



# NEWS RELEASE

Oct 23, 2017

## 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. Its domestic retail banking networks have historical strength in home loans for individual customers and small and midsized enterprise loans. Its franchise is thus robust. In consideration of such factors and the risk resilience commensurate with the rating, R&I has affirmed the Issuer Rating. The Rating Outlook is Stable.

According to a plan announced in 2017, the Group aims to achieve 1 billion euros in cost savings by 2020, drawing on cumulative investments of 790 million euros. It also intends to reduce the number of branches by a minimum of 5% and the number of regional banks to 28. Meanwhile, a plan to accelerate the digital transformation of Group businesses is underway with investments of 750 million euros in IT areas. R&I will keep an eye on whether the Group is able to make stable profits by, for example, enhancing operational excellence and lowering the cost-to-income ratio.

The credit cost ratio, which has decreased due partly to disposals in run-off portfolios, stays low. Even so, changes in credit costs should be carefully observed because the Group's loans to corporate customers are more sensitive to trends in the domestic economy and public works than home loans. Credit costs for Natixis have been lower in 2017 thanks in part to additional provisions for energy-related sectors in 2016, particularly for North American independent oil producers. The remaining run-off portfolios, such as mortgage-backed securities and public-sector assets, are also continuously reduced, and their impact on asset quality is diminishing.

The Group's risk resilience has improved to a level commensurate with the rating. As of end-June 2017, the Group estimated the Common Equity Tier 1 ratio (without transitional measures) at 14.6%, which suggests a sustained improving trend stemming from the accumulation of retained earnings and capital subscription by cooperative shareholders. Its estimated total loss absorbing capacity (TLAC) ratio (without transitional measures) stood at 19.9%. Based on its assumptions, the Group already satisfies the TLAC requirements to be applied in 2019.

The customer loan-to-deposit ratio was 120% (excluding a covered bonds issuer) at end-2016. Although the ratio has fallen 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 decline. Accordingly, 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". The methodologies are available at the web site listed below, together with other rating methodologies that are taken into consideration when assigning the rating.

[https://www.r-i.co.jp/en/rating/about/rating\\_method.html](https://www.r-i.co.jp/en/rating/about/rating_method.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 Preferred Bonds: A, Affirmed (Preliminary)**  
**Senior Non-Preferred Bonds: A-, Affirmed (Preliminary)**  
**Sub. Bonds: A-, Affirmed (Preliminary)**

<b>Japanese Yen Sub. Bonds No.1</b>	<b>Issue Date</b> Jan 30, 2015	<b>Maturity Date</b> Jan 30, 2025	<b>Issue Amount (mn)</b> JPY 27,200
<b>RATING:</b>	<b>A-, Affirmed</b>		
<b>Japanese Yen Callable Sub. Bonds No.2</b>	<b>Issue Date</b> Jan 30, 2015	<b>Maturity Date</b> Jan 30, 2025	<b>Issue Amount (mn)</b> JPY 7,900
<b>RATING:</b>	<b>A-, Affirmed</b>		
<b>Japanese Yen Sub. Flt. Rate Bonds No.3</b>	<b>Issue Date</b> Jan 30, 2015	<b>Maturity Date</b> Jan 30, 2025	<b>Issue Amount (mn)</b> JPY 13,200
<b>RATING:</b>	<b>A-, Affirmed</b>		
<b>Japanese Yen Bonds No.9</b>	<b>Issue Date</b> Jul 09, 2015	<b>Maturity Date</b> Jul 09, 2018	<b>Issue Amount (mn)</b> JPY 1,400
<b>RATING:</b>	<b>A, Affirmed</b>		
<b>Japanese Yen Bonds No.10</b>	<b>Issue Date</b> Jul 09, 2015	<b>Maturity Date</b> Jul 09, 2020	<b>Issue Amount (mn)</b> JPY 60,800
<b>RATING:</b>	<b>A, Affirmed</b>		
<b>Japanese Yen Flt. Rate Bonds No.5</b>	<b>Issue Date</b> Jul 09, 2015	<b>Maturity Date</b> Jul 09, 2019	<b>Issue Amount (mn)</b> JPY 600
<b>RATING:</b>	<b>A, Affirmed</b>		
<b>Japanese Yen Sub. Bonds No.4</b>	<b>Issue Date</b> Dec 11, 2015	<b>Maturity Date</b> Dec 11, 2025	<b>Issue Amount (mn)</b> JPY 25,100
<b>RATING:</b>	<b>A-, Affirmed</b>		

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Japanese Yen Callable Sub. Bonds No.5 RATING:	Issue Date Dec 11, 2015 A-, Affirmed	Maturity Date Dec 11, 2025	Issue Amount (mn) JPY 10,100
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
Japanese Yen Bonds No.15 RATING:	Issue Date Jan 27, 2017 A, Affirmed	Maturity Date Jan 26, 2024	Issue Amount (mn) JPY 64,600
Japanese Yen Bonds No.16 RATING:	Issue Date Jan 27, 2017 A, Affirmed	Maturity Date Jan 27, 2027	Issue Amount (mn) JPY 8,500

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Japanese Yen Senior Non-Preferred Bonds No.1 RATING:	Issue Date Jan 27, 2017 A-, Affirmed	Maturity Date Jan 27, 2022	Issue Amount (mn) JPY 69,600
Japanese Yen Bonds No.1 (Social Bonds) RATING:	Issue Date Jun 30, 2017 A, Affirmed	Maturity Date Jun 30, 2022	Issue Amount (mn) JPY 24,500
Japanese Yen Bonds No.2 (Social Bonds) RATING:	Issue Date Jun 30, 2017 A, Affirmed	Maturity Date Jun 28, 2024	Issue Amount (mn) JPY 23,500
Japanese Yen Bonds No.3 (Social Bonds) RATING:	Issue Date Jun 30, 2017 A, Affirmed	Maturity Date Jun 30, 2027	Issue Amount (mn) JPY 7,600
Japanese Yen Bonds No.4 (Social Bonds) RATING:	Issue Date Jun 30, 2017 A, Affirmed	Maturity Date Jun 30, 2032	Issue Amount (mn) JPY 2,500
Japanese Yen Senior Non-Preferred Bonds No.2 RATING:	Issue Date Jul 26, 2017 A-, Affirmed	Maturity Date Jul 26, 2022	Issue Amount (mn) JPY 10,000

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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