MOODY'S
INVESTORS SERVICE

Credit Opinion: BPCE

Global Credit Research - 09 Dec 2014

Paris, France

Ratings

Category	**Moody's Rating**
Outlook	Negative(m)
Bank Deposits	A2/P-1
Bank Financial Strength	D
Baseline Credit Assessment	ba2
Adjusted Baseline Credit Assessment	baa2
Senior Unsecured	A2
Subordinate	Baa3
Pref. Stock -Dom Curr	Ba2 (hyb)
Pref. Stock Non-cumulative	Ba2 (hyb)
Commercial Paper	P-1
Other Short Term	(P)P-1
Natixis US Medium-Term Note Program LLC	
Outlook	Negative
Bkd Senior Unsecured	A2
Natixis Securities Americas LLC	
Outlook	Negative
Bkd Issuer Rating	A2
Bkd ST Issuer Rating	P-1
Natixis Loan Funding	
Outlook	Negative
Senior Unsecured -Dom Curr	A2
Other Short Term -Dom Curr	(P)P-1

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Key Indicators

Groupe BPCE (Consolidated Financials)[1]

	[2]**6-14**	[3]**12-13**	[3]**12-12**	[3]**12-11**	[3]**12-10**	**Avg.**
Total Assets (EUR million)	**1,151,872.0**	**1,123,520.0**	**1,147,521.0**	**1,138,395.0**	**1,048,442.0**	[4]**2.4**
Total Assets (USD million)	**1,577,085.9**	**1,548,145.3**	**1,512,882.0**	**1,477,801.7**	**1,406,530.6**	[4]**2.9**
Tangible Common Equity (EUR million)	**45,593.9**	**44,096.5**	**43,541.8**	**39,004.0**	**37,396.4**	[4]**5.1**
Tangible Common Equity (USD million)	**62,424.9**	**60,762.4**	**57,405.1**	**50,632.8**	**50,168.9**	[4]**5.6**
Net Interest Margin (%)	**1.1**	**1.1**	**1.0**	**1.2**	**1.2**	[5]**1.1**
PPI / Average RWA (%)	**1.9**	**1.8**	**1.7**	**1.9**	**1.8**	[6]**1.9**
Net Income / Average RWA (%)	**1.0**	**0.8**	**0.7**	**0.8**	**1.1**	[6]**1.0**
(Market Funds - Liquid Assets) / Total Assets (%)	**11.8**	**13.2**	**16.3**	**17.4**	**13.6**	[5]**14.5**
Core Deposits / Average Gross Loans (%)	**81.0**	**80.6**	**76.5**	**72.6**	**74.7**	[5]**77.1**
Tier 1 Ratio (%)	**12.2**	**12.8**	**12.2**	**10.6**	**10.1**	[6]**12.2**

Tangible Common Equity / RWA (%)	**11.3**	**12.0**	**11.4**	**10.0**	**9.2**[6]**11.3**
Cost / Income Ratio (%)	**68.0**	**70.2**	**71.5**	**67.8**	**67.9**[5]**69.1**
Problem Loans / Gross Loans (%)	**4.0**	**4.1**	**3.9**	**3.6**	**3.7** [5]**3.8**
Problem Loans / (Equity + Loan Loss Reserves) (%)	**34.2**	**35.4**	**34.3**	**35.0**	**32.6**[5]**34.3**

Source: Moody's

[1] All figures and ratios are adjusted using Moody's standard adjustments [2] Basel III - transitional phase-in; IFRS [3] Basel II; IFRS [4] Compound Annual Growth Rate based on IFRS reporting periods [5] IFRS reporting periods have been used for average calculation [6] Basel III - transitional phase-in & IFRS reporting periods have been used for average calculation

Opinion

SUMMARY RATING RATIONALE

This credit opinion refers to both:

- Groupe BPCE (also referred to as "the group" in the text), which is comprised of (1) the cooperative networks of Banques Populaires (BP) and Caisses d'Epargne (CE), (2) BPCE S.A., the central institution and holding company for all the operating subsidiaries, notably Natixis (A2 stable; D/ba2 stable) and Crédit Foncier de France (CFF, A2 deposit rating stable; E+/b1 stable), and (3) the subsidiaries themselves;

- and BPCE (also refered to as "the bank") as the sub-group of Groupe BPCE consolidating the entity BPCE S.A. and its operating subsidiaries.

