

Jul 22, 2016

R&I Affirms A, Stable: BPCE S.A.

Rating and Investment Information, Inc. (R&I) has announced the following:

ISSUER: BPCE S.A.
Issuer Rating: A, Affirmed
Rating Outlook: Stable

RATIONALE:

BPCE S.A. is the central institution (a term defined by French banking law) of Groupe BPCE, a major cooperative group in France. The creditworthiness of BPCE S.A. directly reflects the Group's creditworthiness, considering the Group internal guaranty and solidarity system, etc. Its domestic retail banking networks have historical strength in home loans for individual customers and small and mid-sized enterprise loans. Its franchise is thus robust. Although there is room for improvement in risk resilience and liquidity compared to what the rating suggests, credit costs stay low and the loan-to-deposit ratio has been reduced. In consideration of the above and other factors, R&I has affirmed the Issuer Rating. The Rating Outlook is Stable.

Given low interest rates in Europe and slow growth in the French economy, profitability may remain under downward pressure for the foreseeable future. While working to boost revenue through the expansion of Natixis's asset management business and other efforts, the Group is focusing on cost management. In its strategic plan through 2017, it aims to reduce the cost-to-income ratio to 65% or below. R&I will keep eyes on whether the Group is able to achieve stable profits.

Credit costs, which have been decreased partly through disposal of non-strategic assets, stay at low levels. Even so, the Group's loans to corporate customers, which account for a large proportion of risk weighted assets, are more sensitive to the situation of the domestic economy and public works compared with home loans. The changes in the credit costs should hence be carefully observed. Moreover, among Natixis's energy-related exposure, the Group is accumulating provisions for North American independent oil producers. Given this, attention is also required for an impact of the crude oil price fall.

If the Group further improves earning capacity and decreases run-off portfolios, such as exposures to securitization and the international public sector, that will lead to a rise in the risk resilience. As of end-March 2016, the Group estimated the Common Equity Tier 1 capital ratio (without transitional measures and after considering the acquisition of Peter J. Solomon Co.) of 13%, as well as the total capital ratio of 17.1%. In order to meet the total loss absorbing capacity requirements to be applied in 2019, the Group set a target total capital ratio of 18%, which is reasonably achievable.

The customer loan-to-deposit ratio was 119% (excluding a covered bonds issuer) as of the end of March 2016. Although the ratio has been falling since 2010, the level is still relatively high. That said, the liquidity coverage ratio under Capital Requirements Directive 4 rules exceeds 110%. The Group has worked to diversify investors and its dependence on short-term funding has started to fall. Concern about liquidity is small.

The primary rating methodologies applied to this rating are provided at "R&I's Basic Methodology for Corporate Credit Ratings", "Shared Rating Approach for Financial Institutions, etc.", "Depository Financial Institutions", "R&I's Analytical Approach to Financial Groups" and "R&I's Analytical Approach to Regulatory Capital Instruments and Financial Institutions, etc." The methodologies are available at the web site listed below, together with other rating methodologies that are taken into consideration when assigning the rating.

<http://www.r-i.co.jp/eng/cfp/about/methodology/index.html>

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R&I RATINGS:

ISSUER: BPCE S.A.
Issuer Rating
RATING: A, Affirmed
RATING OUTLOOK: Stable

Shelf Registration (Bonds)

ISSUE AMOUNT (mn): JPY 800,000
ISSUE PERIOD: From Nov 28, 2015 to Nov 27, 2017
RATING: **Senior Bonds: A, Affirmed (Preliminary)**
Sub. Bonds: A-, Affirmed (Preliminary)

Japanese Yen Sub. Bonds No.1	Issue Date	Maturity Date	Issue Amount (mn)
	Jan 30, 2015	Jan 30, 2025	JPY 27,200

RATING: A-, Affirmed

Japanese Yen Callable Sub. Bonds No.2	Issue Date	Maturity Date	Issue Amount (mn)
	Jan 30, 2015	Jan 30, 2025	JPY 7,900

RATING: A-, Affirmed

Japanese Yen Sub. Flt. Rate Bonds No.3	Issue Date	Maturity Date	Issue Amount (mn)
	Jan 30, 2015	Jan 30, 2025	JPY 13,200

RATING: A-, Affirmed

Japanese Yen Bonds No.9	Issue Date	Maturity Date	Issue Amount (mn)
	Jul 09, 2015	Jul 09, 2018	JPY 1,400

RATING: A, Affirmed

Japanese Yen Bonds No.10	Issue Date	Maturity Date	Issue Amount (mn)
	Jul 09, 2015	Jul 09, 2020	JPY 60,800

RATING: A, Affirmed

Japanese Yen Flt. Rate Bonds No.5	Issue Date	Maturity Date	Issue Amount (mn)
	Jul 09, 2015	Jul 09, 2019	JPY 600

RATING: A, Affirmed

Japanese Yen Sub. Bonds No.4	Issue Date	Maturity Date	Issue Amount (mn)
	Dec 11, 2015	Dec 11, 2025	JPY 25,100

RATING: A-, Affirmed

Japanese Yen Callable Sub. Bonds No.5	Issue Date	Maturity Date	Issue Amount (mn)
	Dec 11, 2015	Dec 11, 2025	JPY 10,100

RATING: A-, Affirmed

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NEWS RELEASE

Japanese Yen Sub. Flt. Rate Bonds No.6 RATING:	Issue Date Dec 11, 2015 A-, Affirmed	Maturity Date Dec 11, 2025	Issue Amount (mn) JPY 500
Japanese Yen Bonds No.11 RATING:	Issue Date Dec 11, 2015 A, Affirmed	Maturity Date Dec 11, 2020	Issue Amount (mn) JPY 66,400
Japanese Yen Flt. Rate Bonds No.6 RATING:	Issue Date Dec 11, 2015 A, Affirmed	Maturity Date Dec 11, 2020	Issue Amount (mn) JPY 3,100
Japanese Yen Bonds No.12 RATING:	Issue Date Jun 17, 2016 A, Affirmed	Maturity Date Jun 17, 2021	Issue Amount (mn) JPY 1,500
Japanese Yen Bonds No.13 RATING:	Issue Date Jun 17, 2016 A, Affirmed	Maturity Date Jun 16, 2023	Issue Amount (mn) JPY 40,000
Japanese Yen Bonds No.14 RATING:	Issue Date Jun 17, 2016 A, Affirmed	Maturity Date Jun 17, 2026	Issue Amount (mn) JPY 19,100
Japanese Yen Sub. Bonds No.7 RATING:	Issue Date Jul 13, 2016 A-, Affirmed	Maturity Date Jul 13, 2026	Issue Amount (mn) JPY 17,300
Japanese Yen Callable Sub. Bonds No.8 RATING:	Issue Date Jul 13, 2016 A-, Affirmed	Maturity Date Jul 13, 2026	Issue Amount (mn) JPY 35,700

A preliminary rating is assigned when a provisional credit rating is needed for an individual obligation on which final terms have not been determined. A credit rating finally assigned may differ from the preliminary rating depending on, among others, the details of the actual contract of the individual obligation.

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