

FITCH AFFIRMS GROUPE BPCE AT 'A'; UPGRADES VR TO 'A'

Fitch Ratings-Paris/London-26 July 2013: Fitch Ratings has affirmed Groupe BPCE's (GBPCE), BPCE S.A.'s and the group subsidiaries' Long-Term Issuer Default Ratings (IDRs) at 'A' and Short-term IDRs at 'F1'. The Outlook on the Long-Term IDRs is Stable. At the same time, Fitch has upgraded GBPCE's Viability Rating (VR) to 'a' from 'a-'. A full list of rating actions is at the end of this comment.

KEY RATING DRIVERS - IDRS, VR AND SENIOR DEBT

The upgrade of GBPCE's VR reflects strengthened capital ratios as GBPCE has been posting strong and recurring profits since Q309 and retaining most of its earnings since it fully repaid the state aid received in 2008/2009. GBPCE's funding profile has also been enhanced by a deleveraging plan, while at the same time attracting more deposits and decreasing reliance on short-term wholesale funding. In addition, legacy assets from the crisis have been reduced to 12% of equity and have not incurred significant losses since Q309.

Following the upgrade of the bank's VR to 'a', at the same level as its Support Rating Floor (SRF), GBPCE's IDRs (and senior debt) are now driven by its standalone financial strength. Therefore, GBPCE's IDRs would be unaffected by either a downgrade of France's IDRs or lower availability of support from the French state.

The bank's IDRs and VRs reflect its strong retail franchise in France, modest risk appetite, good loan quality and sound capital ratios. They also factor in its dependence on wholesale funding.

BPCE S.A.'s IDRs (and senior debt) are aligned with those of GBPCE as BPCE S.A. is part of GBPCE's cross-support mechanism.

KEY RATING DRIVERS - SUPPORT RATINGS, SUPPORT RATING FLOORS

GBPCE's Support Rating (SR) and SRF reflect its systemic importance domestically given its size, significant deposit market shares and the fact it is a core provider of credit and other key financial services to the French economy. GBPCE is considered a globally systemic financial institution according to the Financial Stability Board. BPCE S.A.'s SR and SRF reflect its integral role within GBPCE and Fitch's opinion that potential state support to the group would flow through BPCE S.A.

RATING SENSITIVITY - IDRS, VR AND SENIOR DEBT

The group's 'a' VR (and therefore 'A' IDR) is capped at its current level by its dependence on wholesale funding. A downgrade would likely result from an economic crisis in France that would be severe enough to materially impact the group's capital ratios.

RATING SENSITIVITY - SUPPORT RATINGS, SUPPORT RATING FLOORS

GBPCE's and BPCE S.A.'s SRs and SRFs would be sensitive to a decrease in Fitch's view of France's ability (as measured by its rating) or willingness to support GBPCE. These ratings are also sensitive to a change in Fitch's assumptions around the availability of sovereign support for French financial institutions. There is a clear political intention to ultimately reduce the implicit state support for systemically important banks in Europe, as demonstrated by a series of policy and regulatory initiatives aimed at curbing systemic risk posed by the banking industry. This might result in Fitch revising SRFs down in the medium term, although the timing and degree of any change would depend on ongoing developments and ongoing policy discussions around support and 'bail in' for eurozone banks. Until now, senior creditors in major global banks have been supported in full, but resolution legislation is developing quickly and the implementation of creditor "bail-in" is starting to make it look more feasible for taxpayers and creditors to share the burden of supporting large banks.

KEY RATING DRIVERS AND SENSITIVITY - IDRS OF SUBSIDIARIES

Under the affiliation, BPCE S.A. is legally committed to maintain adequate liquidity and solvency for its subsidiaries. The affiliation with BPCE S.A. concerns over 100 entities, including the Banque Populaire and Caisse d'Epargne et de Prevoyance networks, which are also part of the cross-support mechanism, as well as the group's primary subsidiaries (Natixis, CFF, Banque Palatine and BPCE International et Outre-Mer). The Long-and Short-term IDRs of Natixis, Credit Foncier de France and Banque Palatine are equalised with those of GBPCE as we view them as core subsidiaries given their affiliation to BPCE S.A. The affiliated subsidiaries' IDRs will therefore continue to move in tandem with those of GBPCE unless there is a change in the affiliation status, which Fitch views as extremely unlikely.