BPCE's A2/Prime-1 global local-currency (GLC) debt and deposit ratings reflect our view of (1) the very high probability of cooperative support for BPCE from the strong solidarity mechanisms prevailing within Groupe BPCE's domestic retail networks leading to an adjusted baseline credit assessment (BCA) of baa2 i.e. three notches of cooperative support (BCA is positioned at ba2); and (2) a very high likelihood of systemic support given the group's sizeable domestic retail market share of approximately 21%, which results in a three-notch uplift. The combined cooperative and systemic support assumptions result in six notches of uplift in the debt and deposit ratings to A2 from BPCE's standalone BCA of ba2.

BPCE's adjusted BCA of baa2, which incorporates cooperative support from Groupe BPCE, reflects the group's strong domestic franchise, diversified range of activities and relatively stable flow of retail and commercial banking earnings. It also incorporates (1) the effect of the weakening macroeconomic outlook in France and the rest of Europe; (2) the group's vulnerable (albeit improving) liquidity and funding profiles; (3) modest profitability; (4) weak efficiency levels; and (5) the inherent riskiness of some of the group's wholesale banking operations.

BPCE's D standalone bank financial strength rating (BFSR), equivalent to a ba2 BCA, reflects the combined intrinsic strength of the main subsidiaries of the group, which are in turn exposed to risks from a worsening operating environment in France and the rest of Europe, where they mainly operate.

Rating Drivers

- Groupe BPCE has a strong franchise in France and an established name in selected activities internationally, providing a diversified earnings base

- Structurally weak, albeit improving, liquidity and funding positions constrain the group's rating

- Groupe BPCE's risk positioning is modest because risk management and controls are still evolving, coupled with Natixis's relatively high, albeit decreasing, risk profile

- Despite improved performance in 2014, difficult economic conditions could imply asset quality deterioration and weaker profitability over the coming quarters

- The group's capitalisation is adequate and on an improving trend

Rating Outlook

The outlook on BPCE's standalone credit assessment is stable, reflecting our view that the currently foreseen risks to creditors, particularly those resulting from a still challenging economic outlook in France are already incorporated in our assessment.

The negative outlook on BPCE's supported long-term and deposit ratings takes into account the recent adoption of the Bank Recovery and Resolution Directive (BRRD) and the Single Resolution Mechanism (SRM) regulation in the EU. In particular, this reflects that, with the legislation underlying the new resolution framework now in place and the explicit inclusion of burden-sharing with unsecured creditors as a means of reducing the public cost of bank resolutions, the balance of risk for banks' senior unsecured creditors has shifted to the downside. Although our support assumptions are unchanged for now, the probability has risen that they will be revised downwards to reflect the new framework. For further details, please refer to our Special Comment entitled "Reassessing Systemic Support for EU Banks", published on 29 May 2014.

What Could Change the Rating - Up

Rating upgrades are unlikely in the short-term, as indicated by the negative outlook on all long-term ratings. However, some upwards ratings pressure could develop if Groupe BPCE as a whole improves its credit profile. Whilst we recognise the good progress towards its integration achieved since the group was set up in 2009, we believe that it will take more time for Groupe BPCE to become a truly fully integrated group and benefit from the associated synergies. At that point, this could translate into a higher adjusted standalone credit assessment for BPCE.

A higher standalone credit assessment for BPCE, which has a stable outlook, could be achieved if the bank demonstrates a significant improvement in its credit rating drivers, particularly liquidity, asset quality, profitability and efficiency.

What Could Change the Rating - Down

Downgrade pressure could develop on the ratings for BPCE as a result of higher than expected deterioration in its credit fundamentals, a weakening credit standing of the whole Groupe BPCE and/or in the event of a multi-notch downgrade of the rating of the Government of France. In addition, a downward revision of our current assumptions of systemic support -- which may arise in the context of the new Bank Recovery and Resolution Directive -- could also have adverse implications for the A2 long-term ratings.

