Corse  
Banque Populaire Rives de Paris  
Banque Populaire Val-de-France  
BRED - Banque Populaire  
CASDEN - Banque Populaire  
Groupe Credit Cooperatif  
Credit Maritime Mutuel  
Societe Centrale de Credit Maritime Mutuel

Credit Cooperatif:

Long-term IDR: affirmed at 'A+'; Outlook Stable

Short-term IDR: affirmed at 'F1+'

Senior unsecured debt: affirmed at 'A+'

BMTN Programme: affirmed at 'A+'

Commercial paper: affirmed at 'F1+'

The following entities have been assigned Long-term IDRs of 'A+' with Stable Outlooks and Short-term IDRs of 'F1+'

Caisse d'Epargne et de Prevoyance d'Alsace  
Caisse d'Epargne Aquitaine Poitou Charentes  
Caisse d'Epargne et de Prevoyance d'Auvergne et du Limousin  
Caisse d'Epargne et de Prevoyance de Bourgogne Franche-Comte  
Caisse d'Epargne et de Prevoyance Bretagne-Pays de Loire  
Caisse d'Epargne et de Prevoyance Cote d'Azur  
Caisse d'Epargne et de Prevoyance Ile-de-France  
Caisse d'Epargne et de Prevoyance du Languedoc Roussillon  
Caisse d'Epargne et de Prevoyance Loire-Centre  
Caisse d'Epargne et de Prevoyance Loire Drome Ardeche  
Caisse d'Epargne et de Prevoyance de Lorraine Champagne-Ardenne  
Caisse d'Epargne et de Prevoyance de Midi Pyrenees  
Caisse d'Epargne et de Prevoyance Nord France Europe  
Caisse d'Epargne et de Prevoyance Normandie  
Caisse d'Epargne et de Prevoyance de Picardie  
Caisse d'Epargne et de Prevoyance Provence Alpes Corse  
Caisse d'Epargne et de Prevoyance de Rhone Alpes

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Applicable criteria, 'Global Financial Institutions Rating Criteria', dated 16 August 2011; 'Rating Hybrid Securities', dated 28 July 2011; 'Rating Criteria for Banking Structures Backed by Mutual Support Mechanisms', dated 11 April 2011; Treatment of Hybrids in Bank Capital Analysis, dated 11 July 2011, are available at [www.fitchratings.com](http://www.fitchratings.com).

Applicable Criteria and Related Research:

Global Financial Institutions Rating Criteria

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=649171](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=649171)

Rating Hybrid Securities

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=647091](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=647091)

Rating Criteria for Banking Structures Backed by Mutual Support Mechanisms

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=591785](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=591785)

Treatment of Hybrids in Bank Capital Analysis

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=641269](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=641269)

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