Natixis is GBPCE's largest subsidiary, as it represents slightly less than half of its total assets. Natixis focuses on corporate and investment banking, asset management and specialised financial services products. It is highly integrated with its parent in terms of management, balance sheet fungibility and systems, meaning subsidiary and parent credit profiles are highly correlated. Therefore, Fitch assigns common VRs to GBPCE and Natixis. Given Credit Foncier de France's and Banque Palatine's affiliation to and extremely strong integration within GBPCE, they have not been assigned a VR.

KEY RATING DRIVERS AND SENSITIVITY - SUBORDINATED DEBT AND OTHER HYBRID SECURITIES

Subordinated debt and other hybrid capital issued by the banks are notched down from its VR in accordance with Fitch's assessment of each instrument's respective non-performance and relative loss severity risk profiles. Their ratings are primarily sensitive to any change in the banks' VRs but also to any change in Fitch's view of non-performance or loss severity risk relative to the banks' viability.

The rating actions are as follows:

Groupe BPCE

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

Short-term IDR: affirmed at 'F1'

Viability Rating: upgraded to 'a' from 'a-'

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: affirmed at 'A'

EMTN programme: Long-term affirmed at 'A' and Short-term affirmed at 'F1'

Short-term debt: affirmed at 'F1'

Innovative Tier 1: upgraded to 'BBB-' from 'BB+'

Non-innovative tier 1: upgraded to 'BBB-' from 'BB+'

Lower Tier 2: upgraded to 'A-' from 'BBB+'

Commercial paper: affirmed at 'F1'

Natixis

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

Short-term IDR: affirmed at 'F1'

Support Rating: affirmed at '1'

Viability Rating: assigned at 'a'

Senior unsecured debt: affirmed at 'A'

Market linked notes: affirmed at 'Aemr'

Lower Tier 2: upgraded to 'A-' from 'BBB+'

Hybrid capital instruments: upgraded to 'BBB-' from 'BB+'

BMTN programme: 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 'AA+' 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'
Senior unsecured debt guaranteed by Caisse des Depots et Consignations (CDC): affirmed at 'AA+'
Certificate of deposit: affirmed at 'F1'
Commercial paper: affirmed at 'F1'

NBP Capital Trust I

Preferred stock: upgraded to 'BBB-' from 'BB+'

Credit Foncier de France

Long-term IDR: affirmed at 'A'; Stable Outlook
Short-term IDR: affirmed at 'F1'
Support Rating: affirmed at '1'
BMTN programme: affirmed at 'A'
EMTN programme: long-term affirmed at 'A' and short-term affirmed at 'F1'
Senior unsecured debt: affirmed at 'A'
Certificate of deposits: affirmed at 'F1'

Banque Palatine

Long-term IDR: affirmed at 'A'; Stable Outlook
Short-term IDR: affirmed at 'F1'
Support Rating: affirmed at '1'
BMTN programme: affirmed at 'A'
Certificate of Deposits: affirmed at 'F1'

The following entities' Long-term IDRs have been affirmed at 'A'/Stable Outlook and their Short-term IDRs have been affirmed at 'F1':

Banque Populaire Atlantique
Banque Populaire Bourgogne, Franche-Comte
Banque Populaire Aquitaine 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 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
Caisse d'Epargne et de Prevoyance d'Alsace
Caisse d'Epargne et de Prevoyance 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

Credit Cooperatif:

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

Short-term IDR: affirmed at 'F1'

BMTN Programme: affirmed at 'A'

Commercial paper: affirmed at 'F1'

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Additional information is available at www.fitchratings.com.

Applicable criteria, 'Global Financial Institutions Rating Criteria', dated 15 August 2012; 'Rating Criteria for Banking Structures Backed by Mutual Support Mechanisms' dated 20 December 2012; 'Rating FI Subsidiaries and Holding Companies' dated 10 August 2012; 'Assessing and Rating Bank Subordinated and Hybrid Securities', dated 5 December 2012; 'Evaluating Corporate Governance', dated 12 December 2012 are available at www.fitchratings.com.

Applicable Criteria and Related Research:

Global Financial Institutions Rating Criteria

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=686181

Rating Criteria for Banking Structures Backed by Mutual Support Mechanisms

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=695715

Rating FI Subsidiaries and Holding Companies

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=679209

Assessing and Rating Bank Subordinated and Hybrid Securities

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=695542

Evaluating Corporate Governance

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=694649

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