DETAILED RATING CONSIDERATIONS

GROUPE BPCE HAS A STRONG FRANCHISE IN FRANCE AND AN ESTABLISHED NAME IN SELECTED ACTIVITIES INTERNATIONALLY, PROVIDING A DIVERSIFIED EARNINGS BASE

Groupe BPCE's franchise value is its core credit strength. The group operates in France mainly through two separate networks of regional banks (BP and CE) targeting different market segments, together holding approximately 21% deposit and loan market shares. The group also comprises various subsidiaries including Natixis, the well-established wholesale banking arm and Crédit Foncier de France, a specialised real-estate finance firm, funded mainly through covered bonds.

However, the group's earnings generation capacity could be challenged in the current operating environment as a result of weak economic prospects. We believe that the bank has the potential to offset some of these pressures by developing its strengths in the retail segments and greater reliance on cross-selling opportunities among the group entities.

We consider BPCE's earnings base to be relatively narrow, given that it mainly consolidates the activities of both Natixis and CFF, whose income streams are relatively volatile. In addition, we note that Natixis, and therefore its major shareholder BPCE, no longer benefit from 20% of the group's retail banking earnings, as a result of the buyback in 2013 of the cooperative investment certificates by the regional banks that were held by Natixis. This will further increase the degree of cyclicality of BPCE's earnings mix. However, we view the earnings base for the consolidated Groupe BPCE, which includes all retail and commercial operations, as well diversified.

STRUCTURALLY WEAK, ALBEIT IMPROVING, LIQUIDITY AND FUNDING POSITION

Similar to other large French banking groups, Groupe BPCE has a relatively high, albeit globally on a reducing trend, gross loan-to-deposit ratio of 132% at end-June 2014. Given the relatively high loan-to-deposit ratio, which is a feature of all large banks in France where a large portion of retail savings is invested in savings products sold by insurance companies, mutual funds and other saving products (e.g. livret A), the group remains reliant on the interbank and capital markets, and it is therefore vulnerable to market volatility. Groupe BPCE's vulnerable liquidity/funding represents its main credit rating constraint.

The group has reduced its overall funding requirements since 2011 through deleveraging and transitioning its wholesale activities to an "originate-to-distribute" model. In addition, the group announced that 117% of its 2014 medium- to long-term debt issuance programme of EUR30 billion was completed at end-September 2014. Groupe BPCE took advantage of still low credit spreads since late 2012 to issue new debt at an average rate of mid-swap +51 basis points, which is very low when compared with recent years. Around 26% of new debt issuance was in secured form (through covered bonds), a much lower proportion compared with previous years, further pointing to a marked improvement in wholesale market conditions. We also note the group's efforts to diversify its funding by geography and currency.

Despite this, we believe that the group's funding position is vulnerable relative to some of its peers, as a result of the group's relatively high level of short-term debt outstanding of EUR104 billion at end-September 2014 (up from EUR97 billion at year-end 2013), which increases materially when including the portion of medium- to long-term debt maturing over the following 12 months. We understand that at end-September 2014, this amount was covered in full by the group's liquidity buffer of EUR168 billion, comprising 71% of assets eligible for central bank financing and the remaining 29% in cash and other deposits to central banks. This full coverage of short-term debt indicates an improvement in the group's short-term liquidity position, as this level of coverage was not achieved until mid-2012. We believe that this improvement is largely due to the group deleveraging efforts, resulting in lower funding requirements. However, we note that the quality of Groupe BPCE's liquidity buffer, as well as those of the other large French banks, should be considered in the context of the material portion of loans and retained securitisations eligible as collateral by the ECB, which may not be liquidated in private markets. In our analysis, we differentiate between assets for which the central bank is likely to be the only source of liquidity in a stress scenario and assets (such as marketable securities) that can be liquidated in private markets, as well as being used as collateral to access central banks' facilities. We consider the latter types of assets as preferable from a bank creditor's perspective. Please refer to our Credit Focus "BNP, SG, Crédit Agricole and BPCE: Funding and Liquidity Improving, But Still Below Peers" published on 21 May 2013, for further details.

In November 2014, Groupe BPCE announced that its Liquidiy Coverage Ratio - LCR - (based on BPCE's understanding of the latest standards) has been above 100% since end-June 2014.

RISK POSITIONING IS MODEST AS RISK MANAGEMENT AND CONTROLS ARE STILL EVOLVING AUGMENTED BY NATIXIS'S STILL RELATIVELY HIGH RISK PROFILE

Although gradually improving, BPCE's risk positioning is relatively modest and further challenged by the weakening operating environment. We recognise the actual progress made in defining the group's risk culture and practices since Groupe BPCE was set up in 2009. At the same time, we believe that the group's risk management is still evolving and that the implementation of a fully integrated group-wide risk management architecture will remain a key challenge for some time.

We positively note that Natixis's legacy asset portfolio (in run-off) has been actively downsized to a notional value of EUR8.7 billion at end-2013 compared with EUR23.0 billion in 2011 and EUR40.6 billion in 2009 - excluding complex derivatives and fund-linked structured products -. The related risk-weighted assets have been reduced to around EUR9.1 billion (under Basel III rules) at end-2013 from around EUR30 billion at end-June 2009 (under Basel II rules). As previously announced, the work out unit charged with the disposal of this legacy portfolio was closed 30 June 2014 and the residual portfolio (representing EUR5.6 billion risk-weighted assets) was transferred to Natixis's Wholesale Banking division.

DESPITE IMPROVED PERFORMANCE IN 2014, DIFFICULT ECONOMIC CONDITIONS COULD IMPLY ASSET QUALITY DETERIORATION AND WEAKER PROFITABILITY OVER THE COMING QUARTERS

We believe that the overall group's asset quality profile remains robust, relative to its peers, reflecting the low-risk profile of its domestic retail banking activities. We also consider the group's loan book as well diversified by counterparty type due to its wide range of activities.

In the first 9 months of 2014, the overall cost of risk for Groupe BPCE was 29 basis points, down from 33 basis points over the same period a year earlier. However, we note that this masks material differences across the different loan portfolios. Whilst we believe that the cost of risk on the mortgage book remains very low, reflecting traditionally conservative lending practices at French banks, the asset quality within Natixis has been volatile in recent years reaching 53 basis points in 2013. Natixis credit costs reduced to 37 basis points in the first nine months of 2014. However, due to the tougher economic conditions and large borrower concentrations (especially in the Natixis' wholesale banking activities), the positive trend observed year-to-date at Natixis may not continue. We also believe that cost of risk could increase in other portfolios, such as SME and unsecured retail exposures, because these are typically sensitive to protracted weak economic conditions (please note that asset quality metrics for specific portfolios are undisclosed). Finally, we note that BPCE's exposures are mainly concentrated in France, whose economic prospects are weak for the next several quarters, making Groupe BPCE's overall asset quality profile more correlated to this economy than some of its peers that benefit from a higher degree of geographical diversification.

Groupe BPCE's profitability has increased since the group was set up in 2009 but has remained weaker than many of its peers. Going forward, we expect the group's profitability to be less volatile than in the past but we expect it to remain under pressure due to weaker economic activity, translating into compressed revenues and deteriorating asset quality, leading to higher loan impairment charges. Groupe BPCE has recently announced that it will target significant increases in profitability across all its business lines during the period of its strategic plan (2014-17), which is expected to be achieved through further cost rationalisation, greater reliance on cross-selling opportunities amongst the different group entities and international growth in selected activities and geographies. We consider these targets as ambitious but overall achievable.

We believe that Groupe BPCE's operational efficiency is improving, albeit gradually, as the group reaches a higher degree of integration, thereby creating synergies. However, the group is still slightly lagging behind peers as its reported cost-to-income ratio was relatively high at 67.8% in the first nine months of 2014. The group aims to achieve a cost-to income ratio of or less than 65% over the cycle of the strategic plan.

CAPITALISATION IS ADEQUATE AND ON AN IMPROVING TREND

We view Groupe BPCE's capitalisation as adequate to its own risk profile, with a Common Equity Tier 1(CET1) ratio of 11.5% (fully fledged Basel III except for DTAs) and a total capital ratio (fully fledged Basel III except for DTAs) of 15% at end-September 2014, broadly in line with French peers. We note that in the calculation of disclosed CET1 ratio the deferred tax assets (DTAs) are not excluded in accordance with the full-fledged Basel III but rather deducted, as per the treatment to be applied during the transition period (the impact of the exclusion of DTAs on the capital ratio is undisclosed but we believe it is limited). Groupe BPCE anticipates to realize them during the transition period given its expected profits. Groupe BPCE is targeting a fully-loaded CET1 ratio above 12% at the end of 2017.

The group has also disclosed a Basel III leverage ratio of around 4.5% at end-September 2014, which is broadly in line with some of the group's domestic peers.

Groupe BPCE successfully passed the stress test of the European Central Bank (ECB)'s Comprehensive Assessment, the results of which were published in October 2014. Although this does not change our view on the group's creditworthiness, we nevertheless note that Groupe BPCE was positioning lower in the test relative to the other major French banks with a 304 basis points impact on its solvency ratio under the adverse scenario, resulting in a CET1 ratio of 7%. We understand that this higher impact is partly explained by (1) the severe stress applied to the group's legacy assets in run-off, and (2) its higher sensitivity to assumptions of deteriorating funding conditions, due to the larger reliance on market funding. The slightly lower level of CET1 ratio compared to peers at year-end 2013 (the starting point in the stress test) also explains the lower point of landing after the stress. The latter point was addressed during the first 9 months of 2014 through retained earnings and the issuance of cooperative shares for EUR1.2 billion.

BPCE's Tier 1 ratio was 11.9% at year-end 2013 (Basel II), broadly in line with the same period a year earlier (quarterly figures are undisclosed). We consider that BPCE's capitalisation is adequate and commensurate with the risks supported by BPCE as the group's central institution. We note that the bank's overall risk profile is being reduced, and we expect this trend to continue as a result of deleveraging.

NOTE ON DATA

Unless noted otherwise, data in this report is sourced from company reports and our Banking Financial Metrics. All figures are based on our own chart of account, and are adjusted for analytical purposes. Please refer to the documents entitled "Moody's Approach to Global Standard Adjustments in the Analysis of the Financial Statements of Banks, Securities Firms and Finance Companies" and "Frequently Asked Questions: Moody's Approach to Global Standard Adjustments in the Analysis of the Financial Statements of Banks, Securities Firms and Finance Companies", both published on 19 July 2012.

Global Local Currency Deposit Rating (Joint Default Analysis)

We assign GLC deposit ratings of A2/Prime-1 to BPCE. In accordance with our joint default analysis methodology, the long-term rating includes three notches of co-operative support, reflecting our view of the very strong group solidarity mechanism (resulting in an adjusted BCA of baa2 from the BCA of ba2) and three notches of uplift for systemic support. Given Groupe BPCE's position as the second-largest retail and commercial bank in France (source: BPCE), we continue to assess the probability of systemic support for the group, if needed, as very high.

Notching Considerations

The ratings of BPCE's dated subordinated obligations are notched down from the adjusted BCA and no longer benefit from systemic support. The ratings for the bank's hybrid obligations are notched off the adjusted BCA of baa2.

ABOUT MOODY'S BANK RATINGS

Bank Financial Strength Rating

Moody's Bank Financial Strength Ratings (BFSRs) represent Moody's opinion of a bank's intrinsic safety and soundness and, as such, exclude certain external credit risks and credit support elements that are addressed by Moody's Bank Deposit Ratings. BFSRs do not take into account the probability that the bank will receive such external support, nor do they address risks arising from sovereign actions that may interfere with a bank's ability to honor its domestic or foreign currency obligations. Factors considered in the assignment of BFSRs include bank-specific elements such as financial fundamentals, franchise value, and business and asset diversification. Although BFSRs exclude the external factors specified above, they do take into account other risk factors in the bank's operating environment, including the strength and prospective performance of the economy, as well as the structure and relative fragility of the financial system, and the quality of banking regulation and supervision.

Global Local Currency Deposit Rating

A deposit rating, as an opinion of relative credit risk, incorporates the BFSR as well as Moody's opinion of any external support. Specifically, Moody's Bank Deposit Ratings are opinions of a bank's ability to repay punctually its deposit obligations. As such, they are intended to incorporate those aspects of credit risk relevant to the prospective payment performance of rated banks with respect to deposit obligations, which includes: intrinsic financial strength, sovereign transfer risk (in the case of foreign currency deposit ratings), and both implicit and explicit external support elements. Moody's Bank Deposit Ratings do not take into account the benefit of deposit insurance schemes which make payments to depositors, but they do recognize the potential support from schemes that may provide assistance to banks directly.

According to Moody's joint default analysis (JDA) methodology, the global local currency deposit rating of a bank is determined by the incorporation of external elements of support into the bank's Baseline Credit Assessment. In calculating the Global Local Currency Deposit rating for a bank, the JDA methodology also factors in the rating of the support provider, in the form of the local currency deposit ceiling for a country, Moody's assessment of the probability of systemic support for the bank in the event of a stress situation and the degree of dependence between the issuer rating and the Local Currency Deposit Ceiling.

National Scale Rating

National scale ratings are intended primarily for use by domestic investors and are not comparable to Moody's globally applicable ratings; rather they address relative credit risk within a given country. A Aaa rating on Moody's National Scale indicates an issuer or issue with the strongest creditworthiness and the lowest likelihood of credit loss relative to other domestic issuers. National Scale Ratings, therefore, rank domestic issuers relative to each other and not relative to absolute default risks. National ratings isolate systemic risks; they do not address loss expectation associated with systemic events that could affect all issuers, even those that receive the highest ratings on the National Scale.

Foreign Currency Deposit Rating

Moody's ratings on foreign currency bank obligations derive from the bank's local currency rating for the same class of obligation. The implementation of JDA for banks can lead to high local currency ratings for certain banks, which could also produce high foreign currency ratings. Nevertheless, it should be noted that foreign currency deposit ratings are in all cases constrained by the country ceiling for foreign currency bank deposits. This may result in the assignment of a different, and typically lower, rating for the foreign currency deposits relative to the bank's rating for local currency obligations.

Foreign Currency Debt Rating

Foreign currency debt ratings are derived from the bank's local currency debt rating. In a similar way to foreign currency deposit ratings, foreign currency debt ratings may also be constrained by the country ceiling for foreign currency bonds and notes; however, in some cases the ratings on foreign currency debt obligations may be allowed to pierce the foreign currency ceiling. A particular mix of rating factors are taken into consideration in order to assess whether a foreign currency bond rating pierces the country ceiling. They include the issuer's global local currency rating, the foreign currency government bond rating, the country ceiling for bonds and the debt's eligibility to pierce that ceiling.

About Moody's Bank Financial Strength Scorecard

Moody's bank financial strength model (see scorecard below) is a strategic input in the assessment of the financial strength of a bank, used as a key tool by Moody's analysts to ensure consistency of approach across banks and regions. The model output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

Herewith we provide Groupe BPCE scorecard, in consideration of BPCE's linkages within the group.

Rating Factors

Groupe BPCE

Rating Factors [1]	**A**	**B**	**C**	**D**	**E**	**Total Score**	**Trend**
Qualitative Factors (50%)						**C**	
Factor: Franchise Value						**C**	**Neutral**
Market share and sustainability			**x**				
Geographical diversification			**x**				
Earnings stability			**x**				
Earnings Diversification [2]							
Factor: Risk Positioning						**D+**	**Weakening**
Corporate Governance [2]							
- Ownership and Organizational Complexity							
- Key Man Risk	--	--	--	--	--		
- Insider and Related-Party Risks							
Controls and Risk Management			**x**				
- Risk Management			x				
- Controls			x				
Financial Reporting Transparency		**x**					
- Global Comparability	x						
- Frequency and Timeliness		x					
- Quality of Financial Information			x				
Credit Risk Concentration	--	--	--	--	--		
- Borrower Concentration	--	--	--	--	--		
- Industry Concentration	--	--	--	--	--		
Liquidity Management					**x**		
Market Risk Appetite	**x**						
Factor: Operating Environment						**B-**	**Weakening**
Economic Stability			**x**				
Integrity and Corruption		**x**					
Legal System		**x**					
Financial Factors (50%)						**D+**	
Factor: Profitability						**D+**	**Neutral**
PPI % Average RWA (Basel II)			1.78%				
Net Income % Average RWA (Basel II)				0.77%			

Factor: Liquidity						**E+**	**Improving**
(Market Funds - Liquid Assets) % Total Assets				15.64%			
Liquidity Management					x		
Factor: Capital Adequacy						**A**	**Neutral**
Tier 1 Ratio (%) (Basel II)	11.87%						
Tangible Common Equity % RWA (Basel II)	11.14%						
Factor: Efficiency						**D**	**Weakening**
Cost / Income Ratio				69.86%			
Factor: Asset Quality						**D+**	**Weakening**
Problem Loans % Gross Loans			3.86%				
Problem Loans % (Equity + LLR)				34.90%			
Lowest Combined Financial Factor Score (15%)						**E+**	
Economic Insolvency Override						**Neutral**	
Aggregate BFSR Score						**C-**	
Aggregate BCA Score						**baa1/baa2**	
Assigned BFSR						**C-**	
Assigned BCA						**baa2**	

[1] - Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.
[2] - A blank score under Earnings Diversification or Corporate Governance indicates the risk is neutral.

Rating Factors

BPCE

Rating Factors [1]	**A**	**B**	**C**	**D**	**E**	**Total Score**	**Trend**
Qualitative Factors (50%)						**C-**	
Factor: Franchise Value						**D+**	**Weakening**
Market share and sustainability				**x**			
Geographical diversification			**x**				
Earnings stability				**x**			
Earnings Diversification [2]							
Factor: Risk Positioning						**D**	**Weakening**
Corporate Governance [2]							
- Ownership and Organizational Complexity							
- Key Man Risk	**–**	--	--	--	--		
- Insider and Related-Party Risks							
Controls and Risk Management				**x**			
- Risk Management				x			
- Controls			x				
Financial Reporting Transparency			**x**				
- Global Comparability	x						
- Frequency and Timeliness				x			
- Quality of Financial Information				x			
Credit Risk Concentration	**–**	**–**	**–**	**--**	**–**		
- Borrower Concentration	--	--	--	--	--		
- Industry Concentration	--	--	--	--	--		
Liquidity Management					**x**		
Market Risk Appetite	**x**						
Factor: Operating Environment						**B-**	**Weakening**
Economic Stability			**x**				
Integrity and Corruption		**x**					

Legal System		x					
Financial Factors (50%)						D+	
Factor: Profitability						D+	Weakening
PPI % Average RWA (Basel II)			1.52%				
Net Income % Average RWA (Basel II)				0.82%			
Factor: Liquidity						E	Improving
(Market Funds - Liquid Assets) % Total Assets					28.42%		
Liquidity Management					x		
Factor: Capital Adequacy						A	Neutral
Tier 1 Ratio (%) (Basel II)	11.10%						
Tangible Common Equity % RWA (Basel II)	8.55%						
Factor: Efficiency						D	Weakening
Cost / Income Ratio				65.17%			
Factor: Asset Quality						D+	Weakening
Problem Loans % Gross Loans			4.62%				
Problem Loans % (Equity + LLR)				33.60%			
Lowest Combined Financial Factor Score (15%)						E	
Economic Insolvency Override						Neutral	
Aggregate BFSR Score						D+	
Aggregate BCA Score						baa3/ba1	
Assigned BFSR						D	
Assigned BCA						ba2	

[1] - Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.
[2] - A blank score under Earnings Diversification or Corporate Governance indicates the risk is neutral.

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